Kulim (Malaysia) Berhad

STRENGTHENING
CORE COMPETENCIES

INTEGRATED ANNUAL REPORT 2018

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COVER RATIONALE

The theme for Kulim's Integrated Annual Report 2018 "Strengthening Core Competencies" communicates Kulim's effort in implementing sound strategies and delivering innovative solutions while remaining focused on the next course after having defined new perspectives. These initiatives will propel the Group towards a progressive and positive business future.

Leveraging on our diverse business offerings, we are able to realise growth potential and optimise value for all. We are passionate and committed in achieving excellence and attaining exemplary results while spearheading the Group towards a more promising and sustainable future.

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AT A GLANCE

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Vivid view of Pasir Panjang Estate, Kota Tinggi

2018 HIGHLIGHTS
CORPORATE DEVELOPMENT

22 JUNE 2018

Kulim obtained the Plan of Development ("POD") approval from Government of Indonesia for the development in South West Bukit Barisan ("SWBB") Production Sharing Contract ("PSC")

30 JUNE 2018

Kulim had ceased the operation of Microwell Bio Solutions Sdn Bhd

17 AUGUST 2018

Sail away of new fast crew boat of E.A. Technique (M) Berhad - M.V. Nautica Gambir

28 SEPTEMBER 2018

Sail away of new fast crew boat of E.A. Technique (M) Berhad - M.V. Nautica Langsat

1 NOVEMBER 2018

Kulim completed the disposal of 95% equity in Pinnacle Platform Sdn Bhd held by EPA Management Sdn Bhd to Extreme Edge Sdn Bhd

30 NOVEMBER 2018

Kulim completed the acquisition of 49% equity in Pristine Bay Sdn Bhd held by Johor Land Holdings Sdn Bhd

20 DECEMBER 2018

Kulim completed the disposal of Asia Economic Development Fund Limited ("AEDFL") to Johor Logistics Sdn Bhd

PERFORMANCE
FOR THE YEAR 2018

Average Selling Price

CPO 18.41%

FY 2018:
RM2,327 pmt

FY 2017:
RM2,852 pmt

PK 26.16%

FY 2018:
RM1,792 pmt

FY 2017:
RM2,427 pmt

REVENUE 9.15%

FY 2018:
RM1.39 billion

FY 2017:
RM1.53 billion

PBT 106.39%

FY 2018:
RM71.04 million

FY 2017:
RM34.42 million

Dividend to Shareholders

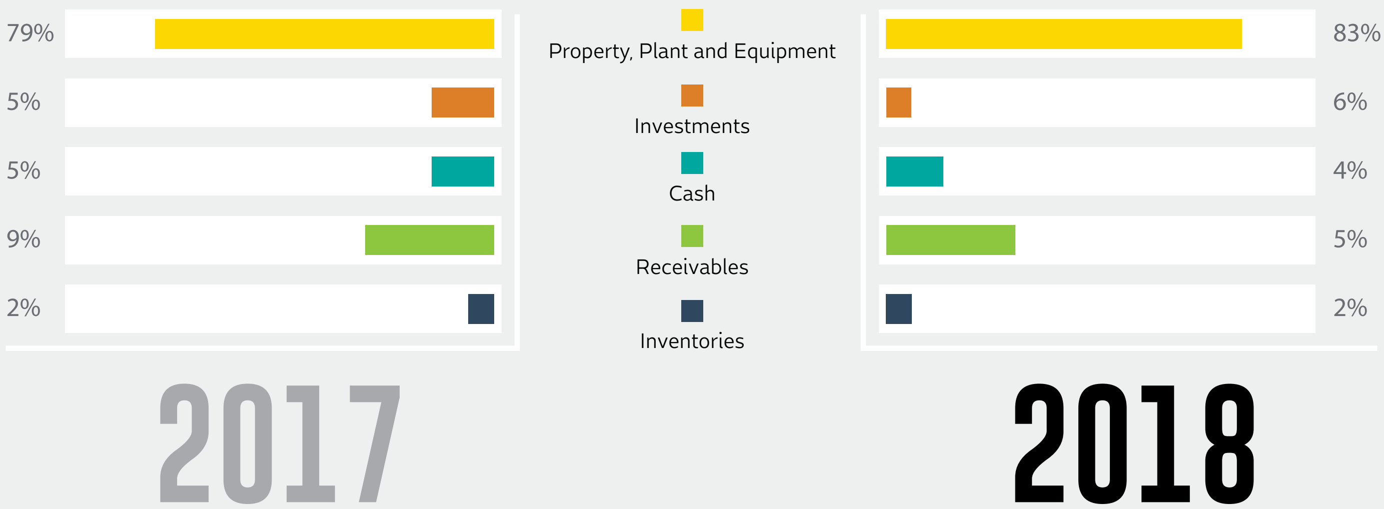
RM150 million

Net Gearing Ratio: 0.43 times

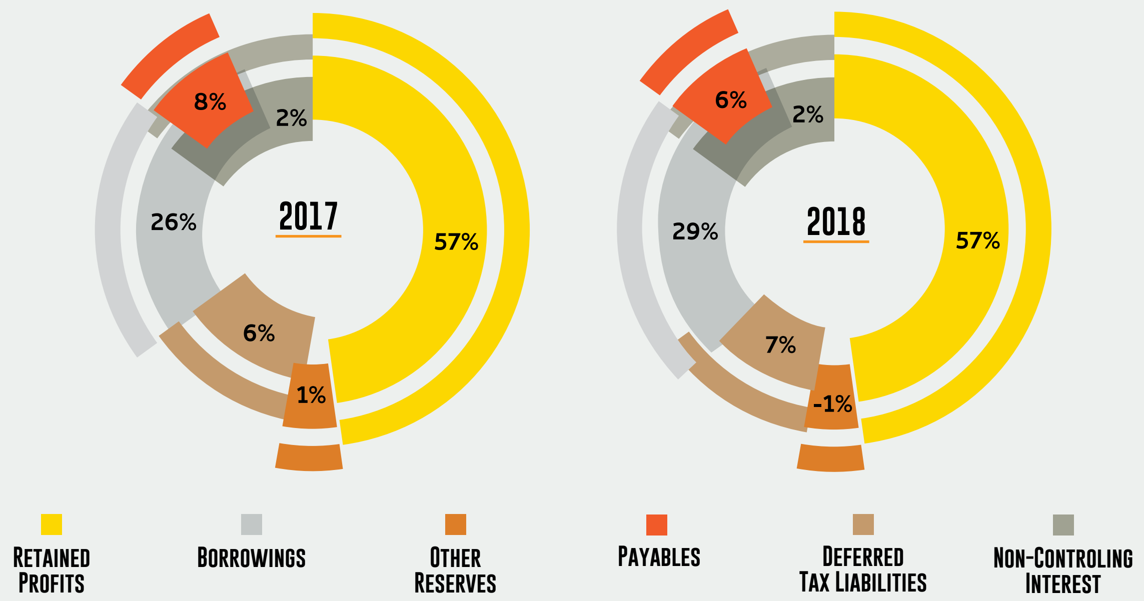
Gross Gearing Ratio: 0.50 times

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY



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CORPORATE PROFILE

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

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

On 23 June 2016, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") adding 8,345 hectares of oil palm planted in South Sumatera. With the completion of this strategic acquisition, the Kulim Group's total oil palm planted area boosted to 55,604 hectares at end-2018 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.

Crude palm oil storage tank of Sindora Palm Oil Mill, Kluang

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 among 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 VENTURE

Established as one of Kulim's principal growth thrust, Intrapreneur Venture ("IV") Division is involved in a diverse range of businesses including support operations for plantation, biofertilizer, agricultural machinery, oil palm nursery and provide training and other related services related to occupational, safety and health, 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. 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, Agrofood 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 › C OMPETITIVE A CTION R ESPONSIBLE E THICAL

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.

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

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

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

... **We Care**... So we share.

STRATEGIC PERFORMANCE

CONTENT :

- KEY STRATEGIC FOCUS AND SUSTAINABLE VALUE CREATION
- THE FULL INFRASTRUCTURE LIFECYCLE
- STRATEGIC THRUSTS
- STAKEHOLDER'S ENGAGEMENT
- SUSTAINABILITY COMMITMENTS AND TARGETS

2018

KEY STRATEGIC FOCUS AND SUSTAINABLE VALUE CREATION

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

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

Our pursuit of enhancing value and attaining growth is firmly underpinned by commitment to embrace sustainability and initiate innovative strategies that are implemented across the Group's full infrastructure lifecycle supported by strong corporate governance fundamentals as an evading philosophy.

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

STRATEGIC THRUSTS

CORPORATE STRATEGIES

PRODUCTIVITY IMPROVEMENT

KEY PROGRAMMES

- Progressive replanting
  - Optimise FFB production, towards ideal age profile
- Increase productivity through R&D
  - Tissue culture, improved seeds materials - new high yielding clones, high standard estate operation & POM oil recovery initiatives
- Optimum fertilizer efficiency
- New technologies and innovative mechanisation
- Application of Good Agriculture/ Manufacturing Practices and RSPO/ MSPO Practices

VALUE CREATED

- Year-on-year improvement in FFB yield
- Cost-savings resulted from systematic work procedure
- More effective management of ever increasing foreign labour costs
- Best agriculture practices via training
- Deployment of performance measurement of each operating unit

COST MANAGEMENT

KEY PROGRAMMES

- Mill working hours/ optimum throughput
- Value-added ventures
  - Mills downstream, biogas plant, biofertilizer
- Centralised bulk purchasing practice and longer-term partnership

VALUE CREATED

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

VALUE UNLOCKING

KEY PROGRAMMES

- Disposal of rightly priced assets
- Involvement in new businesses
  - Downstream activities
- Transforming estates into property
- Monetisation of land assets

VALUE CREATED

- Optimisation of resources
- Realisation of higher asset value

BUSINESSES

HUMAN CAPITAL DEVELOPMENT

- Inculcate high performance culture
- Unlock people potential for manpower optimisation
- Strengthening Kulim talent pipeline
- Promote sense of belonging/ loyalty and enhance Team Work Synergy with continues improvement mindset
- Enhance fair human resource system
- Exchange knowledge between Malaysia and Indonesia business operation

- Optimisation of resources
- Lower staff turnover/ sustainable manpower/ talent retention
- Professional certification
  - Account/ Finance/ Engineering/ Technical expertise/ Scientist: Tissue Culturist, Horticulturist etc.

CORPORATE RESPONSIBILITY

- Sustainable Palm Oil ("SPO") programme and realisation of benefits
- Continuous commitment to RSPO and MSPO
- Enhanced stakeholders' engagement
  - Internal and external
- Continuous support community development through education
  - PINTAR Programme/ Johor Corporation Tuition Project and Kulim Wildlife Defenders ("KWD")

- More effective management to support community development
- Reduce cost of damage control
- More efficient in doing business as a result of good relationship with stakeholders
- Assist in increasing the income of participants of Agropreneurs B40 Programme (Pineapple)
- Preserved environment and save the earth

EXPANSION/ DIVERSIFICATION

- Expansion/ exploring options in other geographical region
- Enhanced integration and expand napier activities
- Monetisation of O&G business
- Agropreneur and increase productivity
- Downstream pineapple products

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

STAKEHOLDER'S ENGAGEMENT

STAKEHOLDER GROUPS	TOPICS DISCUSSED & THE GROUP'S RESPONSE	TYPES OF ENGAGEMENT
EMPLOYEES	Following climate survey, we conducted benchmark and review of salaries, initiated career and succession Initiated online Peers and Reverse Performance Feedback ("PARFEED"), performance appraisal and assess competency training needs	Dialogues, surveys, employee training programmes and sponsorship programmes
BUSINESS PARTNERS	Ethics, values and governance, advocating and embedding sustainability RSPO and MSPO certification, labour policies and human rights, grievance mechanism, sustainability risk and opportunity, socially-responsible landbank expansion Growth opportunities across Divisions, mergers and acquisitions, divestments, capital allocation, corporate governance Operational developments, risk/ opportunities across Divisions	Dialogues and relationship investments Group/ one-on-one meetings Operational site visits, annual report Updates on website
WORKERS	Four (4) units of staff's new housing for one (1) estate Training and facilities provided to Women OnWards ("WOW") project at Operating Units ("OUs") and help them to market the products during company events and festive season Awareness on economic and social achievement and challenges of women in future Encourage business entrepreneur among workers' dependents/ housewives Recognition for "*Anugerah Kecemerlangan Pekerja Wanita*" to appreciate women's contribution to the organisation and community	Annual Social Impact Assessments ("SIA") Promote possession of skills and income generation among housewives by WOW
SHAREHOLDERS	Ethics, values and governance, advocating and embedding sustainability Growth opportunities across Divisions, mergers and acquisitions, divestments, capital allocation, dividend payout, corporate governance Volatility in CPO prices, demand – supply dynamics, enhancement of operational efficiency, strengthening leadership position Operational developments, risk/ opportunities across Divisions	Group/ one-on-one meetings Operational site visits, annual reports Updates on website Dialogues and relationship investments
MEDIA	Operational developments at Group and Division levels Sustainability and Corporate Responsibility developments	Press releases, regulatory announcements, fact sheets

STAKEHOLDER GROUPS	TOPICS DISCUSSED & THE GROUP'S RESPONSE	TYPES OF ENGAGEMENT
SUPPLIERS	Tender procedure/ negotiation	Contract suppliers Interview, negotiation
UNIONS	Terms and conditions of plantation staff and workers through Collective Agreement	Conference Group/ one-on-one meetings
GOVERNMENT & REGULATORS	Sustainability, social issues, local communities and sectorial development Attending discussion/ meeting with local state government to discuss issues on Biodiversity/ Sustainability Participants outputs in *"Rakan Alam Sekitar"* Support of nation-building efforts and national agendas	Regular engagement and communication Corporate Responsibility initiatives Sports and recreation activities
COMMUNITIES & OUTGROWERS	Response to communities affected by environmental disasters as well as the needs of vulnerable community groups through programme Meeting and engagement for certification with FFB suppliers/ smallholders	Disaster relief efforts Community outreach and development programmes Humanitarian assistance
CUSTOMERS	Our Certified Sustainable Palm Oil ("CSPO") is sold to buyers via Identity Preserved ("IP"), Mass Balance and Green Palm Book and Claim traceability mechanism - ISCC Oil EU and ISCC Plus *Halal* certification of our products ISO 9001:2015 Certification on quality of mill ISO 14001:2015 Certification on environment	Joint ventures and ad-hoc meeting RSPO and ISCC briefing
NGOs	Support of social and environmental policies and Corporate Responsibility programmes Implementation of responsible business practices, compliance to local and international laws	Consistent dialogue and engagement Charitable contributions

SUSTAINABILITY
COMMITMENTS AND TARGETS

Malaysia Plantation

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

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

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

DESCRIPTION	TARGET	COMMENT
Lost Time Accident Rate ("LTAR") below 10	On-going commitment	2018 – Achieved at 1.98 The improved of LTAR from 3.41 in 2017 to 1.98 in 2018 was primarily due to consistent training and strict supervision by the OUs in the aspects of occupational safety and health
Reduce severity rate to below 3.5	On-going commitment	2018 - Achieved at 3.25
Zero fatalities	On-going commitment	Achieved
No increase in peat development	On-going commitment	Achieved
No development on land containing one (1) or more high conservation values	On-going commitment	Achieved
No fine for environment-related incidents	On-going commitment	Achieved
Biennial carbon report of Kulim plantation	2019	The report will be published in 2019

DESCRIPTION	TARGET	COMMENT
2% reduction in usage of glyphosate on one (1) year old palms	2020	The average glyphosate usage in first year planting was noted to increase about 20% from 5.61 litre/ hectare/ year in 2017 to 6.74 litre/ hectare/ year in 2018 The increase of dosage was mainly due to eradication of Ischameum in some of the estates The said weed is normally required high glyphostate dosage at 2.51/ha and 2-3 rounds of spraying
5% reduction paraquat out of total herbicide usage	2020	Achieved – No new purchase of paraquat effective on 1 March 2015
Reduce water usage to 1.2 m^3 per tonne of FFB	On-going commitment	2018 - Achieved at 1.10 m^3 per tonne FFB The reduction in water consumption is mainly due to the recycling of sterilizer condensate into mill operation
ISCC in five (5) mills	2017	Achieved - Three (3) POM have been certified since 2013. Pasir Panjang POM and Palong Cocoa POM were also certified on 19 March 2017 and 9 May 2018 respectively
CO_2 equivalents reduction by 90%	2017	Three (3) unit biogas plants – Sedenak POM, Pasir Panjang POM and Sindora POM are running The other two (2) unit biogas plants are expected to be installed by 2019
100% of external fruit to be certified	2019	Target to certify one (1) traders in 2019
Achieve average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("PPER") of 30%	2036	PPER for 2018 is 26.41% Achievement is due to continuous replanting activity with higher yielding material, improvement in crop quality and oil recovery
WOW unit - to evaluate and to find the qualified person among housewife in Kulim's Estate to be trained as adviser among colleague	2017	Regional Controller's ("RC") Executives has been appointed as Social Officer for each complex Achieved - Introducing and briefing on the functional of the Social Officer to all workers has been done in 2017

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Tractor for in-field FFB evacuations; Sungai Papan Estate, Kota Tinggi

SECTION 1

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

"The year 2018 has been another eventful one for Kulim (Malaysia) Berhad ("Kulim"), where the Group once again proved its fundamental strengths by recording yet another commendable performance amidst the significant headwinds faced by the industry."

Despite the turbulent business environment, Kulim continues to prove its resilience in weathering such circumstances, thanks to well-executed business strategies planned by our management over the past several years.

Being a subsidiary of Johor Corporation ("JCorp") , it is with pride that our committed team continue to strive in delivering value to all our stakeholders, despite tough business conditions.

While the Financial Year 2017 ("FY 2017") has seen us **"Defining New Perspectives"** for the Group, this year is the year for us to strengthen our key businesses and leverage on our strengths, hence the theme of Kulim's Integrated Annual Report 2018 is **"Strengthening Core Competencies".**

On behalf of the Board of Directors, it is my pleasure to present the fifth Integrated Annual Report and Audited Financial Statements of Kulim (Malaysia) Berhad for the financial year ended 31 December 2018 ("FY 2018").

IAR 2014 IAR 2015 IAR 2016 IAR 2017 IAR 2018

ENHANCED VALUE SYNERGISTIC STRENGTH

A COMMENDABLE PERFORMANCE

In 2018, Kulim continued to strengthen its core competencies with regards to its business operations. This strategic move has proven beneficial to the Group, in a year that was rife with various challenges which include Crude Palm Oil ("CPO") and Palm Kernel ("PK") price fluctuations, weather uncertainties, as well as stagnant growth potential and cost escalation for our Malaysian operations. In addition, our Group had to operate amidst unfavourable exchange rates, capital constraints, changes introduced by the Government, rising operating costs and manpower shortages were also issues that have to be faced by the Group.

At the global scene, the industry is also facing dwindling demand from traditional export markets, which was made tougher by the smear campaign against palm oil from the European Union ("EU").

On a brighter side, palm oil production is expected to increase after the El Nino phenomenon, whereby young palm will come to maturity, hence increasing the harvested areas.

DATO' KAMARUZZAMAN ABU KASSIM

Chairman / Non-Independent
Non-Executive Director

MESSAGE FROM **THE CHAIRMAN**

OUR ACHIEVEMENTS

Kulim has set a high level of standards in running our business, whereby the numerous industry awards and accolades received by the Group over the past years are testament to our continuous efforts in strengthening our position as a responsible and sustainable corporate player.

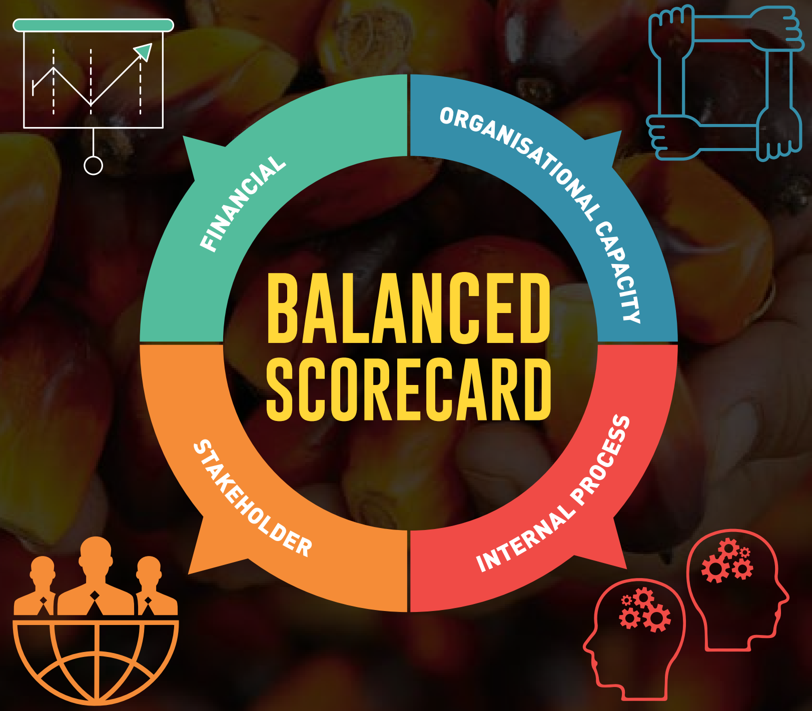
In the year under review, Kulim was announced as the winner in Excellence Category for Sustainable Palm Oil Plantation Management at the Global Responsible Business Leadership Award 2018. This prestigious award which are aligned with the criteria of the United Nation's Sustainable Development Goals is presented to corporate players with outstanding Corporate Social Responsibility ("CSR") and corporate sustainability practices.

At the 10th Annual Global CSR Summit Award 2018, Kulim was announced as the winner in three (3) categories, namely Best Environment Practices Award (Platinum), Empowerment of Women Award (Gold) and Best Workplace Practices Award (Silver).

Kulim was also awarded a Plaque of Merit for CSR Category at the 41st Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP") Awards 2018. Adding to its long list of accolades are the Best Quality Leadership Award 2018 in Gold Category, as well as the Bronze award in HR Best Practices Category at the Malaysia International HR Awards & Dinner Presentation 2018.

MEASURING BUSINESS PERFORMANCE AND EFFICIENCY

We use a Balanced Scorecard which consists of financial and non-financial metrics to measure the performance and efficiency of our business. Our progress is constantly assessed against this scorecard where Key Performance Indicators ("KPI") have been identified in four (4) perspectives, namely Financial, Stakeholder, Internal Process and Organisational Capacity. As at year-end 2018, we achieved 89.83% of the Group's KPIs which has positioned us on a strong and stable trajectory.

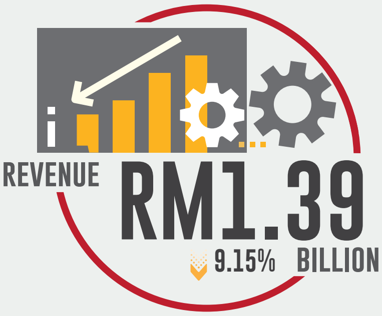


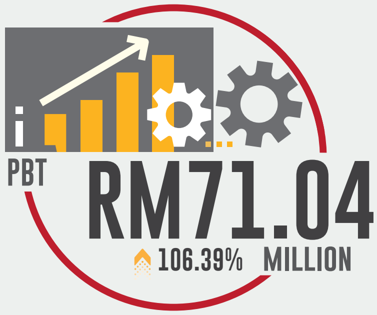
CORPORATE DEVELOPMENTS

In strengthening our core competencies, we strive to focus on the company's strengths and fine-tune our portfolio of assets to ensure optimal results for our shareholders. This would involve a variety of corporate exercises such as monetisation of assets and investments, disposal of assets that are under-performing or are no longer in line with the Group's strategic vision as well as strengthening our existing businesses, among others.

With regards to our marine services unit, E.A. Technique (M) Berhad ("EA Tech"), 2018 witnessed the launch of our two (2) new Fast Crew Boats ("FCB") namely M.V. Nautica Gambir and M.V. Nautica Langsat. The vessels, which are in the Offshore Support Vessels ("OSV") category of FCB, are to be deployed for new contracts secured by the Group. Kulim also completed numbers of corporate exercises and this will be discussed further on the Management Discussion and Analysis ("MD&A") section in this Integrated Annual Report.

MESSAGE FROM **THE CHAIRMAN**






Fast Crew Boats ("FCB") ; M.V. Nautica Gambir and M.V. Nautica Langsat of EA Tech

A CREDIBLE PERFORMANCE

Amidst the challenging operating environments, the Group's revenue declined marginally to RM1.39 billion as of end-December 2018 from RM1.53 billion recorded in FY 2017. Nonetheless, the Plantation Segment remained as the main contributor to the Group contributing RM843.68 million or 60.80% of total revenue.

However, Profit Before Tax ("PBT") increased to RM71.04 million from RM34.42 million posted in the previous year. The major contributor to Group PBT were Plantation segment contributing RM49.97 million and O&G segment due to reversal cost of Engineering, Procurement, Contracts, Installation and Constructions ("EPCIC") project by EA Tech amounting to RM70.76 million.

DIVIDENDS

Kulim remains steadfast in delivering value to the shareholders and in line with this commitment, the Board has approved a total dividend payment of RM150 million for the FY 2018.

OUR SUSTAINABILITY AGENDA

Striving for sustainability remains a core part of our operations, as we pride ourselves as being one of the first Malaysian companies to be certified to the RSPO, a not-for-profit organisation which has developed a set of global standards which companies must comply with in order to produce Certified Sustainable Palm Oil ("CSPO"). When properly applied, the environmental and social criteria set by RSPO can help minimise the adverse impact of palm oil cultivation on the environment and communities.

Almost all of our operations in Malaysia, including JCorp's plantations managed by Kulim, are fully RSPO-certified since January 2009. To date, five (5) of our mills have accorded the RSPO certification, with the latest certification received for Pasir Panjang Palm Oil Mill on 9 March 2017.

We have set a target to have our fully segregated mills for internal Fresh Fruits Brunches ("FFB") processing, with the exception of Sedenak Palm Oil Mill, to gain the benefits of Sustainable Palm Oil ("SPO") premium. The sustainability premiums could become an important contributor to the Kulim Group's margins in the future.

The commissioning of Sindora Biogas Plant, which has commenced on 16 January 2018, marked another step forward in our plantation business and sustainability agenda. As at the end of 2018, three (3) biogas plant have already been installed and in operations, while another two (2) biogas plants will be installed in 2019. By generating biogas from Palm Oil Mill Effluent ("POME"), it can help to reduce emissions while generating energy, thereby improving the Greenhouse Gas ("GHG") impacts of palm oil production.

First launched in 2015 on a voluntary basis, the Malaysian Sustainable Palm Oil ("MSPO") certification will become mandatory for all Malaysian oil palm producers by 2019. While our strategy and sustainability policy have always embraced the 3Ps of People, Planet and Profit, we have recently transitioned into the more comprehensive 5Ps that are built on the principles of Peace, Prosperity, Planet, People and Partnership, which will be elaborated further in the Section 4 of Sustainability Report.

HUMAN CAPITAL & CORPORATE RESPONSIBILITY

Our organisation is only as good as our people. In this regard, we have developed our very own human capital strategies to inculcate high performance culture in the company, as well as to unlock the people potential for manpower optimisation. Our human capital strategies are also aimed at strengthening Kulim's talent pipeline and promoting a sense of belonging and loyalty among our staff, while enhancing the teamwork synergy with a continuous improvement mindset.

At the same time, we strive to enhance and maintain fair human resource practices which have resulted in a thriving work culture. Our human capital development initiatives also involve the exchange of management knowledge between our Malaysian and Indonesian operations as well as relocation of employees across all business operations in Kulim's Group.

In 2018, we have implemented several key programmes to develop our human capital, one of which was the Change Management Programme and Internalised CARE (*refer to page 9*) of Kulim's core values. In addition, initiatives have been taken to close competency gaps for critical roles, as well as to strengthen our Performance Management System ("PMS").

We have also undertaken our Talent Management and Leadership Development Programmes and conducted employees engagement sessions to further enhance the Group's human resource capabilities and introduce a competitive total remuneration package to ensure that our employees are well-paid.

In terms of Corporate Responsibilities ("CR") strategies, our Group have provided continuous support for community development in collaboration with the government agencies, NGO's as well as JCorp through education and awareness initiatives such as PINTAR programme, Johor Corporation Tuition Project and Kulim Wildlife Defenders ("KWD") just to name a few. As a responsible corporate citizen, we have allocated an annual budget for our CR activities which include internship programmes with priority given to the natives of Johor, as well as the children of our employees.

As part of our CR strategies, we also pledged our continuous commitment to RSPO to ensure our operations are carried out in a sustainable manner, in a way that will not harm the people and the planet.

Daily monitoring and analysing gas parameter at Sindora Palm Oil Mill, Kluang

MESSAGE FROM **THE CHAIRMAN**

MOVING FORWARD

Having redefined our perspectives and strengthening our core competencies, we are now ready to face the coming Financial Year 2019 ("FY 2019") which is expected to be another challenging period for us. Thus, we have set clear strategies for each of our business segment to ensure that the Group are able to weather the challenges, while creating optimum value for shareholders.

Plantation

It is imperative that we remain committed in strengthening our core plantation business by aggressively boosting our planted areas and concurrently increase the annual CPO production by the Group. We will also continuously establish updated techniques, deploy innovation, R&D in plantation management experience and know-how and progressively enhance mechanisation/automation programme which is expected to increase efficiency and productivity. Increased production output will also be a catalyst towards higher value chain activity including trading, midstream and within high growth sectors in various downstream activities. This will strengthen its position in various market segments for Kulim be it in oleochemicals, oils and specialty fats, even FMCG markets. More importantly this provides strategic and vertical integration of Kulim's plantation operations by capturing higher margin value chains.

We are pleased to note that as part of our CR initiatives and community projects, the Group has disbursed a total of RM18.43 million as our contribution to the well-being of the community.

R&D

Anchored with the vision to generate cutting-edge proprietary palm oil plantation technologies to enhance operational performance and commercial utilisation, Kulim R&D Centre is deployed in 2018. It is our desire to be the premier front-runner in the oil palm research to support internal growth across all sectors, which involve improving the yield of selected crops through tissue culture agronomy, development of by-products for use in generating new products with higher-growth, higher-margin industries and optimising waste, among others.

Intrapreneur Venture

The previous financial years had seen Kulim laying the foundations in creating a conducive ecosystem for intrapreneurs through Intrapreneur 2.0 Programme which was implemented across all Intrapreneur Ventures companies in 2017. The next step for us will be to harvest matured ventures and enhance the performance of our Intrapreneur Venture companies that are related to palm oil business, whilst exiting from non-performing businesses to optimise returns for the Group.

MD2 Pineapple project at Tanah Abang, Mersing with planted area spanning 48.58 hectares

Oil and Gas ("O&G")

Kulim has obtained the Plan of Development ("POD") approval from the Government of Indonesia for the South West Bukit Barisan Block ("SWBB") Production Sharing Contract ("PSC") project in West Sumatera on 22 June 2018. Moving forward, we aim to monetise our investment in the O&G business, either through Joint Ventures ("JV") with third party or "Cash Out" via dilution of KENSB's equity in PT Citra Sarana Energi ("PT CSE") for a huge potential return after development.

Agrofood

Following the positive market response towards our MD2 pineapples that are marketed under the "Melita" brand, we have identified growth opportunity in our agrofood strategy which involve larger export base into new markets. To support this, Kulim Pineapple Farm ("KPF") has embarked on an expansion programme through collaboration with Malaysian Pineapple Industry Board for the MD2 Pineapple Cultivation Project which involve a planted area of 48.58 hectares at Tanah Abang in Mersing, Johor. As for cattle-rearing business, we are targetting to expand napier planting at Tebing Tinggi, Segamat with 12 hectares of planted areas in 2019 and to produce napier pellet.

Property Development

With our vast landbank, we intend to crystalize the values of land owned by the Group which will involve the conversion of our plantation estates into property development projects, especially in strategic locations which are in high growth population, with existing pent up housing and commercial demand. Our first ever property development project at Taman R.E.M is targeted for sale by mid-2019.

MESSAGE FROM **THE CHAIRMAN**

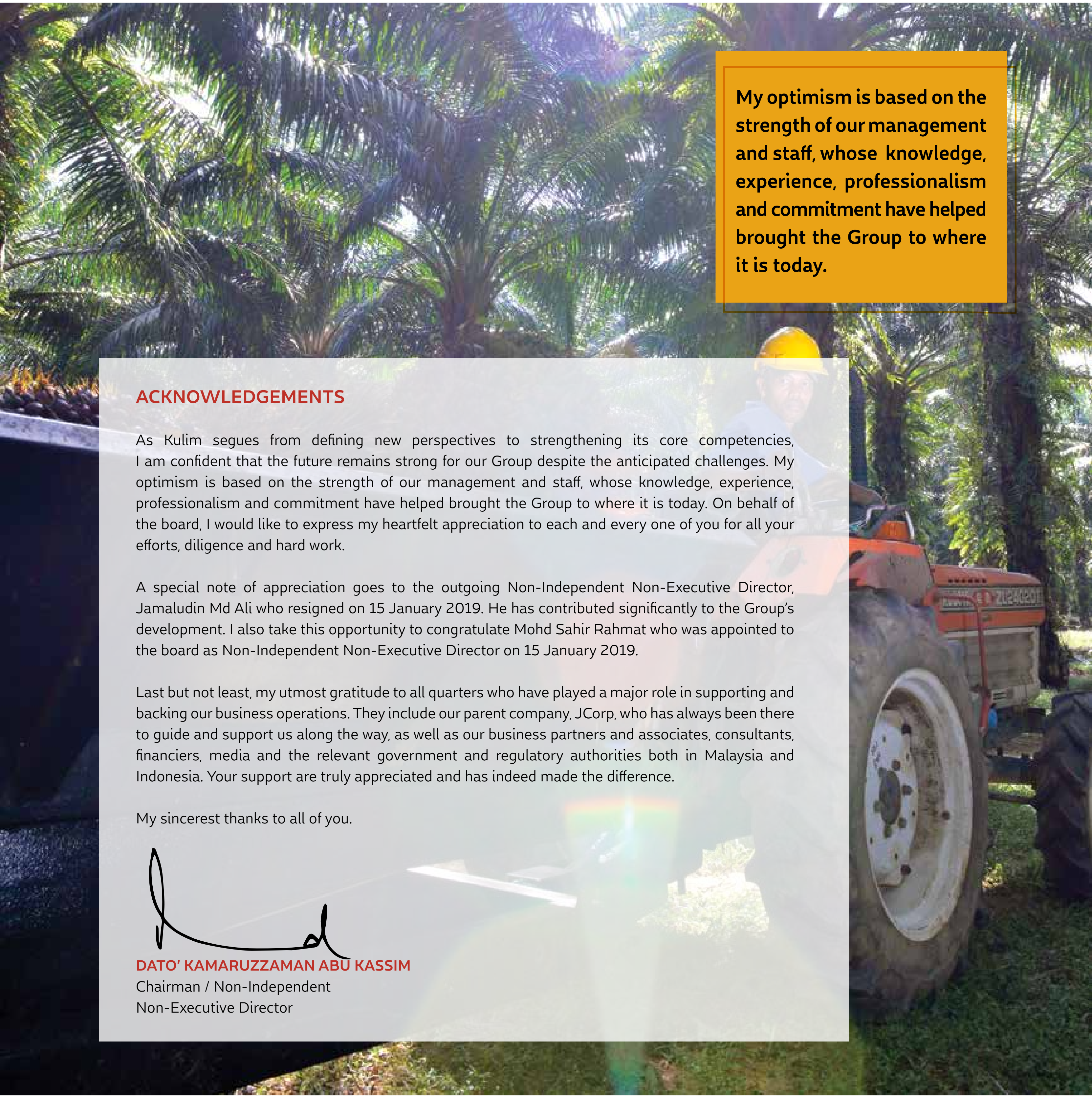
CHALLENGES AND OUTLOOK

2019 will come with its own set of challenges, such as the continued fluctuations in CPO and PK prices, crude oil price, as well as unfavourable weather conditions with the arrival of El Nino and La Nina phenomena. Challenging financial conditions involving the exchange rates and interest rates will also pose further challenges to our operations.

To create enterprise value and reinforce the foundation for future success, several strategies have already been outlined earlier by Kulim, which include:

FOCUS	EXPANSION	OPERATION	INNOVATION	SUSTAINABILITY
Remaining focused on our core business, while continually evaluating and reshaping our portfolio.	Continuously identifying, evaluating and investing in new income streams, including to expand palm oil business in other geographical regions.	Driving capital discipline while maximising productivity and cost management.	Encouraging our people to be more innovative in generating new products and patents.	Pursuing our Sustainability Agenda driven by RSPO and MSPO Certification.

Following the defining of new perspectives and the strenghtening of core competencies this year, the Kulim Group will remain robust in 2019 despite anticipated challenges.



My optimism is based on the strength of our management and staff, whose knowledge, experience, professionalism and commitment have helped brought the Group to where it is today.

ACKNOWLEDGEMENTS

As Kulim segues from defining new perspectives to strengthening its core competencies, I am confident that the future remains strong for our Group despite the anticipated challenges. My optimism is based on the strength of our management and staff, whose knowledge, experience, professionalism and commitment have helped brought the Group to where it is today. On behalf of the board, I would like to express my heartfelt appreciation to each and every one of you for all your efforts, diligence and hard work.

A special note of appreciation goes to the outgoing Non-Independent Non-Executive Director, Jamaludin Md Ali who resigned on 15 January 2019. He has contributed significantly to the Group's development. I also take this opportunity to congratulate Mohd Sahir Rahmat who was appointed to the board as Non-Independent Non-Executive Director on 15 January 2019.

Last but not least, my utmost gratitude to all quarters who have played a major role in supporting and backing our business operations. They include our parent company, JCorp, who has always been there to guide and support us along the way, as well as our business partners and associates, consultants, financiers, media and the relevant government and regulatory authorities both in Malaysia and Indonesia. Your support are truly appreciated and has indeed made the difference.

My sincerest thanks to all of you.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

"The year 2018 could be best described as the year of testimony of our sustainability and strategic plans."

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

ED The year 2018 could be best described as the year of testimony of our sustainability and strategic plans. Albeit the falling prices, the negative campaign on oil palm and the oversupply of CPO, the Plantation Division remains undeterred and will continue to be the main thrust of the Group.

Total FFB produced by the Malaysian operations decreased by 7.57% to 919,844 tonnes from 995,129 tonnes in the previous year, while average CPO prices declined by 18.41% to RM2,327 per tonne compared to RM2,852 per tonne previously. The CPO prices trended lower in FY 2018 due to the surplus of palm oil production in the industry and the reduction in CPO export volume to major countries. Nevertheless, we managed to maintain our actual average selling price above the MPOB's average prices which stood at RM2,239 per tonne in 2018.

From an overall Malaysia's industry perspective, despite the price currently being at its lowest level, the import of CPO to Malaysia has increased by 51.31% to 841,452 tonnes in 2018 compared to 556,095 tonnes in the previous year. This peculiar event has definitely contributed to the highest ever stock pile towards the end of 2018, thus putting a tremendous pressure to the CPO price. (*Source: MPOB Statistic 2018*).

ZULKIFLY ZAKARIAH
Executive Director (ED)

SHAHROM MOHD SAAD
Head of Finance Division (HOF)

On an encouraging note, our Oil and Gas ("O&G") Division as well as Intrapreneur Venture ("IV") Division both posted record improvements in terms of their contribution towards Kulim Group's PBT in FY 2018. Meanwhile, the contribution of Agrofood Division to the Group's revenue and PBT remained relatively small but we expect it to gradually increase over time.

THE PLANTATION SEGMENT REMAINED OUR MAIN CASH COW, CONTRIBUTING RM843.68 MILLION OR 60.80% OF THE GROUP'S REVENUE.

MANAGEMENT **DISCUSSION AND ANALYSIS**

Q Kulim has undertaken several corporate exercises in FY 2018. Can you elaborate more on this?

ED The Group has implemented various corporate exercises in 2018 as part of our efforts to strengthen our core competencies. On 22 June 2018, Kulim obtained the approval from the Government of Indonesia for our POD in the SWBB PSC in the West Sumatera Province. The PSC involving Kulim's wholly-owned subsidiary, Kulim Energy Nusantara Sdn Bhd ("KENSB"), with two (2) subsidiaries of PT Citra Sarana Energi ("PT CSE") namely, PT Rizki Bukit Barisan Energi ("PT RBBE"), formerly known as PT Radiant Bukit Barisan E&P ("PT RBB") and PC SKR International ("PC SKR"), is for the exploration and development of an onshore O&G field in the SWBB block. With this approval, Kulim is targeting to focus on the completion of the Conditional Share Subscription and Purchase Agreement ("CSSPA") which is expected to be finalised by the fourth quarter of 2019.

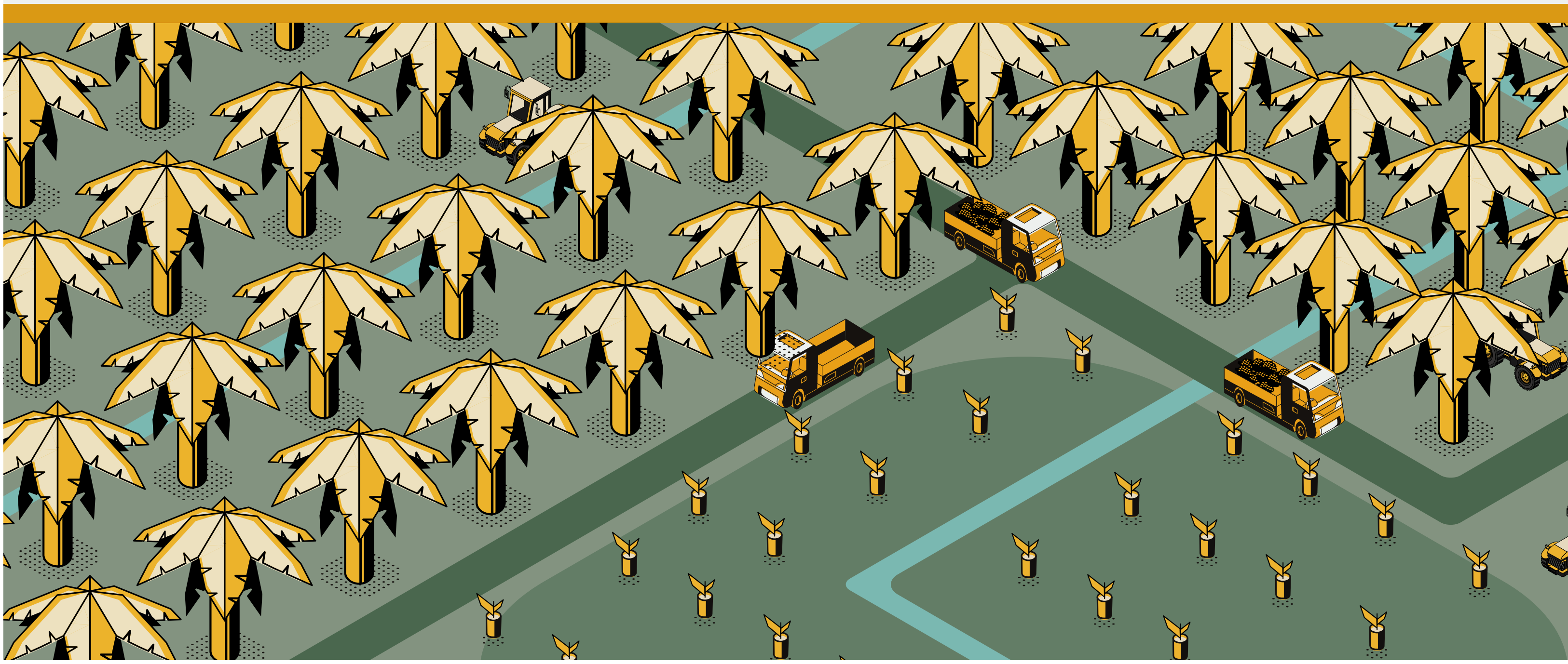
On 30 June 2018, Kulim has also ceased the operation of Microwell Bio Solutions Sdn Bhd ("MBSSB"), as part of our move to further strengthen our IV Business which include exit from non-performing businessess, harvest on matured ventures and divest some of our investment in order to optimise returns for the Group.

The year 2018 also witnessed the sail away of two (2) new Fast Crew Boats ("FCB") owned by our subsidiary, E.A. Technique (M) Berhad ("EA Tech"), namely M.V. Nautica Gambir and M.V. Nautica Langsat on 17 August and 28 September 2018 respectively. These two (2) new vessels are in the Offshore Support Vessels ("OSV") category of FCB, where they were to be deployed for new contracts that were secured by EA Tech. This development is expected to contribute positively to the Group in the current financial year and beyond.

The disposal of 95% equity in Pinnacle Platform Sdn Bhd ("PPSB") held by EPA Management Sdn Bhd to our IV company, Extreme Edge Sdn Bhd ("EESB") was completed on 1 November 2018. EESB intends to focus on expanding the business through Merger and Acquisitions ("M&A") and business diversification.

Subsequently on 30 November 2018, the Group completed the acquisition of 49% equity in Pristine Bay Sdn Bhd ("PBSB"), held by Johor Land Holding Sdn Bhd making the latter a wholly-owned subsidiary of Kulim which now fully controls the future direction of PBSB.

On 20 December 2018, Kulim completed the disposal of Asia Economic Development Fund Limited ("AEDFL") to Johor Logistics Sdn Bhd ("JLog"). The disposal is in line with Kulim's intention to streamline our business activities and assets base by focusing on the core palm oil business. Through this exercise, the shareholders will have a direct shareholding in AEDFL, thus enabling them to determine the future direction of AEDFL and benefit directly from any future corporate actions and exercises involving the company.



Q **How did Kulim perform on the financial front?**

HOF There was a marginal drop in revenue from RM1.53 billion registered in 2017 to RM1.39 billion in 2018. However, our PBT increased to RM71.04 million from RM34.42 million posted in the previous year.

PBT was mainly contributed by plantation segment amounting RM49.97 million and O&G Segment due to reversal cost of EPCIC project by EA Tech amounting to RM70.76 million.

However, the decreased in revenue was mainly due to decrease in average CPO price of RM2,327 per tonne in 2018, against of RM2,852 per tonne registered in the previous year and no revenue contribution from EPCIC project which was completed in 2017.

Notwithstanding the results and challenges, we were able to deliver RM150 million dividend to our shareholders.

Q **Which business division was the biggest contributor to the Group's revenue and profitability?**

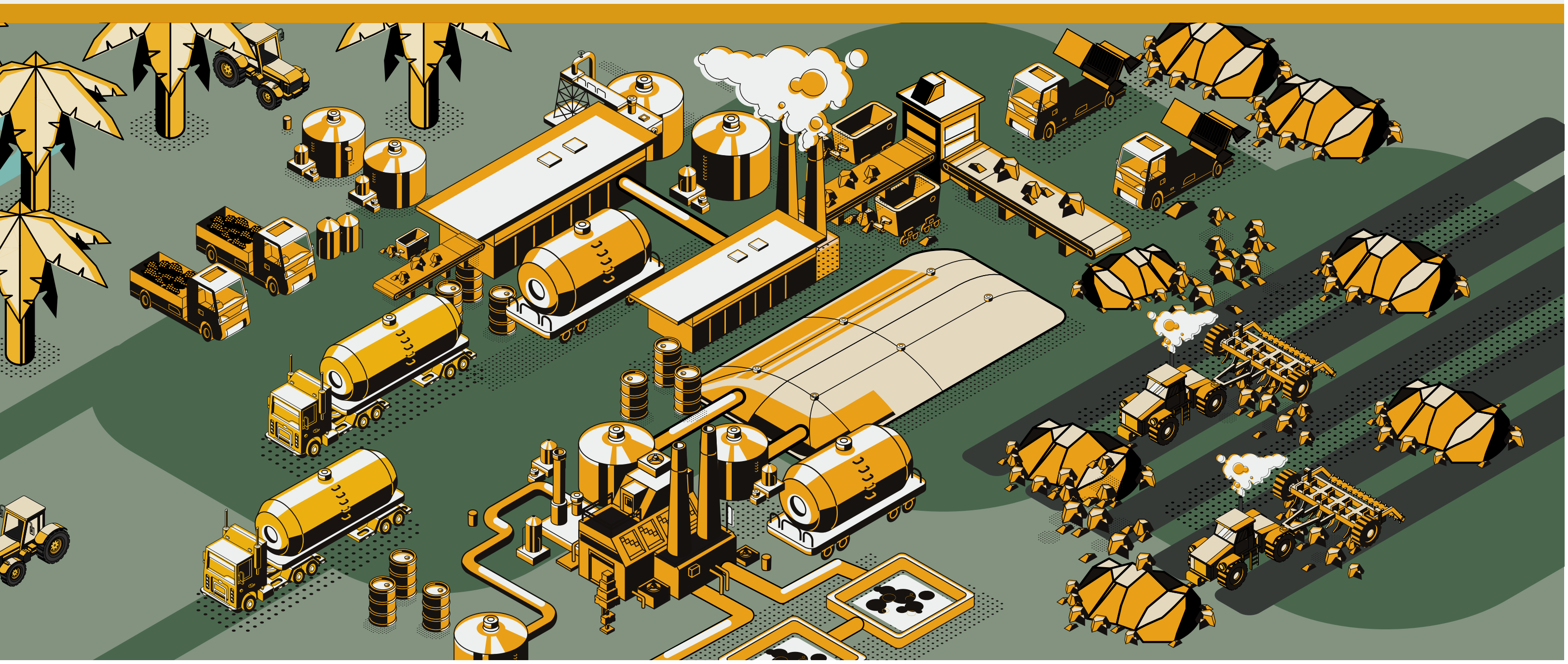
HOF For FY 2018, the Group's Plantation Segment remained as the main revenue contributor with RM843.68 million or 60.80% of the Group's revenue. While, FFB production declined to 919,844 tonnes from 995,129 tonnes in 2017, CPO production rose year-on-year to 306,484 tonnes in FY 2018 from 299,981 tonnes previously. Production of PK however, slipped marginally to 78,995 tonnes in 2018 from 79,071 tonnes in the preceding year.

The Group's Malaysian operations reported an average CPO price of RM2,327 per tonne for 2018 compared to RM2,852 per tonne for the previous year, albeit still higher than MPOB's average selling price of RM2,239 per tonne in 2018. The average price of PK also decreased to RM1,792 per tonne, against RM2,427 per tonne registered in 2017.

Q **How would you describe the performance of Kulim's other business segments?**

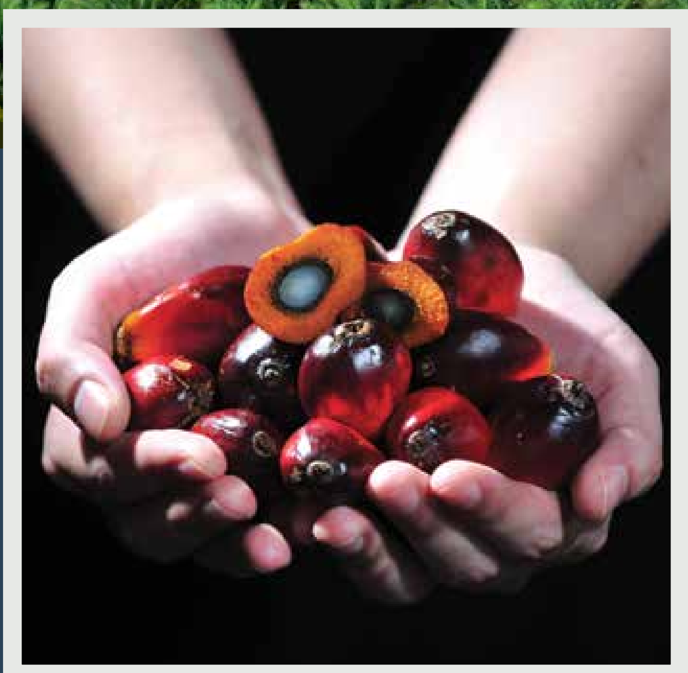
HOF Various corporate moves have been taken to strengthen our IV Business, which has continued to strengthen as reflected in another favourable set of financial results in 2018. For FY 2018, the Group's IV Segment generated revenue of RM47.93 million, a decreased of 14.76% from RM56.23 million reported in 2017. However PBT has increased from Loss Before Tax ("LBT") of RM2.02 million in 2017 to PBT of RM1.24 million in 2018.

For FY 2018, Kulim's O&G Division has posted a revenue of RM469.92 million, which increased by 14.81% compared to RM409.32 million achieved in previous year. However, as compared to LBT of RM134.50 million recorded in 2017, the Division has posted a PBT of RM87.14 million in 2018, an improved performance of 164.79%.



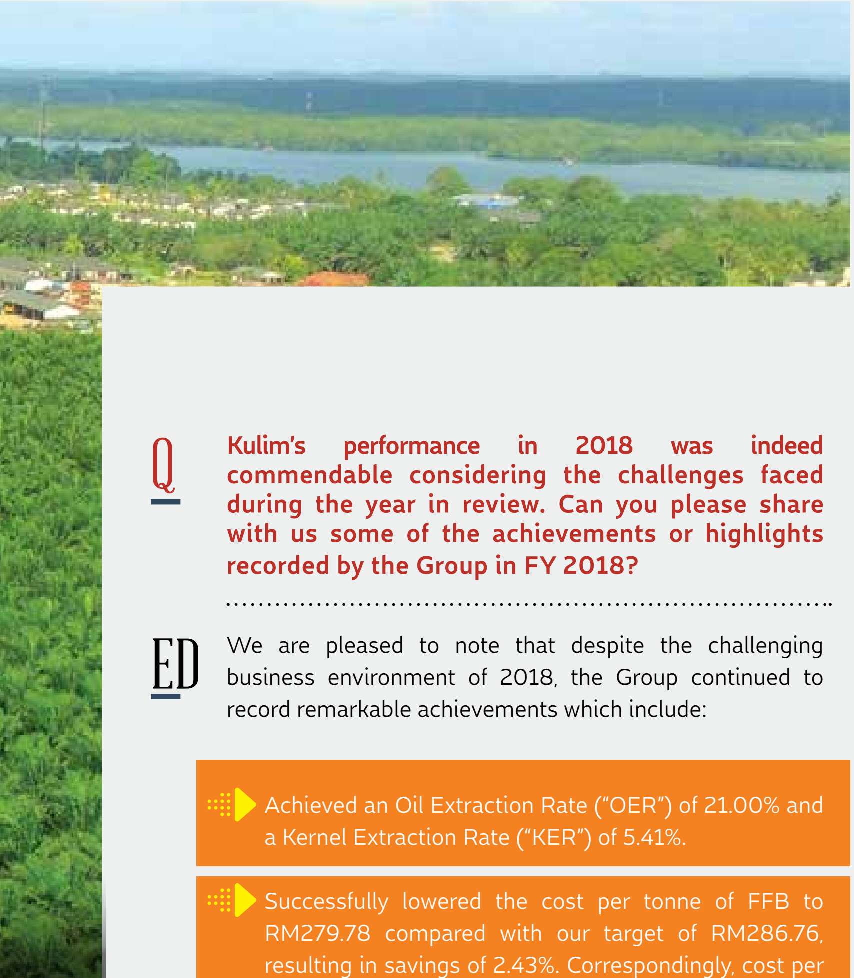
MANAGEMENT
DISCUSSION AND ANALYSIS

Panoramic view of Sungai Papan Estate, 2,835 hectares planted with palm oil and has contributed 65,000 tonnes of FFB in 2018



Q **How would you describe Kulim's Financial Position for FY 2018?**

HOF Kulim's financial position remained stable in 2018, with a positive cash balance and net gearing ratio of 0.43 times. Our total borrowing rose slightly to RM1.88 billion as of December 2018 from RM1.76 billion as of end-December 2017, while our cash balance remained relatively healthy at RM252.45 million as at the end of FY 2018, compared with RM325.47 million in 2017. During the year under review, the Group saw an increased in its finance cost due to higher interest rate charged for borrowing with floating rate, revolving credits, as well as borrowing denominated in other currencies as a result of the changes in foreign exchange rates.



We were able to deliver RM150 million dividend to our shareholders

Q **Kulim's performance in 2018 was indeed commendable considering the challenges faced during the year in review. Can you please share with us some of the achievements or highlights recorded by the Group in FY 2018?**

ED We are pleased to note that despite the challenging business environment of 2018, the Group continued to record remarkable achievements which include:

- Achieved an Oil Extraction Rate ("OER") of 21.00% and a Kernel Extraction Rate ("KER") of 5.41%.
- Successfully lowered the cost per tonne of FFB to RM279.78 compared with our target of RM286.76, resulting in savings of 2.43%. Correspondingly, cost per mature hectare was lowered to RM6,192.82, leading to 1.03% savings.
- The commissioning of Sindora Biogas Plant on 16 January 2018.
- Received the Identity Preserved ("IP") Certified Mills recognition for Palong Cocoa POM on 20 April 2018, which subsequently obtained the International Sustainability & Carbon Certification ("ISCC") Certified Mills on 9 May 2018.
- Disbursed a total of RM18.43 million as our contribution to the well-being of the local communities in which we operate.
- Winning no less than five (5) awards for 2018.

Q **Earlier, you mentioned about various challenges faced by the Group during the year that have impacted Kulim's performance. Please elaborate.**

ED While the Group continued to face significant headwinds in 2018, we were able to weather the challenges on the back of solid corporate strategies and strong business acumen that have already been laid earlier by our Management. Such challenges include the fluctuations in CPO and PK prices, weather uncertainties, stagnant growth potential, and escalating cost for our Malaysian operations.

MANAGEMENT **DISCUSSION AND ANALYSIS**

We also had to diligently thread through the changes in exchange rate, while managing our gearing as well as the interest rates. Changes introduced by the Government, as well as rising operating costs and shortages in manpower, were also among the scenario that we had to face in FY 2018. Another challenges that have been implemented on 1 January 2019 is the minimum wage to be paid to employees which increased from RM1,000 to RM1,100.

On the international front, one of the biggest challenges faced by us and other local industry players during FY 2018 was the smear campaign against palm oil from the EU. In addition, we also had to deal with stringent regulations and requirements like the ones set by RSPO, as well as those imposed by the new markets.

HOF Another challenge faced by the Group during the FY 2018 was the adoption of new Malaysian Financial Reporting Standards ("MFRS") in the preparation of Financial Statements among others, MFRS 1, MFRS 141, MFRS 9 and MFRS 15 which have significant impacts on the Group's financial position, financial performance and cash flow.

Q **Moving forward, what is the expected business outlook for Kulim in the coming year?**

ED By strengthening our core competencies and solidifying our business strategies, we remain confident of the group fundamental strengths and are cautiously optimistic of Kulim's prospect for FY 2019. Specific strategies have already been outlined for each of our business division to ensure that we will be able to weather any challenges and improve our performance in the near future.

PLANTATION: We aim to strengthen our core plantation business by boosting our planted area and concurrently increase the annual CPO production by the Group. Expanding beyond our current planted area which stood at 55,604 hectares, we will be able to enhance our revenue through involvement in trading, midstream and downstream of palm oil activities.

INTRAPRENEUR VENTURE: We aim to sustain our Group's IV Companies performance and plan to exit from non-performing businesses, harvest our matured ventures and divest some of our investments in order to optimise returns for the Group.

Nurturing and watering a young green plant for a better future

OIL & GAS: On 22 June 2018, Kulim has obtained the POD approval from the Government of Indonesia for the SWBB PSC. Hence, now is a timely opportunity for Kulim to realise our investment in Indonesian O&G business at an attractive premium above our initial cost of investment. This will be done via monetisation through a Joint Venture ("JV") with a third party or by taking the "Cash Out" path via dilution of KENSB's equity in PT CSE for a huge potential return after development.

We will be taking into account these potential opportunities mentioned above in determining Kulim's future business direction, whereby they are expected to present exciting new possibilities to be explored particularly in generating new revenue streams for the Group.

AGROFOOD: Following the positive market response towards our MD2 pineapple, we plan to expand our pineapple planting and supervise 12 Agropreneurs under the B40 category for the MD2 pineapple cultivation project at Tanah Abang, Mersing, Johor with a planted area spanning 48.58 hectares in collaboration with Malaysian Pineapple Industry Board. For cattle project, we are targetting to expand the napier planting at Tebing Tinggi, Segamat with a target planting area of to 12 hectares in 2019 and to produce napier pellet.

PROPERTY: The construction works for Kulim's housing project at Taman R.E.M, Kota Tinggi, which consisted of 457 units, have been completed in December 2018. We aim to launch the sale of the houses by mid-2019. Moving forward, the Group plan to unlock the value of its property business through the monetisation of our assets and crystalize the values of land by conversion of our plantation estate into property development.

Q **After "Defining New Perspectives" in FY 2017, the Group has chosen "Strengthening Core Competencies" as the theme for this year's annual report. What is the rationale behind this choice?**

ED "Strengthening Core Competencies" refers to Kulim's commitment to our strategic path of strengthening our core plantation business by boosting our total planted area in Malaysia and Indonesia. Kulim continuously strives to realise the potential and value of its businesses by evaluating numerous initiatives, business opportunities and proposals which involve the Group or its subsidiary should the right conditions and opportunities come our way in order to enhance Kulim's growth and value over the long-term.

MANAGEMENT
DISCUSSION AND ANALYSIS

Q **Speaking of the smear campaign against palm oil in Europe, what are the counter measures that have been taken by Kulim, as well as local industry players as a whole and the Government to mitigate this negative perception?**

ED Many European nations have categorised palm oil producers in Southeast Asia as the drivers of deforestation and unsustainable agricultural practices, such as Norway which has recently decided to phase out the use of palm oil-based biofuels. Our Primary Industries Ministry has already responded by urging Norway to review its policy on this matter.

Malaysia has also adopted numerous sustainable practices and other national standards throughout the palm oil value chain. As for Kulim, we were among the first companies in Malaysia to become a member of the RSPO, the global standard that is an assurance that the palm oil is produced without causing harm to the environment or society.

Kulim also has completed the MSPO Audit by end-2018 and targeted to receive our MSPO certification by March 2019. Covering seven (7) main principles, MSPO certification was first launched in 2015 on a voluntary basis and will become mandatory for all Malaysian palm oil producers by 2019.

Q **Kulim's strength in weathering the business challenges are indeed remarkable. Can you share with us the "secret sauce" behind the Group's resilience?**

ED **Benefits of Sustainable Palm Oil ("SPO") Premium** – The successful attainment of SPO certification will further enhance the Group's reputation globally, particularly on its awareness and proactive measures on environmental issues and help it to be a frontrunner in the global supply chain. Sustainability premiums could become an important contributor to the Group's margin in future, given the on-going international scrutiny and pressures in this regard.

Cost Management – We remain resolutely focused on managing our cost of production including re-negotiation of fertilizer prices, fruits recovery and beating our own budget estimates, to maximise margins and profitability, while at the same time abiding by the principles of sustainability.

Strong R&D Support – We continuously strive to use the latest technology and know-how in agronomy, chemistry, seed production, plant breeding, biotechnology and crop protection to optimise our production.

Enhancing Mechanisation – The Group has progressively stepped up its mechanisation and automation programme to reduce reliance on manual labour and undertake continuous improvement in the harvesting activity of oil palm, which is expected to increase efficiency and productivity.

Q **Please provide a brief "SWOT" (Strength, Weaknessess, Opportunities, Threats) of Kulim**

ED Corporate SWOT for Kulim as follows:

STRENGTH

- Sizeable plantation operation;
- Strong R&D support;
- Established plantation management experience and know-how;
- Cost Control Initiative;
- Mechanised operations;
- Sustainability Driven Management Culture; and
- Experienced and professional management team.

WEAKNESSES

- Dependence on foreign worker;
- Labour Situation – High ratio;
- Ageing mills and palms; and
- Stagnant growth potential for Malaysian operations.

OPPORTUNITIES

- Key component of Malaysia's economy;
- Viable long-term future;
- Trading , midstream and downstream activities; and
- Premium for SPO-certified products.

THREATS

- Fluctuations of CPO and PK price;
- Fluctuation of crude oil price;
- Unfavourable weather conditions;
- Manpower shortage;
- Competition from substitutes;
- Discriminatory policies; and
- External political and social disorder.

Q **Kulim has always emphasized on Human Capital Development in its effort to maintain a solid business performance and realising its corporate aspirations. Can you share with us the human capital initiatives that have been undertaken by the Group in FY 2018?**

ED Kulim is determined to foster a workplace culture and environment that attracts, retains and develops quality talent so that they can reach their full potential and deliver value to our stakeholders.

Towards nurturing skill development and improving job-specific competency, we continuously encourage interested employees to pursue professional qualifications by established bodies such as the Association of Chartered Certified Accountants ("ACCA"), Chartered Institute of Management Accountants ("CIMA") and Malaysian Institute of Accountants ("MIA"), as well as technical courses through collaboration with the Johor Skills Development Centre or PUSPATRI.

We are also involved in the Johor Corporation Leadership Programme ("JLP") which aimed to encourage and promote the career growth of high potential talents within the Group. JLP is a two (2)-year structured leadership capacity programme that exposes its participants to business challenges in a variety of scenarios, where they have the opportunity to gain and share leadership experiences.

Q **Being a responsible corporate citizen also means continuously having active engagement with its various stakeholders, including the public. Can you tell us some of the programmes implemented by Kulim in 2018 to build a closer connection with the public and the members of the local communities?**

ED Kulim strive to have a positive impact on the well-being of our surrounding communities. Taking an active role in the community has always been central to our core values, identity and our business strategy of putting people first. We play our part in responding to the needs of society and sharing our success to help improve the quality of life in the community.

Our various engagements with the local community include extending financial support to our adopted schools as well as schools which are located within our operating units area, by supplementing their students' education with tuition classes, motivational courses, educational trips, international exhibitions and competitions and also contributing to improve the school infrastructure. At Kulim, we also planned to strengthen and enhance our Corporate Responsibility ("CR") programme and activities for the local community by 2019.

Q **Last but not least: What would be your key message to all Kulim shareholders and stakeholders out there? What can they expect in the year 2019?**

ED Kulim will continuously deliver sustainable long-term returns for our shareholders and deliver long-term values to our stakeholders. As a dynamic entity, Kulim is constantly evaluating its portfolio to maximise value not only to our shareholders but for all our stakeholders through providing rewarding careers to our people, fostering mutually beneficial relationship with our business partners, caring for the society and the environment in which we operate and continuously contributing towards the progress of our nation.

PLANTATION

Group's Total Planted Area

47,259 hectares

8,345 hectares

55,604 hectares

24 Total Estates

5 Total Palm Oil Mills

Cost Management (Actual vs Budget)

RM279.78 cost/ tonne FFB

Savings 2.43%

RM6,192.82 cost/ mature hectare

Savings 1.03%

CPO PRODUCTION

306,484 tonnes

FFB PRODUCTION

919,844 tonnes

Division Revenue

RM843.68 million

Division PBT

RM49.97 million

Oil Extraction Rate ("OER")

21.00%

Kernel Extraction Rate ("KER")

5.41%

5 PALM OIL MILLS in Operation

- 5 RSPO CERTIFIED MILLS
- 5 *HALAL* CERTIFIED MILLS
- 5 ISCC CERTIFIED MILLS
- 3 IDENTITY PRESERVED ("IP") CERTIFIED MILLS
- 3 BIOGAS PLANTS

KEY GROWTH AREAS

- To strenghten our core plantation business by boosting our planted area.
- To explore any opportunities to be more involved in the plantation business including trading, midstream and downstream activities.
- To enhance mechanisation in harvesting activity of oil palm.
- To expand in R&D activites by producing new high yielding clones for future planting.

PLAN

DIVIS

PLANTATION

NTATION

SIO

from left to right

MOHD AKHIR WANTEH
Head of Plantation Division

ZAINURIAH ABDULLAH
Head of Plantation Advisory & Services Division

WAN ADLIN WAN MAHMOOD
Head of Engineering Department

PLANTATION

From a small seed, a mighty trunk will grow

The year 2018 was marked with challenges for Kulim's Plantation Segment with lower palm oil market prices experienced by the Group. In the year under review, our Malaysian operations produced a total of 919,844 tonnes of Fresh Fruit Bunches ("FFB"), a 7.57% decreased from 995,129 tonnes in 2017.

Meanwhile, the prices of CPO began to show a downward trend in the first quarter of the year and dropped further to RM1,794 per tonne in December 2018. Overall, CPO prices trended lower in the year at RM2,232 per tonne on the back of surplus palm oil production by the industry and lower CPO export volume to major countries.

FINANCIAL PERFORMANCE

Kulim's Plantation Segment remained by far the biggest contributor to Group revenue, accounting for 60.80% in 2018. Total revenue earned amounted to RM843.68 million, as it decreased by 17.88% from RM1.03 billion recorded in 2017. The decreased in revenue was mainly due to lower average CPO price of RM2,327 per tonne in 2018, against RM2,852 per tonne registered in the previous year. The average price of Palm Kernel ("PK") also decreased to RM1,792 per tonne, compared with RM2,427 per tonne registered in 2017.

The year 2018 was marked with challenges for Kulim's Plantation Segment with lower palm oil market prices experienced by the Group.

TOTAL PLANTATION LANDBANK

Kulim's plantation operations span across Peninsular Malaysia as well as Indonesia, with a total landbank of 65,505 hectares. Out of this, 50,994 hectares or 77.85% are located in the southern part of Peninsular Malaysia while the remaining 14,511 hectares are in South Sumatera, Indonesia which have been granted with the *Hak Guna Usaha* ("HGU") status.

Our oil palm planted areas as at 31 December 2018 are as listed below:

Our oil palm planted areas as at 31 December 2018 are as listed below:

	Titled area (ha)	Mature (ha)	Immature (ha)	Total Planted (ha)
Malaysia	50,994	41,556	5,703	47,259
Indonesia	14,511*	2,814	5,531	8,345
Total	**65,505**	**44,370**	**11,234**	**55,604**

**area with HGU*

As at 31 December 2018, the Group had a total of 55,604 hectares planted with oil palm, of which 47,259 hectares are located in Malaysia. The total planted area of mature palms stand at 44,370 hectares, of which 41,556 hectares are in Malaysia and the balance 2,814 hectares are in Indonesia.

During the year, total FFB production for both Malaysia and Indonesia operation was amounted to 925,700 tonnes.

PLANTATION IN MALAYSIA

ESTATE OPERATIONS

In 2018, our Malaysian operations produced a total of 919,844 tonnes FFB, a 7.57% decreased from 995,129 tonnes that were produced in 2017. As a result, Yield Per Hectare ("YPH") has also decreased to 22.13 tonnes from 23.98 tonnes recorded in the previous year. However, this performance by the Group was far superior than the average yield achieved by the industry in Johor as well as in Peninsular Malaysia, which stood at 19.63 tonnes and 17.44 tonnes respectively.

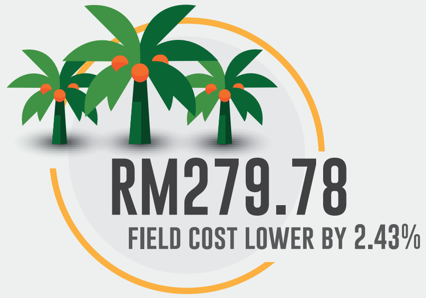
There was a temporary recovery in the first three (3) months of production in 2018, an impact carried over from the bumper crop in year 2017. The trend however, was not sustained but instead, declined in the remaining months. This scenario was also faced by Malaysian plantation industry which recorded a decrease in YPH to 17.16 tonnes from 17.89 tonnes in the preceding year *(Source: MPOB)*.

Zooming into the rainfall, the Group noted that there was some correlation between this lower production with the lesser rainfall experienced in 2016 at 1,781 mm in that year. Normally, the lower rainfall received by oil palms could cause and affect their production 18 months later as the situation might reduce the development of female flower, thus lowering the number of bunches produced and causing relatively smaller fruit bunch formations which lead to lower weight.

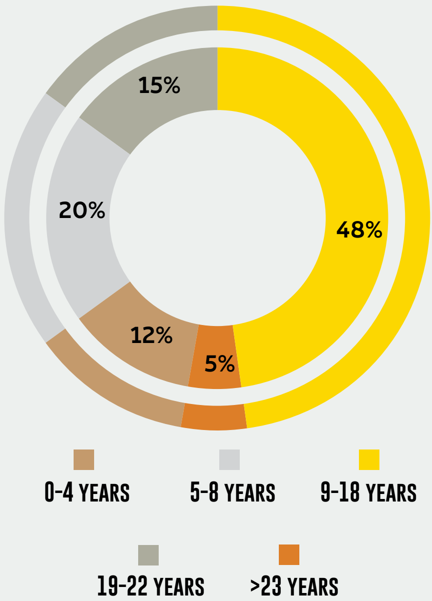
To strengthen its sustainable performance, Kulim continues to commit to replanting programme which a very important aspect of the industry with a view to improving the age profile of its palms and achieve optimal productivity. For this purpose, a total of 1,378 hectares were replanted with high yielding clones in 2018. Replanting was undertaken on a staggered basis to maximise the crop's potential before felling. As at end-2018, the Group's planted area in Malaysia comprised of 63% prime mature areas, 32% immature/young mature areas and the balance 5% are old palms of above 23 years.

The tight supply of labour situation in Malaysia, especially in the plantation industry, has not improved much from the previous year. The situation caused plantation owner to resort to all possible ways and means to attract and retain these workers.

Notwithstanding this, Kulim managed to recruit a fairly adequate number of workers in 2018 with some 1,283 new foreign workers were recruited resulting in a total labour force of 5,124 for its 47,259 hectares of oil palm planted areas.



PALM AGE PROFILE - MALAYSIA



Plantation Performance Committee ("PPC")

PLANTATION

MILL OPERATIONS

During the year under review, Kulim's five (5) palm oil mills ("POM") processed a total of 1,459,331 tonnes of FFB, including 402,523 tonnes sourced from external smallholders and outgrowers. This represented a slight decreased by 0.57% from 2017, attributed mainly by a decrease in FFB supplied by the Group's estates.

Total CPO production from our mills amounted to 306,484 tonnes, a 2.17% increased from 299,981 tonnes recorded in 2017. During the same period, total production of PK slightly decreased by 0.10%, from 79,071 tonnes to 78,995 tonnes. Our OER improved to 21.00%, from 20.44% achieved previously. As in previous years, our OER is higher than the industry average of 19.69% for Peninsular Malaysia and 19.95% for Malaysia as a whole. We also achieved a higher KER of 5.41%, against 5.39% recorded in 2017.

COST MANAGEMENT AND PRODUCTIVITY INITIATIVES

Palm oil producers are generally seen as price takers in the market where industry players are unable to significantly influence or affect the market price. Hence, producers need to look into cost control and productivity improvement measures to enhance their bottom line. In this regard, the Group successfully contained our field costs at RM279.78 per tonne of FFB, which was lower by 2.43% compared to the budgeted cost of RM286.76. The Group milling cost was higher by 6.19% to RM47.38 per tonne of FFB.

Regulatory issues also play a role in shaping the planter's performance and one of the examples was the government's announcement to impose Employment Insurance Scheme ("EIS") in 2018 for local workers. The EIS contributes to approximately 0.4% of monthly wage cost, with the employee and employer contributing of 50% each.

To mitigate the higher wage costs, Kulim continues to adopt and enhance its Good Agricultural Practices ("GAP") and

Drones are used to capture high resolution aerial photographs and integrates them into the available GPS digital maps

Operational/ Manufacturing Practices of its plantation operations and this strategy has been proven to work in enhancing operation efficiency and productivity.

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

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

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. Three (3) biogas plants have already been installed and in operation, while another two (2) biogas plants will be installed in 2019.

During the year under review, the total biogas produced by the mills are 1,051,026 cubic metres for power generation and flaring.

A total of 12,216 tonnes of palm kernel shell and 10,417 tonnes of palm fibres were sold for external use as a replacement for fossil-based fuels.

As part of our compliance to the Environmental Quality (Clean Air) Regulation 2014, air pollution control devices has been installed at our mills. Two (2) of our mills had installed Hurricane Recyclone system in 2016 and one (1) mill had installed Electrostatic Precipitator system in 2018. Another two (2) mills are in progress of installing Electrostatic Precipitator system to meet the requirement of the regulation and are expected to complete by June 2019.

Also, as part of our compliance to the new regulation imposed by the Department of Environment, Johor on final discharge of waste water, four (4) mills are in the progress of installing Tertiary Treatment Plant which are expected to be completed by December 2019. Meanwhile, Sindora Mill had completed its installation and is in operation since December 2017.

THE GROUP'S REHABILITATION PROGRAMME FOR ITS INDONESIA PLANTATION HAS BEEN COMPLETED MUCH EARLIER THAN ITS ORIGINAL SCHEDULED TIMELINE OF APRIL 2019.

Our Indonesian Operation's team at SumSel

PLANTATION IN INDONESIA

The total landbank for SumSel region with granted HGU stood at 14,511 hectares. As at 31 December 2018, the total planted area was 8,345 hectares, of which 5,302 hectares are managed by PT Rambang Agro Jaya ("PT RAJ") and 3,043 hectares by PT Tempirai Palm Resources ("PT TPR").

The Group's rehabilitation programme for its Indonesia plantation has been completed much earlier than its original scheduled timeline of April 2019. PT RAJ completed the rehabilitation work on 4,317 hectares of land in October 2018, while PT TPR completed its rehabilitation work on an area spanning 3,191 hectares in July 2018.

The Group's investment in rehabilitation since the past two (2) years has been proven beneficial, as it resulted in a significant improvement in crop recovery.

Both estates produced 5,856 metric tonnes of FFB representing a production yield of 4.63 metric tonnes per hectare ("mt/ha") from 1,264 hectares of harvesting area, which was 183.58% higher than the entire 2017 production of 2,065 metric tonnes.

Both estates have the potential to continue producing satisfactory yield in years to come, based on the field condition and palm vigour improvement.

With regards to infrastructure development, PT RAJ has completed 38 kilometers ("km") of field roads, 14 km of desilted main canal, 104 km of desilted field drain and 15 km of bunds respectively in 2018.

Meanwhile, PT TPR has completed the development of 27 km of laterite field roads, 13 km of desilted main canal and 151 km of desilted field drain.

The new main office building for both estates has been in operation since December 2018. Construction of the Kayuagung-Pematang Panggang toll road which connects Palembang to Jakarta is expected to be completed in June 2019. This toll road which cut across 63 hectares of PT RAJ land will increase the 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 remain 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 center 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.

In August 2018, our Plantation Advisory Division has moved into a newly built R&D building, which was constructed to further enhance the Group's R&D activities by providing better R&D facilities and greater environmental compliance. The building houses a plant breeding lab, an analytical lab, tissue culture lab and research administration office. In moving forward towards Industry 4.0, Kulim has identified Genomic study, an advance technology that the Group will explore for in-depth study. This will ensure that Kulim will be at the fore-front, alongside other industry members.

PLANTATION

Ulu Tiram Central Laboratory ("UTCL") specialises in chemical and physical testing of samples, making agronomic and fertilizer recommendations

The new building also comprised a mini microbiology lab, which will enable us to embark on our own research on beneficial microbes in pursuit of yield enhancement via a more sustainable oil palm production.

PRECISION AGRICULTURE AND ANALYTICAL SERVICES

The Kulim Agrotech Information System ("KATIS") was designed based on the concept of precision agriculture. It aims to optimise field-level management by 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 that under-performing areas can be identified and remedial actions can be taken.

Under this system, 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 from a 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, precisely control the recommended fertilizer, accurately map fields, as well as monitor crop health for signs of diseases and pest infestations.

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, whereby 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. The results will facilitate agronomic and fertilizer recommendations in improving productivity. They also provide services for 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.

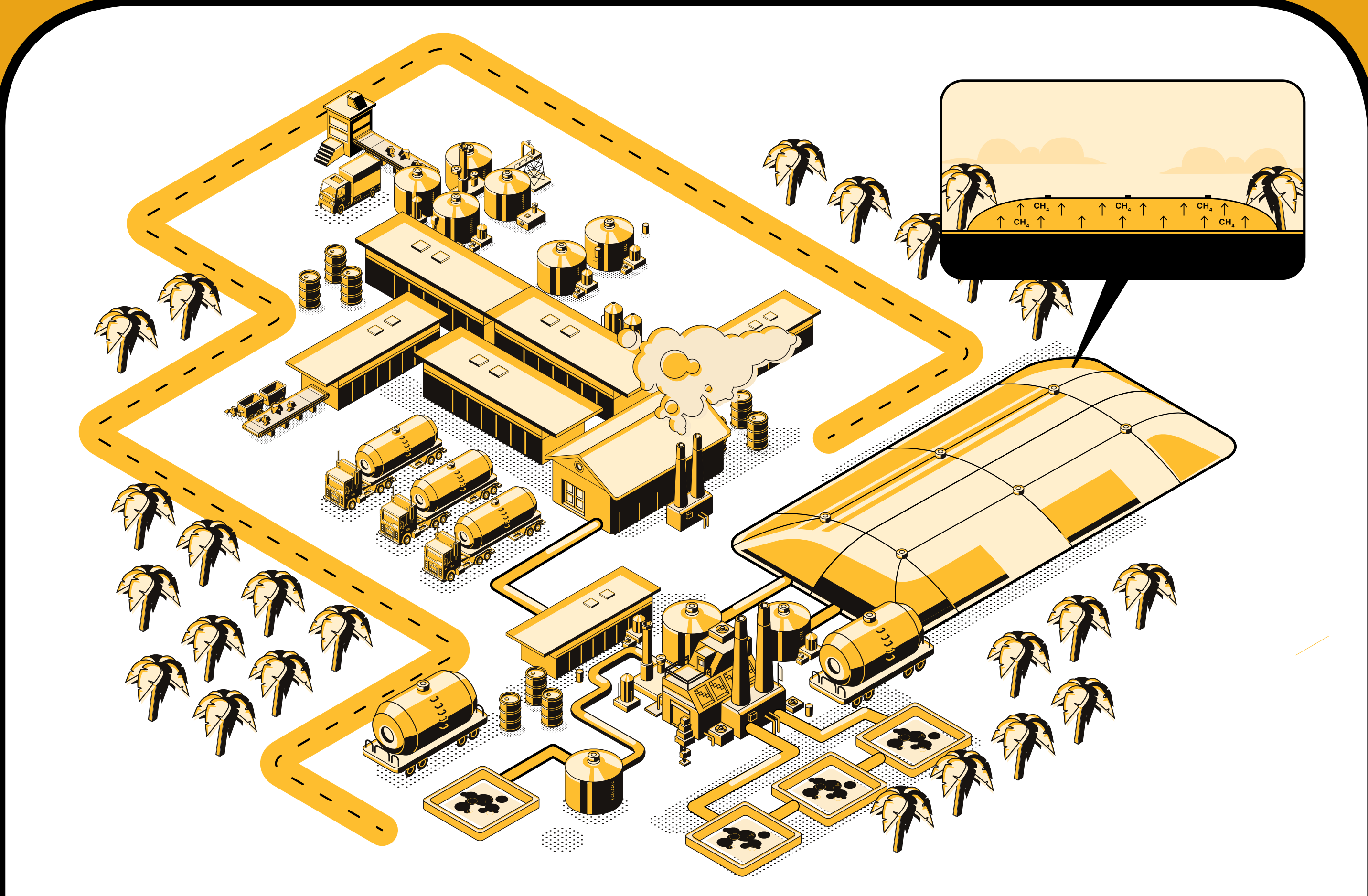
As an assurance of quality, UTCL has maintained its accreditation to MS ISO/IEC 17025 SAMM (*Skim Akreditasi Makmal-Makmal Malaysia)*, the main ISO standard for testing and calibration laboratories. It also participates in the National Crosscheck, an annual event organised by Agricultural Lab Association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

UTCL's expertise has been widely acknowledged 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.

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.



BIOGAS

Biogas is formed naturally when POME decomposes in the absence of oxygen. Unharnessed, this gas is an unwanted, potentially hazardous contributor to global climate change. Biogas is typically composed of 50%–75% methane ("CH_4"), 25%–45% carbon dioxide ("CO_2") and trace amounts of other gases. When POME collection is uncontrolled, CH_4 is released directly into the atmosphere. As a Greenhouse Gas ("GHG"), CH_4 is 21 times more powerful than CO_2.

Biogas plant, on the other hand, takes advantage of this natural decomposition process to generate electricity. Organic liquid wastes generated during palm oil production represent a major untapped source of energy. So converting POME emissions to biogas for combustion can produce energy, as well as significantly reduce the climate change impacts of palm oil production. *(Sources: Handbook POME-to-Biogas Project Development in Indonesia)*

PLANTATION

MAXIMISING YIELD

By applying the Best Management Practices ("BMP"), Kulim like many other plantation companies, has constantly using 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.
- Trials/ screening of pesticides evaluate the use of pesticides for effectiveness and cost competitiveness, whilst ensuring it is less toxic and more environmentally friendly.
- Emphasis is also placed on achieving an optimal balance of inorganic and organic fertilizers 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 has enabled the efficient use of by-products covering larger planting areas.
- Whils 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 utilising 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 recognizes the need for a balanced IPM approach to pest and disease control in its effort to reduce over-dependence on pesticides. Kulim has the distinction of being among 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 play a useful role in helping to keep rodent population in check, 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 Universiti Putra Malaysia ("UPM") for the further advancement of the palm oil industry. A long-standing collaboration is the research on Ganoderma, a major oil palm disease. One of our contribution in the research field include a co-authored paper with UPM titled "Textural Measures for Estimating Oil Palm Age", which has been published in the International Journal of Remote Sensing.

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, this zero-burning practice is part of Kulim's contribution to minimise global warming through emissions of GHG.

Experiments were undertaken to find new sources of improved Dura and Pisifera parental palms that can be used as future planting materials

PLANT BREEDING

CONVENTIONAL BREEDING

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 2019 planting and evaluation programme.

Experiments were undertaken to find new sources of improved dura and pisifera parental palms that can be used as future planting materials. Besides dami duras, another new 76 SIRIM-certified duras of ex-Oil Palm Genetic Laboratory ("OPGL") were used as mother palms for dura population enrichment. Our efforts have resulted in 0.3 million commercial DxP seeds being sold.

GENOMIC STUDY

MAPPING THE SHELL GENE

Mapping the shell gene was one of MPOB's early demonstrations of exploiting the genome data to identify the location of a gene of interest in the genome. The use of a marker linked to shell gene can be used as a quality control tool to check for dura contaminants in commercial planting materials, thus indirectly increasing yields. This control checking can be carried out as early as at the fresh seeds stage. Through Kulim-MPOB collaboration, it was found that the occurrence of dura contaminants in Kulim DxP seeds after several testings was far below the permissible level of 5%.

MARKER FOR FRUIT COLOUR

The MPOB's marker can distinguish virescens fruits (green when young and orange when ripe) and nigrescens fruits (black when young and red when ripe) before field planting, even in the pre-nursery stage. This marker has a potential to select virescens materials with non-abscission fruits for ease of ripeness determination and to reduce the problem of uncollected loose fruit due to labour shortage in the plantations. This marker is targetable for homozygous virescens pisifera or dura. Through Kulim-MPOB collaboration, some duras of Tanzanian and Angolan populations were identified as heterozygous virescens that require a cycle of selfing in order to obtain a generation of homozygous virescens.

TISSUE CULTURE

SELECTION OF HIGH YIELDING TENERA CLONES FOR RECLONING

A total of 40 tenera palms with O/B over 33% and oil yield above nine (9) tonnes per hectare per year from five (5) clones of different genetic backgrounds were selected and 27 palms were recloned. A total of 28,000 units of these high yielding ramets have been sold to Kulim Estate.

PLANTATION

PLANTING OF ELITE TENERA AND DURA CLONES

A total of 11 commercial clones, two (2) elite clonal duras of ex-OPGL selection and two (2) embryo-cultured pisiferas of different origins had been field-planted. The elite dura and tenera clone will be tested and used for Kulim Bi-Clonal or Semi-Clonal seed programme in the future, while the commercial clone will be used for future recloning.

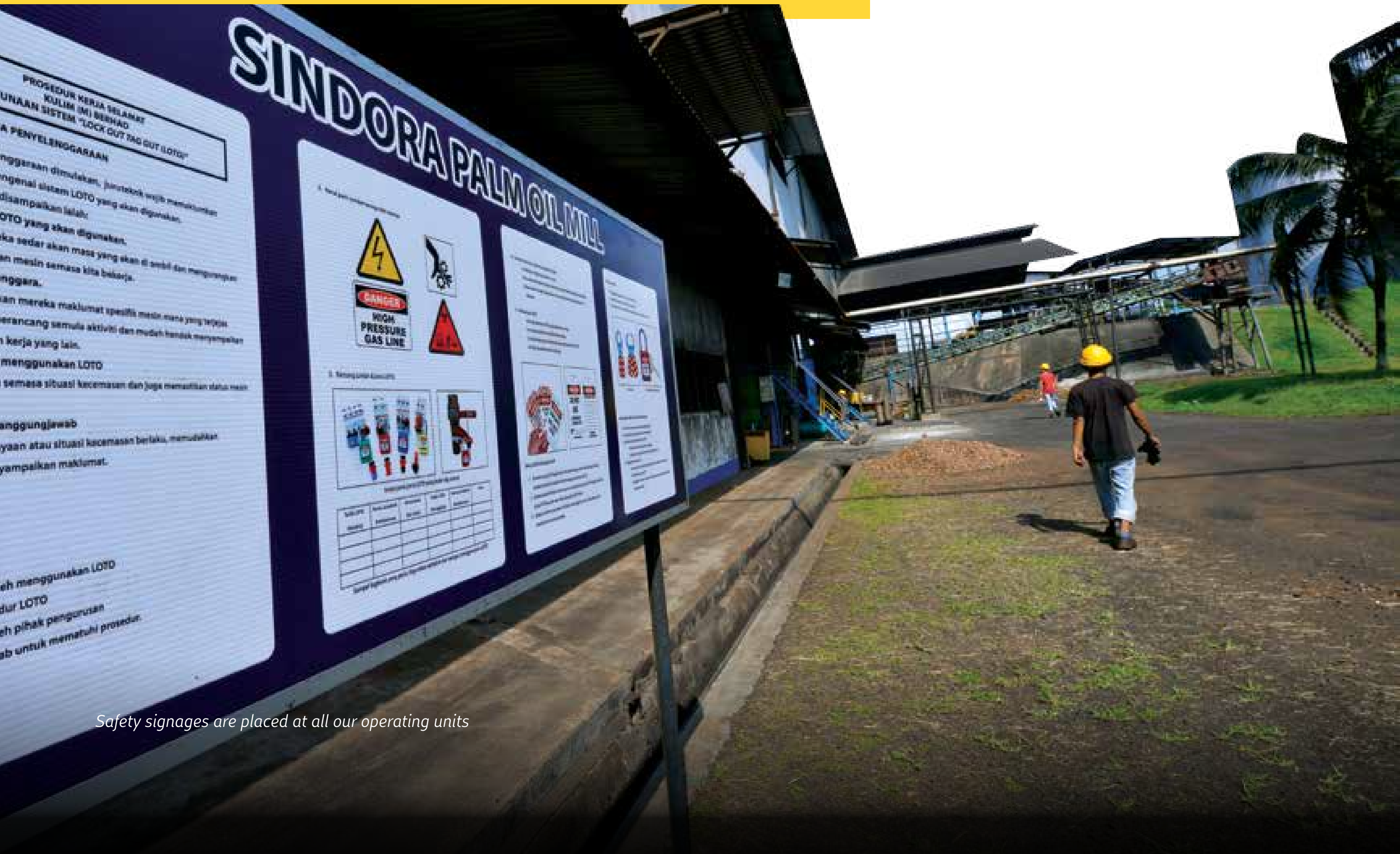
TOTAL QUALITY MANAGEMENT

Kulim has embraced Total Quality Management to systematically address every area of its business processes. Since March 2017, all of Kulim's ISO certified units have been transiting to the new standards and had successfully completed their transition in August 2018. Five (5) of the Group's operating units, namely Tereh Selatan Estate, Palong Cocoa POM, Tereh POM, Sindora POM and Sedenak POM have successfully earned the accreditation for ISO 9001:2015, 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 maintain the quality in its products and services across all operations, as well as identify ways to achieve and benchmark consistent performance and service. 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.

In discharging its responsibility to its stakeholders, the adoption of ISO EMS 14001:2015 is part of Kulim's effort to reduce its environment footprint.

In this regard, Kulim has three (3) of its operating units namely, Sindora Estate, Sedenak Estate and Sindora POM, have also earned the certification ISO EMS 14001:2015, the world's most recognised environmental management system standard.

Kulim's UTCL has also been accredited with the ISO/ IEC 17025 certification, which is the main ISO standard used by testing and calibration laboratories to be deemed technically competent. During the year under review, in addition to the scope extension with regards to testing for fertilizers and water for water quality index or WQI, the new revised version of ISO/ IEC 17025:2005 have also been enforced to the ISO/ IEC 17025:2017.



Safety signages are placed at all our operating units

INTERNATIONAL QUALITY & PRODUCTIVITY CONVENTION (IQPC) 2018

The International Quality & Productivity Convention ("IQPC") is an annual event organised in Indonesia by Wahana Kendali Mutu ("WKM"). In 2018, the convention was held on 26 - 30 November 2018 at Harmoni One Hotel, Batam, Indonesia.

The purpose of IQPC is to provide a platform for the group to create a benchmark for projects that have been implemented outside of Indonesia, as well as to establish partnership with the countries involved in the convention. In this regard, the involvement of various industries will provide organisations from Malaysia an opportunity to learn the best practices presented by the other groups.

Todate, a total of 462 groups from Indonesia, Malaysia, Vietnam and Thailand have joined this convention.

For year 2018, the Bintang Muda group from Sedenak POM has been invited to participate in the competition at IQPC 2018. The group was selected based on its outstanding achievements in the conventions organised by the Malaysian Productivity Corporation ("MPC"), especially in its Annual Productivity & Innovation Conference and Exposition ("APIC"). We are pleased to note that the Bintang Muda group was the only group representing Malaysia to receive the Diamond award, which is the highest achievement in the international category.

3,043 hectares planted with palm oil - PT Tempirai Palm Resources ("PT TPR"), South Sumatera, Indonesia

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

QUALITY ENVIRONMENT (5S) CERTIFICATION

JCorp has mandated that all companies within its corporate umbrella to adhere to the Japanese principles of "5S", in a quest to improve productivity at the workplace on a continuous basis. The 5S concept is an abbreviation from the Japanese words, Seiri (Sort), Seiton (Set In Order), Seiso (Shine), Seiketsu (Standardise) and Shitsuke (Sustain).

In embracing the concept as a quality management tool, Kulim has adopted the 5S Quality Environment principles since 8 January 2015 as a beginning of a healthy, comfortable and productive life for everyone at work. With QE/5S, we strive 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; and
- Set a target of file and item retrieval of 30 seconds.

The QE/5S principles are based on the main premise that cleanliness and tidiness contribute towards a safe and conducive work environment. This in turn, would have an impact on staff performance and ultimately, the Group's profitability.

For the year of 2018, Kulim has successfully conducted the third Surveillance Audit on 8 April 2018 with the Certification Body of MPC. The audit has been conducted based on new criteria and requirement as set by MPC, which place greater focus on the concept of Plan-Do-Check-Action and Impact.

OUTLOOK AND PROSPECT

Palm oil prices are expected to improve in 2019 on higher exports due to rising demand, while production is anticipated to rise on the back of better FFB yields compared with 2018. The prices are expected to average at RM2,400 per tonne in 2019 versus RM2,300 in 2018. *(Source: The Edge Markets, 2 November 2018)*

The price weakness of plantation sector is expected to sustain into the first quarter of 2019, arising from high stockpile and absence of positive demand catalyst but would recover from the second quarter of 2019 onwards, supported by the extension of biodiesel mandates in Malaysia and Indonesia, weak ringgit against the US dollar and potential El Nino development. The extension of biodiesel programmes in Malaysia from B7 to B10 effective on February 2019, as well as Indonesia through the extension of B20 biodiesel as non-subsidy diesel will raise CPO consumption by up to 2.9 million tonnes per annum and in turn, reduce the combined palm oil stockpile of Malaysia and Indonesia by close to 40%. *(Source: The Edge Markets, 7 January 2019).*

The Group expects the price of CPO to be well supported at current levels with an average of RM2,400 per tonne, with the possibility of strengthening towards the end of the year due to production growth.

To strengthen our plantation business, the Group will continue our efforts to increase productivity 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 R&D to produce improved clones with higher yields, switching to alternative energy sources and imposing more stringent controls on operational costs. Hence, the Group's plantation segment is expected to perform satisfactorily during the coming financial year 2019.

INTRAPRENEUR VENTURE

Division Revenue
RM47.93 million

Division PBT
RM1.24 million

Extreme Edge Sdn Bhd Group
Revenue
RM13.20 million
PBT
RM2.45 million

Kulim Safety Training & Services Sdn Bhd
Revenue
RM3.79 million
PBT
RM0.78 million

Perfect Synergy Sdn Bhd
Revenue
RM8.94 million
PBT
RM0.54 million

Edaran Badang Sdn Bhd
Revenue
RM27.13 million
PBT
RM0.74 million

3,208 tonnes
Total Pineapple Production

6,479 heads
Total Cattle Population

Total Intrapreneur Venture Companies:

CORPORATE 4

INTRAPRENEUR CO. 7

Key Growth Areas

Intrapreneur Venture : To sustain & enhance IV companies performance, harvest matured ventures and exiting from non-performing business

Pineapple MD2 : To expand pineapple planting and develop Agropreneurs.

Cattle Project : To expand napier planting and produce napier pellet.

INTRA

INTRAPRENEUR VENTURE

VENT

PRENEUR
TURE

IDHAM JIHADI ABU BAKAR
Head of Corporate Services Division

INTRAPRENEUR VENTURE

Our employees are key to our success – People of Extreme Edge Sdn Bhd

The Intrapreneur Venture ("IV") Division was established as one of Kulim's principal growth thrusts and plays an important role in the Group's revenue and profit contributions, thus enhancing shareholder's value.

Under its wings, there are 11 active companies, comprising companies with equity participation by Entrepreneurs, and Corporate Intrapreneurs. The Division is involved in a diverse range of businesses, including support operations for plantations, biofertilizer, agricultural machinery, oil palm nursery, provide training and other related services to OSH as well as IT-related and insurance broking services.

Entrepreneurship is an important factor to spur the growth of IV Division, and it also provides a platform to place the talents of its employees at the centre stage. The related subsidiary companies which are groomed and developed under this scheme have been growing from strength to strength, drawing its energy from the stability in leadership, prudent management and good business acumen. Intrapreneur 2.0 programme, for instance, has been introduced since 2016 to propagate a conducive environment for intrapreneurs.

More entrepreneurs and businesses will be developed by the Group and they are expected to contribute positively to the Group's corporate earnings.

In FY 2018, Kulim's core IV segment continued to operate in a very dynamic and volatile environment. In this regard, Kulim has been reassessing the performance of its IV companies, whereby companies with potential and profit growth have been nurtured and expanded, while companies that experienced setbacks have either been reviewed, restructured or merged. Viable plans and strategies have also been laid down in tandem with the challenging and ever changing market environment.

FINANCIAL PERFORMANCE

In 2018, the IV Division recorded a revenue of RM47.93 million, a decreased of 14.76% compared with RM56.23 million posted the preceding year. The Division incurred a PBT of RM1.24 million in 2018 from a Loss Before Tax ("LBT") of RM2.02 million registered previously. Extreme Edge Sdn Bhd ("EESB") Group was the most profitable company within the Division, generating a PBT of RM2.45 million. The other companies that have recorded a satisfactory performance included Kulim Safety Training and Services Sdn Bhd ("KSTS"), Perfect Synergy Trading Sdn Bhd ("PSTSB") and Edaran Badang Sdn Bhd ("EBSB").

INTRAPRENEUR CONCEPT


Our 1st batch of Intrapreneurs during Pedoman Kulim 2009

The IV concept is modelled after one of the top blue chip companies listed in the New York Stock Exchange, namely Berkshire-Hathaway Inc, which advocated a series of acquisitions of growth companies in a diverse range of sectors. Based on this model, our IV concept involves the acquisition of up to a maximum shareholding of 75% in the companies, with the remaining 25% being retained by the entrepreneur-managers. These entrepreneur-managers are called "Intrapreneurs" and they are expected to continue spearhead and grow their respective business.

Intrapreneur can be defined as a person in a large organisation who undertakes direct responsibility to transform an idea into a profitable finished product through creative, innovative and assertive risk management.

The objectives of our IV are:
- To increase the Group's financial performance in terms of turnover and profitability;
- To develop and expand a small business portfolio to become a competitive core business;
- Improving the business and leadership skills of the Group employees and Intrapreneurs; and,
- To provide an alternative career development path among employees.

Through this concept, the Intrapreneurs will have the opportunity to develop and expand the business portfolio to become competitive core business while improving his or her business leadership skills at the same time.

CORPORATE DEVELOPMENTS

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

Accordingly, on 30 June 2018, Microwell Bio Solutions Sdn Bhd ("MBSSB") had ceased its operation and became a dormant company. Beginning 30 June 2018, the business operations of Sovereign Multimedia Resources Sdn Bhd ("SMRSB"), a subsidiary of EESB, were transferred to JCorp and thus ensued the termination of contracts with JCorp. Meanwhile, EESB has acquired Pinnacle Platform Sdn Bhd ("PPSB") from EPA Management Sdn Bhd ("EPA") effective 1 November 2018.

INTRAPRENEUR VENTURE

We are expanding our strength and currently have more than 30 talented technical specialists consisting Software Engineers, Application Consultants, System Analysts, Application Programmers, Administration and Technical Support Engineers.

MOHD HAMKA AHMAD

EESB GROUP REVENUE
9.34%
RM13.20 MILLION

EESB GROUP PBT
15.02%
RM2.45 MILLION

EXTREME EDGE SDN BHD ("EESB")

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

EESB has grown its business by having talented and professional specialists consisting of Software Engineers, Application Consultants, System Analysts, Application Programmers, and Administration and Technical Support Engineers. Its other areas of expertise include servicing and maintenance of servers, UPS systems and PCs in addition to project management and consultation services.

For the year under review, EESB Group recorded a revenue of RM13.20 million, a declined of 9.34% as compared to RM14.56 million posted in 2017. The declined was attributed by lower sales contribution from SMRSB due to termination of IT Service Agreement with JCorp and transfer of operations to the latter. However, PPSB brought in contracts and maintenance works which accounted a bulk of the sales in 2018. In terms of PBT, EESB recorded increased of 15.02% to RM2.45 million in 2018, from RM2.13 million posted in the previous year partly due to better control of its operational and administration cost.

EESB adopted a customer-centric business model, working collaboratively with its clients to deliver solutions using methodologies that are user-centred, technology-based and business-driven. This approach appeals to customers by reducing the time and risk associated with designing and rolling-out complete integrated solution. Going forward, EESB aims to strengthen its position as an outstanding specialist of products and services.

Our strategy among others is to strengthen existence and establish wider reach through setting up of outlets at fast-developing projects in Pengerang.

MOHD KHIR TAMBY

KSTS REVENUE
10.82%
RM3.79 MILLION

KSTS PBT
1.27%
RM0.78 MILLION

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

KSTS was incorporated on 1 January 2013 as a subsidiary of Kulim's wholly-owned EPA. Guided by its motto, "Safety Makes a Difference", KSTS specialises in Occupational, Safety and Health ("OSH") services, with emphasis on OSH training, human resource development, motivation and quality related field works, and its clientele are now growing. KSTS also provides advisory services on matters related to Occupational, Health and Safety Management Systems ("OHSAS 1800") and ISO Quality Management Systems.

For the financial year under review, KSTS generated a revenue of RM3.79 million, representing an increased of 10.82% from RM3.42 million posted in 2017. Meanwhile, PBT decreased by 1.27% to RM0.78 million compared with the previous year at RM0.79 million. The company has also extended its customer reach with the setting up of an additional outlet to tap into the fast-developing RAPID project in Pengerang, Johor. 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 and gas testing, as well as administering urine and drugs tests.

In order to make KSTS a viable, productive, growing and profitable company, KSTS also provides the services of visiting medical officers and foreign workers' medical screening experts on behalf of the Foreign Workers Medical Examination Monitoring Agency ("FOMEMA"). Going forward, in tandem to KSTS acquisition of Optimum Status Sdn Bhd ("OSSB"), the company will restructure OSSB and will be involved in other business segments, such as environmental and biogas projects. OSSB, which is principally engaged in mechanical, electrical, civil engineering for plant/ mill and downstream business of the palm oil mill industry, project engineering, steel structure, piping works, fabrication, machining, installation and mill upgrade, is deemed the most suitable company to be engaged by our Group for environmental-related business ventures.

We have set our sights in business diversification stance in the near future to ensure our continuity and sustainability.

MOHD NOOR MD TAHA

PSTSB REVENUE
6.97%
RM8.94 MILLION

PSTSB PBT
37.93%
RM0.54 MILLION

PERFECT SYNERGY TRADING SDN BHD ("PSTSB")

PSTSB was established on 8 July 2010 as a distributor and supplier of fertilizers and chemicals based in Kota Tinggi Industrial Area, Johor. The company is dedicated to providing efficient and customer friendly services to their clients. Its main clients

consist of estates within JCorp Group and the Kulim Group. PSTSB's products meet the stringent requirements set by the Malaysia Standards Department and are also certified with MS ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme ("MLAS") for assurance of quality.

PSTSB's revenue in 2018 has decreased by 6.97% to RM8.94 million compared to last year of RM9.61 million. Concurrently, PBT has decreased 37.93% to RM0.54 million compared to the previous year of RM0.87 million. In the near future, PSTSB is involved in business diversification stance to ensure its continuity and sustainability.

INTRAPRENEUR VENTURE

> We have opened four (4) distribution centres in Kota Tinggi, Lahad Datu, Bintulu and Kuantan to further strengthen our presence in the local market.

MOHD RAZILA RAMLI

EBSB GROUP REVENUE
7.83%
RM27.13 MILLION

EBSB GROUP PBT
7.50%
RM0.74 MILLION

EDARAN BADANG SDN BHD ("EBSB")

EBSB is the inventor and manufacturer of a three-wheeler multi-purpose machine, also known as a mechanical buffalo named Badang. It is mainly used for FFB evacuations and other field works such as manuring and mulching. The invention of a multi-purpose three-wheeler has carved a niche for the company in the market.

During the year under review, EBSB registered a 7.83% increased in revenue from RM25.16 million in 2017 to RM27.13 million in 2018. However, the company's PBT has decreased by 7.5% to RM0.74 million compared to the preceding year of RM0.80 million. The increased in revenue was driven by higher sales and new market expansion in existing markets and fresh inroads in Indonesia. Thus far, EBSB has exported 83 units of Badang to Indonesia.

Moving forward, EBSB will strenghten its business position in Indonesia

To further penetrate the local market, EBSB has opened four (4) product distribution centres in Kota Tinggi, Lahad Datu, Bintulu and Kuantan. Apart from the "Badang" machine, the Lahad Datu centre is also the sole distributor in Sabah for a wide range of agricultural equipment bearing the Beluga, Rhyno, Tiger and Lion trademarks imported from Korea.

AGROFOOD

Kulim has built a strong corporate portfolio anchored in three (3) business segments, namely, Plantation, O&G and IV. Nevertheless, the Group continues to explore further investment opportunities in new businesses that are synergistic with our core operations. Hence, our foray into Agrofood 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 to support our partners and outgrowers in building successful ventures, while contributing to the national food security programme at the same time.

During the year under review, Kulim made significant strides in its Agrofood business. Cattle projects generated over RM5.30 million in revenue from the sale of cattle, while our pineapple plantation continued to thrive with a revenue of RM10.60 million.

CATTLE PROJECT

Kulim's involvement in the Agrofood 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 measure under the weeding programme. This is in line with the Government's call for estate owners to implement a cattle breeding and rotational grazing programme in compliance with Good Animal Husbandry Practices ("GAHP"). Today, there are over 6,000 heads of cattle grazing on Kulim's 12 estates.

Feedlot is the other component of Kulim's cattle-rearing programme, which is currently being run by Kulim Livestock Sdn Bhd ("KLSB"), a wholly-owned subsidiary of Kulim. KLSB is principally involved in the rearing and fattening of cattle for one (1) cycle of four (4) months before they are sold or slaughtered.

The company currently runs its feedlotting programme in three (3) locations, namely, Bukit Nyamuk in Simpang Renggam with 523 heads of cattle, Taman Kekal Pengeluaran Makanan ("TKPM") in Peta Temalik, Segamat with 295 heads and TKPM Lubuk Bakul in Muar, which involves the coordination with satellite farmers, with 111 heads. Throughout the year, the feedlots housed a total of 929 heads and sold a total of 579 heads. As at 31 December 2018, the total headcount for feedlot segment manage by KLSB was 280 as compared to 653 head recorded in previous year.

In addition to fulfilling KLSB's own requirement, the napier is also meant for sale to local farmers and for the production of a downstream product, which is napier pellets, for both local and export markets. The project is part of Johor State Government's proposition, in which JCorp was given the mandate to be actively involved in the socio-economic development activities within the Segamat district.

Under the Group's integration segment, the total head count was 6,199 at the end-2018 versus 6,277 heads at end-2017. As at year end-2018, both feedlots and intergration segment had a total population of 6,479 heads, a decreased of 6.51% (2017: 6,930 heads). The decreased in population size was attributed to the sale of culled cows that are no longer productive.

There are over 6,000 heads of cattle grazing at Kulim's 12 estates

INTRAPRENEUR VENTURE

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

PINEAPPLE BUSINESS

Kulim has been involved in the pineapple industry since 1994 through our MD2 pineapple plantations run by Kulim Pineapple Farm ("KPF") which are located in Ulu Tiram and Kluang, Johor. As at 31 December 2018, the total planted area of the premium MD2 variety stood at 219.82 hectares.

KPF has embarked on an expansion programme through collaboration with MPIB for the Agropreneur B40 programme. Under this programme, 12 Agropreneur participants from the B40 group will be groomed to develop 48.58 hectares of pineapple plantation beginning August 2018. At the same time, KPF as the "Anchor Company" for the project was offered a total of 72.88 hectares of land for the programme, making the total project area at Tanah Abang, Mersing, Johor totalling 121.46 hectares. Upon completion of the project, which is targeted by September 2019, the total planted area will be 341.28 hectares.

Marketed under the brand name "Melita", the MD2 pineapples produced by KPF receives good demand from both local and overseas markets. In 2018, total production of pineapples amounted to 3,208 tonnes, of which 92% were sold domestically while the remainder were exported to countries such as Iran, Lebanon, Dubai and China.

KPF aims to be a cost leader and main producer of MD2 pineapple, promoting Melita as a premium yet affordable brand. In addition to producing premium fruits and suckers, the Group will be focusing on land usage optimisation with a higher density of plants per acre. To add value to the production of fresh fruits, we have also ventured downstream by producing a variety of pineapple-based products which include canned juice, tarts, jam, chips and slices. Our Group will continue to broaden the usage of the pineapple through collaboration with researchers from local universities. Moving forward, KPF is also looking into further area expansion for its pineapple farm through collaboration with other GLCs in the near future.

MELITA

Kulim is one of the biggest producers of MD2 fresh pineapples in Malaysia for the local as well as export markets in the Middle East, East Asia and Singapore. The company also have a certification of Malaysian Good Agricultural Practice (myGAP 2010-2020) and Seed Certification Scheme (SPBT) developed by the Ministry of Agriculture and Agro-Based Industry, Malaysia.

Melita comes from the Greek word meaning "Sweet as Honey". For the local market, the company has opened a total of nine (9) Melita kiosks in Johor which located at Ulu Tiram Estate, Galleria @ Kota Raya, KPJ Johor Specialist Hospital, Larkin central and KPJ Puteri Specialist Hospital while MELITA kiosks around the city are located in KPJ Tawakal Specialist Hospital, KPJ Damansara Hospital, KPJ Ampang Hospital and KPJ Seremban Hospital.

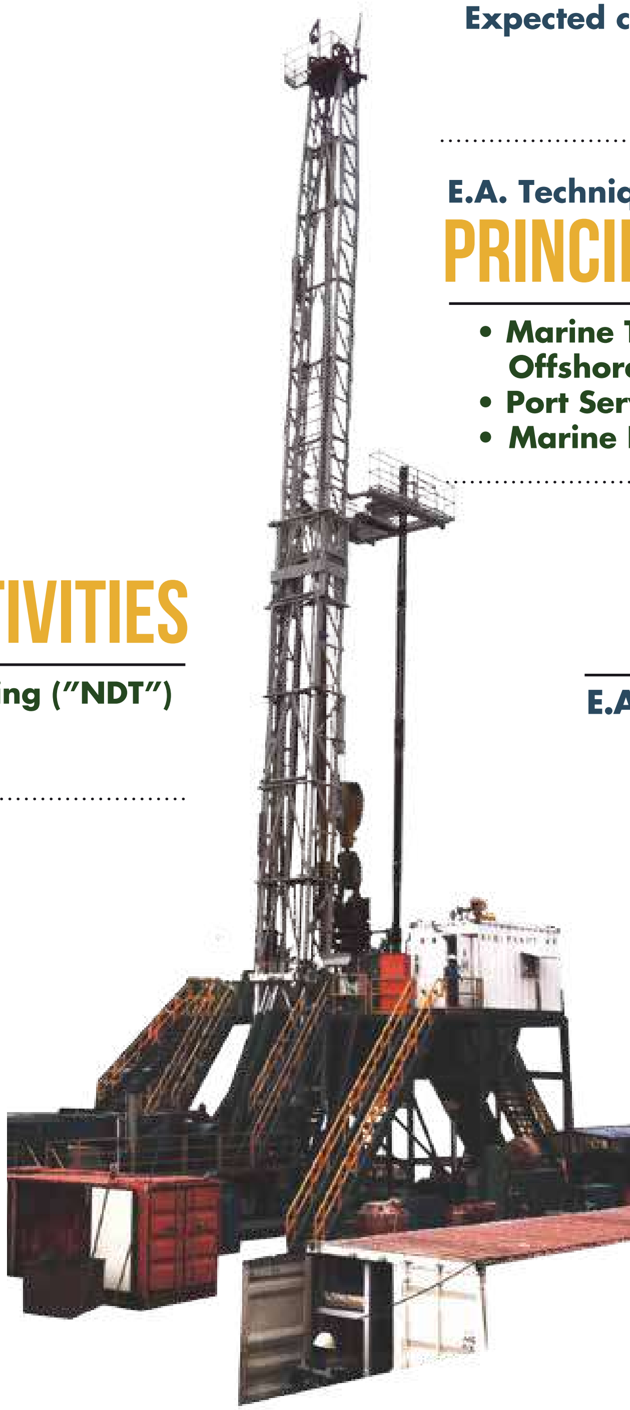
OIL & GAS

Division Revenue

RM469.92 million

Division PBT

RM87.14 million



Indonesia O&G
Expected completion of the CSSPA

Q4 2019

E.A. Technique (M) Berhad

PRINCIPLE ACTIVITES

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

Danamin (M) Sdn Bhd

PRINCIPLE ACTIVITIES

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

Total
E.A. Technique (M) Berhad Vessels:

45

Revenue

RM50.92 million

Loss Before Tax ("LBT")

RM2.08 million

Revenue

RM419 million

PBT

RM90.36 million

KEY GROWTH AREAS

- E.A. Technique (M) Berhad: Orderbook approx. RM572.49 million
- Danamin: Orderbook approx. RM305 million
- Indonesia O&G: Monetisation of investment

OIL &

OIL & GAS

DIVIS

GAS

SION

NOOR EFFENDY MOHD ALI
Head of Business Development
and Marketing Division

OIL & GAS

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

E.A. Technique (M) Berhad ("EA Tech") contributed RM419 million to the Group revenue, an increased of 14.18% compared to RM366.97 million recorded in 2017

FY 2018 was a satisfactory year for Kulim's Oil and Gas ("O&G") Division, as it posted a PBT of RM87.14 million compared to a LBT of RM134.50 million in FY 2017. The Division recorded an increased in revenue of RM469.92 million, representing a 14.81% higher compared to RM409.32 million achieved in the previous year.

During the year under review, our subsidiary, E.A. Technique (M) Berhad ("EA Tech") contributed of RM419 million to the Group revenue, an increase of 14.18% compared to RM366.97 million recorded in 2017. EA Tech posted a PBT of RM90.36 million, against LBT of RM131.90 million in 2017.

Another subsidiary of the Group, Danamin (M) Sdn Bhd ("Danamin"), an engineering and quality assurance provider which caters to niche industries, also registered a satisfactory performance in 2018. Danamin recorded a revenue of RM50.92 million in 2018, an increased of 5.91% from RM48.08 million posted in the previous year. However, the Company registered a LBT of RM2.08 million versus PBT of RM1.12 million previously.

In Indonesia, the acquisition of PT Citra Sarana Energi ("PT CSE") did not create a significant impact on our earnings in 2018. 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.

This Indonesian venture is currently moving towards production stage and is targeted to go on-stream in fourth quater of 2019. Although it offered little or no contribution to the Group's 2018 financial performance, we are confident that its contribution will grow significantly within the next few years as it enters into commercialisation phase.

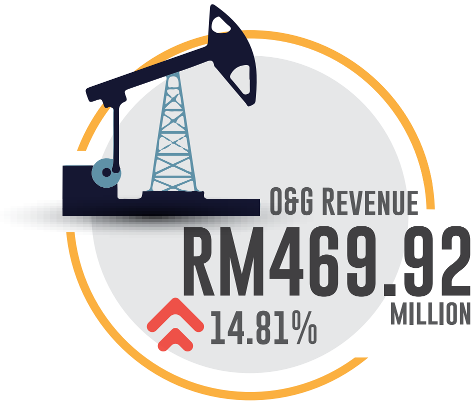
Given that O&G exploration, production and operations involve a variety of risks which may expose the Group to substantial liability, Kulim has ensured that the organisation practises high standard of safety precautions. Our Risk Management team continually monitors our data and has established a sound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

INDUSTRY DYNAMICS

The decision by the Organisation of the Petroleum Exporting Countries ("OPEC") and its allies to start cutting global oil supply by 1.2 million barrel per day ("bpd") from January will help the market re-balance itself in the first half of 2019.

The Organisation for Economic Co-operation and Development ("OECD") region will contribute positively to oil demand growth, which is expected to increase by 250,000 bpd year-on-year, while the non-OECD region is assumed to see larger growth by 1.04 million bpd in 2019 *(Source: The Star, 11 December 2018).*

Looking into 2019, Malaysian O&G sector stands to benefit from the projected recovery in crude oil prices and the expected increase in both upstream and downstream activities. Petronas, for instance, has pegged the oil price outlook at USD60 to USD70 per barrel in its 2019-2021 outlook report as compared to USD50 to USD80 in its previous outlook for 2018-2020. *(Source: The Star, 25 December 2018).*



UPSTREAM ACTIVITIES - INDONESIA

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

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

The completion date of the CSSPA and SA CSSPA has been further extended to 31 December 2019, pending the fulfillment of approval by the Government of Indonesia and *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* ("SKK MIGAS") in respect of the Change of Control ("COC") of the PSC. The acquisition of PT CSE is expected to be finalised in 2019, subject to the said approval by the Government of Indonesia and SKK MIGAS in respect of the COC of the PSC.

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

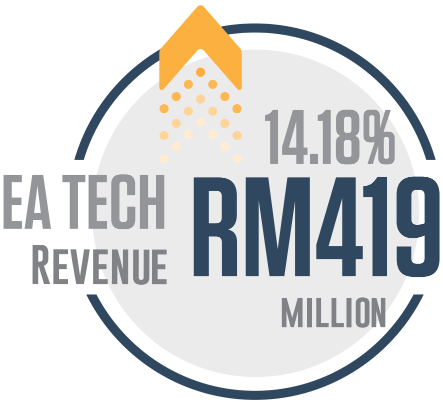

Sinamar 2, an exploration well for South West Bukit Barisan PSC at Sijunjung, West Sumatera, Indonesia

It is a timely opportunity for Kulim to realise its investment in Indonesia's O&G business at an attractive premium above its initial cost of investment upon the POD approval, via monetisation either through a Joint Venture ("JV") with third party/ies or a "Cash Out" via dilution of KENSB's equity in CSE for a huge potential return after development. The deal with potential strategic partner is currently in proposal stage and is non-conclusive.

To maintain Kulim's investment in Indonesia O&G as a Group strategic business, a JV arrangement with a potential strategic partner would also be considered for the development of SWBB PSC production, as well as the expansion of CSE's future business plans.

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

OIL & GAS



EA Tech' s principal activities are in marine transportation and offshore storage of O&G, provision of marine port services and marine engineering services

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 whose principal activities are in marine transportation and offshore storage of O&G, provision of marine port services and marine engineering services. Its activities are supported by a shipyard at Hutan Melintang in Perak, which has the capabilities in shipbuilding, ship repairs and minor fabrication.

FINANCIAL PERFORMANCE

For FY 2018, EA Tech posted a revenue of RM419 million, an increased of 14.18% from RM366.97 million recorded in the preceding year. The increased was contributed in part by the Group's charter hire business, which saw an increased with new contacts secured with the acquisation of M.V. Nautica Gambir and M.V. Nautica Langsat as well as the higher utilisation rates of our vessels.

Notwithstanding, there was an increased in revenue from Marine Transportation services due to the full utilisation of our FSU Nautica Muar. The company posted a PBT of RM90.36 million compared with an LBT of RM131.90 million in 2017, due to an adjustment of EPCIC project costs as there were several deletion in the scope of works and settlement of claims from customers. In addition, profit for the year would have been higher if it was not due to the foreign exchange losses and impairment of assets amounting to RM6.38 million and RM2.13 million respectively recorded in the same period.

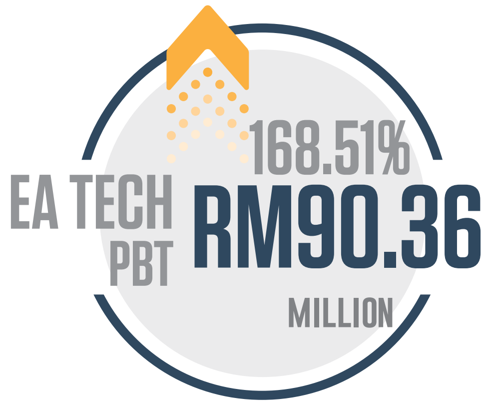
MATERIAL LITIGATIONS

As disclosed in the public announcement, EA Tech via its solicitor has filed a Notice of Arbitration dated 27 September 2018 with the Director of Asian International Arbitration Centre ("AIAC") against Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE").

Further to the Arbitration proceeding, EA Tech had on 5 October 2018 received a Payment Claim pursuant to Section 5 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") from MMHE via its solicitor.

The Arbitration proceedings and CIPAA Payment Claim are not expected to have any potential business or operational impact on EA Tech. At this juncture, EA Tech is seeking advice and consultation from its solicitor to contest the matter.

EA Tech operates a total of 45 vessels in its portfolio, of which 42 are owned by the Group comprising six (6) tankers, two (2) Floating Storage Units ("FSUs")/ Floating Storage Off Loading ("FSOs"), five (5) Offshore Support Vessels ("OSVs") and 29 harbor tug boats.



OPERATIONAL REVIEW

EA Tech operates a total of 45 vessels in its portfolio, of which 42 are owned by the Group comprising six (6) tankers, two (2) Floating Storage Units ("FSUs")/ Floating Storage Off Loading ("FSOs"), five (5) Offshore Support Vessels ("OSVs") and 29 harbor tug boats. The remaining three (3) vessels are charted from external parties. The average age of the tanker fleet is 11 years. All the vessels undergo regular and periodic maintenance, including dry-docking every 2.5 years or 5 years.

In 2018, EA Tech received a full-year utilisation of M.T. Nautica Muar, which was being deployed by Vestigo Petroleum Sdn Bhd at the Bentara SK315 field offshore Sarawak in the second quarter of 2017.

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 in Hutan Melintang, JSE has the capabilities to construct one (1) vessel of up to 10,000 Dead Weight Tonnes ("DWT") or six (6) harbor tug boats at any one time. Upgrading works, including the construction of a new slipway, are currently still in planning stage.

OIL & GAS

Nautica Batu Pahat, a Clean Product Tanker with capacity of about 9,800 dwt

The fundamentals of the company remain strong, underpinned by a substantial orderbook of around RM572.49 million as at 31 December 2018, with an additional RM216.65 million for potential extension.

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, EA Tech has been awarded contracts for Provision of Fast Crew Boats for Petroleum Arrangement Contractors' Production Operations, which commenced in the third quarter of 2018. In order to serve these contracts, EA Tech is using two (2) units of its newly acquired fast crew boats comprising M.V. Nautica Gambir and M.V. Nautica Langsat and one (1) unit of existing crew boat, namely, Nautica Tanjung Puteri XXX.

EA Tech has also been awarded contracts by Petroliam Nasional Berhad ("Petronas") and Sungai Udang Port Sdn Bhd in the fourth quarter of 2018 to provide marine vessels services for the companies. EA Tech is using its own existing marine vessels, namely, Nautica Tanjung Puteri I, Nautica Tanjung Puteri XXII, Nautica Tanjung Puteri XVII, Nautica Tanjung Puteri II and Nautica Tanjung Puteri XVIII, as well as two (2) units of charter-in-vessels for the above said contracts.

OUTLOOK & PROSPECTS

Looking ahead, EA Tech remains upbeat on the operating performance of its respective business segments. The fundamentals of the company remain strong, underpinned by a substantial orderbook of around RM572.49 million as at 31 December 2018, with an additional RM216.65 million for potential extension. The company has long-term contracts for its marine vessels, which provide a stable and recurring revenue stream.

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

The Group's optimism is also based on our exceptional pool of human capital, which is among our greatest assets. Our people are highly professional, knowledgeable, motivated and are the enablers of the Group strategies in moving forward. Hence, we have the right team to deliver the kind of performance that is expected by our shareholders from us.

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 400 professional employees, including contract workers with the relevant certifications, the company has branches that are strategically located in the vicinity of its customers' facilities.

Danamin provides Non-Destructive Testing ("NDT"), Quality Assurance, Integrity Management and Inspection services to the O&G industry in Malaysia and global markets

FINANCIAL PERFORMANCE

The principal contributors to Danamin's revenue are its NDT and fabrication businesses. For the year under review, Danamin generated a revenue of RM50.92 million, a 5.91% increased from RM48.08 million posted in 2017. In 2018, LBT recorded RM2.08 million from PBT of RM1.12 million registered in the previous year.

OPERATIONAL REVIEW

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

While the first phase of Petronas Refinery and Petrochemical Integrated Development ("RAPID") construction project has come to the end, Danamin's participation continues, particularly in the completion of GRE Non-Carbon Steel piping laydown for Package 27 with Technimont Malaysia Sdn Bhd.

OUTLOOK & PROSPECTS

Moving forward, Danamin has an order book of approximately RM305 million from its five (5) years contract for the Inspection and Corrosion Monitoring Services ("ICMS") with Petronas Group of Companies. With regards to its rolling mill activities, Danamin is eyeing a two (2) years contract worth RM50 million with MMHE, which is expected to be executed by June 2019.

The company's new business in maintenance is growing, with an expected RM6 million revenue to be generated from various clients, covering tank maintenance, general factory and various transportation mode maintenance.

CORPORATE EVENT HIGHLIGHTS 2018

1
25 JAN 18
Hilton Hotel, Kuala Lumpur
ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2017. Kulim was shortlisted for the Best Reporting within an Annual Report

2
26 - 28 JAN 18
Dataran Tasik, Bandar Penawar, Kota Tinggi
Pengerang Fest 2018

3
6 FEB 18
Eden Hall, Singapore
Asia Sustainability Reporting Awards ("ASRA") 2017. Kulim was a finalist for Asia's Best Sustainability Report within Annual Report

4
20 - 22 FEB 18
ITC Maurya, New Delhi, India
41st Association of Development Financing Institutions in Asia and Pacific ("ADFIAP") Annual Meeting and Gala Dinner. Kulim had received a "Plaque of Merit" under Corporate Social Responsibility Category

5
23 - 25 MAR 18
Plaza Angsana, Johor Bahru
Karnival Halal Johor 2018

6
28 MAR 18
Persada Johor, Johor Bahru
Pedoman Kulim 2018

7
8 APR 18
Kulim Corporate Office
Ulu Tiram, Johor
MPC QE/ 5S
Surveillance Audit 2018

8
19 - 20 APR 18
Sheraton Senggigi Hotel, Lombok
10th Annual Global CSR Summit & Award 2018. Kulim received awards in three (3) categories:
- Best Environmental Practices (Platinum)
- Empowerment of Women (Gold)
- Best Workplace Practices (Silver)

9
25 APR 18
Kulim Eco-TRAIL Retreat,
Basir Ismail Estate
Kota Tinggi
4th CIO Circle, Theme: Digital Transformation Beyond Precision Agriculture

10
26 APR 18
Sunway Pyramid
Convention Centre
Petaling Jaya, Selangor
Global Responsible Business Leadership Award 2018. Kulim was awarded as the winner in Excellence Category for Sustainable Palm Oil Plantation Management

11
1 MAY 18
AEON Alpha Angle
Wangsa Maju, Kuala Lumpur
FAMA Malaysia's Best Award 2018

12
13 JUL 18
Shangri-La Hotel, Kuala Lumpur
Malam Kewartawanan Malaysia 2018

13
18 - 19 AUG 18
Walmart Guomao Beijing, China
In-Store promotion of MD2 Pineapple. Participation by Melita

14
23 SEP 18
Kulim Pineapple Farm
Ulu Tiram, Johor
Official visit from YB Dato' Salahuddin Ayub, Minister of Agriculture and Agro-Based Industry to Kulim Pineapple Farm

15
30 - 31 SEP 18
Bangi-Putrajaya Hotel, Selangor
Asia Pacific Conference on Food Security ("ARCoFS") 2018

16
13 - 15 NOV 18
Sunway Pyramid Convention Centre, Kuala Lumpur
National Convention on Team Excellence ("NTEx") 2018

17
16 NOV 18
Sunway Resort Hotel & Spa, Petaling Jaya
Malaysia International HR Awards & Dinner Presentation 2018. Kulim was awarded "Bronze" in the Best HR Practices Category

18
26 NOV - 1 DEC 18
Harmoni One Hotel, Batam-Kepulauan Riau
International Quality & Productivity Convention ("IQPC") 2018

19
6 DEC 18
Hilton Hotel, Kuala Lumpur
National Annual Corporate Reporting Award ("NACRA") 2018

20
10 DEC 18
Caesar Palace Hotel, Las Vegas
Kulim was awarded Best Quality Leadership Awards 2018 in Gold Category

SUSTAINABILITY EVENT HIGHLIGHTS 2018

1 **25 FEB 18**
Kulim Corporate Office
Ulu Tiram, Johor
Gerak Kemas Perdana 2018

2 **4 MAR 18**
Persada Johor, Johor Bahru
Yuk Ngeteh 2018 - *"Perubahan Asas Kecemerlangan".* Panel Programme: Ustaz Syamsul Debat, Fad Bocey and Rahim Sepahtu

3 **28 - 31 MAR 18**
Dewan 2020, Kangar, Perlis
Sukan Gemaputera Kali ke-15. Participation by 25 athletes manager from Kelab Sukan& Rekreasi Tiram ("KSRT") and Operating Units ("OUs") of Kulim (Malaysia) Berhad

4 **1 APR 18**
Dataran Tangkak, Johor
World Wildlife Day 2018. Participation by Sustainability & Quality Department

5 **14 APR 18**
Johor River, Basir Ismail Estate, Kota Tinggi
Kulim Kota Tinggi Eco Boat Fishing Challenge 2018

6 **15 APR 18**
Masjid Jamek, Ulu Tiram Estate
Majlis Sambutan Israk Wal Mikraj 1439 H: "Mikraj Cinta"

7 **10 - 12 MAY 18**
Kenyir Lake, Terengganu
KSRT Eksplorasi Kenyir 2018

8 **2 JUN 18**
Pasaraya Komuniti @mart Kempas, Johor Bahru
Program Gotong-Royong Bubur Lambuk Amal. Participation by Kulim (Malaysia) Berhad

9 **11 JUL 18**
Club House, KSRT
Hari Raya Celebration 2018

10 **20 - 21 JUL 18**
Gold Coast Malacca International Resort, Melaka
Kulim Family Day 2018

11 **31 JUL 18**
Padang Merbok, Kuala Lumpur
The Edge Kuala Lumpur Rat Race 2018. Participation by Kulim (Malaysia) Berhad

12 **4 AUG 18**
Futsal Sport Prima Johor Bahru
Kejohanan Futsal Sempena Hari Ulang Tahun Kemerdekaan Republik Indonesia ke-73

13 **19 AUG 18**
Club House, KSRT
38th Annual General Meeting of *Kelab Sukan & Rekreasi Tiram*

14 **27 OCT 18**
Kulim Eco-TRAIL Retreat Basir Ismail Estate, Kota Tinggi
Kulim Kota Tinggi MTB Challenge 2018

15 **7 - 10 NOV 18**
Mount Kinabalu, Sabah
Kinabalu Expedition in Conjunction with 50 Years Anniversary of JCorp. Participation by five (5) members from Kulim (Malaysia) Berhad

16 **27 NOV 18**
Masjid Nurul Hidayah Kg. Spg. 6 Senggarang Batu Pahat, Johor
Majlis Yassin, Tahlil & Doa Selamat in Conjunction with 50 Years Anniversary of JCorp

17 **18 NOV 18**
Thistle Hotel, Johor Bahru
Closing Ceremony and Prize Presentation of Raja Zarith Sofiah Wildlife Defenders Challenge 2018

18 **15 DEC 18**
Bandar Tiram JLand, Johor Bahru
Kulim (Malaysia) Berhad Trail Run 2018

19 **9,15 & 20 DEC 18**
Sindora & Siang Complex
Karnival Sukan Piala KMB 2018

20 **17 DEC 18**
Club House, KSRT
Kulim's International Women's Day ("IWD") 2018 organised by WOW

http://

RECOGNITIONS AND ACCREDITATIONS 2018

10TH ANNUAL GLOBAL CSR SUMMIT AND AWARDS CEREMONY 2018

Kulim was awarded as the winner in three (3) categories:
1) Best Environmental Practices Award (Platinum)
2) Empowerment of Women Award (Gold)
3) Best Workplace Practices Award (Silver)

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Pinnacle Group International	Kulim (Malaysia) Berhad

41ST ADFIAP AWARDS 2018

Kulim was awarded a Plaque of Merit for Corporate Social Responsibility Category

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Association of Development Financing Institutions Asia and the Pacific	Kulim (Malaysia) Berhad

BEST QUALITY LEADERSHIP AWARD 2018

Kulim was awarded as a Best Quality Leadership Award 2018 in Gold Category

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
European Society for Quality Research	Kulim (Malaysia) Berhad

GLOBAL RESPONSIBLE BUSINESS LEADERSHIP AWARDS 2018

Kulim was awarded as the winner in Excellence Category for Sustainable Palm Oil Plantation Management

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Asia Pacific CSR Council	Kulim (Malaysia) Berhad

MALAYSIA INTERNATIONAL HR AWARDS & DINNER PRESENTATION 2018

Kulim was awarded as a Best HR Practices Category in Bronze

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Malaysia Institute of Human Resource Management ("MIHRM")	Kulim (Malaysia) Berhad

RECOGNITIONS AND ACCREDITATIONS 2017

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)*

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Niagatimes.com	Microwell Bio Solution Sdn Bhd

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS ("MASRA") 2017

Kulim Integrated Annual Report 2016 was Shortlisted for the Best Reporting within an Annual Report

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
ACCA Malaysia	Kulim (Malaysia) Berhad

ASIA SUSTAINABILITY REPORTING AWARDS 2017 ("ASRA")

Finalist for Category Asia's Best Sustainability Report within Annual Report

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
CSR Works	Kulim (Malaysia) Berhad

PETRONAS CONTRACTOR FORUM 2017

Danamin (M) Sdn Bhd was awarded as Improved Performance Contractor (Certificate of Appreciation)

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Petroliam Nasional Berhad (PETRONAS)	Danamin (M) Sdn Bhd

GLOBAL RESPONSIBLE BUSINESS LEADERSHIP AWARD 2017

Kulim was awarded as the winner in Excellence Category for Plantation Sector

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Asia Pacific CSR Council	Kulim (Malaysia) Berhad

9TH ANNUAL GLOBAL CSR SUMMIT AND 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)

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Pinnacle Group International	Kulim (Malaysia) Berhad

ANUGERAH PENGEKSPORT NANAS SEGAR JAYA

Kulim Pineapple Farm ("KPF") was awarded *Anugerah Pengeksport Nanas Segar Jaya* at the 60th Anniversary of Malaysian Pineapple Industry Board ("MPIB")

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
MPIB	KPF

RECOGNITIONS AND ACCREDITATIONS 2016

NATIONAL ANNUAL CORPORATE REPORTS AWARDS ("NACRA") 2016

Kulim's Integrated Annual Report 2015 was awarded as a winner of Industry Excellence Awards (Main Board) for Plantation & Mining

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
National Annual Corporate Report Awards	Kulim (Malaysia) Berhad

MIA IR RECOGNITION AWARD 2016

Recognition Award 2016 in "Pioneering Integrated Reporting ("IR") in Malaysia"

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Malaysian Institute of Accountants ("MIA")	Kulim (Malaysia) Berhad

8TH ANNUAL GLOBAL CSR SUMMIT AND AWARDS CEREMONY 2016

Best Workplace Practices Award (Bronze Award)

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
Pinnacle Group International	Kulim (Malaysia) Berhad

TSD SPECIAL AWARD

Responsible Contractor for Outstanding performance in Health, Safety and Environment (Jan – June 2016)

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
PETRONAS Chemicals Ammonia Sdn Bhd	Danamin (M) Sdn Bhd

MASRA AWARD 2016

Kulim's Integrated Annual Report 2015 was shortlisted for the Best Reporting within an Annual Report

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
ACCA Malaysia	Kulim (Malaysia) Berhad

ASRA AWARD 2016

Kulim's Integrated Annual Report 2015 was shortlisted for Asia's Best Integrated Report

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
CSR Works	Kulim (Malaysia) Berhad

THE EDGE-BILLION RINGGIT CLUB & CORPORATE AWARDS 2016

1) Highest Return on Equity Over 3 Years – Plantation Sector
2) Highest Growth in Profit Before Tax Over 3 Years – Plantation Sector

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
The Edge	Kulim (Malaysia) Berhad

LOYALTY AWARD 2016

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
BSI Services Malaysia Sdn Bhd	Kulim (Malaysia) Berhad


CSRWorks
The 10th Annual Global CSR Summit & Award
41st ADFIAP
Welcome Dinner &
NACRA 2018
NATIONAL ANNUAL CORPORATE REPORT AWARDS
YB Tuan Lim Guan Eng
Finance Minister
TOWARDS ACCOUNTABILITY & EXCELLENCE
GLOBAL RESPONSIBLE BUSINESS
2018

ABOUT KULIM

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FFB off-loading; Sungai Papan Estate, Kota Tinggi

SECTION 2

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" & 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 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 & 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.

CORPORATE **MILESTONES**

DIVERSIFYING & FURTHER GROWTH

1994

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

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

1995

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

1996

- Kulim's regional expansion began with the acquisition of 90% stake in New Britain Palm Oil Limited ("NBPOL") in Papua New Guinea ("PNG").

- Kulim's subsidiary, Kulim Plantations (Malaysia) Sdn Bhd, ventured into plantation in Indonesia through a 60% stake in PT Padang Bolak Jaya and PT Multrada Multi Maju in Sumatera.

- Johor Land Berhad ("JLand") became a subsidiary of Kulim and was subsequently listed on the Main Board of KLSE.

1997

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

1998

- New Britain Nominees Ltd was incorporated by NBPOL as a vehicle for its employees, outgrowers and traditional landowners to acquire NBPOL's shares and allowing them to participate in NBPOL's future growth and prosperity.

- NBPOL Foundation was established to assist communities in West New Britain, PNG in the fields of health and education.

- NBPOL was successfully listed on Port Moresby Stock Exchange, PNG.

2000

- Kulim acquired the remaining 40% stake in Selai Sdn Bhd.

- Commissioning of NBPOL's fourth mill, Numundo Palm Oil Mill and construction of Kumbango Palm Oil Refinery with a capacity of 100,000 TPA.

2001

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

2004

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

2005

- Kulim purchased 52% stake in QSR Brands Bhd ("QSR"), the operator of Pizza Hut and the controlling shareholder of KFC Holdings (Malaysia) Bhd ("KFCH").

- Expansion of NatOleo's fatty acids production capacity from 150,000 TPA to 380,000 TPA.

2006

- Kulim completed a capital distribution-in-specie of its entire holding of JLand shares in March, signalling the Group's exit from the property business.

- Kulim divested all of the Group's plantation in Sumatera in March.
- In June, Kulim completed the acquisition of QSR when it gained control over the QSR Board at an Extraordinary General Meeting ("EGM") of the company.

2007

- Secondary listing of NBPOL in the LSE in December for realisation of NBPOL's true earnings potential in the trading market.
- Divestment of Kalimantan plantation 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 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.
- Expansion of QSR into Cambodia for KFC restaurants.
- Construction commenced for NBPOL's 200,000 TPA refinery plant in UK.

2009

- Official RSPO certification was accorded to Kulim-owned plantation 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 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.

CORPORATE MILESTONES

- 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 listed 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 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 EGM 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 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.

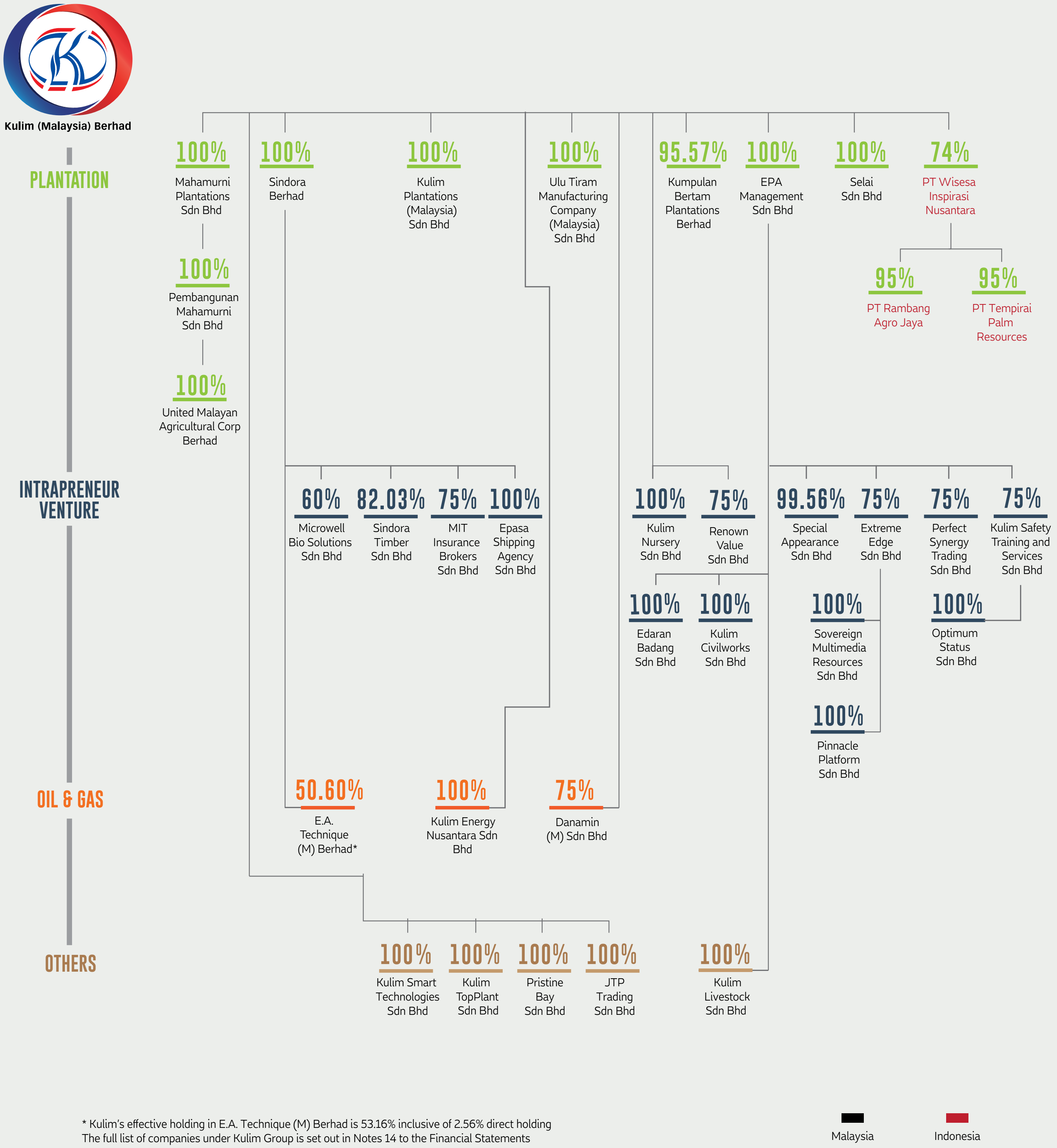
2018

- The disposal of 95% equity in Pinnacle Platform Sdn Bhd held by EPA to Extreme Edge Sdn Bhd was completed on 1 November 2018.

- Kulim completed the acquisition of 49% equity in Pristine Bay Sdn Bhd held by Johor Land Holdings Sdn Bhd on 30 November 2018.
- On 20 December 2018, Kulim completed the disposal of AEDFL to Johor Logistics Sdn Bhd.

GROUP'S SIGNIFICANT SUBSIDIARIES

AS AT 28 FEBRUARY 2019



* 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

INDEPENDENT NON-EXECUTIVE DIRECTOR
Dr. Radzuan A. Rahman

CORPORATE ADVISOR
Ahamad Mohamad

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Zulkifli Ibrahim
Mohd Sahir Rahmat
Mohamad Salleh Mohamad Yusof
Wan Su Ali

EXECUTIVE DIRECTOR
Zulkifly Zakariah

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

REGISTERED OFFICE
Level 16, Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
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
AmBank Islamic Berhad
Bank of China (Malaysia) Berhad
CIMB Islamic Bank Berhad
Coöperatieve Rabobank U.A., Labuan Branch
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
MBSB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Saadiq Berhad
The Bank of Nova Scotia Berhad
United Overseas Bank (Malaysia) Bhd

AUDITORS
PricewaterhouseCoopers (PWC)

WEBSITE
www.kulim.com.my

STOCK EXCHANGE LISTING

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

BOARD OF DIRECTORS

Left to right:

MOHAMAD SALLEH MOHAMAD YUSOF
Non-Independent
Non-Executive Director

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

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

ZULKIFLY ZAKARIAH
Executive Director

DR. RADZUAN A. RAHMAN
Independent
Non-Executive Director

WAN SU ALI
Non-Independent
Non-Executive Director

ZULKIFLI IBRAHIM
Non-Independent
Non-Executive Director

MOHD SAHIR RAHMAT
Non-Independent
Non-Executive Director

BOARD OF DIRECTORS' PROFILE

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

Nationality: Malaysian

Age: 55

Date of Appointment: 12 January 2011

Qualification & Experience:
Dato' Kamaruzzaman 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. 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 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.

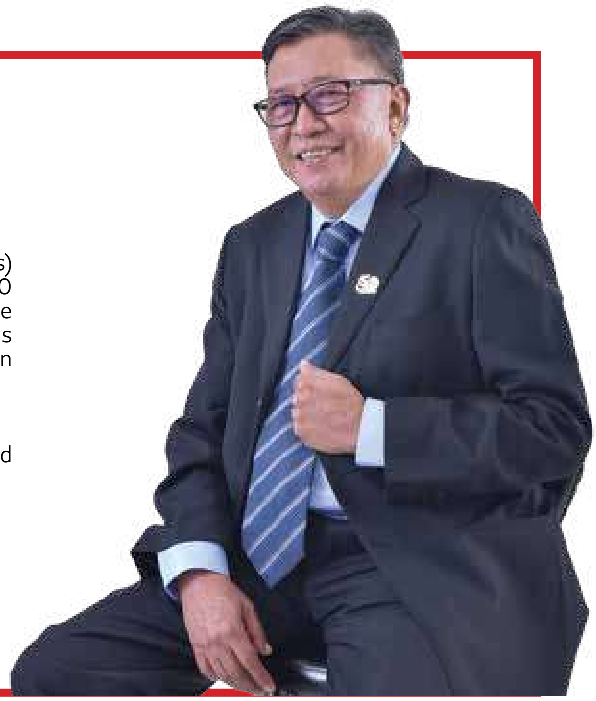
He then served as the Chief Operating Officer of JCorp beginning 1 August 2006 and was later appointed as Senior Vice President, Corporate Services and Finance of JCorp beginning 1 January 2009 and Acting President and Chief Executive of JCorp beginning 29 July 2010.

Chairmanship/ Directorship:
He also the Chairman of KPJ Healthcare Berhad, E.A. Technique (M) Berhad ("EA Tech") 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 Securities Berhad. Further, he is also the Chairman of several companies within the JCorp Group including, among others, Johor Land Berhad ("JLand"), QSR Brands (M) Holdings Sdn Bhd ("QSR") and Waqaf An- Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's Corporate Responsibility programmes and Yayasan Johor Corporation, a foundation that manages and administers funds for education and charitable purpose.

He is actively involved in the administration and development of national sports. He is National Sports Council ("MSN"), MSN Board Member and MSN Diciplinary Committee Member. He is also the President of the Malaysian Sailing Association and the President of the Johor Sailing Associaton. In addition, he is also the patron of the Johor Clay Target Shooting Association and Vice President II of the Johor Football Association. In education sector, he is the Administrative Board member of the Malaysian-American Commision of Educational Exchange ("MACEE") since 2013. In addition, he is also the Professor of Adjunct at the International Institute of Public Policy and Management ("INPUMA"), University of Malaya since 2016.

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

ZULKIFLY ZAKARIAH
Executive Director



Nationality: Malaysian

Age: 59

Date of Appointment: 1 January 2017

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

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

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

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

Nationality: Malaysian

Age: 66

Date of Appointment: 1 January 2017

Qualification & Experience:
He 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. 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.

Chairmanship/ Directorship:
He was a member of the Board of Directors of KPJ Healthcare Berhad before he resigned on 3 July 2017. He is also a Director of several other companies within the JCorp Group.

He is also 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 2 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.

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

BOARD OF **DIRECTORS' PROFILE**

DR. RADZUAN A. RAHMAN
Independent
Non-Executive Director

Nationality: Malaysian

Age: 76

Date of Appointment: 16 January 2017

Qualification & Experience:
He was appointed to the Board of Kulim on 1 November 2006 as an Independent Non-Executive Director and resigned on 1 October 2016. On 16 January 2017 he was also appointed as the Chairman of the Audit Committee of Kulim.

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

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

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

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

Nationality: Malaysian

Age: 53

Date of Appointment: 1 March 2017

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

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

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

ZULKIFLI IBRAHIM
Non-Independent
Non-Executive Director

Nationality: Malaysian

Age: 61

Date of Appointment: 1 September 2013

Qualification & Experience:
He 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.

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.

Chairmanship/ Directorship:
In 1996, he was appointed as 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.

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

WAN SU ALI
Non-Independent
Non-Executive Director

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.

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

Declaration:
Other than as disclosed, she does not have any family relationship with any director and/ or major shareholder of Kulim. She has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. She attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

BOARD OF **DIRECTORS' PROFILE**

MOHD SAHIR RAHMAT
Non-Independent
Non-Executive Director

Nationality: Malaysian

Age: 55

Date of Appointment: 15 January 2019

Qualification & Experience:
He graduated with a Bachelor in Accountancy from Universiti Kebangsaan Malaysia. Subsequently, he obtained his Postgraduate Diploma in Health Services and Hospital Management from the South Bank University, London. He then proceeded to obtain his Master of Business Administration from Henley Business School, University of Reading, United Kingdom. In addition, he is a member of the Malaysian Institute of Accountants. He is currently attached to JCorp as the Vice President, Business Development Division. Previously he was the Group Chief Financial Officer of KPJ Healthcare Berhad, a company in JCorp Group before he was promoted as the Vice President of Corporate and Financial Services untill 2017, prior to joining JCorp.

Chairmanship/ Directorship:
He is the Chairman of Executive Commitee Meeting of JCorp and member of Building and Tender Board Committee of KPJ Healthcare Berhad. He is also the Chairman and Director of several other Companies within the JCorp Group.

Declaration:
Other than as disclosed, he does not 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.

MOHAMAD SALLEH MOHAMAD YUSOF
Non-Independent
Non-Executive Director

Nationality: Malaysian

Age: 50

Date of Appointment: 1 March 2017

Qualification & Experience:
He is a member of the Chartered Tax Institute of Malaysia ("CTIM") since 23 February 2012. He is currently the Vice President of Group Finance Division at JCorp. His previous experiences 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, 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 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 organised 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 include manufacturing, healthcare, services, property developers, construction and agriculture.

Chairmanship/ Directorship:
He also sits as a Director of several other companies within JCorp Group.

Declaration:
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2018.

ORGANISATION CHART

AS AT 28 FEBRUARY 2019

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 PLANTATION ADVISORY & SERVICES DIVISION
Zainuriah Abdullah

HEAD OF BUSINESS DEVELOPMENT & MARKETING DIVISION
Noor Effendy Mohd Ali

HEAD OF KULIM PINEAPPLE FARM
Mohamad Yami Bakar

HEAD OF AGROFOOD DIVISION
Kamarulzaman Othman

ADVISORY ROLE

MANAGEMENT TEAM

Zulkifly Zakariah
Executive Director

Aged 59, was appointed as the Executive Director of Kulim on 1 January 2017. Before assuming his current position, he was a Vice President of Estate Operation from January 2013 until December 2016. He joined the Company in May 1980 as a Cadet Planter after completion of Higher School Certificate. He has served Kulim's Indonesian operations from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor, Malaysia from May 2011 until December 2012. He is a member of the Johor Clay Target Shooting Associaton. He also sits on the Board of several companies within Kulim Group.

Zainuriah Abdullah
Head of Plantation Advisory & Services Division

Aged 54, 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 of Research and Development Department in 2000. In 2004 she was promoted to Senior Manager before Comptroller of R&D in 2007 until 2017. She also sits on the Board of several companies within Kulim Group.

Amran Zakaria
Head of Human Resource Division

Aged 51, was appointed as Head of Human Resource Division of Kulim on 24 April 2017. He graduated with a Bachelor in Science of Horticulture from Universiti 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.

Idham Jihadi Abu Bakar
Head of Corporate Services Division

Aged 52, 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.

Shahrom Mohd Saad
Head of Finance Division

Aged 52, was appointed as the Head of Finance Division of Kulim on 9 October 2017. He obtained his Bachelor of Accounting with Honours from Polytechnic of East London, UK in 1992. He started his career with Malayan Banking Berhad in 1992 before joining Kulim as Executive in Corporate Finance Department in 1995. He also sits on the Board of several companies within Kulim Group.

Noor Effendy Mohd Ali
Head of Business Development & Marketing Division

Aged 55, 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.

Mohd Akhir Wanteh
Head of Plantation Division

Aged 56, was appointed as the Head of Plantation Division of Kulim on 1 January 2017. He holds a Diploma in Planting Industry and Management from UiTM in 1984. He joined the Company on 1 December 1987 as Cadet Planter before he promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and became the Region Head of Plantation Operations in 2015 until December 2016. He also sits on the Board of Directors of several companies within Kulim Group.

Mohamad Yami Bakar
Head of Kulim Pineapple Farm

Aged 51, was appointed as the Head of Pineapple Farm of Kulim on 1 August 2017. He holds a Diploma in Planting Industry and Management from UiTM in 1990. He joined the Company on 4 August 1990 as a Cadet Planter. He was seconded to Damansara Forest Project (PNG) Pte Ltd in 1996 and promoted as a Manager in 2004. He became a Regional Controller of Sedenak Complex in 2011 and Tunjuk Laut Complex in 2014. Later, he was seconded to PT Wahana Semesta Kharisma, Indonesia in October 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

Kamarulzaman Othman
Head of Agrofood Division

Aged 53, was appointed as Head of Agrofood 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 of Plantation Division before transferred to JTP Trading Sdn Bhd as a General Manager in charge of the company's core activity of tropical fruit exports in 2009. In 2012, he joined JCorp to head the newly setup Agrofood Department with the main activities in cattle and poultry projects and integrated farming 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.

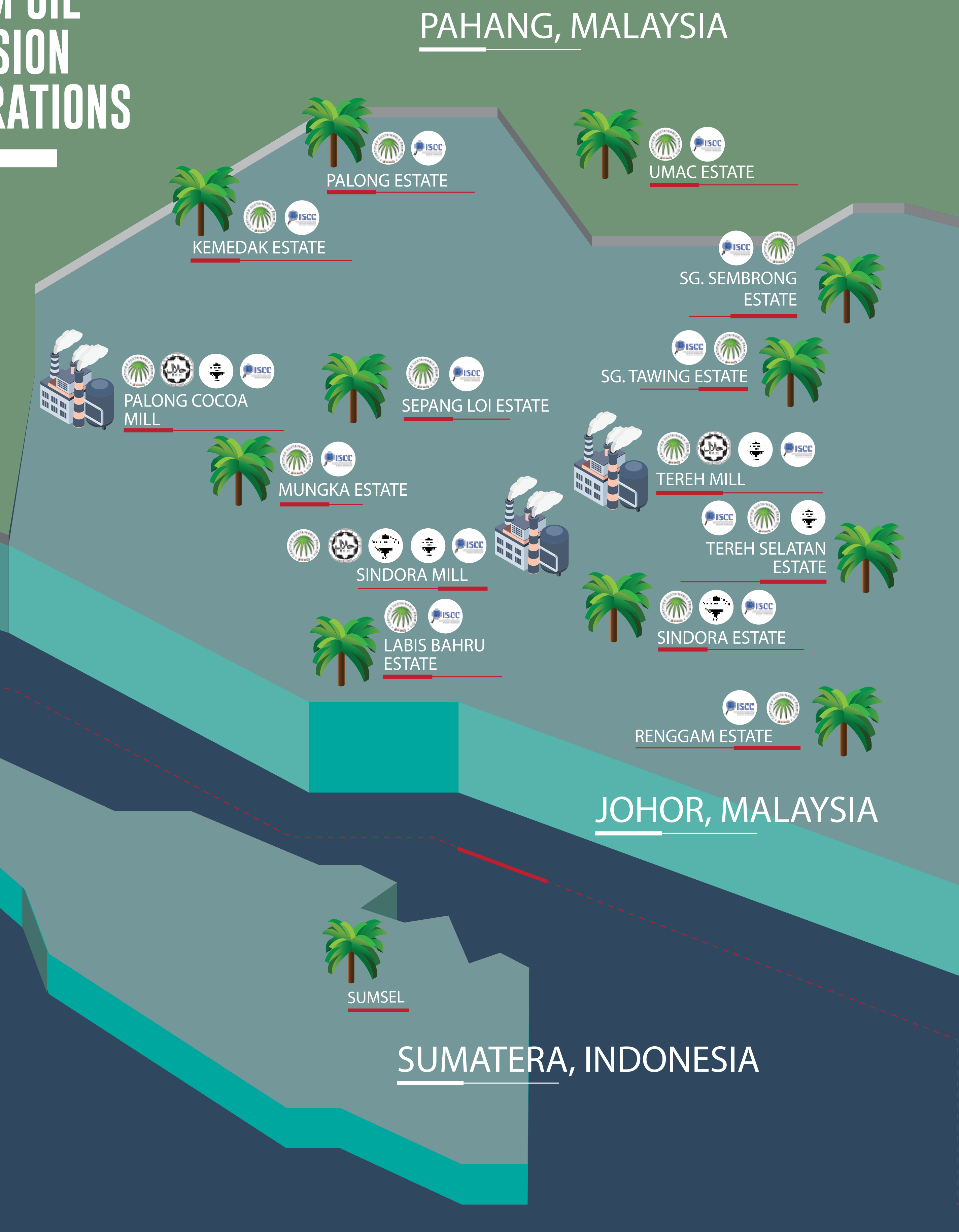
Azmil Majid
Secretary

Azida Ismail
Assistant Secretary

Wan Adlin Wan Mahmood
Head of Engineering Department

Aged 44, was appointed as Senior Manager of Engineering Department of Kulim on 1 January 2017. He graduated with a Master of Business Administration in Manufacturing and Production from Open University Malaysia in 2018. He also holds a Bachelor of Engineering (Chemical) from Vanderbilt University, Nashville, Tennessee, United State of America in 1997 and Diploma in Palm Oil Milling and Technology from MPOB in 2002. He also possessed the First Grade Steam Engineer Certification from Department of Safety and Health in 2003. He joined the Company in November 2012 as Senior Manager at Sedenak Palm Oil Mill until December 2016. He has 20 years experience in palm oil milling in various location such as Peninsular Malaysia, Papua New Guinea and Sarawak.

LOCATIONS OF THE GROUP'S PALM OIL DIVISION OPERATIONS



FACILITY

Estate
Palm Oil Mill

CERTIFICATIONS

RSPO Certified
ISO 14001 : 2015 Certified
ISCC Certified
HALAL Certified
ISO 9001 : 2015 Certified

PERFORMANCE HIGHLIGHTS & STATISTICS

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FFB grading; to determine quality of FFB

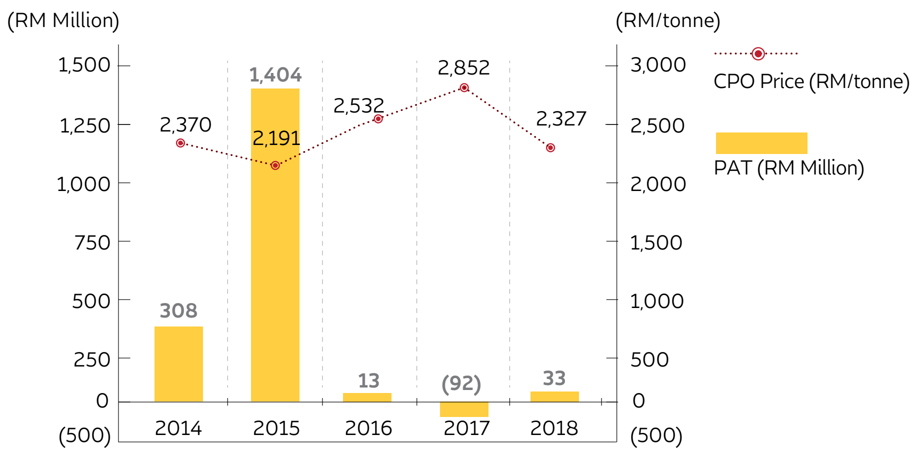
SECTION 3

GROUP 5-YEAR FINANCIAL STATISTICS

	2018	2017	2016	2015	2014
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
Revenue	**1,387,637**	1,525,367	1,612,738	1,443,024	1,093,665
Segment %:					
Plantation	61	67	56	54	70
Intrapreneur Venture	3	4	3	4	24
Others	36	29	41	42	6
Profit from Operations	**154,882**	118,190	85,722	113,576	138,324
Segment %:					
Plantation	53	204	136	64	134
Intrapreneur Venture	1	(2)	1	2	16
Others	46	(102)	(37)	34	(50)
Interest income	7,728	3,871	33,930	36,909	11,820
Finance costs	(92,133)	(88,197)	(59,477)	(33,003)	(55,197)
Share of results of associates	564	552	(258)	317	586
Profit before taxation	71,041	34,416	59,917	117,799	95,533
Taxation	(38,172)	(47,197)	(46,391)	(30,193)	(34,005)
Profit after taxation from					
- Continuing operations	32,869	(12,781)	13,526	87,606	61,528
- Discontinued operations	-	(79,072)	(340)	1,316,326	246,913
Net profit for the year	**32,869**	(91,853)	13,186	1,403,932	308,441
Attributable to:					
Owners of the Company	(25,965)	8,619	3,855	1,410,516	164,303
Non-controlling interests	58,834	(100,472)	9,331	(6,584)	144,138
Net profit for the year	**32,869**	(91,853)	13,186	1,403,932	308,441

* *Comparative figures have been restated due to adoption of MFRS.*

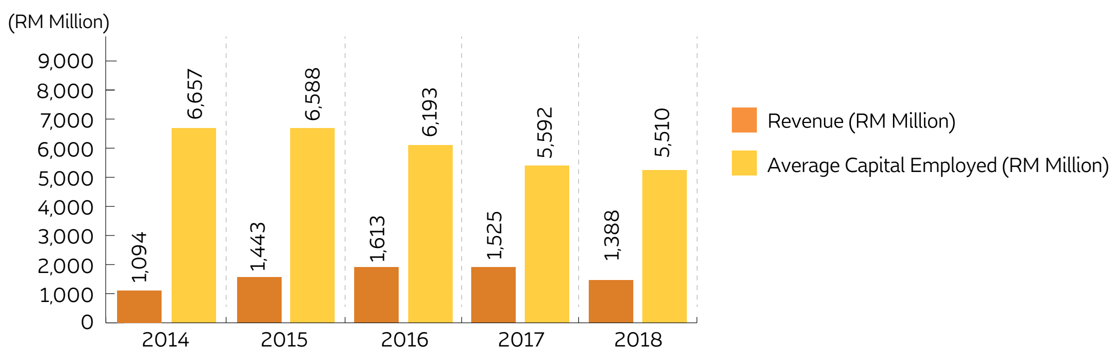
GROUP 5-YEAR PROFIT VS AVERAGE CPO PRICE



GROUP 5-YEAR FINANCIAL STATISTICS

	2018	2017	2016	2015	2014
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
ASSETS EMPLOYED					
Other non-current assets	5,479,099	5,694,503	5,732,814	5,348,716	3,773,743
Intangible assets	27,415	26,905	32,774	69,819	33,439
Total Non-Current Assets	5,506,514	5,721,408	5,765,588	5,418,535	3,807,182
Other current assets	729,389	751,974	794,867	603,815	324,987
Cash and bank balances	252,454	325,470	530,783	1,584,805	342,597
Assets of disposal group classified as held for sale	-	-	-	13,291	4,783,791
Total Current Assets	981,843	1,077,444	1,325,650	2,201,911	5,451,375
Other current liabilities	394,286	566,931	450,495	296,560	173,452
Loans and borrowings	800,022	506,895	1,182,151	396,772	750,924
Liabilities of disposal group classified as held for sale	-	-	-	-	2,084,517
Total Current Liabilities	1,194,308	1,073,826	1,632,646	693,332	3,008,893
	5,294,049	5,725,026	5,458,592	6,927,114	6,249,664
FINANCED BY:					
Share capital	1,000	1,000	1,000	337,605	335,626
Reserves	(49,662)	51,394	28,116	1,266,529	1,794,906
Reserves of disposal group classified as held for sale	-	-	-	-	(51,622)
Retained profits	3,726,262	3,896,856	3,938,237	4,218,890	1,943,596
Shareholders' equity	3,677,600	3,949,250	3,967,353	5,823,024	4,022,506
Non-controlling interests	108,594	115,860	222,462	209,423	1,590,197
Long-term borrowings	1,081,371	1,253,253	858,745	512,507	451,261
Other long-term liabilities	426,484	406,663	410,032	382,160	185,700
	5,294,049	5,725,026	5,458,592	6,927,114	6,249,664
Average capital employed	5,509,538	5,591,809	6,192,853	6,588,389	6,657,475
Average shareholders' equity	3,813,425	3,958,302	4,895,189	4,922,765	3,901,582

GROUP 5-YEAR REVENUE VS AVERAGE CAPITAL EMPLOYED



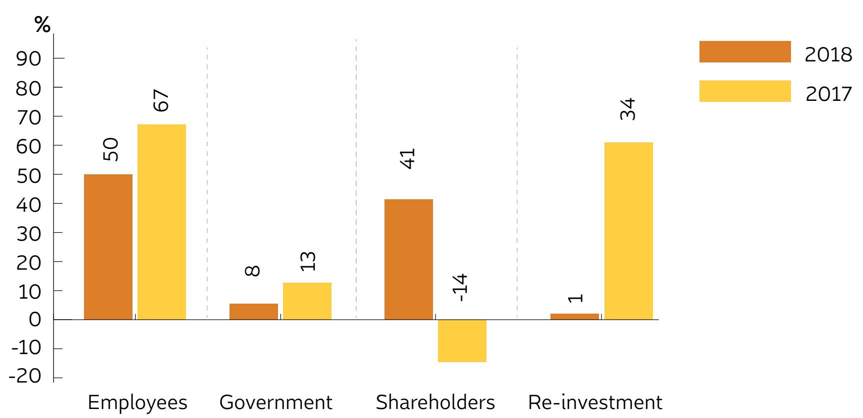
GROUP 5-YEAR **FINANCIAL STATISTICS**

	2018	2017	2016	2015	2014
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flow from operating activities	249,860	399,230	195,851	14,512	683,194
Net cash flow from investing activities	(187,081)	(29,146)	(418,997)	2,224,535	(565,141)
Net cash flow from financing activities	(135,587)	(388,311)	(982,375)	(1,173,053)	(102,688)
Net change in cash and cash equivalents	(72,808)	(18,227)	(1,205,521)	1,065,994	15,365
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin (%)	11.16	7.75	5.32	7.87	12.65
PBT margin (%)	5.12	2.26	3.72	8.16	8.74
PATMI margin (%)	(1.87)	0.57	0.24	97.75	15.02
Return on average shareholders' equity (%)	(0.68)	0.22	0.08	28.65	4.21
Return on average capital employed (%)	(0.47)	0.15	0.06	21.41	2.47
Net assets per share (RM)	919.40	987.31	991.84	4.74	3.03
Solvency and Liquidity					
Gearing ratio (times)					
- Gross	0.50	0.43	0.49	0.15	0.21
- Net	0.43	0.36	0.36	(0.11)	0.15
Interest cover (times)	1.77	1.39	2.01	4.57	2.73
Current ratio (times)	0.82	1.00	0.81	3.18	1.81
Financial Market					
EPS (sen)					
- basic	(649.13)	215.48	96.38	109.80	12.55
- diluted	-	-	-	108.03	12.49
Gross dividend per share (sen)	37.50	12.50	-	37.65	9.50
Gross dividend rate (%)	156	52	-	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
Average price-to-book ratio (times)	-	-	-	0.72	1.11

GROUP STATEMENT OF VALUE ADDED

	2018 RM'000	2017 RM'000
VALUE ADDED		
Revenue	1,387,637	1,525,367
Purchase of goods and services	(834,601)	(1,091,286)
Value added by the Group	553,035	434,081
Other income	43,522	104,527
Finance cost	(92,133)	(88,197)
Share of results of associates	564	552
Discontinued operation	-	(79,072)
Value added available for distribution	504,987	371,890
DISTRIBUTION		
To Employees		
Staff costs	253,531	250,406
To the Government		
Taxation	38,172	47,197
To Shareholders		
Dividends	150,000	50,000
Non-controlling interests	58,834	(100,472)
Retained for re-investment and future growth		
Depreciation/ amortisation of PPE	180,417	166,141
Retained earnings	(175,965)	(41,381)
	504,987	371,890
No. of employees at year end (excluding discontinued operations)	8,942	8,754
Value added per employee (RM)	61,847	49,587
Wealth created per employee (RM)	56,474	42,482
No. of shares at year end ('000 units)	4,000	4,000
Value added per share (RM)	138	109
Wealth created per share (RM)	126	93

VALUE ADDED DISTRIBUTION



5-YEAR MALAYSIA PLANTATION STATISTICS

	2018	2017	2016	2015	2014
OIL PALM					
Production (tonnes)					
FFB produced - Processed by own mills	902,764	952,278	844,582	872,867	827,341
FFB produced - Sold to others	17,080	42,851	6,854	13,305	13,738
Total FFB produced	919,844	995,129	851,435	886,172	841,079
Purchased FFB	402,523	312,962	359,224	415,029	425,484
Total FFB processed	1,459,331	1,467,696	1,339,659	1,410,658	1,252,825
Crude Palm Oil	306,484	299,981	273,354	294,255	257,881
Palm Kernel	78,995	79,071	70,030	78,290	69,681
Yield and Extraction Rates					
FFB Yield (tonnes per mature hectare)	22.13	23.98	20.86	22.50	22.34
OER (%)	21.00	20.44	20.40	20.86	20.58
KER (%)	5.41	5.39	5.23	5.55	5.56
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	2,327	2,852	2,532	2,191	2,370
Palm Kernel (ex-mill)	1,792	2,427	2,387	1,534	1,708

AREA STATEMENT (HECTARES)					
Oil palm					
- Mature	41,556	41,497	40,819	39,387	37,654
- Immature	5,703	5,601	6,209	7,623	9,469
	47,259	47,097	47,028	47,010	47,123
Other crops:					
Rubber	-	-	298	298	337
Sentang	12	12	25	25	25
Pineapple	220	200	182	216	191
Fruits (inter-row planting with oil palm)	-	-	-	509	465
Planted area	47,491	47,309	47,533	47,549	47,676
Reserve land, building sites etc	3,503	3,685	3,500	3,450	3,484
Titled area	50,994	50,994	51,033	50,999	51,160

5-YEAR INDONESIA PLANTATION STATISTICS

	2018	2017	2016	2015	2014
OIL PALM					
AREA STATEMENT (HECTARES)					
Oil palm					
- Mature	2,814	3,524	4,316	-	-
- Immature	5,531	4,821	4,336	307	71
Planted area	8,345	8,345	8,652	307	71
Undeveloped land	6,166	6,166	46,390	40,338	40,574
Total area with HGU*	14,511	14,511	14,397	-	-
Total area with IUP#	23,700	23,700	64,345	40,645	40,645

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

HUMAN CAPITAL STATISTICS

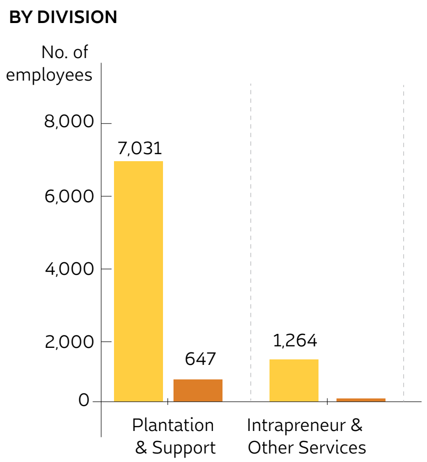
AS AT 31 DECEMBER 2018

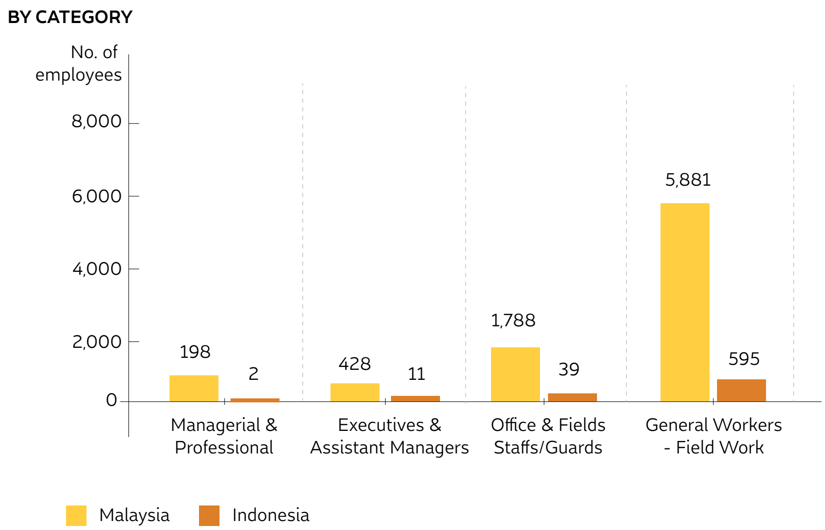
BY DIVISION

DIVISION	Malaysia	Indonesia	Total
Plantation and Support	7,031	647	7,678
Intrapreneur and Other Services	1,264	-	1,264
	8,295	647	8,942

BY CATEGORY

CATEGORY	Malaysia	Indonesia	Total
Managerial and Professional	198	2	200
Executives and Assistant Managers	428	11	439
Office and Field Staffs/ Guards	1,788	39	1,827
General Workers - Field Work	5,881	595	6,476
	8,295	647	8,942





PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2018 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	156,244	2017
Mutiara Estate P O Box 24 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 4.11.2074	 1,608 324 607	Oil palm estate	156,299	2017
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	3,197	Oil palm estate	392,510	2017
REM Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911 15.04.2093 14.03.2100 (Building age: 20 years)	1,241 986 4 1	Oil palm estate Oil palm estate Staff training centre	291,360	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	 608 604 29	Oil palm estate	82,609	2017
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	500	Oil palm estate	104,043	2017
Kuala Kabung Estate K B 125 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,718	Oil palm estate	-	1997
Mukim of Plentong, Johor 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	8,336	2008
Mukim of Plentong, Johor PTD 155633 HSD 303856	Leasehold expiring: 18.05.2060	6	Container depot	16,701	2015
Mukim Bandar PTB 17770 HSD 187429	Leasehold expiring: 26.10.2090	1	Building	26,000	2017
12 units of Selesa Tioman Condotel	Leasehold expiring: 02.05.2107	0.07	Building	2,880	2017
		13,637		**1,254,440**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2018 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	160,189	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	171,582	2017
		5,795		**331,771**	
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,418	Oil palm and rubber estate	181,000	2017
Sedenak Estate K B 124 81000 Johor Bahru, Johor	Freehold	2,807	Oil palm estate	267,086	2016
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,433	Oil palm estate	205,842	2016
Sg. Papan Estate P O Box 15, Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	149,091	2017
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,916	Oil palm estate	91,374	2017
Mungka Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	85,838	2017
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,786	Oil palm estate	79,794	2017
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil palm estate	93,215	2017
		18,894		**1,153,240**	

	Tenure	Hectares	Description	Net Book Value @ 31.12.2018 RM'000	Year of Acquisition/ Revaluation
UNITED MALAYAN AGRICULTURAL CORPORATION BERHAD					
UMAC Estate P O Box 31 26900 Bandar Tun Razak, Pahang	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 239 237 324 346 474	Oil palm estate	96,569	2017
		1,620		**96,569**	
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	54,659	2017
		398		**54,659**	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	94,263	2017
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	97,794	2017
		3,535		**192,057**	
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate P O Box C-21 85007 Segamat, Johor	Freehold	970	Oil palm estate	64,366	2016
		970		**64,366**	
SINDORA BERHAD					
Sindora Estate K B 539 86009 Kluang, Johor	Leasehold expiring: 24.01.2086	3,919	Oil palm estate	241,891	2017
Sg. Tawing Estate K B 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	105,448	2017
		6,145		**347,339**	
TOTAL - PLANTATIONS		**50,994**		**3,494,441**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Area	Description	Net Book Value @ 31.12.2018 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: 19 years)	2.56 hectares	Industrial land and building	110	2000
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 36 years)	2,344,000 sq. ft.	Industrial land and building for office and factory	4,820	1983
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 33 years)	5,000 sq. ft.	Factory building	36	1986
No 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold Expiring: 18.04.2085 (Building age: 32 years)	6,000 sq. ft.	1 unit of double-storey bungalow (staff residence)	48	1987
No 17, Jalan Resam Green Plains, Taman Bukit Tiram 81800 Ulu Tiram, Johor	Leasehold (Building age: 29 years)	0.5699 hectares	1 unit of double-storey bungalow (staff residence)	-	1990
				5,014	

	Tenure	Area	Description	Net Book Value @ 31.12.2018 RM'000	Year of Acquisition/ Revaluation
E.A. TECHNIQUE (M) BERHAD					
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa II Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 13 years)	6,402 sq.ft.	Office building	955	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	700	2013
11&13, Jalan Serangkai 1, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m^2	Shop office	815	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	2,632	2014
				4,147	
DQ-IN SDN BHD					
Lot PT 11254, Taman Perindustrian Paka, 23100 Paka Dungun, Terengganu	Leasehold (85 years)	143m^2	Shop Office	283	2014
EXTREME EDGE SDN BHD					
No 37, 37-01 & 37-02, Jalan Perjiranan 15/1 Bandar Dato' Onn, 81100 Johor Bahru, Johor	Freehold	1,540 sq. ft.	3 storey shop office	1,700	2015
TOTAL - INTRAPRENEUR VENTURE				**12,099**	

SUSTAINABILITY REPORT

122 Sustainability Policy

123 Sustainability Development & Performance Principles

124 Our Sustainability Journey

126 The 5Ps of Sustainability
- Peace
- Prosperity
- Planet
- People
- Partnership

149 Materiality Assessment

150 Materiality Matrix

Buffer zone along Sungai Lebam, Kota Tinggi located nearby Sungai Papan Estate

SECTION 4

SUSTAINABILITY REPORT

KULIM IS COMMITTED TO GROWING ITS BUSINESS SUSTAINABLY. AS THE WORLD EVOLVES OVER THE LAST 30 YEARS, A NEW PARADIGM HAS EMERGED WITH REGARDS TO SUSTAINABILITY.

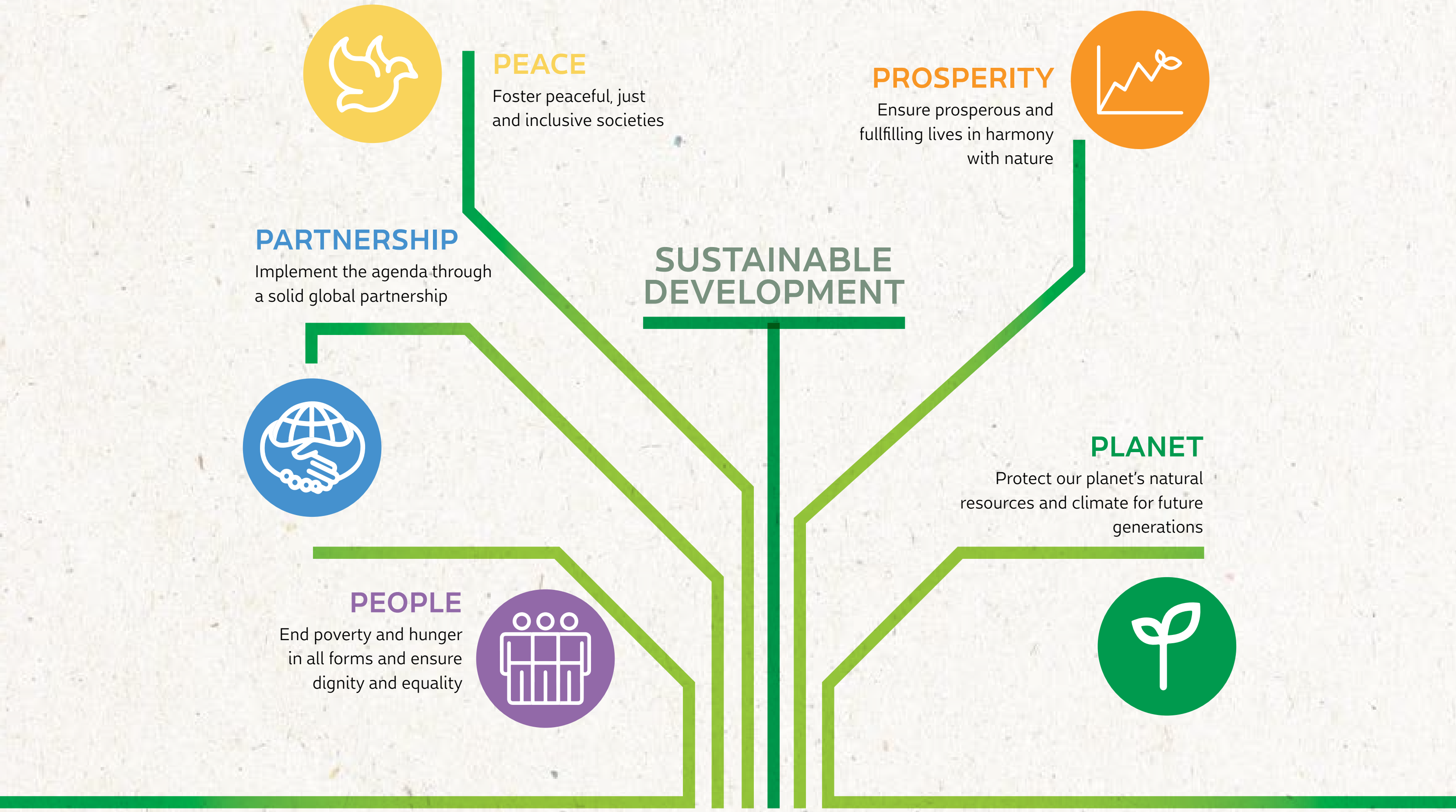
The United Nations ("UN") Bruntland Commission defined sustainability as "Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs." In 2015, the UN developed the Sustainability Development Goals ("SDG") under the aegis of "Transforming Our World: the 2030 Agenda for Sustainable Development". These SDGs were ratified by 193 member states, including Malaysia and have become the blueprint by which governments and businesses chart out their targets for sustainable growth. From the list of 17 SDGs, those that are aligned to our sustainability efforts have been highlighted throughout the report.

Hence, for this cycle of reporting we have moved from the previous framework of People, Planet and Profit ("3Ps") also known as the Triple Bottom Line ("TBL") to "5Ps" which stands for Peace, Prosperity, Planet, People and Partnership. The 5Ps were introduced to provide a good understanding of the broad scope of the Group's sustainability agenda.

The 5Ps framework forms the main thrusts of this report, whereby Kulim's economic, environmental and social sustainability disclosures have been structured accordingly. Furthermore, the aforementioned SDGs that are aligned to our operations and sustainability efforts have also been mapped throughout the report.

Assuring our customers of our ability to sustainably produce Certified Sustainable Palm Oil ("CSPO") lies on our continuous commitment to the Roundtable on Sustainable Palm Oil ("RSPO"). Equipped with a set of guidelines that an organisation has to adopt, the RSPO certification complements the general efforts of the Group towards achieving sustainable development in our plantation sector.

THE 17 SUSTAINABILITY DEVELOPMENT GOALS AS BELOW:



OUR SUSTAINABILITY POLICY

As one of the earliest plantation companies to establish its reputation as a sustainable palm oil producer, the group continues to break boundaries in the global palm oil market trade by continuing to embrace innovative sustainable practices for palm oil production.

Building on our decade-long commitment to "sustaining **PEOPLE**, **PLANET** and **PROFIT**" to ensure that our future generations will benefit from today's practices, we are beginning to expand this policy to include "**PARTNERSHIP**", "**PEACE**" and to replace "Profit" with "**PROSPERITY**". Broadening our views on sustainability ensures that we remain true to the Group's definition of sustainable development.

The Kulim Group is committed to be a leader in sustainable development. In fact, sustainability plays a key role in the Group's overall approach towards managing our business operations in order to achieve the standards outlined by international bodies and trade requirements.

Kulim has established a Sustainability and Initiative Council ("SIC"), its primary function being to ensure that sustainability goals are embedded in all our operations. Chaired by the Plantation Inspectorate, the 14-member Council comprises representatives from the various operating units and departments. The Committee meets monthly to review progress on the Group's sustainability performance across economic, social and environmental dimensions. Kulim also has a dedicated Sustainability and Quality Department looking into matters concerning certifications and compliance, as well as audits and social impact assessments, among others.

The Group's commitment to sustainability is manifested in many forms. We were among the earliest palm oil companies in Malaysia to subscribe to RSPO, a membership that dated back to 8 August 2004. Through our own Research and Development ("R&D") efforts, Kulim has developed its own Sustainable Management System ("SMS") based on the defined structures, practices and responsibilities set out in the RSPO's Principles and Criteria.

The journey towards sustainability is a never-ending one, but already we have chalked up a number of milestones. In 2009, Kulim published its standalone Sustainability Report, setting a benchmark for others to follow. This was followed by our inaugural Carbon Footprint Report in 2013, the first of its kind in Malaysia. Through our Wildlife Defenders Programme, we have reached out to schools and smallholders to protect Malaysia's unique wildlife and generate a much wider awareness of conservation issues. We have invested in biogas plant as a carbon reduction strategy and put in place guidelines to ensure the responsible use of chemicals, fertilizers and water at our estates.

Our work to provide higher living standards for our workers and the surrounding communities continues unabated. Each year, we conduct an Annual Social Impact Assessment to look into the welfare of our workers. In addition, we actively engage our stakeholders on a regular basis to seek a better understanding of their concerns.

Through our Women OnWards ("WOW") programme, we promote gender equality and empower the knowledge and skills of women. Our support for WOW has been acknowledged at the 10th Annual Global CSR Summit Awards 2018 when Kulim won Gold under category, Empowerment of Women Award.

In the dynamic environment in which we operate, Kulim is aware that the goal-post of sustainability is always changing. With this realisation, we are always pushing ourselves, setting our sights higher to achieve even more. This is reflected in the latest revision of our sustainability policy in May 2018, which incorporated policies on No Deforestation, Protection of Peat Areas and No Exploitation of People and Communities.

SUSTAINABILITY POLICY

SUSTAINABLE DEVELOPMENT & PERFORMANCE PRINCIPLES

1. The SMS places priority on maintaining a safe, healthy and viable work environment in compliance with all applicable rational and international legislations.

2. Invest in the training and development of employees to improve their knowledge, skills and competency to enchance performance and advance their career.

3. Promote optional land use to ensure its long-term sustainability and productivity for agricultural use.

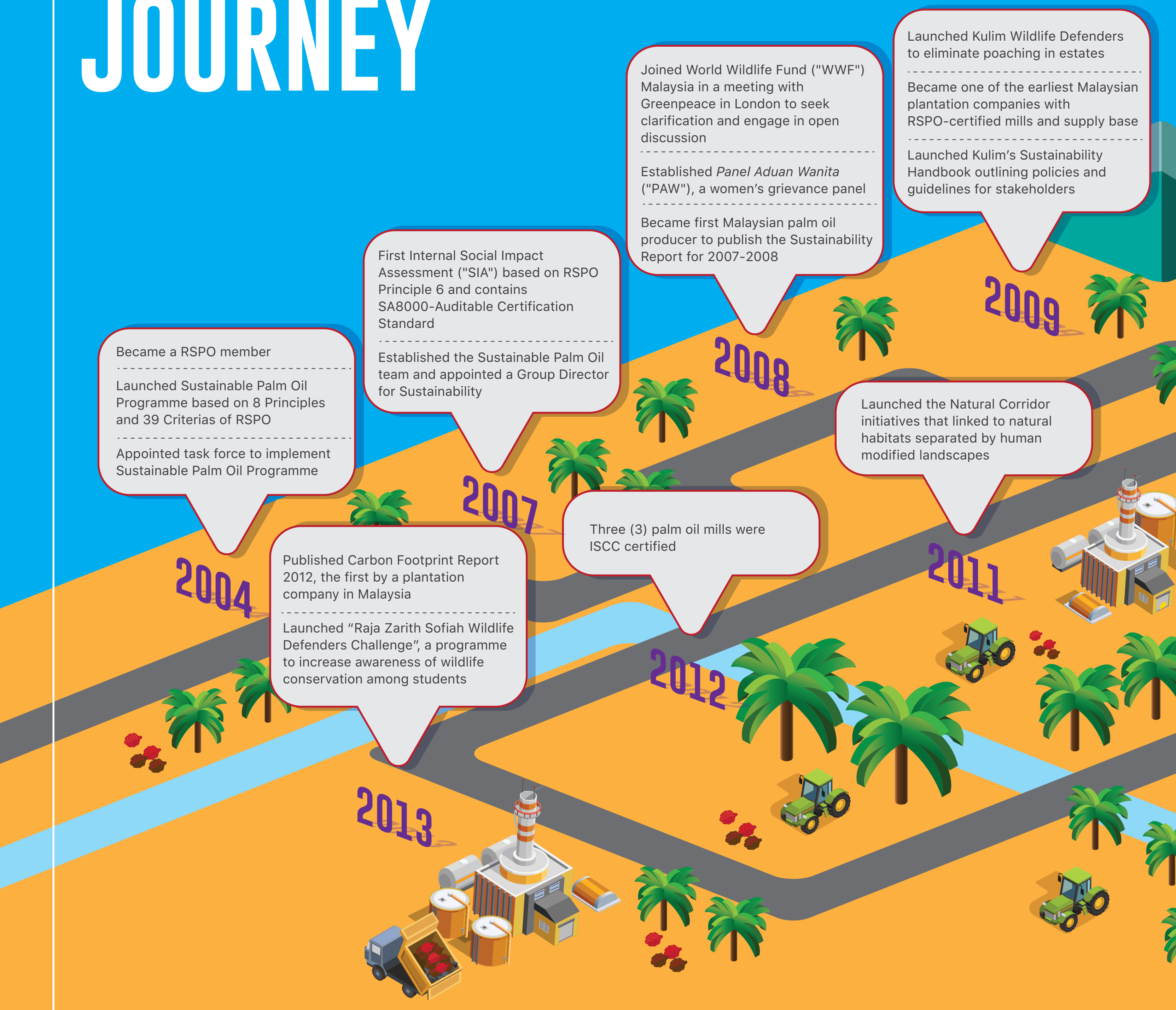
4. Building community trust by intergrating corporate responsibility and sustainability in all our business processes and contributing to the well-being of the communities in which we operate.

5. Uphold the principle of Free, Prior and Informed Consent ("FPIC") in all negotiations and interactions with stakeholders.

6. No new development in primary forests or High Conservation Value ("HCV") areas. In any development, Kulim will also take into account the conservation of biodiversity and the protection of cultural and customary land use within the context of a sustainably managed landscape.

Morning Roll Call by the manager of Sungai Papan Estate, Norhashim A. Wahid

OUR SUSTAINABILITY JOURNEY



Strenghtening our sustainability effort and achieving milestones

2010

- Established Sustainability Initiative Council ("SIC") to monitor performance against sustainability matrix
- Rebranded PAW to Women OnWards ("WOW"), which launched *Jejari Bestari*; an entrepreneurship programme for women in local communities

2015

- Published Carbon Footprint Report 2014
- Kulim's Carbon Footprint Report 2014 won the Best Carbon Disclosure Report at Asia Sustainability Reporting Awards ("ASRA") 2015
- Installed biogas plants in Sedenak and Pasir Panjang POM to achieve 58% carbon reduction by 2020
- Banned the use of Paraquat in all estates
- Launched 'Saving Orangutan Saving Forest' campaign with Orangutan Land Trust ("OLT")
- Four (4) mills were *Halal* certified in 2015

2016

- Relaunched empty pesticide container recycling campaign in collaboration with G-Planters
- Raja Zarith Sofiah Wildlife Defender Challenge Programme 2016 *"Manusia dan Paya Bakau, Ke Arah Kehidupan Simbosis"*
- WOW celebrated International Women's Day with the theme *'Wanita dan Cabaran Global'*

2017

- Participated in the Tribute to Women Malaysia Lifestyle Fest 2017
- RSPO Secretariat conducted field trip to Tereh POM, Tereh Selatan Estate, Sungai Tawing Estate and Kulim Eco-TRAIL Retreat
- Wildlife Conservation Campaign at Simpang Renggam
- Launched Semarak Kasih 2.0, an Education Programme for children with special needs and persons with disabilities
- Published Carbon Footprint Report 2016
- Published Sustainability Report 2014-2015
- WOW celebrated International Women's Day with the theme "*Karnival Hari Wanita Antarabangsa 2017*"
- Pasir Panjang POM was RSPO certified and *Halal* certified in 2017

2018

- Commisioning of Biogas Plant at Sindora POM on 16 January
- Received of the Identity Preserved ("IP") certified mills recognition for Palong Cocoa POM on 20 April, which subsequently obtained the ISCC Certified Mills on 9 May
- WOW celebrated International Women's Day with the theme *"Wanita Harapan Negara 2018"*
- ISO transition of QMS 9001:2008 and EMS 14001:2004 has successfully completed for ISO QMS 9001:2015 and EMS 14001:2015 in August 2018
- MSPO certification has completed the Audit programme in December 2018, target to received certificate in March 2019
- Raja Zarith Sofiah, Wildlife Defender Challenge Programme 2018 with theme of 'Johor Might Rivers'
- *Karnival Sukan Piala KMB*
- Published Sustainability Report 2016-2017

01 PEACE

PEACE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Complying with the national regulations and respecting international agreements.

Implementing non-discriminatory policies and grievance channel for stakeholders to raise concerns.

Protecting the fundamental rights and freedom of employees.

BUILDING COMMUNITY TRUST BY INTEGRATING CORPORATE RESPONSIBILITY AND SUSTAINABILITY IN ALL OUR BUSINESS PROCESSES AND CONTRIBUTING TO THE WELL-BEING OF THE COMMUNITIES IN WHICH WE OPERATE.

This section describes our efforts towards building peaceful relations with our employees as well as external stakeholders. In order to build resilience amongst vulnerable communities as well as provide support where needed, we actively contribute towards social causes and encourage our employees to participate in community engagement activities.

COMMUNITY DEVELOPMENT

In today's increasingly inter-connected world, no business can operate as an entity into itself. For Kulim, this means striving to be a good neighbour and friend, planting roots deep into the communities wherever it operates. Taking an active role in the community has always been central to our core values, identity and our business strategy of putting people first. We play our part in responding to the needs of society and sharing our success to help improve the quality of life in the community. Naturally, charity begins at home and we have set up the *As-Sajadah* Fund to provide assistance to our staff to improve their quality of life should the need ever arise.

At Kulim, we actively encourage our management and staff to be actively involved in welfare work and charity projects. Their response has always been encouraging - with staff at all levels volunteering their time and effort and often making personal donations in support of noble causes. Our community development programmes and activities rest on five (5) main pillars: community, sports, welfare, education and infrastructure development.

In 2018, Kulim was involved in the following community investment activities:

Institution/ Programme	Purposes	Approximate Contributions (RM'000)
Persatuan Bola Sepak Negeri Johor	National sports sponsorship to support the development of football in Malaysia	**3,000**
Yayasan Johor Corporation	To improve the living conditions of the under-privileged community	**1,100**
Raja Zarith Sofiah Wildlife Defenders Challenge 2018	An awareness programme on wildlife conservation for students	**95**
PINTAR Foundation	Sponsorship for tuition programme and provide school essentials for six (6) adopted schools	**33**

PINTAR FOUNDATION

The PINTAR Foundation was established in 2008 to spearhead the PINTAR School Adoption Programme. It serves to complement the Government's on-going efforts to provide equitable access to quality education for all by targeting underperforming and underserved schools.

In 2017, Kulim adopted three (3) additional primary schools – SK Kemedak in Segamat, SKJ (Tamil) Ladang Ulu Tiram in Ulu Tiram and SK Ladang Tunjuk Laut in Kota Tinggi. All these schools are located within the vicinity of Kulim's operations and bring the total number of schools adopted by Kulim under the PINTAR Programme to six (6).

Kulim extends financial support to its adopted schools, supplementing their education with tuition classes, motivational courses and educational trips. In 2018, we also provided funding to improve the infrastructure of several schools.

We are heartened and encouraged by the progress made by our adopted schools during the 2018 national examinations. The academic scores achieved by the students showed a marked improvement when compared to the previous years. On Teacher's Day, Kulim presented prizes to the high achievers in the national examinations, while their teachers also received a token of appreciation.

KARNIVAL SUKAN PIALA KMB 2018

Kulim through Sustainability & Quality Department ("SQD") had host the fifth edition of KMB Sport Tournament for children aged 17 years and below for netball and aged 16 years, and below for football on 20 December 2018 at Sindora Complex.

Competition for Group A, consisting of Sindora Complex, Tereh Complex and Palong Complex was held on 9 December 2018, at Sindora Complex, whereas for Group B, which involves Siang Complex, Sedenak Complex, Tunjuk Laut Complex and HQ, was held on 15 December 2018 at Siang Complex.

The purpose of the programme is to provide space for children at all levels to participate in sports with a conducive environment training, bridging the relationship between Kulim citizens through sports and as one of the company's CSR efforts.

The prize giving ceremony was presented by Tuan Hj Zulkifly Zakariah, Executive Director of Kulim.

PROSPERITY

http://

REDEFINING SUCCESS TO INCLUDE SUSTAINABLE LEVELS OF CONSUMPTION TO ENSURE A PROSPEROUS FUTURE FOR THE COMING GENERATIONS.

8 DECENT WORK AND ECONOMIC GROWTH

Achieving higher levels of economic productivity as well as inclusive and sustainable growth.

Creating employment opportunities within the supply chain, especially for marginalised and under represented groups.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Developing strategy for expansion and diversification, unlocking value and prioritising R&D efforts to increase productivity.

Investing in infrastructure development to protect human well-being and with a focus on affordable and equitable access for all.

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

Malaysia began its commercial palm oil industry in 1917, which has fostered rapid economic growth, create job opportunities as well as boost the country's exports trade. Kulim continues to strive to become a leading palm oil producer that integrates sustainable practices to ensure supply chain traceability. We achieve this by obtaining RSPO certification and recently, incorporating elements of the UN SDGs to our business practices to showcase our commitment to sustainable development both nationally and internationally.

Industries and businesses alike began to pledge their commitment towards protecting the environment and uplifting the local community in which they operate in as they strive to achieve sustainable economic success. As the global community becomes more conscious of the products they purchase, the ability for an organisation to disclose a sustainable supply chain would likely lead to an improvement in the business performance and productivity.

DELIVERING YEAR-ON-YEAR PROFIT

In the past, profitability was considered the only important factor in a company's bottom-line. However, we are now in an era of accountability where more and more corporations are realising that making money as if it is unrelated to its economic and social impacts is not only short-sighted but also counterproductive.

AGRICULTURAL PRODUCTIVITY

AS WE CONTINUE TO IMPROVE OUR BUSINESS PRACTICES WITH REGARD TO MAINTAINING SUSTAINABLE CRUDE PALM OIL PRODUCTION, WE ENDEAVOUR TO ACHIEVE CONTINUOUS AGRICULTURAL PRODUCTIVITY BY MAINTAINING A HIGH PERCENTAGE OF OER AND KER FROM THE HIGH QUALITY FFB WE HAVE HARVESTED. WE SET OUR TARGET OF OER, TO EXCEED THE EXTRACTION RATES OF 20.90%.

Palm Oil Product	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
FFB (MT)	1,433,210	1,467,696	1,339,658	1,410,658	1,252,825
EFB (MT)	282,552	296,771	261,350	243,210	246,170
PK (MT)	77,742	79,071	70,029	78,290	69,681
Crude Palm Oil (CPO), MT	301,354	299,981	273,354	294,255	257,881
Raw Effluent/POME Produced (MT)	1,080,638	1,129,218	1,085,216	943,442	878,789
OER (%)	21.00	20.44	20.40	20.86	20.58
KER (%)	5.41	5.39	5.23	5.55	5.56

PRODUCT QUALITY

The marketability of our palm oil products greatly rests on the quality of palm oil we grow and produce. The Group recognises the importance of high quality products that would ensure customer satisfaction and protect their safety and health, therefore adding value to our business presence.

To support our commitment to ensuring product quality, we implemented the Quality Policy back in 2008. The policy outlines the Group's expectations on our estates and mills to ensure that we meet the standards and expectations set by regulators and our customers.

Quality Policy	
Estates	Mills
Produce ripe FFB to achieve maximum extraction rate	Remain in compliance to ISO 9001:2008
Reduce dependence on human resources and prioritise mechanised harvesting methods instead	Implement a continuous improvement programme
Continuously train estate workers to achieve maximum working potential	To communicate this policy to all employees
Promote a healthy and safe working condition	Evaluate and assess the effectiveness of the Quality Policy
Recycling mill by-product to reduce environmental pollution	Fulfill customer requirement
Increase the effectiveness of the Group's Quality Management System	

Standards and Certifications

Environmental Management Systems ("EMS") and Quality Management Systems ("QMS") are voluntary international standards that we comply with as we believe it enables an organisation to examine its values, priorities, policies, strategies, objectives, methods for allocating resources for delivering performance and also learning. The different standards that we are certified for are EMS 14001:2004, QMS 9001:2008, MS 1500:2009[1] and ISO/IEC 17025:2005 . While ISO 14001:2004, ISO 9001:2008 and ISO/IEC 17025:2005[2] recertification is required annually, the recertification for MS 1500:2009 is required every two (2) years. Pursuant to the adoption of ISO EMS 14001:2015, three (3) operating units namely, Sindora Estate, Sedenak Estate and Sindora POM have also earned the certification. Meanwhile, five (5) of Group's operating units namely, Tereh Selatan Estate, Palong Cocoa POM, Tereh POM, Sindora POM and Sedenak POM have successfully earned the accreditation for ISO 9001:2015.

[1] *MS 1500:2009 certifies that the organisation has complied with the requirements stipulated in the standards for the production, preparation, handling and storage of halal food.*

[2] *ISO/IEC 17025:2005 specifies the general requirements for the competence to carry out tests and/or calibrations, including sampling. It covers testing and calibration performed using standard methods, non-standard methods, and laboratory-developed methods.*

Product Grading Method

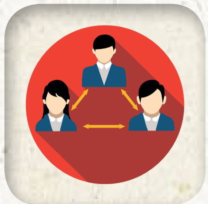
We maintain a strict product grading method to improve the quality of our CSPO production and the efficiency of our palm oil extraction and palm kernel oil extraction rates. Starting from the R&D part of our operations, we pay special attention to the species of palms we cultivate, ensuring quality from the very early stages of the planting phase. This is followed by our FFB grading method once the FFB has been harvested for processing into CPO.

Kulim has outlined a grading criteria covering the FFB ripeness standards to our estates, mills and corporate office via email distribution and regular briefings. The standards also list the methods to distinguish the ripeness of the FFB by assessing the colour, size, stalk length and the characteristic ratio of the harvested FFB.

CUSTOMER SATISFACTION

We highly value customer feedback to further improve our product quality and marketability. Our annual customer satisfaction survey allows us to engage with our customers in an organised and constructive manner; identifying product quality issues highlighted during the survey and formulating prompt responses to these challenges. The survey focuses on evaluating the feedback disclosed by our customers via our customer feedback form for any complaints highlighted based on our product delivery and CPO quality.

Results are analysed and presented during top management meetings to ensure that our senior managers are aware of the challenges and product dissatisfaction highlighted by our customers. Keeping the line of engagement open with our customers also allows us to gain favourable feedback to further improve our products and remain a front-runner in the industry, especially in the competitive business of palm oil production.



COMMUNITY INVESTMENT

The Group upholds its commitment to protect the well-being of our employees and estate workers by investing in infrastructure that would improve their living quality. This is evident through our pro bono efforts to build houses to ensure estate workers have good estate housing quarters. Throughout FY 2018, we built four (4) housing units at Bukit Payung Estate, totaling our investment on community infrastructure to approximately RM239,300.

03

PLANET

PLANET

http://

TO SAFEGUARD THE ENVIRONMENT, WE CONSIDER THE IMPACT OUR OPERATIONS HAVE BY MANAGING OUR ENERGY USE, WATER CONSUMPTION, WASTE PRODUCTION AS WELL AS IMPLEMENTING GOOD AGRICULTURAL PRACTICES.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Encouraging sustainable sourcing and production through the efficient use of natural resources.

Monitoring and reporting effluents and waste that is generated and disposed of.

13 CLIMATE ACTION

Working towards greenhouse gas emission reduction targets.

Strengthening resilience and adaptive capacity to climate-related hazards.

15 LIFE ON LAND

Ensuring the sustainable use of forests, wetlands and other terrestrial ecosystems.

Conserving ecosystems and taking action to halt the loss of biodiversity.

Various indigenous wildlife found ; Sungai Papan Estate, Kota Tinggi

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

PROTECTING OUR PLANET

The relationship between the business world and the planet that sustains it has undergone profound changes. Pollution, climate change and natural have come to a point where the human race has to step up to the plate and take concerted actions to save our planet.

CONSERVING BIODIVERSITY

Kulim is well aware of the essential role it plays in protecting biodiversity and maintaining natural habitats. Our plantations in Johor border the Endau-Rompin National Park and the Labis Forest Reserve. The last survey to assess the state of the flora and fauna bordering our estates was conducted in 2008. According to the International Union for Conservation of Nature ("IUCN"), the biodiversity of wildlife on its Red List of Threatened Species has become even more precarious. Hence, Kulim has stepped up its efforts by working closely with Government and Non-Governmental Organisations ("NGOs") to strengthen its internal monitoring and control mechanisms to mitigate incidents of poaching.

HIGH CONSERVATION VALUE ("HCV") TOOLS

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

SAVING OUR NATURAL HERITAGE

Kulim is committed to protect the national biodiversity and endangered species. From time-to-time, incidences of human-elephant conflict have been reported at the Sungai Tawing, Siang, Sindora and Tunjuk Laut Estate. In 2018, 48 incidences of elephant encroachment were reported. A more serious growing problem is that of elephants encroaching into residential areas, as a result of increasing activities at the surrounding estates.

In this regard, we continue to collaborate with the Wildlife Conservation Society to consider a permanent solution to the encroachment problem. The Group is determined to put a stop to animal poaching and we are also striving for biodiversity conservation. To this end our Kulim Wildlife Defenders ("KWD") have joined forces with the Johor National Parks Corporation, Wildlife Department, Forestry Department and the Police Force under the Johor Wildlife Conservation Project to save our natural heritage. A total of ten (10) programmes were conducted in 2018 at different locations in Johor, as follows:

No	Month	Location
1.	January	Hutan Simpan Daerah Kota Tinggi
2.	March	Hutan Simpan Labis Segamat
3.	May	Hutan Simpan Daerah Kluang
4.	June	Hutan Simpan Labis Segamat
5.	July	Hutan Simpan Labis Segamat
6.	August	Hutan Simpan Labis Segamat
7.	September	Hutan Simpan Daerah Kota Tinggi
8.	October	Hutan Simpan Daerah Kota Tinggi
9.	November	Hutan Simpan Daerah Kluang
10.	December	Hutan Simpan Daerah Kluang

RAJA ZARITH SOFIAH WILDLIFE DEFENDERS CHALLENGE 2018

Raja Zarith Sofiah Wildlife Defenders Challenge ("RZSWDC") programme is a competition programme aimed at being an initiative, which will have a prolonged impact on wildlife conservation and environmental preservation, especially in Johor.

The idea of DYMM Tuanku Permaisuri Johor, Raja Zarith Sofiah, this biennial programme, began in 2013, with the theme "Wildlife Conservation, followed by 2016 with the theme "Human and Mangrove Toward Life of Symbiosis" and the theme for 2018 is "Johor Mighty Rivers".

JCorp as well as strategic partners of Kulim and Johor Land Berhad, in collaboration with government agencies such as Department of Educational, Department of Irrigation and Drainage, Department of Environment, Department of Wildlife and National Parks, Forestry Department, and Non-Government agencies such as the Malaysian Nature Society Johor Parks (Perbadanan Taman Negara Johor), and Indah Water Konsortium ("IWK").

The closing ceremony of RZSWDC 2018 was held at Thistle Hotel, Johor Bahru on 18 November 2018.

In the effort of creating awareness to the public on the importance of protecting the wildlife, Kulim Wildlife Defenders ("KWD") has participated in several events among others are in conjunction with the World Wildlife Day 2018, organised by Department of Wildlife and National Park at Dataran Tangkak, Johor, KWD on 01 April 2018.

Kulim had on 1 April 2018 participated and was the main sponsor of Pertandingan Kreatif Tabika Perpaduan Daerah Kluang 2018 with the theme "Saving Wildlife". Total of 6,000 Tabika students from Kluang district, was participated in 3 contests such as colouring, collage and animal replicas, organised by KWD.

ENHANCING BIODIVERSITY AREAS

As at 31 December 2018, Kulim has set aside 18.45 hectares of land for buffer zones, while another 51.65 hectares of jungle patches within our estates will be preserved as full-fledged HCV forests.

Six (6) years ago, Kulim launched the National Corridor Initiative linking natural habitats that have been separated by human-modified landscapes. These corridors are critical for the maintenance of ecological processes, among the most important being, it facilitates the free movement of animals and the continuation of viable populations. To create these natural corridors, we have organised an annual tree planting event, *Infaq 1 Warisan*, which brings together employees as well as members of the public to play their part in enhancing the biodiversity in our estates.

MITIGATING IMPACTS

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

1

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

2

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

3

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

4

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

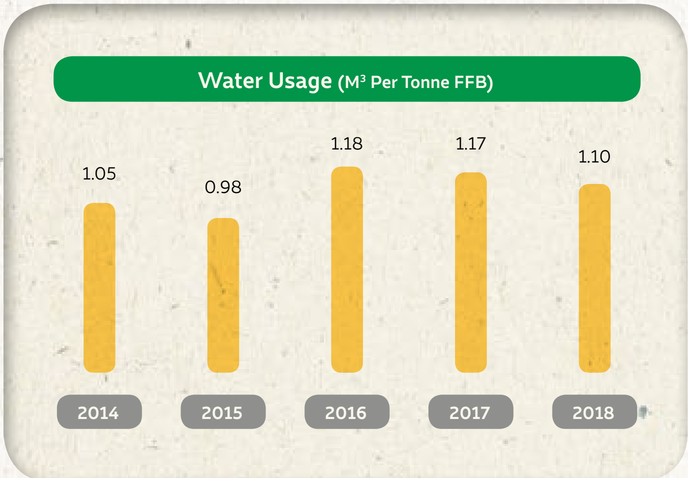
The Group's Environmental and Biodiversity Unit serves as a point of reference for all matters concerning environmental issues, notably in the areas of biodiversity protection and pollution control. The unit collates and analyses environmental and wildlife data, publishing its findings and outcomes in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

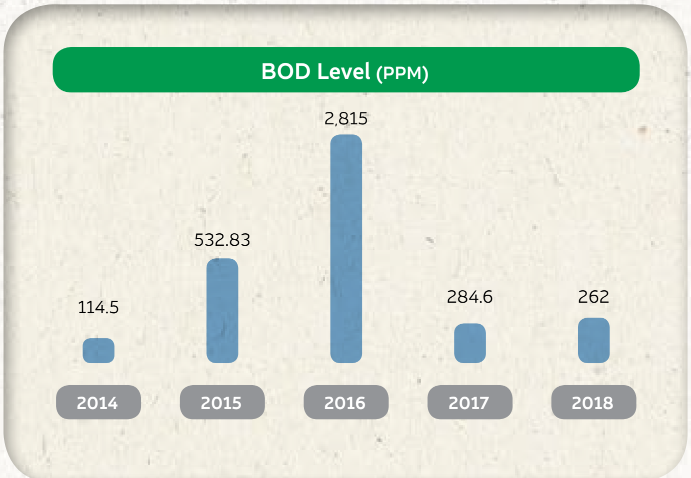
BEYOND OUR ESTATE BOUNDARIES

Our work in biodiversity conservation sometimes extends beyond the boundaries of the Group's estates. Incidents of human-wildlife encounters happen occasionally, as when elephants encroached into Siang Estate, Enggang Estate, Sungai Tawing Estate, Tereh Utara Estate, Bukit Payung Estate, Pasir Logok Estate, Tunjuk Laut Estate and Selai Estate. The incursion into the eight (8) estates incurred damage estimated approximately of RM1,989,690. We work closely with the Wildlife Conservation Society ("WCS") and the Johor Department of Wildlife to mitigate the possibilities of human-wildlife conflicts. In our efforts to find a solution to the problem, we also participated in dialogues and meetings with the State Government and outgrowers.

WATER CONSERVATION

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





In 2018, the Group's water consumption decreased slightly to 1.10 m^3 per tonne FFB from 1.17 m^3 per tonne FFB recorded the previous year. The drop was due to the recycling of steriliser condensates for use in mill operations. Water is mainly used to maintain our nurseries or for domestic consumption. To ensure that the processed water that is supplied to our workers is safe for consumption, water quality is closely monitored to ensure it meets the parameters set by the National Water Services Commission ("SPAN").

ERODED SOIL PARTICLES

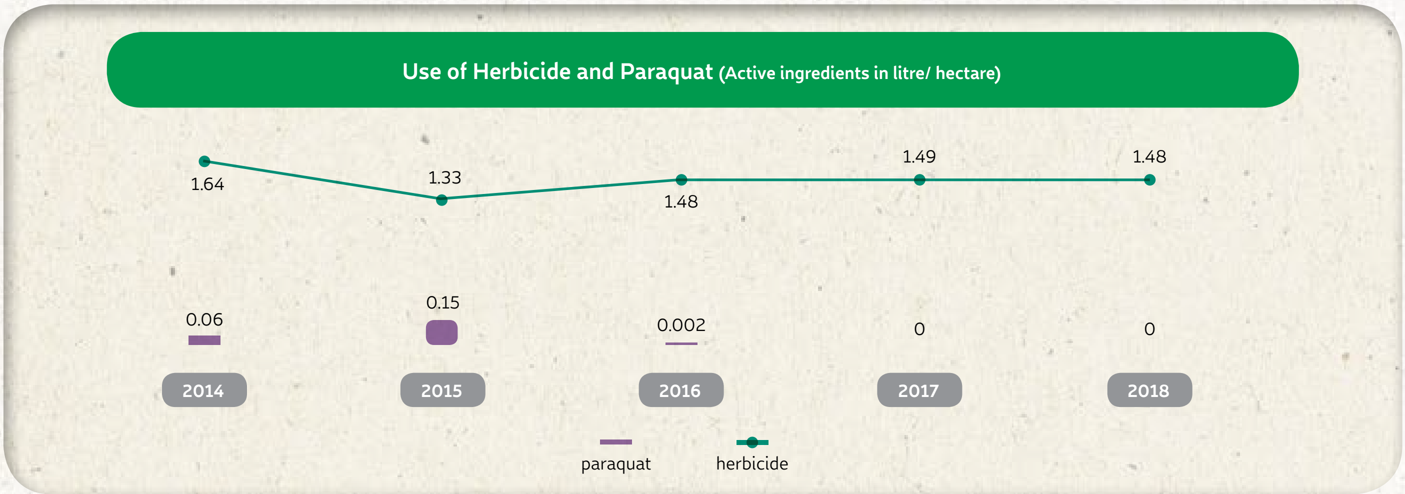
Soil erosion can be a major contaminant of our waterways and as a standard operating practice, fast-growing leguminous cover crops are planted in erosion-prone areas. Extensive use of chemical fertilisers will also pollute rivers and underground water sources. To reduce pollution from heavy metals and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

The utilisation of effluents for land application has raised concern over the Biological Oxygen Demand ("BOD") levels. BOD is the amount of dissolved oxygen needed by aerobic biological organisms in the oxidation of organic matter. The average BOD from our mill effluents has decreased by 8% compared to 2017. This is due to the completion of biogas plant at Sindora Mill and polishing plant in 2018, and all palm oil mills have been carried out desludging activity as required by DOE in *Jadual Pematuhan*.

The Group has a growing Agrofood business and as at 31 December 2018, we had a total cattle population of 6,479 heads. We are closely monitoring the problems associated with cattle rearing, which include soil compaction, over-grazing and soil erosion. Going forward, the challenge is to ensure that our business targets are in line with Good Agricultural Practices.

REDUCING CHEMICAL USAGE

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



Paraquat has been banned or its use disallowed in 32 countries, mainly for health reasons. The herbicide is acutely toxic and corrosive. Apart from causing health problems, paraquat is not readily biodegradable and has the potential to contaminate groundwater. The RSPO has commissioned a study on Integrated weed Management and Alternatives to Paraquat and we are closely following the developments on this matter.

MINIMISING SOLID WASTE

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

ADDRESSING CLIMATE CHANGE

At the Paris Summit in December 2015, 196 countries met to sign a new climate change agreement. Despite the United States' rejection of the Paris climate accord, world leaders again gathered in Paris in December 2017 to give new momentum in the fight against global warming.

A strong climate agreement is needed to protect the planet's ecosystems and biodiversity. According to the Intergovernmental Panel on Climate Change, key GHGs in the atmosphere have reached unprecedented levels; heat waves will occur more frequently and for extended periods; the oceans will continue to warm and acidify, while sea levels are predicted to continue to rise due to increased melting of land-based ice such as glaciers and ice sheets. Climate change will amplify existing risks and create new ones for natural and human systems.

A report by the National Oceanic and Atmospheric Administration ("NOAA") showed that the global surface temperature in 2016 was the highest ever since record-keeping began in 1880, raising new concerns about the accelerating pace of climate change. The temperature changes are largely driven by increased carbon dioxide level and other human-made emissions into the atmosphere. In December 2015, Malaysia submitted its action plan to the UN Framework Convention on Climate Change ("UNFCC"), pledging to reduce its GHG emissions by 45% by the year 2030. On our part, the RSPO Principles and Criteria requires oil palm growers to monitor, manage and educe GHG emissions across their entire operations.

BIOGAS PLANT

The Group is establishing biogas facilities using methane capture technologies to convert Palm Oil Mill Effluents ("POME") to electricity. Three (3) plants have already been commissioned at Sedenak, Sindora and the Pasir Panjang POM.

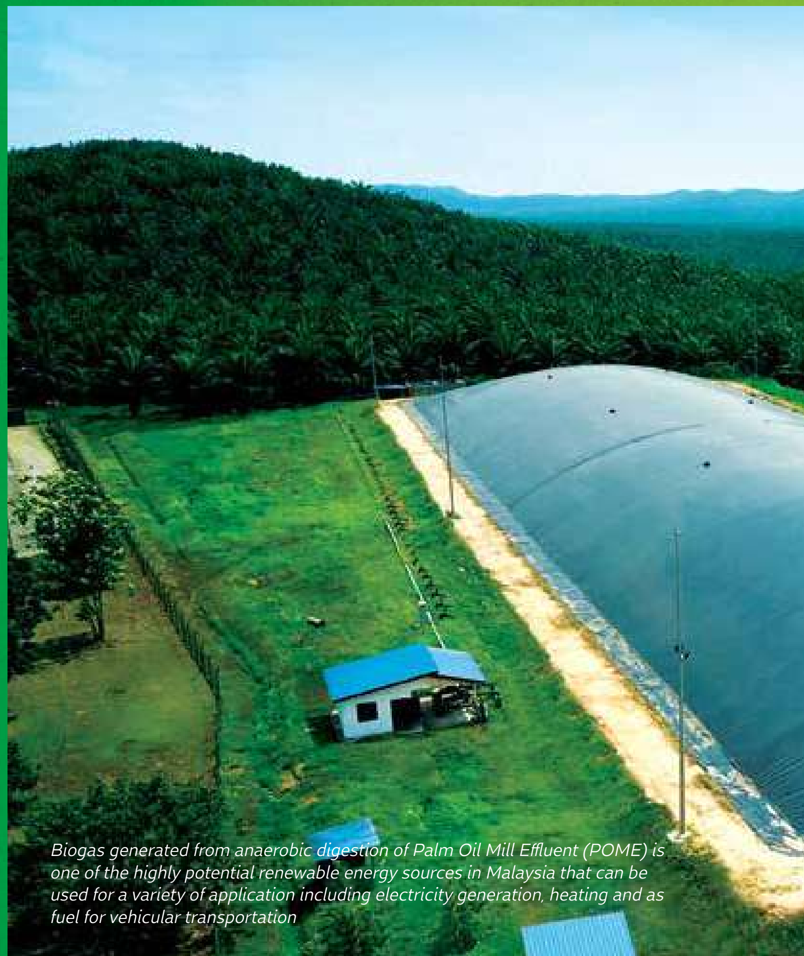
Kulim has set a target to reduce the Group's overall carbon footprint to 58% by 2020 and to establish biogas plants at all of its five (5) mills by 2025. The installation of biogas plants at the remaining two (2) POMs are expected to be completed by 2019 to meet the requirements of the DOE.

CARBON EMISSION BASELINE

In 2013, Kulim had the distinction of being the first Malaysian plantation company to publish a Carbon Footprint Report using the GHG Beta Version 1a Guidelines. These guidelines were developed with funding from RSPO, to enable palm oil producers to estimate the net GHG emissions produced during palm oil production.

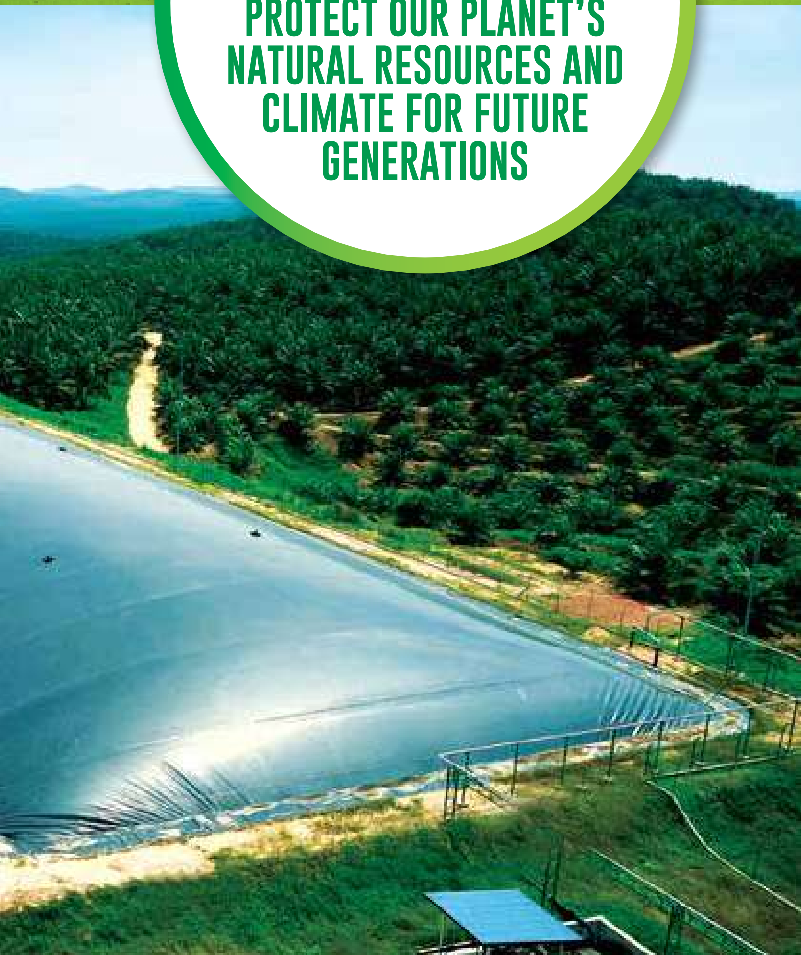
In November 2016, PalmGHG Version 3.0.1, which is a new and improved version of the guidelines, was released. The new version only needs one (1) year's data compared to PalmGHG Version 2.1.1 which required an average of 3-year data. Starting from 1 January 2017, the RSPO PalmGHG will be used to calculate GHG emissions from operations, including land use change GHG emissions after November 2005. Public reporting of GHG emissions is mandatory through annual audit summary reports published on RSPO's website.

In November 2017, Kulim produced its third biennial Carbon Footprint Report for the year 2016 using PalmGHG Version 3.0.1. During the process of producing the report, we have amended our calculation and included the Pasir Panjang POM in the calculation. Our net GHG emissions for 2016 amounted to 422,000 mt CO_2e or carbon dioxide equivalent. This is equivalent to 1.23 mt CO_2e per mt CPO and PK. For 2017, our GHG emission reduce 15% which is 1.08 mt CO_2e per mt CPO and PK. For 2018, we are currently in progress for collecting data to produce the fourth Carbon Report, which is expected to be published in July 2019.



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

PROTECT OUR PLANET'S NATURAL RESOURCES AND CLIMATE FOR FUTURE GENERATIONS



PALM KERNEL SHELLS

Another waste product of our milling operations is Palm Kernel Shells ("PKS"), of which 91,760 tonnes of were produced in 2018. About 79,864 tonnes or 87.04% was used internally for power generation, while 13,516 tonnes were sold for external use as a replacement for fossil fuels. We were able to incorporate a carbon credit of 31,246 tonnes CO_2e due to the ongoing tracking and monitoring of PKS that were sold.

FERTILIZERS REDUCTION

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

04

PEOPLE

SECURING AND BUILDING ON THE STRENGTH OF OUR WORKFORCE.

3 GOOD HEALTH AND WELL-BEING

Continuously monitoring the safety and health aspects of our operations in order to create a safe working environment.

Protecting the health and well-being of our employees.

4 QUALITY EDUCATION

Providing competency and skill development training to further the candidate's exposure to the industry and to learn transferable skills.

Contributing to efforts by the government that promote equitable acess to quality education.

5 GENDER EQUALITY

Encouraging women's full and effective participation and equal opporunities for leadership at all levels of decision-making.

Providing opportunities to encourage women entrepreneurs.

We have a great team on board with a diversity of talent, knowledge and experience to take us to where we want to be

Kulim has put in place a group-wide policy of treating all its employees with the fairness and dignity they deserve. Our human resource policies are governed by Malaysia's labour laws as well as the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at work. We are also guided by the Code of Conduct for Industrial Harmony, which sets forth the "principles and guidelines to employers on the practice of industrial relations for achieving greater industrial harmony".

To protect our employees from unethical conduct, all employees are expected to abide by the Ethics Declaration Form and adhere to the Group's Social Media Policy. We are also committed to the highest standard of integrity, openness and accountability in the conduct of our business and operations. Since 2013, we have put in place a Whistleblowing Policy that encourages staff to come forward with credible information on issues or wrong-doing that merit concern.

Kulim is also implementing the Conflict of Interest Policy, which will reinforce and provide guidelines on Corporate Business Principles by establishing certain non-negotiable minimum standards of behavior in key areas. In the interest of its employees, the Group adopts a zero-tolerance stance on the use of illegal drugs, banned substances and alcohol in the workplace.

DEVELOPING OUR PEOPLE

The people aspect of Sustainability has always had a special meaning for Kulim. We share the global vision to build healthy and vibrant communities. Improving the well-being of the individual on an equitable basis, practicing ethical responsibility in dealing with the communities in which we work and play, and protecting the vulnerable form the basis of our sustainability agenda.

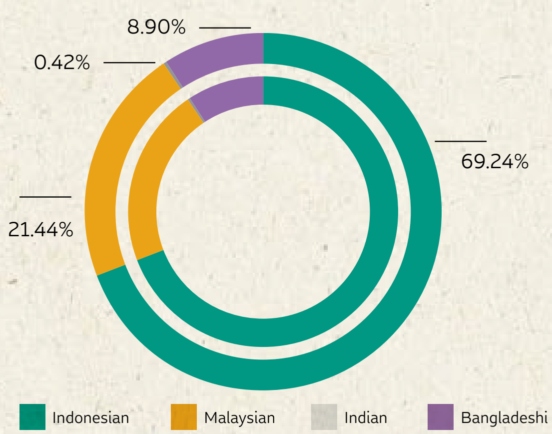
Beginning in our own backyard, our employees are the Group's greatest assets. The contribution of our people assets to Kulim's success cannot be over-stated. We have a great team on board with a diversity of talent, knowledge and experience to take us to where we want to be. Therefore, we are determined to foster a workplace culture and environment that attracts, retains and develop our people to reach their fullest potential so that we can continue to deliver value to our stakeholders.

STAFF STRENGTH

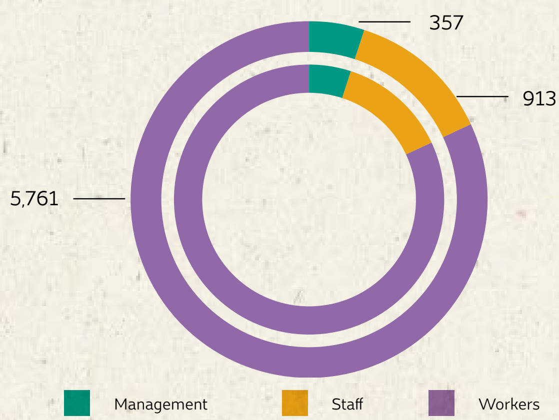
As at end of 2018, we had a total staff strength of 7,031 full-time employees in Malaysia. Of this total, 5,761 or 81.94% were classified as workers with the remaining 18.06% comprising management and staff. Foreign workers made up 78.56% of the Group's staff strength, coming mainly from Indonesia, India and Bangladesh. In 2018, we recorded a turnover rate of below 6%, a testament to the Group's strong retention power.

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

WORKERS BY COUNTRIES OF ORIGINS



STAFF STRENGTH



CORE LABOUR STANDARD

1 LIVING CONDITIONS

Workers are typically accommodated in two (2) or three (3)-bedroom house that meets the minimum standard of the Housing and Amenities Act 1990. Weekly inspections are carried out to ensure that all living quarters, as well as nurseries and community halls are in good operating condition.

2 MANAGING OVERTIME

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

3 CHILD AND BONDED LABOUR

Child and bonded labour is illegal, but it continues to thrive in many third world countries. Kulim does not employ anyone below the age of 16. For many of our workers with families, Kulim provides their children with access to schools and other amenities for the welfare and development of these young minds.

4 COLLECTIVE BARGAINING

We respect the right of our employees to join organisations of their own choosing as part of our commitment to freedom of association. The Collective Bargaining Agreement ("CBA") that we have signed with our workers is periodically negotiated and reflect work-related issues such as working conditions, wages and benefits, among others. A total of 2,741 or 38.98% of our employees are covered by the terms of the CBA.

HUMAN CAPITAL DEVELOPMENT

PERFORMANCE MANAGEMENT SYSTEM

Kulim acknowledges the critical importance of a skilled workforce as a prerequisite for the continued success of its business. Throughout 2018, we continued to strengthen our organisational capabilities. Among our many initiatives, we have in place a Performance Management System ("PMS") that is aimed at promoting a high performance culture. We have also implemented a performance-based Reward System to improve employee competencies. Each year, the targets are reviewed and the bar is raised so as to challenge the Group and employees to achieve the next level of performance.

JOB ROTATION

The Group's job rotation and generic training programmes are specifically tailored to bridge the skill gaps of staff at all levels. Our experience has proven that job rotation can increase the depth and breadth of an employee's knowledge and capabilities, thereby adding value to the organisation. An employee is moved from one job to another, handling a schedule of assignments that have been designed to give the staff maximum exposure to a range of the Group's operations. Apart from learning new skills, job rotation facilitates a better understanding of the organisation as a whole and the functions of its respective operating units and departments.

ENGAGEMENT SESSIONS

Building a strong pipeline of leaders is a fundamental part of our sustainability strategy. Millennials are quickly becoming the influential segment of today's workforce as they reach their peak employment years. They bring with them new perceptions of what office life should be like and how relationships should be structured. Compared with Gen-X employees and baby boomers, millennials are more likely to change jobs if they do not believe there are opportunities for them to move up the corporate ladder. Kulim understands that millennials want their points of view to be heard and through regular staff engagement sessions, they now have a platform to voice their concerns and expectations.

UP-SKILLING PROGRAMMES

One of the Group's emphasis in human capital development is to promote a learning environment for our staff. In this respect, Kulim has always encouraged interested employees to pursue professional qualifications such as ACCA, CIMA, MIA, Certified Integrity Officer ("CeIO") and Human Resource Certification (CAHRM and CHRO) to enhance their core competencies and specialise in specific areas that are relevant to the Group's operations. At the same time, we continue to collaborate with Johor Skills Development Centre or PUSPATRI, ILP Pasir Gudang and also IKM Johor Bahru to conduct technical courses for our employees.

Each year, we assess the potential and performance of identified candidates through the Johor Corporation Leadership Programme ("JLP") and Advanced Johor Corporation Leadership Programme ("AJLP"). Participants are exposed to business challenges in a variety of scenarios and have the opportunity to share leadership experiences. In 2018, a total of four (4) employees were selected for the AJLP. On the other hand, the JLP series have produced three (3) batches of participants, with a total of 19 graduates.

The Strategic Enhance Executive Development System ("SEEDS") Programme, which was launched in 2007, has been reengineered and registered with Skim Latihan 1 Malaysia ("SL1M"), which came under the aegis of the Economic Planning Unit ("EPU") of the Prime Minister's Office. The programme aims to develop and enhance leadership amongst the younger generation. The reengineered SL1M program was launched in December 2016 with an intake of 19 fresh graduates from local higher learning institutions. Another four (4) fresh graduates were selected for the second intake commencing April 2017, while the third intake, which began in July 2017, had a total of six (6) candidates. Which ten (10) of them had been offered permanent positions within Kulim group.

TALENT MANAGEMENT AND MANPOWER SUCCESSION PLANNING

Succession planning is one of the most important aspects of our human capital development strategy to actualise the Group's forward plans. Kulim had introduced a revised Talent Management Framework to support its Manpower Succession Plans for key and critical positions in the management hierarchy. The talent management frameworks covers a number of key areas, including identification of candidates with the right potential, talent development programme, mentoring and coaching, and placement of the talent pool in core and strategic units to develop the overall exposure. The ultimate goal is to ensure the placement of the right talent for the right job at the right time, as well as to ensure leadership readiness for key position as and when the need arises.

ENGENDERING GENDER EQUALITY

In our commitment to create an inclusive work environment, Kulim has rolled out various initiatives to empower women in the workplace. As at 31 December 2018, we had 810 women on our payroll, which constituted 11.52% of our workforce. Of this number, 1.59% were at the management level. Despite the inherent challenges, our policy of non-discrimination against women also extends to our estate workers.

MANAGEMENT BY GENDER

	2016	2017	2018
Female	99	104	112
Male	251	243	245

SEXUAL HARASSMENT

Efforts are on-going to educate and remind employees of what constitutes inappropriate behaviors. Through a concerted campaign, women are also more aware of their rights and as a result, have become more open to reporting cases of sexual harassment. In 2018, no cases of sexual harassment was reported.

MATERNITY LEAVE

All our female employees are entitled to 60 consecutive days of paid maternity leave in accordance with the Malaysia Employment Act 1955 Part IX Maternity Protection. In 2018, 23 employees went on maternity leave and upon returning to work, continued to remain employed with the Company. We are proud of the 100% retention rate as employment patterns suggest that women with newborn babies are most likely to leave their jobs after one (1) year. As a matter of policy, utmost care is taken to ensure that pregnant or nursing female workers are not exposed to harmful chemicals in discharging their duties.

Women OnWards ("WOW")

Women OnWards ("WOW"), formerly known as *Panel Aduan Wanita* or Women's Grievance Panel, was established as part of a larger women employee outreach programme. It has been endorsed by the Management and its activities are fully funded by the Company. WOW provides a platform for our women employees to air their grievances and at the same time, it serves to promote gender equality and empower the knowledge and skills of women.

Over the past six (6) years, WOW has been actively providing opportunities for the women in Kulim to become entrepreneurs in their own right under a programme known as *Jejari Bestari*. A WOW unit has been established in every estate, each one developing a unique product, service or skills such as tailoring, baking, arts and handicraft. These products or services are sold to staff and the public on festive occasions such as Hari Raya Aidil Fitri and Company events such as the Kota Tinggi Eco Boat Fishing Challenge, Kota Tinggi MTB Jamboree, Kota Tinggi Paintball Championship and among others. In 2018, WOW generated an income of around RM44,000 which was channeled back to their fledgling businesses.

For the seventh consecutive year, Kulim also joined the global movement to celebrate International Women's Day ("IWD"). Each year, a different theme is selected to celebrate the economic, political and social achievements of women past and present. In 2018, IWD was held on 17 December 2018 at the KSRT Clubhouse attracting over 184 participants.

Kulim has always acknowledged the important role women play in our workforce. We work hard to empower women through various initiatives through WOW. WOW's efforts in supporting the cause of women have been recognised by industry practitioners over the years. Thus, at 10th Annual Global CSR Summit Awards Ceremony 2018, Kulim has announced as the winner of the Empowerment of Women Award in Gold Category.

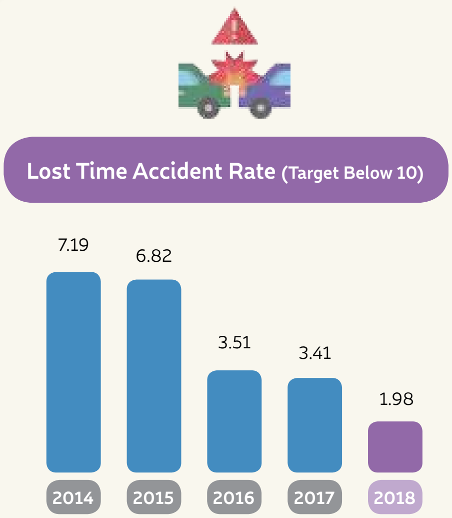
In 2018, Mutiara Johor Corporation in collaboration with WOW has published a recipe book titled: *Nak masak apa mak? Meh mak tunjuk*. The recipe book was launched at the Pedoman Johor Corporation held on 17 January 2018. The total of 60 recipes contained in this book are contributions from WOW members from each complex.

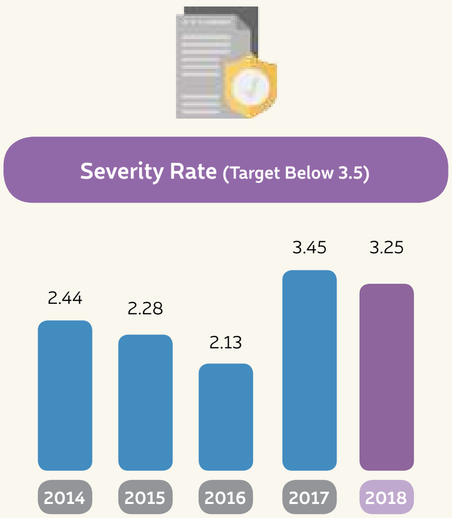
OCCUPATIONAL SAFETY AND HEALTH ("OSH")

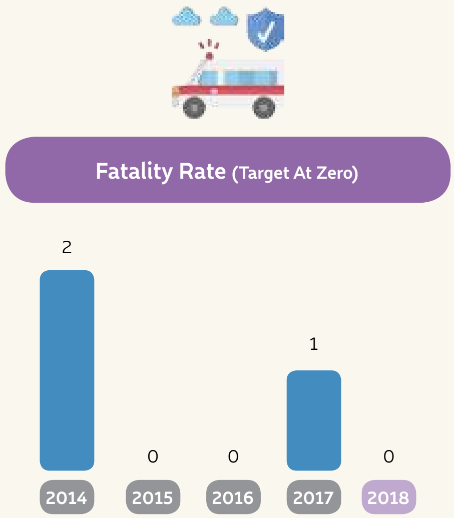
The International Labour Organisation ("ILO") explicitly states that every employee has the right to work in a safe and healthy environment. This basic human right is enshrined in various laws enforced by the Department of Occupational Safety and Health in Malaysia.

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

However, one (1) person alone cannot effectively carry the safety message or handle the multitude of tasks that crop up each day. We have therefore made OSH every employee's responsibility, whereby managers and staff work closely together to build an effective safety and health programme. People are the most important factor in significantly improving OSH performance. This is why it is mandatory for each of our workers to undergo an average of 40 hours or five (5) mandays of safety training in a year. Among others, the training emphasizes on the handling, application and safe disposal of chemicals. In addition, our tractor, lorry and mechanical buffalo operators have to complete 16 hours or two (2) mandays of training under supervision, whereby they must pass the required practical examinations to qualify as a certified driver before they are allowed to operate the machines on their own.







In 2018, we have no case reported for fatalities. Therefore, we continue to maintain our safety standards with the aim to reduce accident cases. The year under review also saw an improvement in the Lost Time Accident Rate ("LTAR"), which was recorded at 1.98 as compared to 3.41 posted the preceding year, thus keeping us within the target of below 10. Our injury severity was recorded at 3.25, compared with 3.45 registered in 2017.However, the figure was still within our set target of below 3.5.

While numerous efforts have been devoted to reducing accidents and injuries at the workplace and the Group's respective OSH indicators show an improving trend, we are aware that there is always room for improvement. With the stakes being so high, there can never be room for complacency. Hence, we will strive even harder to identify and manage key occupational and safety risks through responsible governance, rigorous controls and compliance systems. This is a shared responsibility of the Management and every employee at Kulim.

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

05

PARTNERSHIP

PARTNERSHIP

http://

COLLABORATING WITH OTHER ORGANISATIONS TO CREATE SUSTAINABLE VENTURES AND ENHANCE ECONOMIC PROSPERITY.

17 PARTNERSHIPS FOR THE GOALS

Creating effective alliances in the public, public-private and civil society spheres.

Developing multi-stakeholder partnerships that mobilise and share knowledge, technology and resources to create shared value and embed sustainable practices throughout the supply chain.

Consultation and dialogue sessions with external stakeholders

OUTGROWER ENGAGEMENT

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

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION ("ISCC")

ISCC is a multi-stakeholder initiative with a multi-pronged objective of reducing GHG emissions, promoting sustainable use of land, protecting natural biospheres and effecting social sustainability. The ISCC standard verifies compliance with the requirements of the European Unions, Renewable Energy Directive and Germany's Sustainability Ordinance and it is now amongst the most successful certification schemes. Five (5) of our mills have been accorded to ISCC status. Palong Cocoa POM was latest mill to be certified with ISCC on 9 May 2018. The Group's Sindora, Tereh, Sedenak and Pasir Panjang POMs were audited during the year and have successfully been recertified to the ISCC standard.

RSPO CERTIFICATION

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

The sustainable production of commodities has now become mainstream, with Governments, industry players, traders and buyers, indigenous groups and consumers coming together to voice their concerns and forge systemic solutions to move forward. To allay the growing concerns of environmentalist and consumers, the RSPO was established in 2004 to promote the sustainable production and use of palm oil for the People, Planet and Prosperity. RSPO has drawn up eight (8) Principles and 43 Criteria ("RSPO P&C") that define sustainable palm oil production, one of the most important being that no primary forests or areas that contain significant concentrations of biodiversity or fragile ecosystems or areas that are fundamental to meeting the traditional needs of indigenous communities may be cleared for the cultivation of oil palms. An infringement of the rules and standards may result in the RSPO certification being withdrawn at any time.

In 2017, total production of certified palm oil amounted to 12.08 million tonnes or 19% of the global production *(Source: RSPO, 20 February 2018)*. The demand for responsibly produced palm oil is growing as environmentally and socially responsible buyers are willing to pay premium prices. Kulim was among the first palm oil companies to be a member of the RSPO. Since January 2009, almost all of our plantations, including those of JCorp managed by Kulim, have been fully RSPO-certified. All our five (5) mills have also been certified, the latest being the Pasir Panjang POM, which was certified on 9 March 2017. RSPO certification is valid for five (5) years with a surveillance audit conducted annually and a recertification audit at the end of the fifth year. Since countries differ in their laws for the same criteria, the RSPO P&C are further adapted for use by individual countries through National Interpretations. At a meeting on 6 March 2016, the RSPO Board of Governors has endorsed the revision of the Malaysian National Interpretation ("MYNI") document. MYNI 2014, as it is known, is based on the RSPO P&C and it supercedes MYNI 2010 which was used for certification of plantations and mills in Malaysia.

The RSPO also developed a mechanism for supply chain traceability from the plantation to the end user. Kulim's Certified Sustainable Palm Oil ("CSPO") can be purchased through three (3) mechanisms approved by the RSPO, whereby the "Book and Claim" option is the most simplified method for a buyer to obtain CSPO without high administrative costs and complex logistics.

Presently, CPO from the Tereh POM, Pasir Panjang POM and Palong Cocoa POM are sold under Identity Preserved ("IP") status, while CPO from two (2) other mills is sold under the Mass Balance ("MB") mechanism where CSPO is mixed with conventionally produced CPO and tracked throughout the supply chain.

STAKEHOLDER'S ENGAGEMENT

In today's business environment, organisations do not exist in isolation. These include dealing with more sophisticated, better informed and engaged stakeholders with expectations that corporations will be responsive to their concerns. Hence, stakeholder engagement is no longer optional for most businesses and is in fact, a basis of good corporate governance.

For Kulim, engaging with our stakeholders gives us the opportunity to align our business practices with societal needs and expectations, helping us drive long-term sustainability and shareholders' value. We pursue stakeholder engagement in sync with our business strategies, as an integral part of an idea-generating, innovative and collaborative exercise.

Objective	Benefit of Engaging	Cost of Not Engaging
Tracking sociopolitical and environmental issues	• Maximise positive environmental and social impacts • Issue Identification • Mitigating and adapting • Enhance business intelligence to improve decision making • Collaboration, feedback and identify remedial actions	• Absence or loss of trust • Damage control • Negative media report • Ensure project success • Increased business risks
Monitoring and managing stakeholder expectations	• Reputation capital • Ensure buy-in and build trust and understanding • Insights and feedback that contribute to value creation and delivering performance • Positive impact on business sustainability and a competitive advantage	• Potential project delay • Impaired relations
Ensuring CR programme impact	• Strategic value creation • Successful outcomes for CR investment • Builds social capital and brand loyalty	• Reputation capital impaired • Negative perceptions
Ensure buy-in of employees and builds trust	• Convergence of company's values and employee expectations • Boost morale and reduce anxiety • Increase productivity and efficiency • Job satisfaction and intrinsic motivation • Drives innovation	• Disengaged employees • High turnover rate • Increase in absenteeism rate • Lack of trust in management

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

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

MATERIALITY ASSESSMENT

IDENTIFYING AND ASSESSING ASPECTS OF OUR BUSINESS THAT ARE RELEVANT TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY IS IMPORTANT IN BUILDING A STRONG AND MEANINGFUL STRATEGY FOR SUSTAINABILITY.

During the year under review, we assessed sustainability-related issues that have an impact on the economic, environmental and social aspects of Kulim's operations. Several factors were taken into account in identifying the key material matters including:

- Material matters identified in 2014-2015;
- Issues highlighted by our key stakeholders in previous engagements; and
- Significant issues discussed during Board meetings, risks highlighted in our risk register and matters relating to global business trends.

The materiality assessment process involved three (3) key steps, which have been described below:

1 IDENTIFICATION

This step involved identifying the matters that are material to Kulim's business, from both the Group as well as the stakeholders' perspective. For this cycle of reporting, a total of 25 material matters were identified by the key personnel involved in driving Kulim's sustainability agenda. While some of the material matters such as 'compliance' are broad and overarching, others such as 'grievance mechanism' are more specific in its impact both on the business and stakeholders' influence.

Moving from the 2014-2015 materiality matrix, we have replaced the titles of some material matters, without changing their meaning, to align them closer to GRI terminology. Furthermore, additional material matters have been identified in this cycle of reporting that represent the wide range of sustainability-related risks and opportunities embedded in our value chain.

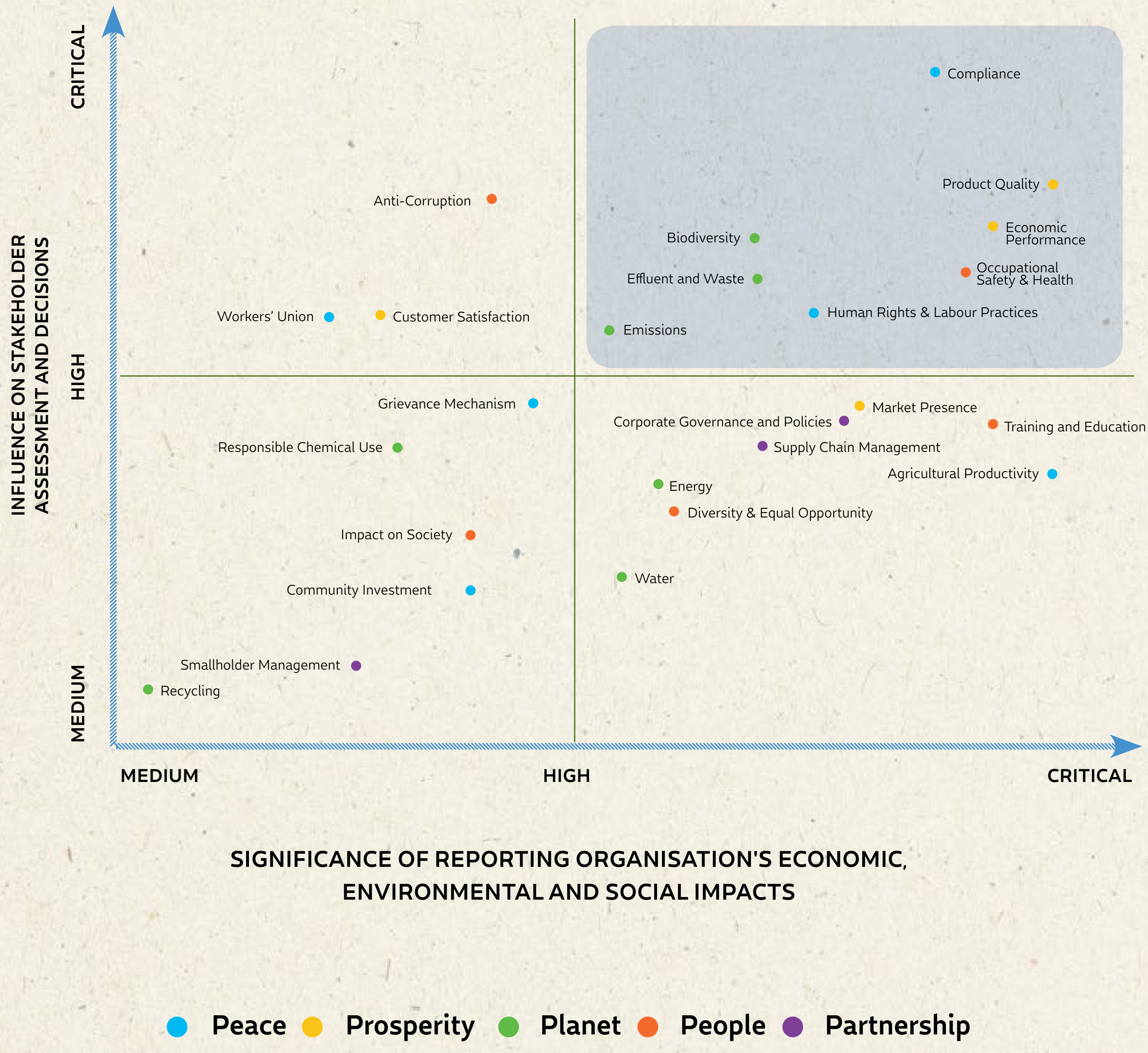
2 PRIORITISATION

By assessing and ranking the material matters on its importance to the business and to Kulim's stakeholders, we were able to identify eight (8) matters that are critical. Throughout the report we have expounded why these matters are material and the approach undertaken by Kulim to manage them.

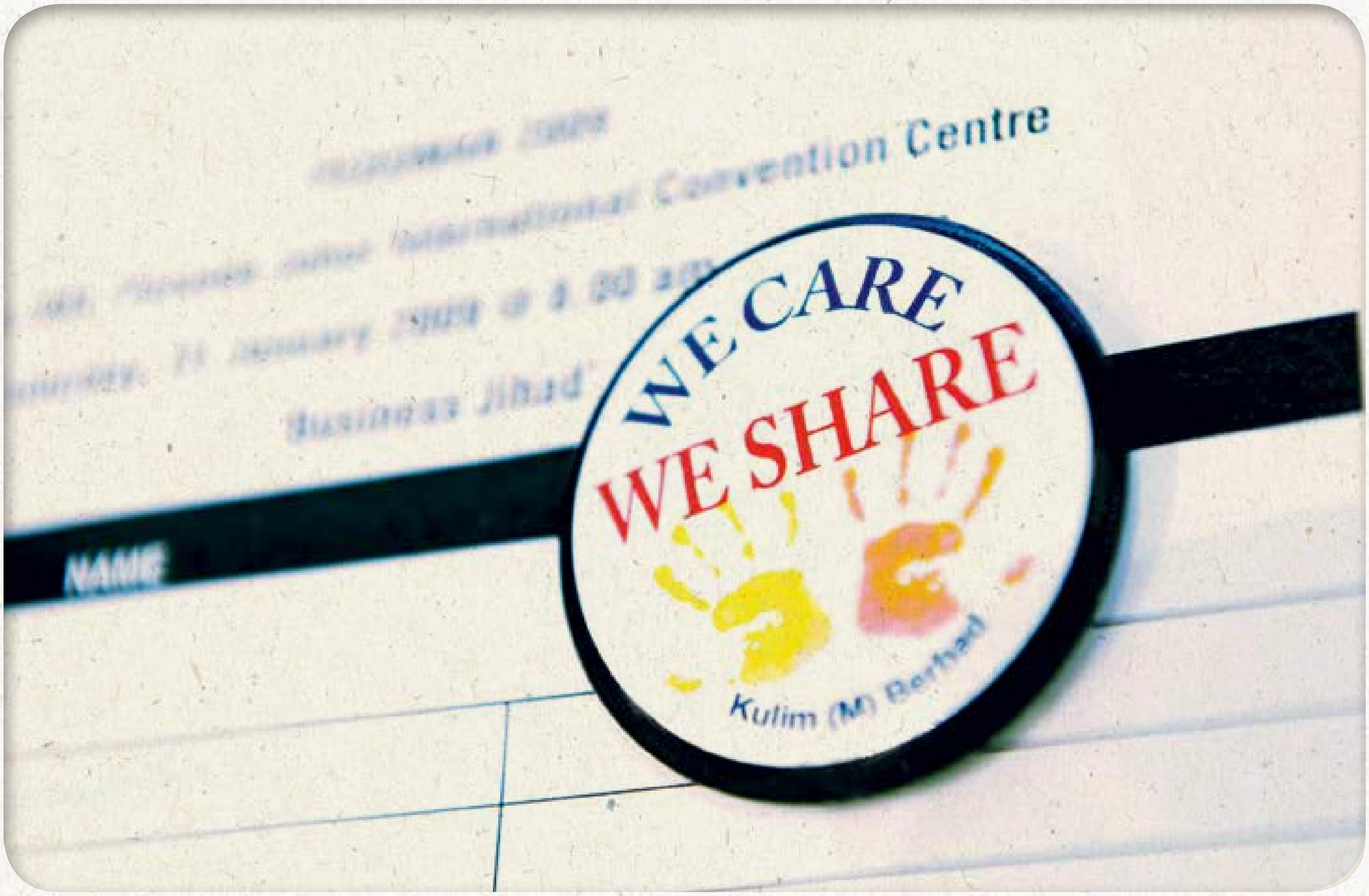
3 REVIEW

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

MATERIALITY MATRIX



THE NEW FRONTIER



Today, we are at the new frontier of sustainability. The last decade has seen increased attention to global challenges that are now at the top of both the business and public agenda. Businesses the world over are doing more than ever to tackle the sustainability challenge – to recognise social responsibilities, reduce environmental impacts, guard against unethical practices, make governance more transparent and be more accountable to stakeholders. More than ever before, companies are looking to make sustainability a core part of every business decision they make and a means of creating opportunity and a source of competitive advantage.

Despite all the efforts of companies to shift to more sustainable strategies, the challenges before us are greater than ever before. Soon, more than nine (9) billion people will share our planet. Increasing demands for food, energy and water are pushing nature to its limits. Change has become an undisputed fact, along with natural resource depletion, loss of biodiversity and deforestation, ocean acidification, water and air pollution and acid rain, are all among a growing list of planetary challenges.

Hence, now is the time for us to step up and forge ahead. Kulim is well aware that the road ahead will not be easy. Nevertheless, we believe we are able to find common ground solutions that are good for businesses, environment and people if we sharpen our focus and get things right. The journey towards a system of sustainability that will enable us all to "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs" is not marked by a clear path. Kulim is determined to play its part in helping define that path that offers greater prosperity for the present as well as future generations.

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Corporate Office of Kulim (Malaysia) Berhad, Ulu Tiram, Johor

SECTION 5

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

INTRODUCTION

THE BOARD OF DIRECTORS ("THE BOARD") OF KULIM (MALAYSIA) BERHAD IS PLEASED TO PRESENT THE CORPORATE GOVERNANCE OVERVIEW STATEMENT ("CG OVERVIEW") WHICH PROVIDES SHAREHOLDER AND STAKEHOLDERS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE KULIM GROUP DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 WITH REFERENCE TO THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017").

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

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

PRINCIPLE A :
BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

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

Established clear functions reserved for the board and those delegated to Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   Each year, HCMD was assessed the performance of the identified potential candidates undergoing the Johor Corporation Leadership Programme ("JLP"). The JLP is a structured leadership programme aiming to accelerate the career of high potential Senior Executives up to Senior Managers to be future leaders of Johor Corporation Group. Participants will be exposed to business challenges from different angles and will have the opportunity to share their leadership experiences.

   For the year 2016 – 2018, there was three (3) JLP (Cohort I – III) were organised which involved 20 employees from different departments. The six (6) candidates of the third edition of programme were completed their programme in January 2019.

   The JLP Cohort IV 2019/2020 application was opened and all executives in Kulim Group were invited to participate on this programme.

   In year 2018, there was four (4) employees from senior management positions had selected to undergoing an Advance Johor Leadership Programme ("AJLP"). The AJLP is a one (1)-year structured programme which consists of intensive learning and development experience for high potential leaders across Johor Corporation Group.

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

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

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

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

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

Board Committees

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

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

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

There is a division of functions between the Board and Management. The Board is duly assisted by the key management team of the Group, comprising Executive Director, Head of Divisions and other key management of respective departments. The principal responsibilities of the Management team are as follow:

- Developing, coordinating and implementing business and corporate strategies for the approval of the Board;
- Assume day-to-day responsibility for the Company's performance with relevant laws and regulations;
- Achieve the performance targets set by the Board;
- Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- Assisting the Board in the establishment of the Company or Group's policies by developing such policies for the Board's review and approval for the Company's and Group's adoption and implementation the approved policies; and
- Developing effective management information and internal control systems of the Group to ensure that the integrity and adequacy of the systems are intact.

Schedule of Matters/ Agenda Reserved for Collective Decision of the Board

The authorities of the Board are specified below. The authorities may be varied from time to time as determined unanimously by the Board.

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

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

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

3. **Operational**
    - Approval of business strategy and Group's operational plans and budgets;
    - On-going review of performance against business strategy and Group's operational plans, including monitoring of marketing, key risks and risk management policies and actions;
    - Approval of capital expenditure;
    - Approval of asset write-off;
    - Approval of investment or divestment in a company/ business/ property/ undertaking;
    - Approval of investment or divestment of a capital project which represents a significant diversification from existing business activities;
    - Approval of changes in the major activities of the Company; and
    - Approval of treasury policies and bank mandate.

4. **Financial**
    - Approval of quarterly and annual financial statements based on recommendations of the Audit Committee;
    - Approval of the Integrated Annual Report and Statutory Financial Statements;
    - Approval of interim dividends, the recommendation of final dividends and the making of any other distribution;
    - Adoption of accounting policies;
    - Approval of corporate policies and procedures, including the Group's system of internal control;
    - Review of the effectiveness of the Group's system of internal control; and
    - Disclosure of the state of internal controls of the Group to be included in the Integrated Annual Report.

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

Segregation of Role and Responsibilities of Chairman and Executive Director

The Board is led by the Chairman, 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.

Qualified and Competent Company Secretary

The Company Secretary of the Company has professional credential and is qualified to act as a Company Secretary is under Section 235(2) of the Companies Act 2016.

The Company Secretary is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Secretary whose appointment and removal is subject to the Board's approval, attend all Board and Board Committees' meetings. The 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 assisting with professional development;
- To advise the Board through the Chairman of all corporate governance obligations and developments in rules and regulations; and
- To be responsible for communicating with shareholders as appropriate.

Access to information

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

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the Directors receive all notices, agendas and minutes of the previous meetings and 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.

Board Charter

The duties and responsibilities of the Board of Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

The Board Charter addresses, which include amongst others, the Board responsibilities, Directors Code of Ethics, composition of Board, responsibilities of Chairman and Executive Director, the establishment of Board Committees, meetings, remuneration, accountability and audit, Company Secretary, conflict of interests and access to independent professional advice.

The Board Charter was last reviewed on 24 June 2014. The Board Charter will adopt any changes to the MCCG 2017, the Companies Act 2016 or any other relevant rules and regulations from time to time for best practices.

Access to Independent Professional Advice

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

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

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

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

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

Access to the Management

Board members must have complete unimpeded access to the Company's management. Board members must have unrestricted access to information pertaining to the Company including the Company's auditors and consultants.

In accessing its rights to information and the Management, Board members must use judgement to ensure that such access is not distracting the operations of the Company and that such contact, be copied to the Executive Director and Chairman.

Furthermore, during deliberations, the Board should encourage the Management when necessary, to bring managers into Board meetings who:

- Can provide additional insight into the items being discussed because of personal involvement in these areas; and/or
- Have potential for future senior managerial positions that senior management believes would be enhanced by exposure to the Board.

BOARD COMPOSITION

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

A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board. The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business, 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; and
- by notice in writing given to the Company, resigns from his office;
    - is removed by ordinary resolution of the Company subject to the provisions of Article 104; and
    - is absent for more than 50% of the total Board of Directors' meeting held during a financial year.

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. During the year, Mohd Sahir Rahmat was appointed as Non-Independent Non-Executive Director ("NINED") on 15 January 2019. On the same day, the Board accepted the resignation of Jamaludin Md Ali as NINED.

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
- Zulkifli Ibrahim
- Mohamad Salleh Mohamad Yusof
- Wan Su Ali
- Mohd Sahir Rahmat

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

The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent regardless of gender.

Independent Non-Executive Directors

The presence of Independent Non-Executive Directors ("INED") provides a pivotal role in corporate accountability. The role of the INED is particularly important as they provide independent and objective views, advice and judgement and ensures strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The INED do not participate in operation of the Group in order to uphold their objectivity and fulfill their responsibility to provide check and balance to the Board.

Currently, Dr. Radzuan A. Rahman is only Independent Non-Executive 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 interests 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 dominate the Board's decision making.

The Board is presently of the view that there is no necessity to fix a maximum tenure limit for INED as there are significant advantages to be gained from the long-serving Director who possess tremendous insight and knowledge of the Company's businesses and affairs.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Board Diversity

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

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

Foster Commitment of the Director

The Director dedicated sufficient time to carry out their responsibilities in Board representations. During the financial year ended 31 December 2018, four (4) Board Meetings have been held.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings office during the Financial Year Ended 31 December 2018 set out below:

	291th BOD 14/03/2018	292nd BOD 24/06/2018	293rd BOD 30/09/2018	294th BOD 25/11/2018
Dato' Kamaruzzaman Abu Kassim	/	/	/	/
Zulkifly Zakariah	/	/	/	/
Ahamad Mohamad	/	/	/	/
Zulkifli Ibrahim	/	/	/	/
Jamaludin Md Ali	/	/	/	/
Dr. Radzuan A. Rahman	/	/	/	/
Mohamad Salleh Mohamad Yusof	/	/	/	/
Wan Su Ali	/	/	/	/

DIRECTORS' TRAINING

The Board is provided with opportunities to update and refresh their knowledge throughout the year, ensuring that they are able to fulfill their role as members of the Board and its Committees effectively. In financial year 2018, the Directors attended various training programmes on issues relevant to the Group.

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

- National GST Conference 2018 – Chartered Tax Institute of Malaysia ("CITM")
- National Tax Conference 2018 – CITM
- Malaysian Institute of Accountants ("MIA") Conference 2018 – MIA
- National Tax Seminar 2018 – Inland Revenue Board
- Fraud Risk Management & Investigation Programme – CSI World Headquarters
- JCorp Intellectual Property Management Awareness Programme – Business Continuity Management Department, Johor Corporation
- Palm Oil Economic Review – Malaysian Palm Oil Board
- 10th Asia Sustainable Oil Palm Summit – Centre For Management Technology

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	Allowances/ Others Emolument	Bonuses	Benefit In-kind	Total
		RM'000			
Executive Director					
Zulkifly Zakariah	388	331	170	35	924
Non-Independent Non-Executive Directors					
Dato' Kamaruzzaman Abu Kassim	–	–	–	37	37
Ahamad Mohamad	600	157	248	51	1,056
Zulkifli Ibrahim	–	–	–	–	–
Jamaludin Md Ali	–	–	–	–	–
Mohamad Salleh Mohamad Yusof	–	–	–	–	–
Wan Su Ali	–	–	–	–	–
Independent Non-Executive Director					
Dr. Radzuan A. Rahman	–	16	–	–	16
Grand Total	**988**	**504**	**418**	**123**	**2,033**

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, shareholder, 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; and
- adhere to the Group's Code of Ethics and to submit the Ethics Declaration Form annually.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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: Shareholder, Employees, Creditors, Customers; and
- Social Responsibilities & Environment.

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual comprising the important aspects of which are as follows:

- Members must represent non-conflicted loyalty in the interests of the Group;
- Members must avoid conflict of interest with respect to their fiduciary responsibility;
- Members may not attempt to exercise individual authority over the Group except as explicitly set forth in the Board Policy; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

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; and
- reassure that whistleblower will be protected from possible retaliations.

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

PRINCIPLE B :
EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

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

The AC of the Group comprises of 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 ended 31 December 2018 which sets out the composition, a summary of activities of the Audit Committee and internal audit function, is contained on pages 176 to 179 of this Integrated Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognised that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial and operational level. The Board has done this by developing and adopting risk management framework that determines the process and identifies tools for releasing its objectives. Not only does it maximise its opportunities. It enhances the Company's capability to respond timely to the changing environment and its ability to make better decision.

The Statement on Risk Management and Internal Control is set out on pages 166 to 175 of this Integrated Annual Report to provide an overview of the risk management framework and state of internal control within the Group.

PRINCIPLE C :
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Our Board is committed to adequate and timely disclosure of information, whether financial, organisational, governance or transactions related, to enable our stakeholders to assess our Group's performance.

COMMUNICATION WITH STAKEHOLDERS

The Group has been using the following formal channels to communicate with 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 Report which disclosed Group's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative ("GRI") standard. The Sustainability Report is on pages 118 to 151 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 2018 are set out on pages 293 to 297 of this Integrated Annual Report.

Statement On Risk Management And Internal Control

THE GROUP HAS IN PLACE AN ON-GOING CONTROL STRUCTURE AND PROCESS FOR IDENTIFYING, EVALUATING AND MANAGING THE SIGNIFICANT RISK FACED BY THE GROUP TO ACHIEVEMENT OF BUSINESS OBJECTIVES AND STRATEGIES THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW

INTRODUCTION

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

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

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

Our Group conducts periodic testing on the adequacy, effectiveness and integrity of the internal controls to ensure the achievement of objectives on the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. Our Group has in place an on-going control structure and process for identifying, evaluating and managing the significant risks faced by the Group to the achievement of business objectives and strategies throughout the financial year under review. This process is regularly reviewed by our Board with the assistance from Audit Committee ("AC") and the Management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

Our Group's system of internal control is designed to manage, rather than eliminate the risk which could arise from human error, the possibility of poor judgement 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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

Risk Management and Compliance Committee

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.

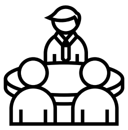
The key success factors of our Group's risk management process are active contribution and communication at operational and strategic level. Our Group's risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and 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 RMCC. The RMCC is represented by senior management from all business functions of the Group. The Committee met four (4) times in 2018. 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 ("RMCD"), Risk Owner, Risk Co- Owner, Internal Audit Department and all staff. This has improved their understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure as well as minimising the potential gaps in controls and unnecessary duplications of coverage.

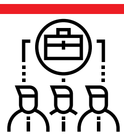
RISK MANAGEMENT PROCESS

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



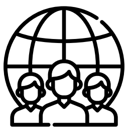
Department or Business Unit Risk Assessment:
The risk owner performs an exercise to identify and assess risk. The main sources of reference used at the identification phase are the business plans and budgets, financial and production performances, board and annual reports, audit findings, market and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

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:
All the endorsed top risks as tabled in RMCC will be extracted as the Group Risk Profile in accordance with the Group's financial or non-financial risk parameter.

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 programme can be improved. These decisions should lead to improvements in our Group's management of risks and its risk management culture.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 5Ps – Peace, Prosperity, Planet, People and Partnership. • Embarks on various initiatives in achieving the emissions reduction targets.

CONTROL ENVIRONMENT AND CONTROL 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.

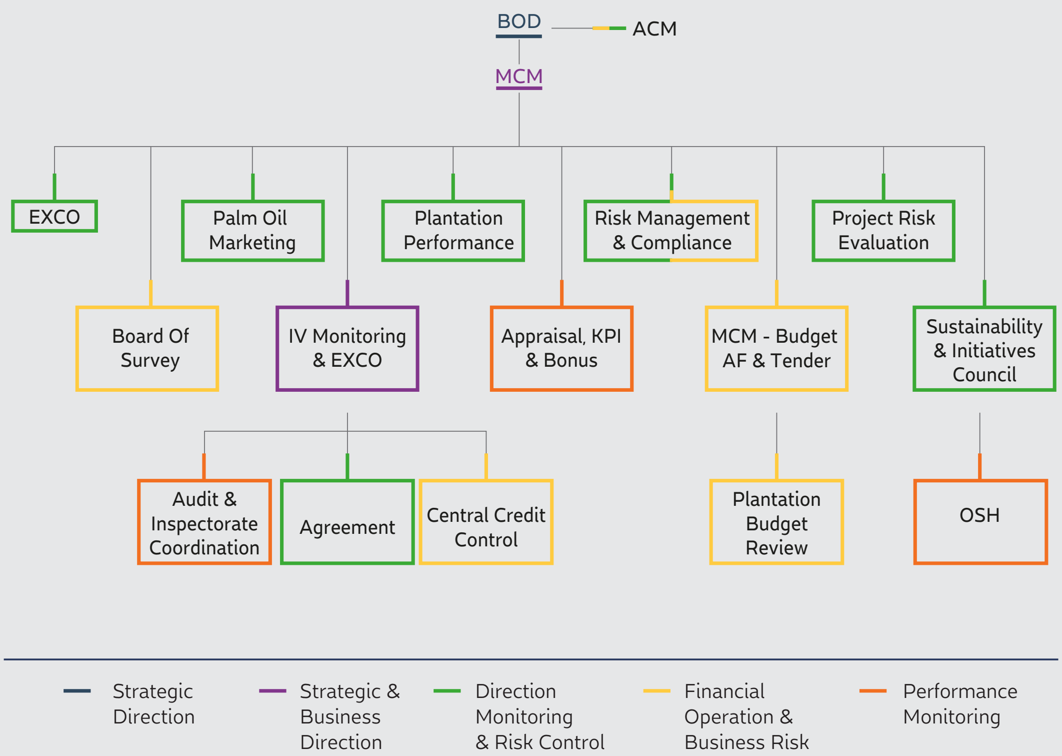
BOARD AND MANAGEMENT

The Board and Management Committees are set up to promote corporate governance, transparency and accountability and to assist the Board in implementing and monitoring the system of internal controls within the Group with the aim of realising the vision, mission, strategies and objectives established for the Group. The Committees oversee the areas assigned according to their Terms of Reference ("TOR") which are carefully developed to ensure that it is aligned with the Group's objectives, short-term and long-term strategic plans and to avoid overlapping activities and gaps in governance coverage.

During the period under review, we have set a broader function of the Project Risk Evaluation Committee ("PREC") in assesing the viability of the projects for all investment proposals within the Group in terms of its financing, marketing and technical issues, be it a new project, expansion of business or joint venture projects.

The composition of members of the committee is tailored to collectively have good knowledge of the industries, ability to understand fundamental financial indicators, including the knowledge of key business and financial risk, and internal control fundamentals. The new arrangement shall improve our evaluation process, the least element of surprises and ultimately provides a greater chance of success to the proposed investment.

COMMITTEE STRUCTURE



STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

Project Risk Evaluation Committee

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 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.
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 of legal compliance risk within the plantation division.

MANAGEMENT COMMITTEE	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
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.
Project Risk Evaluation Committee	To assess the viability of the project for all investment proposals within Kulim Group in terms of its financing, marketing and technical issues, be it a new project, expansion of business or joint venture projects.
OSH Committee	To foster cooperation and consultation between the management and workers in identifying, evaluating and controlling hazards at workplaces.

COMMITTEES FOR INTRAPRENEUR VENTURE	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
IV Monitoring and Executive Committee ("IV EXCO")	To monitor progress and development of all the IV companies with the objective of strengthening respective business and management capabilities by providing necessary business guidance and referrals.
Audit and Inspectorate Coordination Committee	To monitor, coordinate and recommend improvement to the internal control systems including compliance with laws and regulations, Group's policies and procedures 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.

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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

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

- 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

During the period under review, we have introduced two (2) new policies to enhance our corporate responsibility agenda and how our Group and employees should conduct online to help safeguard our reputation:

- Corporate Responsibility Policy
- Social Media Policy

FINANCIAL AND OPERATION CONTROL FRAMEWORK

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

Our AC together with management reviews the Group's quarterly financial performance and 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-year strategic planning exercise is conducted annually and approved by the Board. Our Group is guided by this 5-year strategic planning which specifically outlines the business objectives and strategies. In this challenging economic and business landscape, new opportunities and innovative strategies are continuously explored to create competitive advantage which ultimately will expand our business and investment portfolio. In this respect, we 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 programme starts in the year 2017 with a bi-monthly compliance reporting from each department and business units to RMCD and subsequently reported to RMCC and AC.

Our Group aware and continuously considers any appropriate commitment towards the statutory and regulatory compliance. Significant efforts and changes during and subsequent to the reporting period with regards to the statutory and regulatory compliance, among others:

- The Legal Tracking Working Group has been formed to improve the monitoring and reporting of compliance activities.

- Minimum Wages Order 2018 – The rate of monthly wages payable to the employee had increased from RM1,000 to RM1,100 and had come into operation on 1 January 2019.

- Malaysian Sustainable Palm Oil ("MSPO") Certification – The certification had become mandatory for all RSPO/ ISCC certified plantations to be obtained by 31 December 2018, while plantation without certification must obtain the certification by 30 June 2019.

- Corporate Liability provision and the requirement of the "adequate procedures" under the Malaysian Anti-Corruption Commission Act (Amendment) 2018 that will be in force on June 2020.

CORPORATE INTEGRITY

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

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

Our **Business Policy** and **Code of Ethics** are the keys policies that govern and act as a guideline on the standards of conduct that are expected from the 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 ("WOW")**, were introduced to allow employees to bring to the attention of the Management any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The Management will attempt to resolve the grievance in a manner, which is acceptable to the employee concerned and the Group.

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

BUSINESS CONTINUITY MANAGEMENT

Our business continuity objectives are to identify any potential threats and disruptions to our Group-wide business and then build the capacity to deal with them. Our approach covers both, the availability of an effective infrastructure and hedge against the potential risk of financial losses, through insurance coverage.

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

Audit Committee Report

THE BOARD OF KULIM (MALAYSIA) BERHAD IS PLEASED TO PRESENT THE AUDIT COMMITTEE ("AC") REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 AND UP TO DATE OF THIS AC REPORT

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

Khairul Badariah Basiron
Member

Aziah Ahmad
Member

MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee ("AC") during the financial year and up to the date of this AC report are as follows:

MEMBER	APPOINTMENT DATE	RESIGNED DATE	DESIGNATION / DIRECTORSHIP
Dr. Radzuan A. Rahman	4 August 2016	-	Chairman/ Independent Non-Executive Director
Aziah Ahmad	4 August 2016	-	Member
Khairul Badariah Basiron	21 February 2019	-	Member
Wong Seng Lee	4 August 2016	21 February 2019	Member

MEETING ATTENDANCE

In year 2018, four (4) AC meetings were held and details of attendance at AC meetings was as follows:

MEMBER	DATE OF MEETINGS			
	25/02/2018	21/06/2018	26/08/2018	21/11/2018
Dr. Radzuan A. Rahman	/	/	/	/
Wong Seng Lee	/	/	/	/
Aziah Ahmad	/	/	/	/

During the financial year ended 31 December 2018, the Chairman of the AC had engaged on a continuous basis with Senior Management, Internal Auditors and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the AC. Notes of each meetings are distributed to each Board members and the Chairman of the AC reports on key issues discussed at each meeting to the Board.

AUDIT **COMMITTEE REPORT**

ROLES AND RESPONSIBILITIES

During year 2018, our AC continued to play a key role in assisting our Board to fulfill its oversight responsibilities. Our AC activities were focused on ensuring the Group's financial reporting process, monitoring the management of risk and system of internal control, external and internal process, compliance with legal and regulatory matters with the support of Internal Audit Division.

Our AC's summary of work in year 2018 are summarised below:

SCOPE OF RESPONSIBILITIES	ACTIVITIES
Financial Reporting	• Reviewed and recommended to our Board, the quarterly unaudited financial report for each quarter ended December 2017, March 2018, June 2018 and September 2018. • Assisted our Board in reviewing the audited financial statements of the Group and Company for year 2018 and ensuring that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 2016 in Malaysia.
Risk Management & Internal Control	• Assisted our Board in ensuring that a robust process for identifying, evaluating and managing the significant risks faced by the Group is in place and operating effectively. • On quarterly basis, our AC reviewed our Group's risk profile with a focus on the keys risks identified. • Reviewed the adequacy and effectiveness of the internal control system, taking account of the findings from internal and external audit reports. Further details on the Group's risk management process are included in the Statement on Risk Management and Internal Control on page 166 of this Integrated Annual Report.
Compliance	• Reviewed arrangements established by the Company for compliance with any regulatory requirements, by-laws and regulation related to the Group's operations.
Internal Audit	• Reviewed and approved the annual audit plan and budget for activities to be undertaken during year 2018. • Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. • Reviewed internal audit report issued by Internal Auditors on the effectiveness and adequacy of governance, risk management, operational and compliance processes. • Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.
External Audit	• Assessed the effectiveness of the external audit process and appropriateness of the audit scope, including review the audit plans and findings of external audit.

INTERNAL AUDIT FUNCTION

Kasmawati Kasian
Head of Internal Audit Division

The Head of Internal Audit Division, who is a Certified Internal Auditor ("CIA"), reports functionally to the 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 the AC and the 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 2018, the total IAD's manpower was 11 comprised of auditors of different background as follows:

DISCIPLINE	NO. OF INTERNAL AUDITORS	PERCENTAGE (%)
Accountancy	9	82
Agriculture	1	9
Business	1	9
Total	11	100

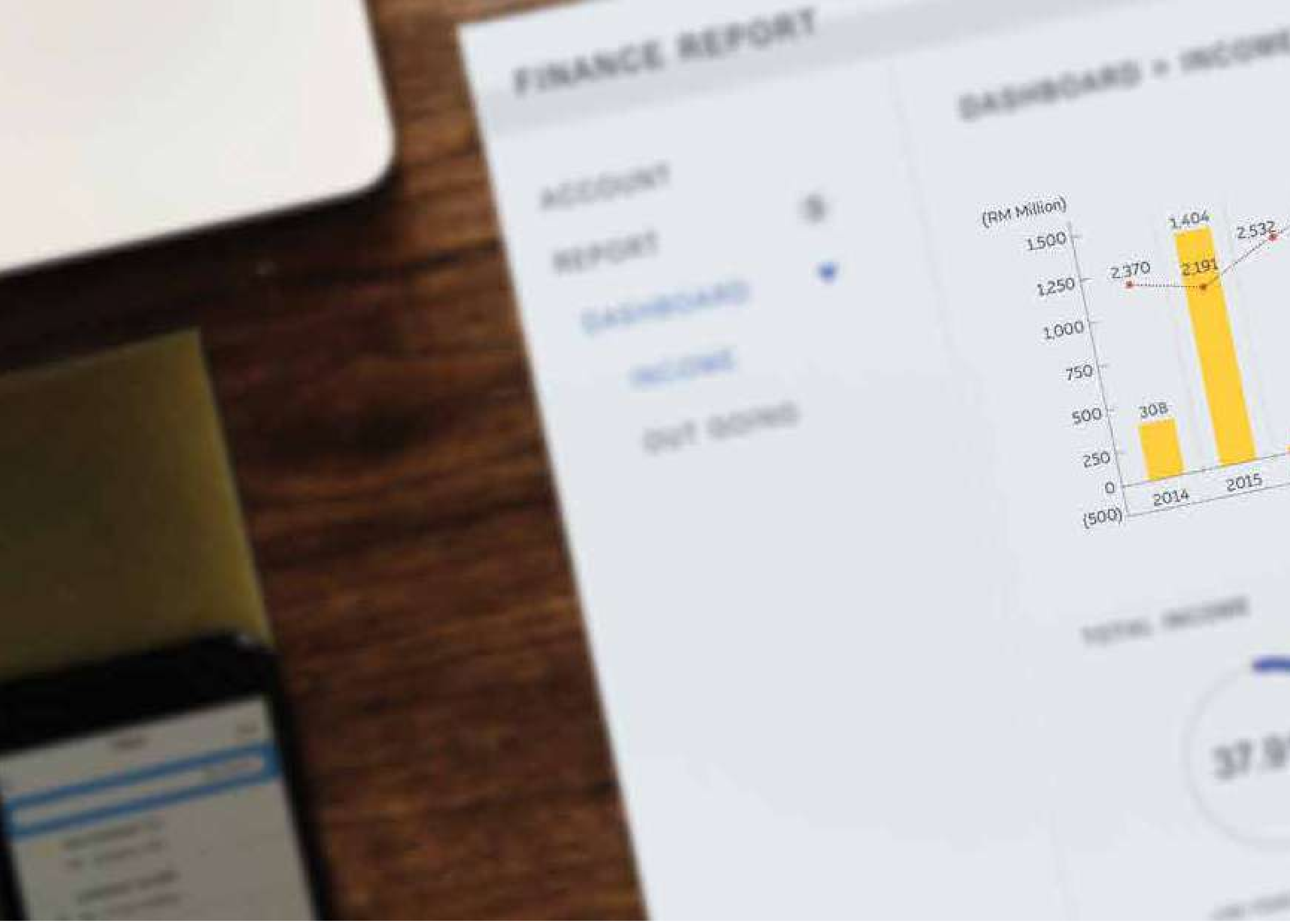
Coverage

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 2018, the audit coverage was focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as IAD's own risk assessment. It also covered management request as well as consulting activity which are in line with the Audit Charter. The assurance engagement covered plantation operations in Malaysia and Indonesia, Oil and Gas ("O&G") sector, Intrapreneur Venture ("IV") companies. Agrofood division, subsidiaries, business units and support services. Whereas consulting activity consisted of control self-assesment programme.

The Group's Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness. In year 2018, IAD had undergone a Quality Assurance Review through Self-Assessment with Independence Validation.

The total cost incurred for the Internal Audit function at the Group's Corporate Office level for the Financial Year Ended 31 December 2018 was approximately RM1,790,000 (2017: RM1,886,000).



FINANCIAL STATEMENTS

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(RM/tonne)
3,000
2,852
2,327
2,500
2,000
1,500
1,000
500
0
(500)
13
(92)
33
2016
2017
2018
(RM Million)
9,000
8,000
7000
6,000
5000
4,000
3,000
2,000
1,000
0
1,094
6,657
1,443
6,588
1,613
6,193
1,525
5,592
1,388
5,510
2014
2015
2016
2017
2018
Revenue (RM Million)
Average Capital Employed (RM Million)
31.86%
30.23%

SECTION 6

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

HOLDING CORPORATION

The Company's holding corporation is Johor Corporation ("JCORP"), a body corporate established under the Johor Corporation Enactment No. 4, 1968 (As amended by the Enactment No.5, 1995)

SUBSIDIARIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) net of tax	32,869	(153,780)
Profit/(loss) attributable to:		
Owners of the Company	(25,965)	(153,780)
Non-controlling interests	58,834	-
	32,869	(153,780)

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.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2017 was as follows:

In respect of the financial year ended 31 December 2018:	RM'000
Dividend of 37.50 sen per share, totalling approximately RM150,000,000, declared on 1 December 2018 and paid on 24 December 2018	150,000

The Directors do not recommend the payment of any final dividends for the financial year ended 31 December 2018.

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	
Zulkifli bin Ibrahim	
Zulkifly bin Zakariah	
Mohamad Salleh bin Mohamad Yusof	
Wan Su binti Ali	
Dr Radzuan bin A. Rahman	
Mohd Sahir bin Rahmat	Appointed on 15.01.2019
Jamaludin bin Md Ali	Resigned on 15.01.2019

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 hereof.

DIRECTOR'S **REPORT**

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 1.1.2018	Acquired	Disposed	As at 31.12.2018
In related companies				
E.A. Technique (M) Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
Ahamad bin Mohamad	500,000	-	-	500,000
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	254,500	-	-	254,500
Ahamad bin Mohamad	524,500	-	(524,500)	-
Mohd Sahir bin Rahmat	760,000	100,000	-	860,000

	Number of warrants			
	As at 1.1.2018	Acquired	Disposed	As at 31.12.2018
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	223,000	223,000	-	446,000
Mohd Sahir bin Rahmat	44,800	-	-	44,800

	Number of options over ordinary shares			
	As at 1.1.2018	Acquired	Disposed	As at 31.12.2018
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Mohd Sahir bin Rahmat	400,000	-	-	400,000

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

DIRECTOR'S REPORT

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 29 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.

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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTOR'S **REPORT**

OTHER STATUTORY INFORMATION (CONTINUED)

(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 31 to the financial statements.

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 28 February 2019. 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 191 to 324 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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 28 February 2019.

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 191 to 324 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 28 February 2019, before me.

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)

COMMISSIONER FOR OATHS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 23370-V)

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 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 191 to 324.

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 2018 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 2018 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.

Responsibilities of the Directors for the financial statements

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

INDEPENDENT
AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements (continued)

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.

(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.

INDEPENDENT AUDITORS' REPORT

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

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

1. As stated in Note 2 to the financial statements, Kulim (Malaysia) Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.

2. 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

Johor Bahru
28 February 2019

MANOHAR BENJAMIN JOHNSON
03301/05/2019 J
Chartered Accountant

Statements Of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations					
Revenue	4	**1,387,637**	1,525,367	**160,952**	245,042
Cost of sales		**(1,067,284)**	(1,285,946)	**(97,181)**	(99,624)
Gross profit		**320,353**	239,421	**63,771**	145,418
Other income		**35,794**	100,656	**9,011**	56,532
Administrative expenses		**(168,924)**	(174,211)	**(59,638)**	(86,915)
Other expenses		**(32,341)**	(47,676)	**(134,632)**	(53,107)
Profit/(loss) from operating activities		**154,882**	118,190	**(121,488)**	61,928
Interest income	5	**7,728**	3,871	**8,728**	4,669
Finance costs	6	**(92,133)**	(88,197)	**(45,995)**	(41,996)
Share of results of associates		**564**	552	**-**	-
Profit/(loss) before tax	7	**71,041**	34,416	**(158,755)**	24,601
Tax	9	**(38,172)**	(47,197)	**4,975**	(4,869)
Profit/(loss) from continuing operations		**32,869**	(12,781)	**(153,780)**	19,732
Discontinued operations					
Loss from discontinued operations, net of tax	10	**-**	(79,072)	**-**	-
Profit/(loss) for the year		**32,869**	(91,853)	**(153,780)**	19,732
Other comprehensive (loss)/income					
Items which may be reclassified to profit or loss in subsequent periods					
Net (loss)/profit on foreign currency translation differences for foreign operations		**(12,662)**	15,459	**-**	-
Net (loss)/profit on fair value through other comprehensive income		**(207,989)**	11,126	**(10,004)**	6,544
Item that will not reclassified to profit or loss					
Surplus on transfer of property,plant and equipment to investment property, net of tax		**14,591**	-	**-**	-
Other comprehensive (expenses)/income for the year, net of tax		**(206,060)**	26,585	**(10,004)**	6,544
Total comprehensive (loss)/ income for the year		**(173,191)**	(65,268)	**(163,784)**	26,276

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit attributable to:					
Owners of the Company		**(25,965)**	8,619	**(153,780)**	19,732
Non-controlling interests		**58,834**	(100,472)	**-**	-
Profit/(loss) for the year		**32,869**	(91,853)	**(153,780)**	19,732
Total comprehensive (loss)/income attributable to:					
Owner of the Company		**(153,594)**	36,988	**(163,784)**	26,276
Non-controlling interests		**(19,597)**	(102,256)	**-**	-
Total comprehensive (loss)/income for the year		**(173,191)**	(65,268)	**(163,784)**	26,276

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	**5,336,076**	5,351,465	5,381,366
Investment properties	12	**45,996**	28,231	116,218
Biological assets	18	**2,513**	1,150	1,080
Intangible assets	13	**27,415**	26,905	32,774
Investment in associates	15	**7,545**	3,042	2,490
Financial assets at fair value through other comprehensive income	16 (a)	**44,316**	-	-
Financial assets at fair value through profit or loss	16 (b)	**20,300**	-	-
Investment	16 (c)	**-**	254,453	228,180
Deferred tax assets	25	**1,900**	3,450	453
Trade and other receivables	19	**20,453**	52,712	3,027
		5,506,514	5,721,408	5,765,588
Current assets				
Financial assets at fair value through profit or loss	16 (b)	**259,552**	-	-
Investment	16 (c)	**-**	49,098	40,420
Inventories	17	**138,170**	110,236	62,346
Biological assets	18	**20,757**	29,906	43,108
Trade and other receivables	19	**281,891**	539,551	632,260
Tax recoverable		**29,019**	23,147	16,706
Derivatives	20	**-**	36	27
Cash and bank balances	21	**252,454**	325,470	530,783
		981,843	1,077,444	1,325,650
Total assets		**6,488,357**	6,798,852	7,091,238
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	22	**389,995**	490,166	365,630
Tax payable		**2,595**	28,341	21,974
Borrowings	23	**800,022**	506,895	1,182,151
Convertible notes	24	**-**	46,456	62,891
Derivatives	20	**1,696**	1,968	-
		1,194,308	1,073,826	1,632,646
Net current (liabilities)/assets		**(212,465)**	3,618	(306,996)

GROUP STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	23	**1,081,371**	1,253,253	858,745
Deferred tax liabilities	25	**426,484**	406,663	410,032
		1,507,855	1,659,916	1,268,777
Total liabilities		**2,702,163**	2,733,742	2,901,423
Net assets		**3,786,194**	4,065,110	4,189,815
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital and reserves				
Share capital	26	**1,000**	1,000	1,000
Reserves	27	**(49,662)**	51,394	28,116
Retained earnings	28	**3,726,262**	3,896,856	3,938,237
		3,677,600	3,949,250	3,967,353
Non-controlling interests		**108,594**	115,860	222,462
Total equity		**3,786,194**	4,065,110	4,189,815
Total equity and liabilities		**6,488,357**	6,798,852	7,091,238

Company Statement Of
Financial Position

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,379,987	1,382,336	1,381,984
Investment properties	12	28,880	26,631	114,880
Investment in associate	15	3,939	-	-
Investment in subsidiaries	14	902,828	1,186,286	1,185,303
Financial assets at fair value through other comprehensive Income	16 (a)	34,561	-	-
Financial assets at fair value through profit or loss	16 (b)	19,461	-	-
Investments	16	-	51,910	30,123
Trade and other receivables	19	19,140	50,607	-
		2,388,796	2,697,770	2,712,290
Current assets				
Investments	16	-	49,098	40,420
Inventories	17	83,647	71,254	32,737
Biological assets	18	5,838	5,763	16,412
Trade and other receivables	19	383,168	165,668	182,051
Current tax assets		11,395	11,064	7,713
Cash and bank balances	21	103,820	203,449	203,670
		587,868	506,296	483,003
Total assets		2,976,664	3,204,066	3,195,293
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	22	131,423	125,771	109,836
Derivatives	20	1,272	1,476	-
Borrowings	23	339,000	150,000	240,000
Tax payables		-	3,515	-
		471,695	280,762	349,836
Net current assets		116,173	225,534	133,167

GROUP STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	23	**504,319**	593,005	492,787
Deferred tax liabilities	25	**85,348**	92,822	91,469
		589,667	685,827	584,256
Total liabilities		**1,061,362**	966,589	934,092
Net assets		**1,915,302**	2,237,477	2,261,201
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital and reserves				
Share capital	26	**1,000**	1,000	1,000
Reserves	27	**(2,659)**	19,623	13,079
Retained earnings	28	**1,916,961**	2,216,854	2,247,122
Total equity		**1,915,302**	2,237,477	2,261,201
Total equity and liabilities		**2,976,664**	3,204,066	3,195,293

Statements Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Equity transaction reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<---- Attributable to shareholders of the Company ---->								
At 1 January 2018		1,000	(14,899)	7,074	54,646	(8,004)	3,902,227	3,942,044	115,428	4,057,472
Foreign exchange translation differences		-	(13,652)	-	-	-	-	(13,652)	990	(12,662)
Surplus on transition of property, plant and equipment to investment property, net of tax		-	-	-	14,591	-	-	14,591	-	14,591
Fair value adjustment for financial assets through other comprehensive income		-	-	(128,568)	-	-	-	(128,568)	(79,421)	(207,989)
Other comprehensive (expenses)/ income for the year		-	(13,652)	(128,568)	14,591	-	-	(127,629)	(78,431)	(206,060)
(Loss)/profit for the year		-	-	-	-	-	(25,965)	(25,965)	58,834	32,869
Total comprehensive (loss)/income for the year		-	(13,652)	(128,568)	14,591	-	(25,965)	(153,594)	(19,597)	(173,191)
Transaction with shareholders:										
Acquisition of additional interest in subsidiaries from non-controlling interests	14	-	-	-	-	8,186	-	8,186	(13,195)	(5,009)
Disposal of subsidiary	14	-	13,781	94,025	(76,842)	-	-	30,964	27,165	58,129
Dividend paid to shareholders	37	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Dividends paid to non- controlling interests of subsidiaries		-	-	-	-	-	-	-	(1,207)	(1,207)
As at 31 December 2018		1,000	(14,770)	(27,469)	(7,605)	182	3,726,262	3,677,600	108,594	3,786,194

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserves RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<------ Attributable to shareholders of the Company								------>		
At 1 January 2017		1,000	(32,142)	8,525	-	54,646	-	(2,913)	3,938,237	3,967,353	222,462	4,189,815
Foreign exchange translation differences		-	17,243	-	-	-	-	-	-	17,243	(1,784)	15,459
Fair value adjustment for financial assets through other comprehensive income		-	-	11,126	-	-	-	-	-	11,126	-	11,126
Other comprehensive income for the year		-	17,243	11,126	-	-	-	-	-	28,369	(1,784)	26,585
Profit for the year		-	-	-	-	-	-	-	8,619	8,619	(100,472)	(91,853)
Total comprehensive income for the year		-	17,243	11,126	-	-	-	-	8,619	36,988	(102,256)	(65,268)
<u>Transaction with shareholders:</u>												
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	37	-	-	-	-	-	-	-	(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	-	54,646	-	(8,004)	3,896,856	3,949,250	115,860	4,065,110

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Share capital RM'000	Fair value reserve RM'000	Other reserves RM'000	Distributable retained earnings RM'000	Total RM'000
2018						
At 1 January 2018		1,000	3,180	4,165	2,220,741	2,229,086
Fair value adjustment for financial assets through other comprehensive income		-	(10,004)	-	-	(10,004)
Loss for the year		-	-	-	(153,780)	(153,780)
Other comprehensive loss for the year		-	(10,004)	-	(153,780)	(163,784)
Transactions with shareholders:						
Dividend paid	37	-	-	-	(150,000)	(150,000)
As at 31 December 2018		1,000	(6,824)	4,165	1,916,961	1,915,302

Company	Note	Share capital RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Distributable retained earnings RM'000	Total RM'000
2017							
As at 1 January 2017		1,000	-	8,914	4,165	2,247,122	2,261,201
Profit for the year		-	-	-	-	19,732	19,732
Fair value adjustment for financial assets through other comprehensive income		-	-	6,544	-	-	6,544
Other comprehensive income		-	-	6,544	-	19,732	26,276
Transactions with shareholders:							
Dividend paid	37	-	-	-	-	(50,000)	(50,000)
As at 31 December 2017		1,000	-	15,458	4,165	2,216,854	2,237,477

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit/(loss) before tax from continuing operations	**71,041**	34,416	(158,755)	24,601
Loss from discontinued operations	**-**	(79,072)	-	-
Adjustments for:				
Fair value changes on:				
- financial assets at fair value through profit or loss	**-**	(4,237)	6,041	(6,521)
- derivatives	**(236)**	1,959	(204)	1,476
- biological assets	**6,887**	4,591	1,160	2,145
- investment properties	**(3,539)**	(99)	(2,249)	163
Net provision for impairment losses on:				
- receivables	**7,898**	10,586	-	739
- investments in subsidiaries	**-**	-	2,100	23,965
- property, plant and equipment	**2,128**	3,396	-	-
- goodwill	**-**	2,587	-	-
- intangible assets	**800**	-	-	-
Amortisation and depreciation of:				
- intangible assets	**25**	4,871	-	-
- property, plant and equipment	**180,415**	163,665	19,974	19,301
Dividend income	**(3,677)**	(3,948)	(32,241)	(71,264)
Loss/(gain) on:				
- disposal of subsidiaries	**-**	75,978	97,291	2,492
- disposal of financial assets at fair value through other comprehensive income	**-**	14,778	-	14,778
- disposal of property, plant and equipment	**1,026**	(3,777)	283	(3,340)
- disposal of investment properties	**-**	(4,113)	-	(4,113)
Share of net results in associate	**(564)**	(552)	-	-
Interest expense on:				
- continuing operations	**92,133**	88,197	45,995	41,996
Interest income	**(7,728)**	(3,871)	(8,728)	(4,669)
Unrealised foreign exchange loss/(gain), net	**11,739**	(12,687)	12,237	8,246
Write offs of:				
- property, plant and equipment	**7,873**	4,346	256	178
- biological assets	**-**	11,528	-	11,528
Write down of inventories	**140**	1,109	-	-
Compensation on investment	**-**	(35,540)	-	(35,540)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit/(loss) before changes in working capital		366,361	274,111	(16,840)	26,161
Changes in working capital:					
- Biological assets		899	(2,987)	(1,235)	(3,024)
- Inventories		(28,008)	(46,021)	(12,393)	(38,517)
- Payables – third parties		(76,744)	158,890	749	(887)
- Payables – intercompany		-	-	65	16,820
- Receivables		46,528	69,045	(25,719)	(27,784)
- Receivables – intercompany		-	-	29,545	30,495
Cash generated from/(used in) operations		309,036	453,038	(25,828)	3,264
Tax paid		(61,053)	(56,391)	(6,346)	(3,351)
Tax refunded		1,877	2,583	-	-
Net cash flows generated from/(used in) operating activities		249,860	399,230	(32,174)	(87)
Cash flows from investing activities					
Disposal of subsidiaries, net of cash (outflows)/inflows		(532)	1,196	-	-
Dividends received		3,677	3,948	32,241	71,264
Interest received		7,728	3,871	8,728	4,669
Additions:					
- non controlling interests (net)	14	(5,009)	(9,191)	(4,948)	(6,852)
- financial assets at fair value through other comprehensive income		-	(29,174)	-	(32,179)
- financial assets at fair value through profit or loss		(27,096)	-	(897)	-
- property, plant and equipment		(195,083)	(258,400)	(17,938)	(21,059)
- investment properties		(275)	(56,901)	-	(56,901)
- advances for proposal acquisition	31(a)	-	(22,073)	-	-
Withdrawal of pledged fixed deposits		194	185,924	-	-
Additions to intangible assets		(1,335)	(2,918)	-	-
Proceeds from:					
- disposal of subsidiary		-**	-*	-**	-*
- disposal of property, plant and equipment		2,227	5,962	117	4,569
- disposal of financial assets at fair value through other comprehensive income		-	1,644	-	-
- disposal of financial assets at fair value through profit or loss		27,783	-	27,783	-
- disposal of investment property		640	146,966	-	146,966
Net cash flows (used in)/generated from investing activities		(187,081)	(29,146)	45,086	110,477

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities					
Dividends paid to:					
- shareholders of the Company		**(150,000)**	(50,000)	**(150,000)**	(50,000)
- non-controlling interests of subsidiaries		**(1,207)**	(697)	**-**	-
Proceeds from borrowings, net of transaction fees		**402,488**	570,744	**240,000**	149,649
Repayment of borrowings		**(294,735)**	(820,161)	**(139,686)**	(139,431)
Repayment of advances from subsidiaries		**-**	-	**(16,846)**	(20,587)
Interest paid		**(92,133)**	(88,197)	**(45,995)**	(41,996)
Net cash flows used in financing activities		**(135,587)**	(388,311)	**(112,527)**	(102,365)
Net change in cash and cash equivalents		**(72,808)**	(18,227)	**(99,615)**	8,025
Effect of exchange rate fluctuations on cash held		**(14)**	(8,246)	**(14)**	(8,246)
Cash and cash equivalents at 1 January		**291,929**	318,402	**203,099**	203,320
Cash and cash equivalents at 31 December	21	**219,107**	291,929	**103,470**	203,099

* RM1
** HKD 1 (approximately RM0.53)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 CORPORATE INFORMATION

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

Principal place of business
Ulu Tiram Estate
81800 Ulu Tiram, Johor

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

The Company's holding corporation is Johor Corporation ("JCORP"), a body corporate established under the Johor Corporation Enactment No. 4 of 1968 (As amended by the Enactment No.5 of 1995).

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Note 14 and Note 31.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards and MFRS 141 – Agriculture. Subject to certain transition elections as disclosed in Note 35, the Group and the Company have consistently applied the same accounting policies in their opening MFRS statements of financial position as at 1 January 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows, are disclosed in Note 35.

During the financial year ended as at 31 December 2018, the Group had a net current liability of RM212.47 million. This factor may indicate the existence of material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern, and therefore the Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors are of the view that the going concern assumption used in the preparation of the financial statements of the Group remained appropriate and there is no material uncertainty about the Group's ability to continue as a going concern. The Group has profitable plantation, intrapreneur ventures and vessel charter hire operations as disclosed in Note 36 that are generating positive operating cash flows and the Group has sufficient undrawn financing facilities from external financial institutions as disclosed in Note 32(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

The preparation of financial statements in conformity with MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's and to the Company's financial statements are disclosed in Note 3.

During the financial year, the Group and the Company has considered the new accounting pronouncements in the preparation of the financial statements.

2.2 Standards, amendments and interpretations issued that are effective

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

On 1 January 2018, the Group and the Company adopted the following pronouncements to MFRSs mandatory for annual financial periods beginning on or after 1 January 2018:

<u>Description</u>

- MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
- MFRS 141 'Agriculture'
- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Clarification to MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 140 'Investment Property'- Clarification on Change in Use – Assets transferred to or from Investment Properties
- Annual Improvements to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
- Annual Improvements to MFRSs 2014 -2016 Cycle: Amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
- Annual Improvements to MFRSs 2014-2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

Other than the adoption of MFRS 1, MFRS 141, MFRS 9 and MFRS 15, the application of these amendments and improvements do not have a significant impact on the Group's and the Company's current period or any prior period and is not likely to affect future periods financial statements. The detailed impact of the change is disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations issued but not yet effective

The standards, amendments and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effecttive for annual period beginning on or after
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 'Financial Instrument – Prepayment Features with Negative Compensation'	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle: Amendments to MFRS 3 'Business Combination', MFRS 11 'Joint Arrangements', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs'	1 January 2019
Amendments to MFRS 119 'Employee Benefits – Plan Amendment, Curtailment or Settlement'	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.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses and each component of other comprehensive loss within a subsidiary are attributed to the parent and non-controlling interests, even if that results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owner of the Group.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.10(a).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owner of the Group. Changes in the Group owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Group.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note 2.22 on finance leases) and land use rights are 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
Bearer assets (oil palm)	20 years from year of maturity
Buildings	5 – 50 years
Vessels, plant and machinery	3 – 25 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 5 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. All expenditure relating to the development of oil palm fields (immature field) is classified under bearer assets. This cost will be amortised over its' useful life when the field reaches maturity. The maturity date for bearer plants is the point in time such new planting areas reach 48 months from the date of initial planting or rehabilitation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for at fair value at the date of change in use, and the difference is recorded in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Biological assets

Biological assets comprises fresh fruit bunches growing on bearer plants, pineapples and cattle livestock. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants and pineapples that are expected to be harvested and for livestock that are expected to be sold or used for production on a date not more than 12 months after the reporting date. The balance are classified as non-current.

2.10 Intangible assets

(a) Goodwill

Upon adoption of MFRS, goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

(b) Other intangible assets

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows Cash-Generating Units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Investments in subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Group's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

See accounting policy on impairment of non-financial assets as set out in Note 2.11.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest 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.

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 investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

2.14 Financial instruments

MFRS 9 replaces the provisions of MFRS 139 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of MFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group and Company have elected to apply the limited exemption in MFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings
(b) financial assets are not reclassified in the balance sheet for the comparative period
(c) provisions for impairment have not been restated in the comparative period

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Financial assets - classification and measurement

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group and the Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Financial assets - classification and measurement (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Measurement (continued)

Debt instruments

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

(a) Amortised cost

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

(b) Fair Value through Other Comprehensive Income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(c) Fair Value through Profit or Loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Financial assets - classification and measurement (continued)

Accounting policies applied until 31 December 2017

(i) Classification

Until 31 December 2017, the Group and the Company classified its financial assets in the following categories:

- loans and receivables,
- available-for-sale financial assets ('AFS')

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

Loans and receivables
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 and the Company's loans and receivables comprise 'trade and other receivables', 'cash and bank balances' and 'loans to subsidiaries' in the statement of financial position.

Available-for-sale financial assets ('AFS')
AFS 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.

(ii) Reclassification

The Group and Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest rates prospectively.

(iii) Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

AFS financial assets was subsequently carried at fair value.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses.

Note 2.24 (i)-(iv) for accounting policy on recognition of dividend income, rental income, interest income and for vessel charter hire income on AFS financial assets.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts

Accounting policies applied from 1 January 2018

Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have various types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amount due from ultimate holding corporation
- Amount due from subsidiaries
- Amount due from related companies

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

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

The measurement of ECL reflects:

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

(a) General 3-stage approach for other receivables, amounts due from holding corporation, amount due from subsidiaries, amount due from related companies and financial guarantee contracts issued

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

Note 19 sets out the measurement details of ECL.

(b) Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Note 19 sets out the measurement details of ECL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts (continued)

Accounting policies applied until 31 December 2017

In the prior year, the Group assessed impairment of financial assets based on the incurred loss model.

(i) Impairment of financial assets

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.

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 AFS

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 AFS 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Significant increase in credit risk

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

The following indicators are incorporated:

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

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

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

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

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables and contract assets arising from palm oil business have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(b) Individual assessment

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

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

(v) Write off

(a) Trade receivables and amount due from holding corporation, amount due from subsidiaries and amount due from related companies.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

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

(b) Other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities comprise trade and other payables, borrowings, loans or amounts due to subsidiaries and related parties and derivatives.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for loans to subsidiaries of the Company, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

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

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

Gains or losses arising from changes in fair value of the derivatives that does not qualify for hedge accounting are recognised in profit or loss within other gains/losses, net. Net gains or losses on derivatives include exchange differences.

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

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

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

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

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

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

From 1 January 2018, when borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

Financial guarantee contracts

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

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

From 1 January 2018, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15, where appropriate.

Up to 31 December 2017, financial guarantee contracts are subsequently measured 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.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Other receivables are recognised initially at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value with original maturities of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.16 Inventories

(a) Completed properties

Cost of development properties held for sale comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

(b) Land held for development

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories (continued)

(c) Other inventories

Cost of raw materials, agricultural produce and consumables is determined using the first-in, first-out method or weighted average method. The cost of raw materials comprises cost of purchase and other direct costs. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. It excludes borrowing costs. Prior to the adoption of MFRS, the cost of livestock is included as inventories.

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.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Government grants that compensate the Group for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

2.19 Receivables, contract assets and contract liabilities

From 1 January 2018, a receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract asset is the right to consideration for goods or services transferred to the customers.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24 (ii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.24 Revenue recognition

Prior to the adoption of MFRS 15, the Group's and the Company's revenue is recognised at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. With the adoption of MFRS 15 "Revenue from Contracts with Customers" in the current financial year, the Group's and the Company's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

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

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

The Group's revenue from contracts with customers is generated from the following business segments:

(a) Palm oil
(b) Intrapreneur ventures
(c) Oil and Gas services

Performance obligations from the business sectors above are as follows:

(a) Palm Oil

In the plantation operations, the Group sells agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), and palm kernel ("PK").

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

Performance obligations from the business sectors above are as follows: (continued)

(a) Palm Oil (continued)

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

(b) Intrapreneur ventures

In the intrapreneur ventures operations, revenue from retail selling of agriculture, fertilisers, mechanical buffalo, fertilisers and computer hardware are recognised at a point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customers, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

Accounting policies applied from 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is measured at fair value of the consideration received and receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when there has been a passing of the title and risk to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

Performance obligations from the business sectors above are as follows: (continued)

(c) Oil and Gas support services

Engineering, procurement, construction, installation and commissioning ("EPCIC") income arises from provision of engineering, procurement, construction, installation and commissioning of a floating, storage and offloading ("FSO") vessel.

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

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

The Group and the Company recognise revenue over time using the output method, which is based on the level of completion of the physical proportion of contract work to-date, certified by professional consultants.

Revenue from other sources

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

(i) Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI (31.12.2017: financial assets at FVTPL and AFS financial assets).

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend income from financial assets at FVOCI (31.12.2017: AFS financial assets) are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

From 1 January 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

Revenue from other sources (continued)

(iii) Interest income

Interest income is recognised using the effective interest method.

From 1 January 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Prior to 1 January 2018 and until 31 December 2017, when a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Vessel charter hire income

Most vessel charter hire income is recognised on straight-line basis over the lease term determined at the inception of the lease.

Certain charter hire income is recognised when services are rendered and are computed at the contracted daily rate.

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

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income taxes (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective chief operating decision maker responsible for the performance of the respective segments under their charge. The chief operating decision maker of the Group is the Group Top Management Committee who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.28 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 hedges. 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 2.14. 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 assets or liability or a highly probable forecast transaction (cash flow hedge).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Derivative and hedging activities (continued)

The Group and Company 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 and Company 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 assets 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.

2.29 Fair value measurement

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

(a) In the principal market for the asset or liability; or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Transfer pricing

The Group and the Company makes sales and other types of transactions to its related companies based on prices and terms that are mutually agreed which takes into account internal business arrangements and business models for industries operating in a similar manner. The pricing is reviewed periodically and changes may be made based on the Directors' judgement. The Directors' are of the opinion that the pricing is in accordance with all applicable transfer pricing regulations in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the recoverable amount of the Cash-Generating Units ("CGU") to which goodwill is allocated.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of the CGUs were determined based on the higher of fair value less cost to sell or value in use calculations.

Further details of the use of estimates and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 13.

(b) Valuation of investment properties

The Group and the Company in reliance on independent professional valuers, applies estimates, judgements and assumptions in determination of fair value for investment properties. The valuation forms the basis for the carrying amount in the financial statements.

(c) Measurement of ECL allowance

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 19.

(d) Provision for litigation

As a result of past events, the Group is subject to an obligating event as disclosed in Note 31. As the case is currently at arbitration stage, the Directors has made the necessary accruals based on best estimates and assumptions that are supported with realiable information based on an external technical review.

(e) Impairment review of vessels' carrying amount

The Group and the Company assess at each reporting date whether there is any indication that the asset may be impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider external and internal factors such as the current economic outlook, average utilisation rate as well as ability of the entity to secure long term contract. Where there is objective evidence of impairment, the amount of impairment loss is measured at the difference between the asset's carrying amount and the recoverable amount. The recoverable amount of an asset is a higher of the fair value less cost to sell and its value in use.

To determine fair value less cost to sell requires an estimation on price at which an orderly transaction to sell the asset would take place between market participants under current market condition. While to determine value in use requires estimation on the future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

(f) Valuation of biological assets

Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets, which requires judgement. The valuation forms the basis for the carrying amount in the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 REVENUE

Revenue comprise the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers				
Plantation:				
-Fresh fruit bunches	22,821	13,183	117,250	158,671
-Crude palm oil	678,815	823,846	-	-
-Palm kernel	142,047	190,402	-	-
	843,683	1,027,431	117,250	158,671
Intrapreneur ventures	47,932	56,234	-	-
Oil and gas support services	191,610	185,646	-	-
Agrofood	15,258	12,936	10,011	4,701
Others	7,169	6,503	1,181	1,411
	1,105,652	1,288,750	128,442	164,783
Revenue from other sources				
Vessel charter hire	278,308	223,674	-	-
Dividend income	3,677	3,948	32,241	71,264
Rental of investment properties	-	8,995	269	8,995
	1,387,637	1,525,367	160,952	245,042

Disaggregation of the Group's and the Company's revenue from contracts with customers:

Group 2018	Palm oil RM'000	Intrapreneur RM'000	Oil and Gas support RM'000	Others RM'000	Total RM'000
Major goods and services:					
Goods sold	843,683	47,932	-	15,258	906,873
Oil and gas support services	-	-	191,610	-	191,610
Others	-	-	-	7,169	7,169
	843,683	47,932	191,610	22,427	1,105,652
Geographical market:					
Malaysia	843,683	47,932	191,610	20,765	1,103,990
Indonesia	-	-	-	1,662	1,662
	843,683	47,932	191,610	22,427	1,105,652
Timing of revenue recognition:					
At a point in time	843,683	47,932	50,918	22,427	964,960
Overtime	-	-	140,692	-	140,692
	843,683	47,932	191,610	22,427	1,105,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 REVENUE (CONTINUED)

Disaggregation of the Group's and the Company's revenue from contracts with customers: (continued)

Group 2017	Palm oil RM'000	Intrapreneur RM'000	Oil and Gas support RM'000	Others RM'000	Total RM'000
Major goods and services:					
Goods sold	1,027,431	56,234	-	12,936	1,096,601
Oil and gas support services	-	-	185,646	-	185,646
Others	-	-	-	6,503	6,503
	1,027,431	56,234	185,646	19,439	1,288,750
Geographical market:					
Malaysia	1,027,431	56,234	185,646	18,536	1,287,847
Indonesia	-	-	-	903	903
	1,027,431	56,234	185,646	19,439	1,288,750
Timing of revenue recognition:					
At a point in time	1,027,431	56,234	42,351	19,439	1,145,455
Overtime	-	-	143,295	-	143,295
	1,027,431	56,234	185,646	19,439	1,288,750

Company 2018	Palm oil RM'000	Others RM'000	Total RM'000
Major goods and services:			
Goods sold	**117,250**	**11,192**	**128,442**
Geographical market:			
Malaysia	**117,250**	**11,192**	**128,442**
Timing of revenue recognition:			
At a point in time	**117,250**	**11,192**	**128,442**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 REVENUE (CONTINUED)

Disaggregation of the Group's and the Company's revenue from contracts with customers: (continued)

Company 2017	Palm oil RM'000	Others RM'000	Total RM'000
Major goods and services:			
Goods sold	158,671	6,112	164,783
Geographical market:			
Malaysia	158,671	6,112	164,783
Timing of revenue recognition:			
At a point in time	158,671	6,112	164,783

5 INTEREST INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposit with licensed banks	**4,725**	3,871	**3,046**	2,438
Amount due from holding corporation	**2,935**	-	**2,935**	-
Amount due from related companies	**68**	-	**-**	-
Amount due from subsidiaries	**-**	-	**2,747**	2,231
	7,728	3,871	**8,728**	4,669

6 FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Term loans	**70,756**	56,681	**33,088**	30,150
Revolving credits	**19,500**	30,635	**9,858**	11,846
Bank overdraft	**451**	148	**-**	-
Other borrowings	**1,426**	733	**3,049**	-
	92,133	88,197	**45,995**	41,996

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost of sales:				
- Plantation				
- Cost of produce	435,675	473,131	69,295	71,227
- General charges	23,076	15,257	7,592	6,584
- Intrapreneur ventures	30,828	30,329	-	-
- Oil and gas support services				
- Cost of services	172,441	145,357	-	-
- EPCIC contract costs	69,930	318,109	-	-
- Agrofood	13,455	15,587	8,421	7,786
- Investment properties	-	4,495	-	4,495
- Others	22,665	29,748	1,877	1,245
Net provision for impairment losses on:				
- Receivables	7,898	10,586	-	739
- Property, plant and equipment	2,128	3,396	-	-
- Intangible assets	800	2,587	-	-
- Investment in subsidiaries	-	-	2,100	23,965
Amortisation and depreciation of:				
- Intangible assets	25	4,871	-	-
- Property, plant and equipment	180,415	163,665	19,974	19,301
Auditors remuneration	1,311	1,349	208	208
Other services				
- PricewaterhouseCoopers PLT	175	5	150	-
- Other auditors	-	88	235	38
Loss/(gain) on:				
- Disposal of subsidiaries	-	-	97,291	2,492
- Disposal of financial assets at fair value through other comprehensive income	-	14,778	-	14,778
- Disposal of property, plant and equipment	1,026	(3,777)	283	(3,340)
- Disposal of investment property	-	(4,113)	-	(4,113)
Foreign exchange loss/(gain):				
- Realised	14	(1,511)	(14)	8,246
- Unrealised	11,739	(12,687)	12,237	-
Write down of inventories	140	1,109	-	-
Write offs of property, plant and equipment	7,873	4,346	256	178
Rental of plant and machinery	778	1,313	230	540
Rental of land and building paid to:				
- Holding corporation	123	728	629	629
- Others	993	1,083	-	-
Employee benefits (Including executive director remuneration):				
- Salaries, wages, allowances and bonuses	227,668	224,566	58,494	56,737
- Defined contribution plan	19,084	19,637	6,952	3,988
- Other employee benefits	6,779	6,203	3,095	3,095
Fair value changes on:				
- financial assets at fair value through profit and loss	-	(4,237)	6,041	(6,521)
- Derivatives	(236)	1,959	(204)	1,476
- Biological assets	6,887	4,591	1,160	2,145
Rental income	(1,411)	(1,025)	(1,364)	-
Fair value gain on investment properties	(3,539)	(99)	(2,249)	163
Compensation on investment	-	(35,540)	-	(35,540)
Insurance recoveries	(3,702)	(12,760)	-	-
Rental yield guarantee	7,000	-	7,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise of Directors and top management of the Group, having authority and responsibility for planning, directing and controlling the activities of the group either directly or indirectly.

The key management personnel compensations are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Director:				
- Salaries, allowances and bonuses	791	735	791	735
- Estimated money value of benefits-in-kind	35	30	35	30
- Defined contribution plan	98	82	98	82
	924	847	924	847
Non-executive Directors:				
- Fees	120	66	-	-
- Salaries, allowances and bonuses	956	1,013	956	1,013
- Estimated money value of benefits-in-kind	49	48	49	48
- Defined contribution plan	49	66	49	66
- Other emoluments	39	297	39	297
	1,213	1,490	1,093	1,424
Independent non-executive Director:				
- Fees	16	12	16	12
Other key management personnel:				
- Fees	246	213	246	213
- Salaries, allowances and bonuses	3,454	3,480	3,454	3,480
- Defined contribution plan	471	425	471	425
- Other emoluments	15	-	15	-
	4,186	4,118	4,186	4,118
	6,339	6,467	6,219	6,401

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax for the financial year:				
- Malaysia	21,613	62,010	2,499	3,222
(Over)/under provision in prior years	(5,004)	(7,475)	-	294
	16,609	54,535	2,499	3,516
Deferred tax (Note 25)	21,563	(7,338)	(7,474)	1,353
Total tax	38,172	47,197	(4,975)	4,869

Reconciliation of income tax applicable to profit before tax from continuing and discontinued operations at the Malaysian statutory income tax rate at the effective income tax rate of the Group and the Company:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before tax from continuing operations	71,041	34,416	(158,755)	24,601
Loss from discontinued operations (Note 10)	-	(79,072)	-	-
	71,041	(44,656)	(158,755)	24,601
Taxation at Malaysian statutory tax rate of 24%	17,050	(10,717)	(38,101)	5,904
Tax recognised at different tax rate	179	(402)	-	-
Effect of non-deductible expenses	37,919	75,922	44,551	28,276
Effect of income exempt from tax	(21,351)	(24,374)	(11,425)	(29,605)
Utilisation of previously unrecognised deferred tax assets	(713)	(16)	-	-
Deferred tax assets not recognised	10,092	14,259	-	-
(Over)/under provision of income tax in prior years	(5,004)	(7,475)	-	294
Total tax	38,172	47,197	(4,975)	4,869

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DISCONTINUED OPERATIONS

(a)(i) Disposal of Classruum Sdn. Bhd ("CRTSB") in 2017

In the previous 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.

In the previous 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 RM'000	BARUT RM'000	Total 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 2018 (CONTINUED)

10 DISCONTINUED OPERATIONS (CONTINUED)

(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. (continued)

Results of discontinued operations

	CRTSB RM'000	BARUT RM'000	Total 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 RM'000	BARUT RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Land use rights RM'000	Bearer assets RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2018	1,721,556	1,830,326	39,627	1,128,698	211,348	1,517,719	83,454	6,532,728
Addition	-	3,450	-	49,576	26,121	104,564	13,580	197,291
Disposal	-	(624)	(323)	(90)	(172)	(6,290)	-	(7,499)
Disposal of a subsidiary (Note 14(b))	-	-	-	-	(997)	(1,096)	-	(2,093)
Transfer to investment properties (Note 12)	-	-	-	-	(15,591)	-	-	(15,591)
Write off	-	-	-	(12,211)	(2,036)	(12,118)	-	(26,365)
Reclassification	-	-	-	512	11,523	8,641	(20,676)	-
Exchange differences	-	-	4,339	(7,745)	(598)	(217)	(405)	(4,626)
At 31 December 2018	1,721,556	1,833,152	43,643	1,158,740	229,598	1,611,203	75,953	6,673,845
Accumulated depreciation								
At 1 January 2018	-	127,385	-	374,940	115,413	537,520	1	1,155,259
Charge for the year	-	20,068	2,603	43,972	8,996	104,436	340	180,415
Disposal	-	(16)	-	(100)	(156)	(3,142)	(1)	(3,415)
Disposal of a subsidiary (Note 14(b))	-	-	-	-	(643)	(924)	-	(1,567)
Transfer to investment properties (Note 12)	-	-	-	-	(1,000)	-	-	(1,000)
Write off	-	-	-	(12,175)	(551)	(5,766)	-	(18,492)
Exchange differences	-	-	-	(593)	(54)	(85)	-	(732)
At 31 December 2018	-	147,437	2,603	406,044	122,005	632,039	340	1,310,468
Accumulated impairment loss								
At 1 January 2018	-	-	-	12,177	180	13,411	236	26,004
Charge for the year	-	-	-	-	-	-	2,128	2,128
Disposal	-	-	-	-	-	(831)	-	(831)
At 31 December 2018	-	-	-	12,177	180	12,580	2,364	27,301
Net book value as at 31 December 2018	1,721,556	1,685,715	41,040	740,519	107,413	966,584	73,249	5,336,076

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2018	17,458	36,941	571	1,368,598	41,169	52,982	1,517,719
Addition	-	-	-	98,259	2,291	4,014	104,564
Disposal	-	(10)	-	(3,650)	(890)	(1,740)	(6,290)
Disposal of a subsidiary (Note 14 (b))	-	-	-	-	(803)	(293)	(1,096)
Write off	-	-	-	(7,089)	(3,319)	(1,710)	(12,118)
Reclassification	-	-	-	6,883	-	1,758	8,641
Exchange differences	-	-	-	(27)	(149)	(41)	(217)
At 31 December 2018	17,458	36,931	571	1,462,974	38,299	54,970	1,611,203
Accumulated depreciation							
At 1 January 2018	-	6,507	-	466,817	26,430	37,766	537,520
Charge for the year	-	751	-	93,724	4,414	5,547	104,436
Disposal	-	-	-	(1,406)	(453)	(1,283)	(3,142)
Disposal of a subsidiary (Note 14 (b))	-	-	-	-	(631)	(293)	(924)
Write off	-	-	-	(1,740)	(2,563)	(1,463)	(5,766)
Exchange differences	-	-	-	(14)	(38)	(33)	(85)
At 31 December 2018	-	7,258	-	557,381	27,159	40,241	632,039
Accumulated impairment losses							
At 1 January 2018	-	-	-	12,542	859	10	13,411
Disposal	-	-	-	-	(831)	-	(831)
At 31 December 2018	-	-	-	12,542	28	10	12,580
Net book value as at 31 December 2018	17,458	29,673	571	893,051	11,112	14,719	966,584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Land use rights RM'000	Bearer assets RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2017	1,722,210	1,830,876	128,069	1,123,667	207,953	1,273,227	154,890	6,440,892
Addition	-	-	-	44,881	3,200	152,741	57,578	258,400
Disposal	(654)	(550)	-	(119)	(324)	(11,340)	-	(12,987)
Disposal of subsidiaries (Note 10)	-	-	(83,587)	(8,295)	(194)	(631)	(18)	(92,725)
Write off	-	-	-	(14,227)	(2,247)	(19,080)	(1,760)	(37,314)
Reclassification	-	-	-	(345)	4,222	123,008	(126,885)	-
Exchange differences	-	-	(4,855)	(16,864)	(1,262)	(206)	(351)	(23,538)
At 31 December 2017	1,721,556	1,830,326	39,627	1,128,698	211,348	1,517,719	83,454	6,532,728
Accumulated depreciation								
At 1 January 2017	-	105,017	-	348,316	109,102	473,977	506	1,036,918
Charge for the year	-	22,375	-	41,834	8,198	91,255	3	163,665
Disposal	-	(7)	-	(48)	(121)	(10,626)	-	(10,802)
Disposal of subsidiaries (Note 10)	-	-	-	-	(89)	(298)	-	(387)
Write off	-	-	-	(14,227)	(1,587)	(16,646)	(508)	(32,968)
Exchange differences	-	-	-	(935)	(90)	(142)	-	(1,167)
At 31 December 2017	-	127,385	-	374,940	115,413	537,520	1	1,155,259
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	1,721,556	1,702,941	39,627	741,581	95,755	966,788	83,217	5,351,465

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 January 2017	17,458	36,540	571	1,116,607	52,657	49,394	1,273,227
Addition	-	-	-	144,336	3,831	4,574	152,741
Disposal	-	-	-	-	(10,593)	(747)	(11,340)
Disposal of subsidiaries (Note 10)	-	-	-	(4)	(332)	(295)	(631)
Write off	-	-	-	(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
Disposal	-	-	-	-	(9,886)	(740)	(10,626)
Disposal of subsidiaries (Note 10)	-	-	-	(1)	(110)	(187)	(298)
Write off	-	-	-	(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
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 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold land RM'000	Bearer assets RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2018	**801,801**	**390,444**	**189,203**	**64,404**	**106,286**	**21,124**	**1,573,262**
Addition	**-**	**-**	**11,175**	**1,018**	**2,357**	**3,388**	**17,938**
Disposal	**-**	**-**	**(90)**	**-**	**(111)**	**-**	**(201)**
Write off	**-**	**-**	**(12,211)**	**(104)**	**(1,278)**	**-**	**(13,593)**
Reclassification	**-**	**-**	**-**	**73**	**5,826**	**(5,899)**	**-**
At 31 December 2018	**801,801**	**390,444**	**188,077**	**65,391**	**113,080**	**18,613**	**1,577,406**
Accumulated depreciation							
At 1 January 2018	**-**	**23,447**	**85,208**	**40,437**	**41,834**	**-**	**190,926**
Charge for the year	**-**	**3,069**	**7,187**	**2,011**	**7,707**	**-**	**19,974**
Write off	**-**	**-**	**(12,175)**	**(104)**	**(1,060)**	**-**	**(13,339)**
Disposal	**-**	**-**	**(100)**	**-**	**(42)**	**-**	**(142)**
At 31 December 2018	**-**	**26,516**	**80,120**	**42,344**	**48,439**	**-**	**197,419**
Net book value as at 31 December 2018	**801,801**	**363,928**	**107,957**	**23,047**	**64,641**	**18,613**	**1,379,987**
Cost							
At 1 January 2017	802,412	390,994	185,663	64,124	100,642	18,795	1,562,630
Addition	-	-	11,902	287	5,869	3,001	21,059
Disposal	(611)	(550)	(501)	-	(79)	-	(1,741)
Write off	-	-	(7,861)	(7)	(818)	-	(8,686)
Reclassification	-	-	-	-	672	(672)	-
At 31 December 2017	801,801	390,444	189,203	64,404	106,286	21,124	1,573,262
Accumulated depreciation							
At 1 January 2017	-	19,599	87,088	38,397	35,562	-	180,646
Charge for the year	-	3,855	6,411	2,047	6,988	-	19,301
Write off	-	-	(7,861)	(7)	(640)	-	(8,508)
Disposal	-	(7)	(430)	-	(76)	-	(513)
At 31 December 2017	-	23,447	85,208	40,437	41,834	-	190,926
Net book value as at 31 December 2017	801,801	366,997	103,995	23,967	64,452	21,124	1,382,336

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance lease

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately RM195.22 million (31.12.2017: RM262.92 million) respectively, of which RM2.10 million (31.12.2017: RM1.23 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 RM1.83 million (31.12.2017: RM9.81 million). The leased assets consist of equipment and motor vehicles.

Assets pledged as security for borrowings

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Carrying amount of assets pledged as security for borrowings:			
- long term leasehold lands	**700**	713	727
- vessels	**765,324**	783,512	605,257
- vessels under construction	**18,632**	15,053	92,657
- buildings	**3,730**	3,569	3,159
- capital work in progress	**13,156**	10,478	19,885
	801,542	813,325	721,685

Borrowing costs

Included in vessels under construction of the Group is interest capitalised for the year of RM Nil million (31.12.2017: RM0.36 million).

Impairment of vessels

Impairment loss of RM2.13 million (31.12.2017: RM3.33 million) represents the write-down of certain vessels to their recoverable amounts. The recoverable amounts are based on the higher of fair value less cost to sell and value in use and are determined at the level of the CGU. In determining the recoverable amounts of these vessels, the Group had engaged an independent firm of valuers to perform valuation on certain vessels. The independent valuers estimated the fair value of each vessel in reference to latest market transaction taking into consideration significant factors such as vessels' classification, age, year built and engine capacity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 INVESTMENT PROPERTIES

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
At 1 January	**28,231**	116,218
Additions	**275**	56,901
Net gain/(loss) from fair value adjustments recognised in profit or loss	**3,539**	99
Transfer from property, plant and Equipment (Note 11)	**14,591**	-
Disposal	**(640)**	(144,987)
At 31 December	**45,996**	28,231

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
At 1 January	**26,631**	114,880
Additions	**-**	56,901
Net gain/(loss) from fair value adjustments recognised in profit or loss	**2,249**	(163)
Disposal	**-**	(144,987)
At 31 December	**28,880**	26,631

Fair values were arrived at after taking into consideration valuations performed by external professional firms of surveyors and valuers. The fair value is categorised as Level 2 in the fair value hierarchy as the valuation, which was performed using investment and comparable basis, is based on observable valuation inputs.

Description of valuation technique used and key inputs to valuation:

			Range (weighted average)	
Description	Valuation technique	Significant unobservable inputs	31.12.2018	31.12.2017
Commercial land	Comparison method	The higher the value per square feet, the higher the valuation	RM214 – RM225 per square feet	RM197-RM210 per square feet
Commercial land and building	Comparison method and cost method	The higher the value per square feet, the higher the valuation	RM25 – RM70 per square feet	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 INVESTMENT PROPERTIES (CONTINUED)

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Rental income derived from investment properties	715	8,995
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	(341)	(4,495)
Profit arising from investment properties carried at fair value	374	4,500

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
Rental income derived from investment properties	269	8,995
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	-	(4,495)
Profit arising from investment properties carried at fair value	269	4,500

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 INTANGIBLE ASSETS

Group	Goodwill RM'000	Others RM'000	Total RM'000
Cost			
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/At 1 January 2018	72,333	9,079	81,412
Additions	-	1,335	1,335
At 31 December 2018	72,333	10,414	82,747
Accumulated amortisation and impairment			
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/At 1 January 2018	49,151	5,356	54,507
Impairment	-	800	800
Amortisation	-	25	25
At 31 December 2018	49,151	6,181	55,332
Net carrying amount			
At 31 December 2018	23,182	4,233	27,415
At 31 December 2017	23,182	3,723	26,905

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets have been allocated to the following cash-generating units ("CGU").

	Goodwill		Others		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash generating units						
Sea transportation and related services	**12,560**	12,560	**-**	-	**12,560**	12,560
Insurance broking and consultancy	**1,642**	1,642	**-**	-	**1,642**	1,642
Construction of oil and gas equipment	**8,463**	8,463	**-**	-	**8,463**	8,463
E-commerce	**-**	-	**-**	800	**-**	800
Others	**517**	517	**4,233**	2,923	**4,750**	3,440
	23,182	23,182	**4,233**	3,723	**27,415**	26,905

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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:

2018 Cash generating units	Revenue growth rate %	EBITDA margin %	Discount rate %	Terminal growth rate %
Sea transportation and related services	**3.1**	**20 to 23**	**10**	**3**
Insurance brokering and consultancy	**11.8**	**18 to 28**	**9**	**3**
Construction of oil and gas equipment	**14.0**	**14 to 29**	**10**	**3**

2017 Cash generating units	Revenue growth rate %	EBITDA margin %	Discount rate %	Terminal growth rate %
Sea transportation and related services	0.8	20 to 23	10	3
Insurance brokering and consultancy	11.2	18 to 28	9	3
Construction of oil and gas equipment	13.2	14 to 29	10	3

The Directors have determined the revenue and EBITDA margins are based on expectations of market development over the next 5 years. The discount rates used are based on selected market comparable companies and adjusted for projection risk. The terminal growth rate is the growth rate of the business in a stabilised state into perpetuity.

The intangible asset relating to E-commerce was impaired ahead of the divestment of the business.

The goodwill relating to the trading of agricultural fertilizers, water treatment and biotechnology research and development amounting to RM Nil (31.12.2017: RM2.59 million) was fully impaired during the previous financial year due to the continued poor performance of the subsidiary and negative market outlook.

14 INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares in Malaysia	**633,319**	628,370	624,010
Unquoted shares outside Malaysia	**58,754**	105,792	105,792
Convertible notes	**-**	49,170	49,170
Amounts due from subsidiaries	**269,526**	459,625	439,037
Less: Impairment losses	**(58,771)**	(56,671)	(32,706)
	902,828	1,186,286	1,185,303

During the financial year, the Company has recorded RM2.10 million (31.12.2017: RM23.97 million) provision for impairment losses for certain investment in subsidiaries. The Directors are in the opinion that these investments are fully not recoverable as the subsidiaries have ceased operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held by the Company:								
Mahamurni Plantations Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	100.00	**-**	-	-
Selai Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	100.00	**-**	-	-
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	100.00	**-**	-	-
Kumpulan Bertam Plantations Berhad	Malaysia	Oil palm plantation	**95.57**	95.57	95.52	**4.43**	4.43	4.48
EPA Management Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	**100.00**	100.00	100.00	**-**	-	-
JTP Trading Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+Kulim Energy Sdn. Bhd.	Malaysia	Investment holding	**80.00**	80.00	80.00	**20.00**	20.00	20.00
+Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	**100.00**	51.00	51.00	**-**	49.00	49.00
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	100.00	**-**	-	-
Sindora Berhad	Malaysia	Investment, holding operations of oil palm mill and rubber estates	**100.00**	100.00	100.00	**-**	-	-
+Cita Tani Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	**75.00**	75.00	75.00	**25.00**	25.00	25.00

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held by the Company: (continued)								
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	**100.00**	100.00	100.00	**-**	-	-
+SG Lifestyle Sdn Bhd	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Danamin (M) Sdn. Bhd.	Malaysia	Construction of oil and gas equipment	**75.00**	75.00	75.00	**25.00**	25.00	25.00
+PT Wisesa Inspirasi Nusantara	Indonesia	Investment holding	**74.00**	74.00	74.00	**26.00**	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	100.00	**-**	-	-
Kulim Smart Technologies Sdn. Bhd.	Malaysia	Researching and developing cutting-edge solutions for oil and gas, healthcare and industrial automation	**100.00**	100.00	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**	53.16	50.60	**46.84**	46.84	49.40
Held through Mahamurni Plantations Sdn. Bhd.:								
+Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	100.00	**-**	-	-
United Malayan Agricultural Corporation Berhad	Malaysia	Oil palm plantation	**100.00**	100.00	100.00	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held through Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.:								
+EPA Futures Sdn. Bhd.	Malaysia	Dormant	**51.00**	51.00	51.00	**49.00**	49.00	49.00
Held through EPA Management Sdn. Bhd.:								
+Akli Resources Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	**100.00**	100.00	100.00	**-**	-	-
Kulim Civilworks Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	99.67	**-**	-	0.33
+Panquest Ventures Limited	British Virgin Island	Dormant	**100.00**	100.00	100.00	**-**	-	-
Kulim Livestock Sdn. Bhd.	Malaysia	Breeding and sale of cattle	**100.00**	100.00	100.00	**-**	-	-
Special Appearance. Sdn. Bhd	Malaysia	Replanting of oil palm and other related services	**99.56**	99.56	99.56	**0.44**	0.44	0.44
Extreme Edge Sdn. Bhd.	Malaysia	Computer equipment supplier and services	**75.00**	75.00	75.00	**25.00**	25.00	25.00
Pinnacle Platform Sdn. Bhd.	Malaysia	Software maintenance and supplier	**-**	95.00	95.00	**-**	5.00	5.00
Kulim Safely Training & Services Sdn. Bhd.	Malaysia	Provision of training services and any other services related to occupational safety, health, environmental and security systems	**75.00**	75.00	75.00	**25.00**	25.00	25.00
+PT Kulim Agro Persada	Indonesia	Management services	**100.00**	100.00	100.00	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held through EPA Management Sdn. Bhd.: (continued)								
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	**75.00**	75.00	75.00	**25.00**	25.00	25.00
Optimum Status Sdn. Bhd.	Malaysia	Ceased operations in November 2018	**75.00**	75.00	75.00	**25.00**	25.00	25.00
Held through Kulim Livestock Sdn. Bhd.:								
+Exquisite Livestock Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Held through Kulim Civilworks Sdn. Bhd.:								
+KCW Hardware Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	99.67	**-**	-	0.33
+KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	99.67	**-**	-	0.33
+KCW Electrical Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	99.67	**-**	-	0.33
+Kulim Technology Ideas Sdn. Bhd (Formely known as KCW Roadworks Sdn Bhd)	Malaysia	Dormant	**100.00**	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	100.00	**-**	-	-
+Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+SIM Manufacturing Sdn. Bhd.	Malaysia	Dormant	**90.00**	90.00	90.00	**10.00**	10.00	10.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held through Extreme Edge Sdn. Bhd.								
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Information and communication technology business	**75.00**	75.00	75.00	**25.00**	25.00	25.00
Pinnacle Platform Sdn. Bhd.	Malaysia	Software maintenance and supplier	**75.00**	-	-	**25.00**	-	-
Held through JTP Trading Sdn. Bhd.:								
+JTP Montel Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Held through Sindora Berhad:								
+Sindora Wood Products Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+Sindora Timber Products Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+Sindora Trading Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
+Sindora Development Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-
Sindora Timber Sdn. Bhd.	Malaysia	Dormant	**82.03**	82.03	82.03	**17.97**	17.97	17.97
Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	**100.00**	100.00	100.00	**-**	-	-
+E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	**53.16**	53.16	50.60	**46.84**	46.84	49.40
Microwell Bio Solutions Sdn. Bhd.	Malaysia	Ceased operations in September 2018	**60.00**	60.00	60.00	**40.00**	40.00	40.00
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	**75.00**	75.00	75.00	**25.00**	25.00	25.00
+Sindora Marketing Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	100.00	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held through Sindora Timber Sdn. Bhd.:								
+Tiram Fresh Sdn. Bhd.	Malaysia	Dormant	**82.03**	82.03	82.03	**17.97**	17.97	17.97
+Jejak Juara Sdn. Bhd.	Malaysia	Dormant	**82.03**	82.03	82.03	**17.97**	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**	53.16	50.60	**46.84**	46.84	49.40
+Libra Prefex Precision Sdn Bhd	Malaysia	Hiring and chartering of marine Vessels	**53.16**	53.16	50.60	**46.84**	46.84	49.40
Held through Microwell Bio Solutions Sdn. Bhd.:								
+Microwell Trading Sdn. Bhd.	Malaysia	Dormant	**60.00**	60.00	60.00	**40.00**	40.00	40.00
Held through MIT Insurance Broker Sdn Bhd:								
MIT Captive Ltd	Malaysia	Licensed to carry Labuan captive takaful business	**75.00**	75.00	75.00	**25.00**	25.00	25.00
Held through Danamin (M) Sdn. Bhd.:								
+DQ-IN Sdn. Bhd.	Malaysia	Dormant	**75.00**	75.00	75.00	**25.00**	25.00	25.00
+Xcot Tech Sdn. Bhd.	Malaysia	Dormant	**75.00**	75.00	75.00	**25.00**	25.00	25.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group			Ownership interest held by non-controlling interests*		
			2018 %	2017 %	2016 %	2018 %	2017 %	2016 %
Held through PT Wisesa Inspirasi Nusantara:								
+PT Tempirai Palm Resources	Indonesia	Oil palm plantation	**74.00**	70.30	70.30	**26.00**	29.70	29.70
+PT Rambang Agro Jaya	Indonesia	Oil palm plantation	**74.00**	70.30	70.30	**26.00**	29.70	29.70
***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
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
*** Disposed in the previous financial year

(a) Increase in investment in subsidiaries in 2018

During the financial year, the Group acquired an additional 49.00% equity interest in Pristine Bay Sdn Bhd and 5.00% equity interest in Pinnacle Platform Sdn Bhd for a total consideration of RM4.94 million and RM0.06 million respectively. The additional acquisitions did not have any significant effect on the financial position and results of the Group except for the decrease in non-controlling interest amounting to RM13.13 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of a subsidiary in 2018

During the financial year, the Group entered into an agreement for the disposal of a subsidiary, Asia Economic Development Fund Limited ("AEDFL"), which is involved in business of E-commerce for a purchase consideration of HKD1 (approximately RM0.53) to a fellow subsidiary, Johor Logistics Sdn Bhd. The decision is in line with Group's intention to streamline business activities and assets base by focusing on Group's strength and expertise in palm oil and its related business.

The disposal was completed on 20 December 2018 and the effects of the disposal are as follows:

	AEDFL Total RM'000
Property, plant and equipment	526
Trade and other receivables	2,113
Cash and cash equivalents	532
Convertible notes	(46,895)
Trade and other payables	(14,405)
Non-controlling interest	(35,448)
Exchange reserve	13,781
Net liabilities attributable to the Group	(79,796)
Cash proceeds from disposal	*-
Gain on disposal to the Group, recorded in other reserve in equity	(79,796)
Cash inflow arising on disposals:	
Cash consideration	-*
Cash and cash equivalents of subsidiary disposed	(532)
Net cash outflow on disposal	(532)

*HKD1.00 (approximately RM0.53)

	AEDFL Total RM'000
Operating income	109
Impairment of intangible asset	(800)
Administrative expenses	(490)
Loss for the year	(1,181)
<u>Other comprehensive expense</u>	
Net loss on fair value through other comprehensive income	(173,446)
Total comprehensive expense for the year	(174,627)

The gain on the disposal was recorded in other reserve as it was deemed as a common control transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Increase in investment in subsidiaries in 2017

In the previous financial year, the Group acquired an additional 2.56% equity interest in E.A. Technique (M) Berhad, 0.05% equity interest in Kumpulan Bertam Plantation Berhad and 0.33% equity interest in Kulim Civilworks Sdn Bhd for a total consideration of RM6.84 million, RM0.02 million and RM1.00 respectively. The additional acquisitions 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.

(d) Disposal of subsidiaries in 2017

In the previous 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)(ii).

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group

Proportion of equity interest held by non-controlling interests:

	31.12.2018 %	31.12.2017 %	1.1.2017 %
E.A. Technique (M) Berhad ("EAT") Group	**46.84**	46.84	49.40
PT Wisesa Inspirasi Nusantara ("PT WIN") Group	**26.00**	26.00	26.00
Asia Economic Development Fund Limited ("AEDFL") Group	**-**	45.79	45.79

Summarised statements of financial position before intra-group elimination:

At 31.12.2018	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Current assets	**63,441**	**9,998**	**73,439**
Non-current assets	**795,959**	**228,097**	**1,024,056**
Current liabilities	**(352,308)**	**(259,009)**	**(611,317)**
Non-current liabilities	**(280,207)**	**(6,270)**	**(286,477)**
Total equity	**226,885**	**(27,184)**	**199,701**
Attributable to:			
- Equity holders of the Company	**120,612**	**(20,116)**	**100,496**
- Non-controlling interest	**106,273**	**(7,068)**	**99,205**
	226,885	**(27,184)**	**199,701**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of financial position before intra-group elimination: (continued)

At 31.12.2017	AEDFL Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
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

Summarised statements of comprehensive income before intra-group elimination:

At 31.12.2018	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Revenue	-	419,000	1,662	420,662
Cost of sales	-	(283,171)	(17,509)	(300,680)
Other income	-	4,924	1,598	6,522
Administrative and other expenses	-	(27,953)	(3,668)	(31,621)
Finance costs	-	(22,439)	-	(22,439)
(Loss)/profit before tax	-	90,361	(17,917)	72,444
Tax	-	(16,129)	1,999	(14,130)
Profit/(loss) after tax	-	74,232	(15,918)	58,314
Attributable to non-controlling interests	-	34,770	749	35,519

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of financial position before intra-group elimination: (continued)

At 31.12.2017	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
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)
Tax	-	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)

Summarised cash flows before intra-group elimination:

At 31.12.2018	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Operating	**-**	**90,291**	**(15,053)**	**75,238**
Investing	**-**	**(64,629)**	**(19,838)**	**(84,467)**
Financing	**-**	**(32,682)**	**32,094**	**(588)**
Net decrease in cash and cash equivalents	**-**	**(7,020)**	**(2,797)**	**(9,817)**
At 31.12.2017				
Operating	1,935	223,452	(20,165)	205,222
Investing	(16)	29,085	10,157	39,226
Financing	(53)	(254,937)	9,640	(245,350)
Net increase/(decrease) in cash and cash equivalents	1,866	(2,400)	(368)	(902)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15 INVESTMENT IN ASSOCIATE

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares in Malaysia	**4,739**	800	800
Share of post-acquisition reserves	**2,806**	2,242	1,690
	7,545	3,042	2,490

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares in Malaysia	**3,939**	-	-

Details of the significant associates are as follows:

Name	Country of incorporation/ principal place of business	Principal activities	% of ownership interest held by the Group* 2018 %	% of ownership interest held by the Group* 2017 %
Held by Company				
Intrapreneur Value Creation Sdn Bhd ("IVC")	Malaysia	To provide financing to companies within Johor Corporation Group based on Shariah principles	**29.91**	29.91
Held through Sindora Berhad				
Tepak Marketing Sdn Bhd ("Tepak")	Malaysia	Tea blending and packaging	**20.00**	20.00

* equals to the proportion of voting rights held

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15 INVESTMENT IN ASSOCIATE (CONTINUED)

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

	IVC RM'000	Tepak RM'000	Total RM'000
At 31.12.2018			
Current assets	16,808	19,246	36,054
Non-current assets	-	3,607	3,607
Current liabilities	(969)	(4,768)	(5,737)
Non-current liabilities	(2,500)	(309)	(2,809)
Equity	13,339	17,776	31,115
Proportion of Group's ownership	29.91%	20.00%	
Equity attributable to the Group, representing carrying amount of the investment	3,990	3,555	7,545
At 31.12.2017			
Current assets	-	19,246	19,246
Non-current assets	-	2,398	2,398
Current liabilities	-	(6,312)	(6,312)
Non-current liabilities	-	(122)	(122)
Equity	-	15,210	15,210
Proportion of Group's ownership	-	20.00%	
Equity attributable to the Group, representing carrying amount of the investment	-	3,042	3,042

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information on associates (continued)

(ii) Summarised statement of comprehensive income

	IVC RM'000	Tepak RM'000	Total RM'000
At 31.12.2018			
Revenue	124	40,583	40,707
Cost of sales	(106)	(34,457)	(34,563)
Administration expenses	145	152	297
Other income	(27)	(3,111)	(3,138)
Profit for the year	136	3,167	3,303
Total comprehensive income for the year	136	3,167	3,303
Dividend paid	-	460	460
At 31.12.2017			
Revenue	-	42,290	42,290
Cost of sales	-	(36,991)	(36,991)
Administration expenses	-	(2,263)	(2,263)
Other income	-	34	34
Profit for the year	-	3,070	3,070
Total comprehensive income for the year	-	3,070	3,070
Dividend paid	-	60	60

Reconciliation to carrying amount:

	31.12.2018 RM'000	31.12.2017 RM'000
As at 1 January	**3,042**	2,490
Share of profit for the year	**564**	552
Transfer from investment	**3,939**	-
As at 31 December	**7,545**	3,042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Group				
31.12.2018				
Financial assets at fair value through other comprehensive income	14,722	29,594	-	44,316
Company				
31.12.2018				
Financial assets at fair value through other comprehensive income	11,741	22,820	-	34,561

(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	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					
Non-current					
31.12.2018					
Financial assets at fair value through profit or loss	-	19,421	-	879	20,300
Current					
31.12.2018					
Financial assets at fair value through profit or loss	-	-	259,552	-	259,552
Total	-	19,421	259,552	879	279,852
Company					
31.12.2018					
Financial assets at fair value through profit or loss	-	19,183	-	278	19,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 (c) 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					
31.12.2017					
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	-	23,406	-	-	23,406
Investment held for trading	-	-	-	25,692	25,692
Total current	-	23,406	-	25,692	49,098
Total	25,175	75,940	173,446	28,989	303,551

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 (c) INVESTMENTS (CONTINUED)

RM'000	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Outside Malaysia Unquoted RM'000	Warrants in Malaysia Quoted RM'000	Fund investments RM'000	Total
Group						
1.1.2017						
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 2018 (CONTINUED)

16 (c) INVESTMENTS (CONTINUED)

	Shares in Malaysia		Warrants in Malaysia	
	Unquoted RM'000	Quoted RM'000	Quoted RM'000	Total RM'000
Company				
31.12.2017				
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
1.1.2017				
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 2018 (CONTINUED)

17 INVENTORIES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Agricultural produce	**2,889**	2,607	1,667
Raw materials and consumables	**8,985**	10,476	20,616
Finished goods	**45,353**	27,711	9,646
Completed properties held for sale	**78,005**	-	-
Land held for development	**2,938**	69,442	30,417
	138,170	110,236	62,346

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Raw materials and consumables	**2,405**	1,683	2,184
Finished goods	**299**	129	136
Completed properties held for sale	**78,005**	-	-
Land held for development	**2,938**	69,442	69,442
	83,647	71,254	32,737

18 BIOLOGICAL ASSETS

Group	Fresh fruit bunches RM'000	Pineapple RM'000	Livestock RM'000	Total RM'000
2018				
1 January 2018	**7,280**	**4,430**	**19,346**	**31,056**
Addition	**-**	**1,235**	**3,387**	**4,622**
Changes in fair value	**(6,535)**	**-**	**(352)**	**(6,887)**
Disposal	**-**	**-**	**(5,521)**	**(5,521)**
At 31 December 2018	**745**	**5,665**	**16,860**	**23,270**
2017				
1 January 2017	12,205	12,934	19,049	44,188
Additions	-	3,024	8,189	11,213
Changes in fair value	(4,925)	-	334	(4,591)
Disposal	-	-	(8,226)	(8,226)
Write off	-	(11,132)	-	(11,132)
Adjustment	-	(396)	-	(396)
At 31 December 2017	7,280	4,430	19,346	31,056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 BIOLOGICAL ASSETS (CONTINUED)

Company	Fresh fruit bunches RM'000	Pineapple RM'000	Livestock RM'000	Total RM'000
2018				
1 January 2018	**1,333**	**4,430**	**-**	**5,763**
Addition	**-**	**1,235**	**-**	**1,235**
Changes in fair value	**(1,160)**	**-**	**-**	**(1,160)**
At 31 December 2018	**173**	**5,665**	**-**	**5,838**
2017				
1 January 2017	3,478	12,934	-	16,412
Additions	-	3,024	-	3,024
Changes in fair value	(2,145)	-	-	(2,145)
Write off	-	(11,132)	-	(11,132)
Adjustment	-	(396)	-	(396)
At 31 December 2017	1,333	4,430	-	5,763

The biological assets are subject to the following maturity period:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non - current			
Due later than one year	**2,513**	1,150	1,080
Current			
Due no later than one year	**20,757**	29,906	43,108
	23,270	31,056	44,188

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Due no later than one year	**5,838**	5,763	16,412

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 BIOLOGICAL ASSETS (CONTINUED)

During the financial year, the Group produced approximately 919,844 metric tonnes (MT) (31.12.2017: 995,129 MT) of fresh fruit bunches ("FFB"), 3,208 MT (31.12.2017: 2,176 MT) pineapples and 1,172 heads (31.12.2017: 1,906 heads) of cattles. The Company produced approximately 240,125 metric tonnes (MT) (31.12.2017: 252,120 MT) of fresh fruit bunches (FFB) and 3,208 MT (31.12.2017: 2,176 MT) of pineapples.

As at 31 December 2018, the Group's unharvested FFB, pineapples and unsold cattle used in the fair value were 35,084 MT (31.12.2017: 38,730 MT), 4,295 MT (31.12.2017: 3,208 MT) and 6,479 heads (31.12.2017:6,930 heads) respectively. The Company's unharvested FFB and pineapples used in the fair value were 9,513 MT (31.12.2017: 9,346 MT) fresh fruit bunch ("FFB") and 4,295 MT (31.12.2017: 3,208 MT) of pineaples.

FFB — Management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, FFB more than 2 weeks before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on the income approach which considers the net present value of all directly attributable net cashflows including imputed contributory asset charges and the range of FFB prices as at year end of RM380.00 to RM407.00 (31.12.2017 : RM470.00 to RM563.00) per MT.

Pineapple — Growing pineapples represent the standing pineapples prior to harvest. The fair value of growing pineaples depends on the age, sucrose content and condition and is calculated based on expected selling prices as at year end of RM2.22/kg (31.12.2017 : RM2.87/kg)

Livestock — Fair values of the livestock are based on the Group's assessment of the age, average weight and market values of the livestock, which range from RM2,800 to RM5,800 (31.12.2017 : RM2,400 to RM5,000) per cattle.

FV hierarchy — The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy with the exception of Livestock which are Level 2 as the inputs used are observable indirectly. If the selling price of the FFB, pineapples and livestock changed by 5%, the profit or loss of the Group would have increased or decreased by approximately RM0.70 million (31.12.2017: RM1.06 million) RM0.28 million (31.12.2017: RM0.22 million) and RM1.73 million (31.12.2017: RM0.94million), respectively.

If the selling price of the FFB and pineapples changed by 5%, the profit or loss of the Company would have increased or decreased by approximately RM0.18 million (31.12.2017: RM0.25 million) and RM0.28 million (31.12.2017: RM0.22 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current			
Other receivables:			
Third parties	1,313	58,492	3,027
Holding corporation	19,140	-	-
	20,453	58,492	3,027
Less: Allowance for impairment losses:			
Third parties	-	(5,780)	-
	20,453	52,712	3,027

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current			
Other receivables:			
Third parties	-	56,387	-
Holding corporation	19,140	-	-
	19,140	56,387	-
Less: Allowance for impairment losses:			
Third parties	-	(5,780)	-
	19,140	50,607	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Current			
Trade receivables:			
Third parties	**151,787**	160,004	195,347
Less: Allowance for impairment losses:			
Third parties	**(15,104)**	(6,570)	(38,016)
	136,683	153,434	157,331
Contract assets	**-**	-	153,861
	136,683	153,434	311,192
Other receivables:			
Third parties	**111,780**	310,064	272,695
Deposit	**2,978**	4,818	6,824
Prepayments	**17,381**	4,604	4,868
	132,139	319,486	284,387
Less: Allowance for impairment losses:			
Third parties	**(13,619)**	(18,438)	(14,942)
	118,520	301,048	269,445
Amount due from:			
Holding corporation	**28,477**	77,897	46,063
Related companies	**4,916**	9,694	5,596
	33,393	87,591	51,659
Less: Allowance for impairment losses:			
Related companies	**(6,705)**	(2,522)	(36)
	(6,705)	(2,522)	(36)
Amount due from, net	**26,688**	85,069	51,623
Total current	**281,891**	539,551	632,260
Total trade and other receivables	**302,344**	592,263	635,287

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Trade receivables:			
Third parties	**1,592**	1,708	2,191
Less: Allowance for impairment losses:			
Third parties	**(1,252)**	(1,252)	(1,252)
	340	456	939
Other receivables:			
Third parties	**84,864**	23,615	10,411
Deposit	**262**	320	396
Prepayments	**6,525**	1,244	1,441
	91,651	25,179	12,248
Less: Allowance for impairment losses:			
Third parties	**(13,451)**	(8,380)	(10,043)
	78,200	16,799	2,205
Amount due from:			
Subsidiaries	**312,363**	97,925	164,713
Holding corporation	**22,779**	64,100	32,458
Related companies	**6,420**	11,125	4,071
	341,562	173,150	201,242
Less: Allowance for impairment losses:			
Subsidiaries	**(31,262)**	(24,737)	(22,335)
Holding corporation	**(2,779)**	-	-
Related companies	**(2,893)**	-	-
	(36,934)	(24,737)	(22,335)
Amount due from, net	**304,628**	148,413	178,907
Total current	**383,168**	165,668	182,051
Total trade and other receivables	**402,308**	216,275	182,051

(i) Included in other receivables (current) for the Group and the Company are amounts due from PT Graha Sumber Barkah amounting to RM56.38 million for the compensation agreement, which are secured by 11% of PT Citra Sarana Energi's shares pledged as collateral. The amount is repayable in December 2019.

(ii) The amount due from the holding corporation (non-current) amounting to RM19.14 million is unsecured, with interest charged at 6.85% per annum and repayable in 2020 or at such other date to be mutually agreed by both parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	
	31.12.2018 RM'000	31.12.2017 RM'000
Group		
At 1 January before restatement – calculated under FRS 139	**6,570**	6,570
Amounts restated through opening retained earnings	**4,575**	-
Opening loss allowance as at 1 January 2018 - calculated under MFRS 9	**11,145**	6,570
Increase in loss allowance recognised in profit or loss during the year	**4,675**	-
Reversal of provision	**(716)**	-
At 31 December – calculated under MFRS 9	**15,104**	6,570
Company		
At 1 January before restatement – calculated under FRS 139	**1,252**	1,252
Amounts restated through opening retained earnings	**-**	-
Opening loss allowance as at 1 January 2018 - calculated under MFRS 9	**1,252**	1,252
At 31 December	**1,252**	1,252

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

(ii) Other receivables using general 3 stage approach

The loss allowance for other receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
Group				
At 1 January 2018 before restatement – calculated under FRS 9	-	-	18,438	18,438
Amounts restated through opening retained earnings	-	-	1,650	1,650
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	-	-	20,088	20,088
Increase in loss allowance recognised in profit or loss during the year	-	-	824	824
Reversal of provision	-	-	(7,293)	(7,293)
Closing loss allowance as at 31 December 2018 - calculated under MFRS 9	-	-	13,619	13,619
Company				
At 1 January 2018 before restatement – calculated under FRS 9	5,780	-	8,380	14,160
Amounts restated through opening retained earnings	-	-	1,631	1,631
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	5,780	-	10,011	15,791
Reversal of provision			(2,340)	(2,340)
Closing loss allowance as at 31 December 2018 - calculated under MFRS 9	5,780	-	7,671	13,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk

(i) Trade receivables and amount due from customers on contracts using simplified approach.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Group 31 December 2018	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
Expected loss rate	0%	0%	0%	45%	
Gross carrying amount					
- trade receivables	54,267	48,508	15,466	33,546	151,787
Loss allowance	-	-	-	(15,104)	(15,104)
Carrying amount					
(net of loss allowance)	54,267	48,508	15,466	18,442	136,683

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Group 1 January 2018	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
Expected loss rate	0%	0%	0%	53%	
Gross carrying amount					
- trade receivables	119,162	20,565	7,825	12,452	160,004
Loss allowance	-	-	-	(6,570)	(6,570)
Carrying amount					
(net of loss allowance)	119,162	20,565	7,825	5,882	153,434

Company 31 December 2018	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
Expected loss rate	0%	0%	0%	80%	
Gross carrying amount					
- trade receivables	29	-	-	1,563	1,592
Loss allowance	-	-	-	(1,252)	(1,252)
Carrying amount					
(net of loss allowance)	29	-	-	311	340

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(i) Trade receivables and amount due from customers on contracts using simplified approach. (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Company 1 January 2018	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
Expected loss rate	0%	0%	0%	73%	
Gross carrying amount					
- trade receivables	-	-	-	1,708	1,708
Loss allowance	-	-	-	(1,252)	(1,252)
Carrying amount (net of loss allowance)	-	-	-	456	456

(ii) Other receivables and related companies using general 3 stage approach.

The following table contains an analysis of the credit risk exposure of other receivables and related companies for which an ECL allowance is recognised. The gross carrying amount of other receivables disclosed below also represents the Group's maximum exposure to credit risk on these assets:

Group internal credit rating 31 December 2018	Expected credit Loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	NIL	12 Month ECL	3,628	-	3,628
Underperforming	NIL	Life time ECL	2,256	-	2,256
Not performing	55%	Life time ECL	139,289	(20,324)	118,965
Write-off	100%	Asset written off to profit or loss	-	-	-
			145,173	(20,324)	124,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(ii) Other receivables and related companies using general 3 stage approach. (continued)

Group internal credit rating 1 January 2018	Expected credit Loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	NIL	12 Month ECL	2,403	-	2,403
Underperforming	NIL	Life time ECL	15,416	-	15,416
Not performing	55%	Life time ECL	379,836	(20,960)	358,876
Write-off	100%	Asset written off to profit or loss	-	-	-
			397,655	(20,960)	376,695

Company internal credit rating 31 December 2018	Expected credit Loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	0%	12 Month ECL	322,996	-	322,996
Underperforming	6.54%	Life time ECL	56,047	(3,671)	52,376
Not performing	98.50%	Life time ECL	47,383	(46,714)	669
Write-off	100%	Asset written Off to profit or loss-	-	-	-
			426,426	(50,385)	376,041

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(ii) Other receivables and related companies using general 3 stage approach (continued)

Company internal credit rating 1 January 2018	Expected credit Loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	0%	12 Month ECL	145,144	-	145,144
Underperforming	12.45%	12 Month ECL	13,645	(1,701)	11,944
Not performing	87.73%	Life time ECL	37,976	(31,416)	6,560
Write-off	100%	Asset written Off to profit or loss	-	-	-
			196,765	(33,117)	163,648

In the previous financial year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group and the Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Receivables that are past due but not impaired

In the previous financial year, the Group and Company have trade receivables amounting to RM136.57 million (1.1.2017: RM157.81 million) and RM0.34 million (1.1.2017: RM0.46 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 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired (continued)

Ageing and history of default analysis of trade receivables of the previous financial year were as follows:

	Group	
	31.12.2017 RM'000	1.1.2017 RM'000
Neither past due nor impaired	67,426	102,491
1 to 30 days past due not impaired	51,736	13,825
31 to 60 days past due not impaired	20,565	6,245
61 to 90 days past due not impaired	7,825	2,177
91 to 120 days past due not impaired	1,673	2,634
More than 120 days past due not impaired	4,209	29,959
	86,008	54,840
Impaired	6,570	38,016
	160,004	195,347

	Company	
	31.12.2017 RM'000	1.1.2017 RM'000
1 to 30 days past due not impaired	100	144
31 to 60 days past due not impaired	23	88
61 to 90 days past due not impaired	53	118
91 to 120 days past due not impaired	25	73
More than 120 days past due not impaired	255	516
	456	939
Impaired	1,252	1,252
	1,708	2,191

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Related companies using general 3 stage approach

These amounts are unsecured, interest bearing at rate 4.93% - 6.85% per annum and are repayable upon demand.

Impairment of amount due from related parties and associates using general 3 stage approach and the loss allowance for amount due from related parties as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

Group	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
At 1 January 2018 before restatement – calculated under FRS 9	-	-	2,522	2,522
Amounts restated through opening retained earnings	-	-	1,343	1,343
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	-	-	3,865	3,865
Increase in loss allowance recognised in profit or loss during the year	-	-	2,912	2,912
Recoveries	-	-	(72)	(72)
Closing loss allowance as at 31 December 2018 (Calculated under MFRS 9)	-	-	6,705	6,705

Company	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
At 1 January 2018 before restatement – calculated under FRS 9	1,848	-	22,889	24,737
Amounts restated through opening retained earnings	6,468	-	293	6,761
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	8,316	-	23,182	31,498
Increase in loss allowances recognised in profit or loss during the year	5,938	-	-	5,938
Reversal of provision	-	-	(502)	(502)
Closing loss allowance as at 31 December 2018 -Calculated under MFRS 9	14,254	-	22,680	36,934

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Contract assets/(liabilities)

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
At 1 January	(131,594)	153,861
Revenue recognised during the year	-	13,574
Reversal made during the year	131,982	-
Progress billing during the year	-	(308,204)
Effect of foreign exchange differences	(388)	9,175
At 31 December	-	(131,594)

20 DERIVATIVES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Contractual nominal value			
Interest rate swap	400,000	455,000	210,000
Fair value			
Current assets			
Interest rate swap	-	36	27
Current liabilities			
Interest rate swap	1,696	1,968	-

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Contractual nominal value			
Interest rate swap	300,000	300,000	-
Fair value			
Current liabilities			
Interest rate swap	1,272	1,476	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20 DERIVATIVES (CONTINUED)

The Group and the Company has entered into interest rate swap contracts with a notional amount of RM400.00 million (31.12.2017: RM455.00 million, 1.1.2017: RM210.00 million) and RM300.00 million (31.12.2017: RM300.00 million, 1.1.2017: 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 3.89% (31.12.2017: 4.18%, 1.1.2017: 4.18%) and 3.89% (31.12.2017: 3.89%, 1.1.2017: 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.

21 CASH AND BANK BALANCES

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Cash and bank balances	**72,438**	217,968	211,512
Deposits placed with licensed banks	**81,394**	90,299	294,734
Short-term money market funds	**98,622**	17,203	24,537
	252,454	325,470	530,783

	Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Cash and bank balances	**25,841**	125,824	97,759
Deposits placed with licensed banks	**75,254**	76,525	104,847
Short-term money market funds	**2,725**	1,100	1,064
	103,820	203,449	203,670

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM10.62 million (31.12.2017: RM9.99 million) and RM0.35 million (31.12.2017: 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 2.95% (31.12.2017: 1.35%) per annum and 2.34% (31.12.2017: 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 85 days, (31.12.2017: 17 days) and 93 days, (31.12.2017: 1 day) 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 (31.12.2017: 2 days) and 7 days (31.12.2017: 7 days) for the Group and for the Company respectively. They bear interest at rates of 0.71% (31.12.2017: 0.91%) per annum and 2.55% (31.12.2017: 3.08%) per annum for the Group and for the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and bank balances	**252,454**	325,470	530,783
Less:			
Deposits pledged	**(10,628)**	(9,990)	(204,070)
Bank overdrafts (Note 23)	**(8,265)**	(7,091)	(7,286)
Deposits placed with licensed banks with maturities exceeding 90 days	**(14,454)**	(16,460)	(1,025)
Cash and cash equivalents	**219,107**	291,929	318,402

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and bank balances	**103,820**	203,449	203,670
Less:			
Deposits pledged	**(350)**	(350)	(350)
Cash and cash equivalents	**103,470**	203,099	203,320

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 TRADE AND OTHER PAYABLES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Trade:			
Third parties	154,948	222,103	239,955
Contract liabilities	-	131,594	-
Accruals	110,236	-	-
	265,184	353,697	239,955
Non-trade:			
Third parties	123,265	125,930	123,190
	123,265	125,930	123,190
Amount due to:			
Related companies	1,546	10,539	2,485
	1,546	10,539	2,485
Total trade and other payables	389,995	490,166	365,630

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Trade:			
Third parties	11,743	10,755	12,837
	11,743	10,755	12,837
Non-trade:			
Third parties	16,204	16,441	15,244
	16,204	16,441	15,244
Amount due to:			
Subsidiaries	102,644	98,299	80,995
Related companies	832	276	760
	103,476	98,575	81,755
Total trade and other payables	131,423	125,771	109,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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.

(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 RM6.75 million (31.12.2017: RM6.50 million) that bears 6.85% (31.12.2017: 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, with RM102.64 million interest bearing at a rate of 4.93% - 6.85% per annum and repayable on demand.

23 BORROWINGS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Secured:			
Finance leases	**3,363**	3,499	3,292
Bank overdrafts	**2,357**	1,388	1,941
Revolving credits	**12,300**	16,360	6,400
Term loans	**113,332**	99,174	372,859
Bankers' acceptances	**4,864**	3,465	130
	136,216	123,886	384,622
Unsecured:			
Bank overdrafts	**5,908**	5,703	5,345
Revolving credits	**608,899**	282,006	736,884
Term loans	**48,999**	95,000	55,000
Bankers' acceptances	**-**	300	300
	663,806	383,009	797,529
Current borrowings	**800,022**	506,895	1,182,151
Non-current			
Secured:			
Finance leases	**4,705**	6,149	8,712
Term loans	**209,073**	294,878	302,446
	213,778	301,027	311,158
Unsecured:			
Term loans	**867,593**	952,226	547,587
Non-current borrowings	**1,081,371**	1,253,253	858,745
Total borrowings	**1,881,393**	1,760,148	2,040,896

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23 BORROWINGS (CONTINUED)

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Total borrowings:			
Finance leases (Note 30 (b))	**8,068**	9,648	12,004
Bank overdrafts (Note 21)	**8,265**	7,091	7,286
Bankers' acceptances	**4,864**	3,765	430
Revolving credits	**621,199**	298,366	743,284
Term loans	**1,238,997**	1,441,278	1,277,892
	1,881,393	1,760,148	2,040,896

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current			
Unsecured:			
Revolving credits	**290,000**	110,000	240,000
Term loans	**49,000**	40,000	-
	339,000	150,000	240,000
Current borrowings	**339,000**	150,000	240,000
Non-current			
Unsecured:			
Term loans	**504,319**	593,005	492,787
Non-current borrowings	**504,319**	593,005	492,787
Total borrowings	**843,319**	743,005	732,787
Total borrowings:			
Revolving credits	**290,000**	110,000	240,000
Term loans	**553,319**	633,005	492,787
	843,319	743,005	732,787

During the financial year, the Group and Company capitalised directly attributable transaction costs relating to certain term loans amounting to RM2.50 million (31.12.2017: RM1.25 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23 BORROWINGS (CONTINUED)

Details of the Group's term loans are as follows:

Group	Year of maturity RM'000	Carrying amount RM'000	<------ Repayment ------> Under 1 year RM'000	1 – 2 years RM'000	3 – 5 years RM'000	Over 5 years 31.12.2018
31.12.2018						
Islamic financing facilities	**2021-2026**	**1,036,366**	**118,299**	**124,804**	**304,723**	**488,540**
Conventional financing facilities	**2019-2030**	**202,631**	**44,032**	**54,060**	**98,436**	**6,103**
		1,238,997	**162,331**	**178,864**	**403,159**	**494,643**
31.12.2017						
Islamic financing facilities	2021-2026	1,261,159	158,294	105,220	296,235	701,410
Conventional financing facilities	2018-2030	180,119	35,880	35,323	86,126	22,790
		1,441,278	194,174	140,543	382,361	724,200
1.1.2017						
Islamic financing facilities	2017 – 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23 BORROWINGS (CONTINUED)

Details of the Company's term loans are as follows:

			<---------------------------- Repayment			------------------------->
Company	Year of maturity RM'000	Carrying amount RM'000	Under year RM'000	1 1 – 2 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
31.12.2018						
Islamic financing facilities	**2026**	**553,319**	**49,000**	**60,650**	**240,550**	**203,119**
31.12.2017						
Islamic financing facilities	2026	633,005	40,000	38,156	176,684	378,165
1.1.2017						
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 RM132.70 million (31.12.2017: RM163.82 million), which is repayable on demand.

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 21;
(c) Corporate guarantee from the Company; and
(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 1.25 times at all times;

(ii) The Group's gearing ratio is below 1.50 times and finance service coverage ratio is more than 1.25 times;

(iii) A minimum of Tangible Net Worth ("TNW") of RM600.00 million on an unconsolidated basis and total liabilities to TNW on an unconsolidated basis shall not exceed 2.00 times to 1.00 times for a subsidiary, Mahamurni Plantations Sdn Bhd Group, and maintain TNW of least RM350.00 million on consolidated basis and total liabilities to TNW on consolidated basis shall not exceed 1.50 times to 1.00 times for the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

23 BORROWINGS (CONTINUED)

Significant financial covenants (continued)

(b) Oil and gas support services:

(i) E.A Technique (M) Berhad total financing to tangible net worth ("Gearing ratio") will not exceed 3.00 times as per the following formula:

$$\frac{\text{Total Financing}}{\text{Tangible Networth + Subordination of Shareholders and Directors Advances}}$$

(ii) The Group's debt to equity ratio will not exceed 10.00 times.

The borrowings of the Group and Company bear interest at the following rates:

	Group	
	31.12.2018 % per annum	**31.12.2017 % per annum**
Weighted average effective interest rates at the end of reporting period:		
- Finance leases	**3.38**	3.40
- Bank overdrafts	**7.71**	6.30
- Revolving credits and bankers' acceptances	**4.98**	4.70
- Term loans	**5.23**	5.15

	Company	
	31.12.2018 % per annum	**31.12.2017 % per annum**
Weighted average effective interest rates at the end of reporting period:		
- Revolving credits and bankers' acceptances	**4.38**	4.17
- Term loans	**5.57**	5.48

24 CONVERTIBLE NOTE

On 5 March 2015, the Group via Asia Economic Development Fund Limited ("AEDFL") 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. As the Group has disposed the investment in the subsidiary ("AEDFL") as disclosed in Note 14 (b), the balance is Nil as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

25 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

The movements during the financial year relating to deferred assets and liabilities (prior to offsetting within the same tax jurisdiction) during the year are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Group		
As at 1 January	403,213	409,579
(Credited)/charged to profit or loss (Note 9)		
- Property, plant and equipment	15,637	(5,748)
- Investment properties	197	1,883
- Biological assets	(1,591)	(1,115)
- Payables	29,998	(2,358)
- Tax losses	10,735	-
- Receivables	(33,413)	-
	21,563	(7,338)
(Charged)/credited to equity		
- Exchange differences	(192)	972
	(192)	972
As at 31 December	424,584	403,213

The movements during the financial year relating to deferred assets and liabilities (prior to offsetting within the same tax jurisdiction) during the year are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Group		
Deferred tax assets (before offsetting)		
Payables	(62,776)	(32,778)
Tax losses	(12,406)	(1,671)
Receivables	(8,502)	(40,334)
	(83,684)	(74,783)
Offsetting	85,584	78,233
Deferred tax assets (after offsetting)	1,900	3,450
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	501,795	474,927
Investment properties	3,699	3,502
Biological assets	827	2,418
Receivables	5,747	4,049
	512,068	484,896
Offsetting	(85,584)	(78,233)
Deferred tax liabilities (after offsetting)	426,484	406,663

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

25 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred assets and liabilities (prior to offsetting within the same tax jurisdiction) during the year are as follows: (continued)

Company	31.12.2018 RM'000	31.12.2017 RM'000
As at 1 January	92,822	91,469
Charged/(credited) to profit or loss (Note 9)		
- Property, plant and equipment	(2,900)	110
- Payables	(1,197)	-
- Tax losses	(1,691)	-
- Receivables	(1,686)	1,243
	(7,474)	1,353
As at 31 December	85,348	92,822
Deferred tax assets (before offsetting)		
Payables	-	1,197
Tax losses	1,345	3,036
Receivables	278	1,964
	1,623	6,197
Offsetting	(1,623)	(6,197)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	86,971	99,019
Offsetting	(1,623)	(6,197)
Deferred tax liabilities (after offsetting)	85,348	92,822

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Unutilised tax losses	115,869	132,141
Unabsorbed capital allowances	3,230	3,384
Other deductible temporary differences	36,536	26,182
	155,635	161,707

The amount of unutilised tax losses will expire in year 2025 for which no deferred tax assets are recognised in the statement of financial position by certain subsidiaries as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised is as follows:

The unutilised capital allowances and other deductible temporary differences can be carried forward to be deducted from the adjusted income of the subsequent years of assessment indefinitely until it is fully utilised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

26 SHARE CAPITAL

	Group and Company					
	31.12.2018		31.12.2017		1.1.2017	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Issued and fully paid share capital:						
Ordinary shares with no par value	**4,000**	**1,000**	4,000	1,000	4,000	1,000

27 RESERVES

		Group		
		31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Reserves				
Translation reserve	(a)	**(14,770)**	(14,899)	(32,142)
Fair value reserve	(b)	**(27,469)**	19,651	8,525
Other reserves	(c)	**(7,605)**	54,646	54,646
Equity transaction reserve	(d)	**182**	(8,004)	(2,913)
		(49,662)	51,394	28,116

		Company		
		31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Reserves				
Fair value reserve	(b)	**(6,824)**	15,458	8,914
Other reserves	(c)	**4,165**	4,165	4,165
		(2,659)	19,623	13,079

The movements 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 2018 (CONTINUED)

27 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 (loss)/profit on financial assets at fair value through other comprehensive income until the investments are derecognised or impaired.

c) Other reserves

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation, liquidation and merger of certain subsidiaries and fair value gain on investment properties as a result of transfer from owner occupied property.

(d) 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.

28 RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2018 may be distributed in full as dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

For the purposes of the financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All entities within the Johor Corporation Group are considered related companies/parties.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Transaction value for the year ended 31 December	
	2018 RM'000	**2017 RM'000**
Group		
Holding corporation		
Johor Corporation		
- Agency fees received	**861**	789
- Acquisition of land	**-**	(58,914)
- Purchase and sales commission received	**26**	22
- Planting advisory and agronomy fees received	**861**	655
- Computer charges received	**1,824**	2,284
- Sales of goods	**1,135**	1,943
- Construction work and maintenance fees received	**5**	95
- Event management fees and replanting services received	**1,494**	403
- Sales of oil palm seedling and bio compost fertilizer	**18**	206
- Rental payable	**(856)**	(829)
- Purchase of oil palm fresh fruit bunches	**(28,001)**	(34,747)
- Insurance charges	**74**	41
- Secretarial and share registration fees paid	**(401)**	(331)
- Dividend	**(144,105)**	(48,034)
Other related companies		
Johor Franchise Development Sdn. Bhd.		
- Agency fees received	**826**	753
- Purchase and sales commission received	**28**	28
- Purchase of oil palm fresh fruit bunches	**(47,040)**	(67,606)
- Planting advisory and agronomy fees received	**826**	624
- Computer charges received	**14**	27
- Sales of goods	**369**	869
- Construction work and maintenance fees received	**-**	159
- Event management fees, replanting fees and booth rental received	**159**	271
- Sales of oil palm seedling and bio compost fertilizer	**17**	38
Pro Biz Solution Sdn. Bhd.		
- Rental income	**-**	60

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2018 RM'000	2017 RM'000
Group (continued)		
Other related companies (continued)		
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	-	(841)
- Rental commission payable	-	(616)
- Computer charges received	18	15
- Construction work and maintenance fees received	-	16
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(3,169)	(3,169)
- Management fees received	528	502
- Rendering of services	1,361	778
- Insurance charges	214	120
- Rental payable	(12)	(25)
Tanjung Langsat Port Sdn. Bhd.		
- Computer charges received	1	84
KARA Holdings Sdn. Bhd.		
- Computer charges received	445	-
JCorp Hotels and Resorts Sdn. Bhd.		
- Deposit paid for acquisition of land	(1,725)	(1,725)
JCorp Capital Solution Sdn. Bhd.		
- Dividend	(5,505)	(1,844)
Shareholders of subsidiary company, E.A Technique (M) Berhad		
Dato' Ir. Abdul Hak bin Md Amin		
- Shareholder's advances	250	4,500
- Interest charged	318	171
Datin Hamidah binti Omar		
- Shareholder's advances	-	2,000
- Interest charged	137	156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2018 RM'000	2017 RM'000
Company		
Holding corporation		
Johor Corporation		
- Rental payable	(629)	(629)
- Acquisition of land	-	(58,914)
- Secretarial Fee	(40)	(36)
- Dividend	(144,105)	(48,034)
- Interest income	2,935	-
Other related companies		
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	-	(841)
- Rental commission payable	-	(616)
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(3,112)	(3,169)
- Management fees received	608	422
- Purchasing and sales commission received	78	79
Pro Biz Solution Sdn. Bhd.		
- Rental income	-	60
JCorp Capital Solution Sdn. Bhd.		
- Dividend	(5,505)	(1,844)
Subsidiaries		
Mahamurni Plantations Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	73,536	89,887
- Interest income	31	-
- Corporate guarantee fees	376	897
Kulim Plantations (Malaysia) Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	29,374	46,653
- Dividend income	15,000	51,000

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2018 RM'000	**2017 RM'000**
Company (continued)		
Subsidiaries (continued)		
Selai Sdn. Bhd.		
- Dividend income	**-**	3,000
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.		
- Dividend income	**2,310**	4,000
Kumpulan Bertam Plantations Berhad		
- Dividend income	**10,713**	5,000
Sindora Berhad		
- Sales of oil palm fresh fruit bunches	**14,342**	22,131
- Dividend income	**1,000**	5,000
- Interest income	**276**	-
- Interest charged	**(127)**	-
Danamin (M) Sdn Bhd		
- Interest income	**1,736**	1,276
Kulim Nursery Sdn. Bhd.		
- Purchase of oil palm seedlings and bio compost fertilizers	**(2,669)**	(417)
Edaran Badang Sdn. Bhd.		
- Purchase of goods	**(1,493)**	(2,342)
Perfect Synergy Sdn. Bhd.		
- Purchase of chemicals	**(1,815)**	(2,223)
Extreme Edge Sdn. Bhd.		
- Purchase of computer hardware and software supplies	**(492)**	(4,096)
- Services performed on conversion of IT software	**(277)**	(55)
- Maintenance of equipments charged	**(2,839)**	(2,294)
- IT hardware and maintenance services	**(2,828)**	(10,047)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2018 RM'000	2017 RM'000
Company (continued)		
Subsidiaries (continued)		
Soverign Multimedia Resources Sdn. Bhd.		
- Services performed on software development, implementation and support	-	(400)
Kulim Civilworks Sdn. Bhd.		
- Repair and maintenance fees charged	(152)	(3,017)
- Transportation fee charged	-	(1,846)
Pinnacle Platform Sdn. Bhd.		
- Services performed on maintenance of IT application systems	(1,990)	(2,035)
- Purchase of IT application systems and software	(106)	(169)
Special Appearance Sdn. Bhd.		
- Replanting cost expenses	(365)	(1,486)
EPA Management Sdn Bhd		
- Interest charged	(1,870)	-
Kulim Livestock Sdn Bhd		
- Interest income	291	-

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors and those ranked General Manager and above of the Company and their compensation are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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	**52,568**	30,213	**1,539**	914
- Not contracted for	**37,164**	14,258	**626**	1,002
	89,732	44,471	**2,165**	1,916
Authorised capital expenditure in respect of investment in PT Citra Sarana Energi:				
- Contracted for	**60,336**	87,263	**-**	-

(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	
	31.12.2018 RM'000	31.12.2017 RM'000
Minimum lease payments		
Not later than 1 year	**3,461**	3,593
Later than 1 year but not later than 5 years	**4,661**	6,223
Total minimum lease payments	**8,122**	9,816
Less: Amounts representing finance charges	**(54)**	(168)
Present value of minimum lease payments	**8,068**	9,648
Present value of payments		
Not later than 1 year	**3,363**	3,499
Later than 1 year but not later than 5 years	**4,705**	6,149
Present value of minimum lease payments	**8,068**	9,648
Less: Amounts due within 12 months	**(3,363)**	(3,499)
Amount due after 12 months	**4,705**	6,149

31 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END

(a) Proposed investment in PT Citra Sarana Energi ("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).

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 RM47.00 million), among others. PT WIS plans to sell its shares in PT CSE to potential investors (hereinafter referred to "PT CSE Divestment"). The Parties agreed that the balance purchase price for the Sale Shares amounting to USD11.32 million (approximately RM47.00 million) shall be paid by KENSB to PT WIS by way of set off from KENSB's entitlement to the proceeds of the PT CSE Divestment. 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.

On 22 June 2018, Indonesian Government has approved the first Plan of Development ("POD") for Sinamar area of South West Bukit Barisan PSC ("SWBB PSC") , with a projected gross revenue of USD938.00 million (approximately RM3.89 billion). Following the POD approval, PT Radiant Bukit Barisan Energy ("PT RBBE") shall comply with the provisions regulated by the Indonesian Government and SKK MIGAS to;

(i) Complete development work at Sinamar area; and
(ii) Continue exploration program at SWBB PSC

As at 31 December 2018, KENSB has paid a total of USD65.27 million (approximately RM257.44 million) representing:

(i) USD12.83 million (approximately RM46.76 million) as deposit for acquisition of shares;
(ii) USD40.85 million (approximately RM162.33 million) as prepayment for subscription of shares; and
(iii) USD11.59 million (approximately RM48.35 million) as part of the further investment of USD15.00 million in accordance with the CSSPA and SA CSSPA.

The completion date of the CSSPA and SA CSSPA has been further extended to 31 December 2019 due to the pending approval by the Indonesian Government and Special Task Force in respect of the change of control ("COC") of the SWBB PSC.

The Directors are currently evaluating several proposals in relation to this investment and have approved for the full divestment.

(b) Proposed acquisition of land in 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 of 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.

The Group is in the midst of completing the condition subsequent as defined in the SPA.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONTINUED)

(c) Proposed disposal of land in Mukim Tebrau ("Tanah Ladang UTE")

The Company had on 2 January 2018 entered into a Sale and Purchase Agreement ("SPA") with Crescendo Development Sdn Bhd ("Crescendo") for the disposal 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.

(d) Disposal of Asia Economic Development Fund Limited ("AEDFL")

The Company had on 20 December 2018 entered into Sale and Purchase Agreement ("SPA") with Johor Logistics Sdn. Bhd. ("Johor Logistics") for the disposal of its 54.21% equity interest for a consideration of Hong Kong Dollar One (HK1.00) (approximately RM0.53 sen). Accordingly, AEDFL ceased to be a subsidiary of the Group. The effects of the disposal on the financial position and result of the Group and the Company are disclosed in note 14(b).

(e) Notice of Arbitration to Asian International Arbitration Centre ("AAIC") to claim from Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE")

<u>Arbitration Proceedings</u>
On 27 September 2018, E.A. Technique (M) Berhad ("EAT") filed a Notice of Arbitration to the Asian International Arbitration Centre ("AAIC") to claim from Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") amounts paid on behalf by HESS Exploration and Production Malaysia B.V., deletion of MMHE's additional work order ("AWO") scope as well as back charges with a total aggregate amount of USD21,656,198.

On 15 February 2019, EAT served its Statement of Claim to MMHE amounting to USD21,656,198. MMHE filed a counterclaim against EAT in the AIAC Arbitration amounting to USD49,105,096 and is due to file its Defence for Counterclaim by 15 March 2019.

<u>Adjudication Proceedings</u>
On 5 October 2018, MMHE served EAT with a Notice of Adjudication under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") claiming USD30,221,301 for invoices issued to EAT relating to the EPCIC project after taking into consideration the amounts paid on behalf by HESS and deletion of some AWO scope.

On 14 February 2019, MMHE has served its adjudication claim on EAT amounting to USD30,221,301. EAT made a counterclaim against MMHE in the CIPAA Adjudication amounting to USD21,656,198 and is due to file its adjudication response by 28 February 2019.

The Directors are of the view that there could be no conclusion that can be drawn out as at the date of this report as the proceedings have just commenced but the Group will vigorously defend the claims made by MMHE and pursue its counterclaims.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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 RM288.90 million (31.12.2017: RM197.01 million) as at the reporting date.

Analysis of the credit risk exposure of financial instruments for which on an ECL allowances is recognised and disclosed in Note 19. The gross carrying amount of the financial assets represents maximum exposure of credit risk.

<u>Credit risk concentration profile</u>

Other than the amounts due from the 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.

Concentration of credit risk with respect to trade receivables are limited due to the Group's diverse customer base. The Group controls its credit risk by ensuring its customers have solid financial standing and credit history.

<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 19. Deposits with banks and other financial institutions and investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities. 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 RM223.90 million (31.12.2017: RM500.00 million).

Analysis of financial instruments by remaining contractual maturities

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

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2018				
Financial liabilities:				
Trade and other payables	**389,995**	**-**	**-**	**389,995**
Borrowings	**800,022**	**586,728**	**494,643**	**1,881,393**
Total undiscounted financial liabilities	**1,190,017**	**586,728**	**494,643**	**2,271,388**
At 31 December 2017				
Financial liabilities:				
Trade and other payables	490,166	-	-	490,166
Borrowings	506,895	529,053	724,200	1,760,148
Total undiscounted financial liabilities	997,061	529,053	724,200	2,250,314

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2018				
Financial liabilities:				
Trade and other payables	**131,423**	**-**	**-**	**131,423**
Financial guarantees*	**288,899**	**-**	**-**	**288,899**
Borrowings	**339,000**	**301,200**	**203,119**	**843,319**
Total undiscounted financial liabilities	**759,322**	**301,200**	**203,119**	**1,263,641**
At 31 December 2017				
Financial liabilities:				
Trade and other payables	125,771	-	-	125,771
Financial guarantees*	197,006	-	-	197,006
Borrowings	150,000	214,840	378,165	743,005
Total undiscounted financial liabilities	472,777	214,840	378,165	1,065,782

* 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
50 bp increase in interest rates	**(8,786)**	(8,236)	**(3,826)**	(3,734)
50 bp decrease in interest rates	**8,786**	8,236	**3,826**	3,734

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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:

	2018 RM'000	2017 RM'000
Group		
Trade and other receivables	**25,432**	42,962
Cash and bank	**48,428**	82,388
Trade and other payables	**(59,660)**	(220,755)
Borrowings	**(277,615)**	(314,765)
Convertible notes	**-**	(46,456)
Net exposure	**(263,415)**	(456,626)

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's exposure to IDR foreign currency risk based on carrying amounts as at the end of the reporting period was:

	2018 RM'000	2017 RM'000
Company		
Investments in subsidiaries	**224,795**	258,416

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD/RM				
- strengthening of USD 5%	**(13,171)**	(22,831)	**-**	1,003
- weakening of USD by 5%	**13,171**	22,831	**-**	(1,003)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

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	
	2018 RM'000	2017 RM'000
USD/RM		
- strengthening of USD by 5%	2,421	4,263
- weakening of USD by 5%	(2,421)	(4,263)
IDR/RM		
- strengthening of IDR by 5%	11,108	9,506
- weakening of IDR by 5%	(11,108)	(9,506)

(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% strengthening in the FTSE Bursa Malaysia KLCI would have increased the Group's pre-tax profit and other comprehensive income by RM1.02 million (31.12.2017: RM3.23 million) and RM2.22 million (31.12.2017: RM4.45 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% strengthening in the FTSE Bursa Malaysia KLCI would have increased the Company's pre-tax profit and other comprehensive income by RM0.97 million (31.12.2017: RM2.45 million) and RM3.46 million (31.12.2017: RM3.87 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

	<------------------ Fair value measurement using		-------------------- >	
	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value				
Group				
At 31 December 2018				
Unquoted shares	**-**	**-**	**274,274**	**274,274**
Quoted shares	**49,015**	**-**	**-**	**49,015**
Quoted warrants	**879**	**-**	**-**	**879**
Derivative financial instruments	**-**	**(1,696)**	**-**	**(1,696)**
Investment properties	**-**	**-**	**45,996**	**45,996**
At 31 December 2017				
Unquoted shares	-	-	25,175	25,175
Quoted shares	75,940	-	-	75,940
Quoted warrants	28,990	-	-	28,990
Derivative financial instruments	-	(1,932)	-	(1,932)
Investment properties	-	-	28,231	28,231

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

	<----- Fair value measurement using			----- >
	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value				
Company				
At 31 December 2018				
Unquoted shares	**-**	**-**	**11,741**	**11,741**
Quoted shares	**42,003**	**-**	**-**	**42,003**
Quoted warrants	**278**	**-**	**-**	**278**
Investment properties	**-**	**-**	**28,880**	**28,880**
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

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise interest rate swap. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value of financial instruments

Fair value of financial instruments by classes that are not carried at fair value in the previous financial year and whose carrying amounts are not reasonable approximation of fair value.

	Group		Group	
	Carrying amount		Fair Value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available-for-sale financial assets	-	173,360	-	*

* Investments (Note 16)

In the previous financial year, fair value information has not been disclosed for the Group'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.

33 MFRS 9 FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

	Note	2018 RM'000	2017 RM'000
Group			
(a) Financial assets measured at amortised cost			
Trade and other receivables	19	302,344	592,263
Cash and bank balances	21	252,454	325,470
		554,798	917,733
(b) Financial assets			
Financial assets at fair value through other comprehensive income	16 (a)	44,316	-
Financial assets at fair value through profit or loss	16 (b)	279,852	-
Investment	16 (c)	-	130,105
Derivatives	20	(1,696)	(1,932)
		322,472	128,173
(c) Financial liabilities measured at amortised cost			
Trade and other payables	22	389,995	490,166
Borrowings	23	1,881,393	1,760,148
		2,271,388	2,250,314

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes: (continued)

		Note	2018 RM'000	2017 RM'000
Company				
(a)	Financial assets measured at amortised cost			
	Trade and other receivables	19	402,308	216,275
	Cash and bank balances	21	103,820	203,449
			506,128	419,724
(b)	Financial assets			
	Financial assets at fair value through other comprehensive income	16 (a)	34,561	-
	Financial assets at fair value through profit or loss	16 (b)	19,461	-
	Investment	16	-	101,008
			54,022	101,008
(c)	Financial liabilities measured at amortised cost			
	Trade and other payables	22	131,423	125,771
	Borrowings	23	843,319	743,005
			974,742	868,776

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 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 2018 and at 31 December 2017 were as follows:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings (Note 23)	**1,881,393**	1,760,148
Convertible Note (Note 24)	**-**	46,456
Less: Cash and bank balances (Note 21)	**(252,454)**	(325,470)
Net debt	**1,628,939**	1,481,134
Total equity	**3,786,194**	4,065,110
Debt-to-equity ratios (times)	**0.43**	0.36

The Group and Company has met its externally imposed financial covenants as described in Note 23 during the financial year.

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141

Adoption of MFRS 1

As provided in MFRS 1, first-time adoption of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group has elected to apply MFRS 3 – Business Combinations prospectively from the date FRS 3 – Business Combinations was adopted and to deem the carrying amount of investment in each subsidiary, joint venture and associate to be the cost of the investment in the separate financial statements as at the date of transition to MFRSs.

Property, plant and equipment – Deemed cost exemption

Under FRS, valuation adjustments on certain plantation land were incorporated into the financial statements. The Group and Company have elected to use 31 December 2016 revaluation as deemed cost under MFRSs. The Group and Company revaluation reserve of RM1.23 billion and RM199.24 million respectively as at 1 January 2017 was reclassified to retained earnings.

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

The Group and the Company have applied the following mandatory exceptions as required by MFRS 1:

(i) Classification and measurement of financial assets

For financial assets that exist at the beginning of the first MFRS reporting period, at 1 January 2018, an assessment was performed as to whether a financial asset meets the condition to be classified and measured as financial assets at fair value through other comprehensive income or financial assets at fair value through profit and loss in accordance with MFRS 9 on the basis of the facts and circumstances that exist at the beginning of the first MFRS reporting period.

(ii) Impairment of financial assets

Impairment requirements in MFRS 9 are applied retrospectively for debt instruments measured at amortised cost or fair value through other comprehensive income, lease receivable, contract asset or loan commitment and a financial guarantee contract.The requirements are applied using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the initial recognition of financial instrument and compare that to the credit risk at the beginning of the first MFRS reporting period, at 1 January 2018, to determine if there has been a significant increase in credit risk.

Adoption of MFRS 15

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

In applying MFRS 15 retrospectively, the Group applied the following practical expedients:

* for completed contracts, contracts that begin and end within the same annual reporting period were not restated;
* for completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used; and
* for all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.
* No restatement for completed contract as at transition date;
* No restatement of contract modifications that occurred before transition date

Adoption of MFRS 9

The Group and the Company elected the short-term exemption on first-time application of MFRS 9 in accordance with MFRS1. The comparative information in the Group's and the Company's first MFRS financial statements in respect of items within the scope of MFRS 9 are accounted for based on the requirements of FRS 139 'Financial Instruments: Recognition and Measurement'. Accordingly, the comparative information in the Group's and the Company's first MFRS financial statements in respect of these items have not been restated to comply with the requirements of MFRS 9.

Adoption of MFRS 141

Upon adoption of MFRS, biological assets which comprised fresh fruit bunches, pineaples and livestock are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

The effects of the above are as follows:

Group

(i) Impact on the Group's Statement of Comprehensive Income:

	Financial year ended 31 December 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Revenue	1,535,761	-	(10,394)	-	1,525,367
Cost of sales	(1,291,961)	-	6,015	-	(1,285,946)
Other expenses	(43,028)	-	-	(4,648)	(47,676)
Profit before tax	43,443	-	(4,379)	(4,648)	34,416
Income tax	(48,312)	-	-	1,115	(47,197)
Profit net of tax	(4,869)	-	(4,379)	(3,533)	(12,781)
Net surplus from revaluation of property, plant and equipment	280,450	(280,450)	-	-	-
Other comprehensive income	307,035	(280,450)	-	-	26,585
Total comprehensive income	223,094	(280,450)	(4,379)	(3,533)	(65,268)

(ii) Impact on the Group's Statement of Financial Position:

	As at 1 January 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Property, plant and equipment (carrying amount)	5,394,300	-	-	(12,934)	5,381,366
Biological assets (Non - Current)	-	-	-	1,080	1,080
Inventories	78,878	-	-	(16,532)	62,346
Biological assets (Current)	-	-	-	43,108	43,108
Deferred tax liabilities	406,498	-	-	3,534	410,032
Revaluation reserve	1,256,419	(1,228,303)	-	-	28,116
Retained earnings	2,698,746	1,228,303	-	11,188	3,938,237

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Group (continued)

(ii) Impact on the Group's Statement of Financial Position: (continued)

	As at 31 December 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Property, plant and equipment (carrying amount)	5,672,354	(316,459)	-	(4,430)	5,351,465
Biological assets (Non - Current)	-	-	-	1,150	1,150
Inventories	126,788	-	-	(16,552)	110,236
Biological assets (Current)	-	-	-	29,906	29,906
Trade and other receivables	558,997	-	(4,379)	-	554,618
Current tax	23,120	27	-	-	23,147
Deferred tax liabilities	440,226	(35,981)	-	2,418	406,663
Revaluation reserve	1,562,825	(1,511,431)	-	-	51,394
Retained earnings	2,661,240	1,230,981	(3,020)	7,655	3,896,856
Non controlling interest	117,219	-	(1,359)	-	115,860

Company

(i) Impact on the Company's Statement of Comprehensive Income:

	Financial year ended 31 December 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Revenue	245,042	-	-	-	245,042
Other income	56,532	-	-	-	56,532
Administrative expenses	(84,770)	-	-	(2,145)	(86,915)
Other expenses	(53,107)	-	-	-	(53,107)
Profit before tax	26,746	-	-	(2,145)	24,601
Income tax	(5,384)	-	-	515	(4,869)
Profit net of tax	21,362	-	-	(1,630)	19,732
Net surplus from revaluation of property, plant and equipment	112,760	(112,760)	-	-	-
Other comprehensive income	6,544	-	-	-	6,544
Total comprehensive income	140,666	(112,760)	-	(1,630)	26,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Company (continued)

(i) Impact on the Company's Statement of Comprehensive Income: (continued)

	As at 1 January 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Property, plant and equipment	1,394,918	-	-	(12,934)	1,381,984
Other investment	-	-	-	-	-
Inventories	-	-	-	-	-
Biological assets	-	-	-	16,412	16,412
Deferred tax liabilities	90,634	-	-	835	91,469
Revaluation reserve	199,242	(199,242)	-	-	-
Retained earnings	2,045,237	199,242	-	2,643	2,247,122

(ii) Impact on the Company's Statement of Financial Position:

	As at 31 December 2017				
	As previously reported RM'000	MFRS 1 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As restated RM'000
Property, plant and equipment (carrying amount)	1,506,813	(120,047)	-	(4,430)	1,382,336
Biological assets	-	-	-	5,763	5,763
Deferred tax liabilities	99,786	(7,284)	-	320	92,822
Revaluation reserve	312,002	(312,002)	-	-	-
Retained earnings	2,016,599	199,242	-	1,013	2,216,854

Transitioning adjustments arising from MFRS 15 and MFRS 141

(a) Change in timing of revenue recognised due to additional performance obligations identified

Under FRS, options given to customers to purchase additional hardware at a discounted price only impacted the profit or loss in the period in which the customer redeems the option. There is no adjustment made in the period the initial sale is made.

Under MFRS 15, such options have been assessed as material rights and accordingly are recognised as a separate performance obligation in the initial contracts entered into with the customers. Revenue allocated to such options is deferred and is only recognised in the period in which the customer redeems the option. As a result, a lower revenue is recognised for the hardware sold to customers in the period the initial contract is entered into.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Transitioning adjustments arising from MFRS 15 and MFRS 141 (continued)

(b) Effects of variable consideration to transaction price

Under the FRS, volume discounts, rebates and incentives are granted to customers based on the customer's cumulative goods purchases were recognised in the period the discounts, rebates and incentives were granted to the customers.

Under MFRS 15, volume discounts, rebates and incentives are estimated at the inception of the contract and are adjusted against the total transaction price expected from the contract with customers. Discounts, rebates and incentives are therefore recognised earlier in the period in which the respective sales are made to the customers.

(c) Remeasurement of biological assets to fair value

Under FRS, agricultural produce growing on bearer plants was not recognised as an asset.

Under MFRS 141, the agricultural produce growing on bearer plants meets the definition of a biological asset. The agricultural produce is measured at fair value less costs to sell, with fair value changes recognised in profit or loss as the produce grows.

Change in accounting policy upon application of MFRS 9

The accounting policies were changed to reflect the application of MFRS 9 from the beginning of the first MFRS reporting period. MFRS 9 replaces the provisions of FRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. The cumulative effects of the changes are recognised in the statements of financial position as at the beginning of the first MFRS reporting period, which is on 1 January 2018.

The nature of adjustments made to the statements of financial position of the Group and the Company as at 1 January 2018 in respect of items within the scope of MFRS 9 are described as follows:

(a) Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ('FVTPL'), loans and receivables, and available-for-sale ('AFS') financial assets. Note 2.14 sets out the details of accounting policies for classification and measurement of financial instruments under FRS 139.

From 1 January 2018, the Group and the Company applies the following MFRS 9's classification approach to all types of financial assets, including those that contain embedded derivative features:

- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ('FVOCI') or through profit or loss ('FVTPL').
- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Group and the Company have made an irrevocable choice to present changes in fair value in other comprehensive income ('OCI') for investments that are not held for trading.
- Embedded derivatives in financial asset host contracts: The Group and the Company apply the classification and measurement of financial assets to the entire hybrid instrument for financial assets with embedded derivatives.

The new accounting policies for classification and measurement of financial instruments under MFRS 9 are set out in Note 2.14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Change in accounting policy upon application of MFRS 9 (continued)

(a) Classification and measurement of financial assets (continued)

To reflect this change in accounting policies, the Group and the Company have made the following reclassification of financial assets upon application of MFRS 9:

(I) Reclassification of investment in debt securities from AFS to FVTPL

Investment in debt securities were reclassified from AFS to financial assets at FVTPL because their contractual cash flows do not represent solely payment of principal and interest ('SPPI'). Related fair value gains were transferred from AFS reserves, along with the related deferred tax expense impact, to retained earnings on 1 January 2018.

(II) Reclassification of investment in non-trading equity securities from AFS to FVOCI

The Group and the Company elected to present in OCI changes in the fair value of certain investments in equity securities previously classified as AFS, because these investments are not held for trading or arise from contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserves were reclassified to FVOCI reserve on 1 January 2018.

(b) Impairment of financial assets

Until 31 December 2017, the Group assessed the impairment of loans and receivables and AFS financial assets based on the incurred impairment loss model. Note 2.14 sets out the details of accounting policies for impairment of financial assets under FRS 139.

From 1 January 2018, the Group and the Company apply expected credit loss ('ECL') model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVOCI and financial guarantee contracts. The new accounting policies for impairment under MFRS 9 are set out in Note 2.14.

(I) Trade receivables and contract assets that do not contain significant financing components

For all trade receivables and contract assets that do not contain significant financing components, the Group and the Company apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. This resulted in the recognition of additional loss allowances for trade receivables and contract assets on 1 January 2018.

(II) Loans to subsidiaries

Loans to subsidiaries that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Company applied the general 3-stage approach when determining ECL for these loans to subsidiaries.

Additional loss allowance is recognised on these loans to subsidiaries upon application of MFRS 9 as all strategies indicate that the Company could not fully recover the outstanding balance of the loans to subsidiaries.

(c) Financial guarantee contracts

Until 31 December 2017, financial guarantee contracts issued to subsidiaries by the Company were assessed to be nil at initial recognition and were subsequently measured at the higher of amount determined based on FRS 137 or amount initially recognised less cumulative amortisation in accordance with FRS 118. The Company had assessed that it was not probable that the subsidiaries would default their obligations to the bank and had not recognised any provision amount under FRS 137.

From 1 January 2018, financial guarantee contracts are required to be subsequently measured at the higher of ECL determined using general 3-stage approach or amount initially recognised less cumulative amount of income recognised in accordance with MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Change in accounting policy upon application of MFRS 9 (continued)

The total impact of adjustments made to the Group's and the Company's retained earnings as at 1 January 2018 in respect of items within the scope of MFRS 9 are as follows:

	Retained earnings	
	Group RM'000	Company RM'000
Restated retained earnings 1 January 2018 – after MFRS 1, MFRS 15 and MFRS 141 restatement	3,896,856	2,216,854
Reclassification of investments in debt securities from AFS to FVTPL	12,577	12,278
Increase in fair value adjustment	(7,206)	(8,391)
Adjustment to retained earnings upon application of MFRS 9	5,371	3,887
As restated at 1 January 2018 - after MFRS 1, MFRS 9, MFRS 15 and MFRS 141 restatement	3,902,227	2,220,741

The impacts of these changes on the Group's reserves are as follows:

	Group RM'000
FVOCI reserves	
As at 1 January 2018, as previously reported	19,651
Reclassify non-trading equity securities from AFS to FVOCI	(12,577)
As at 1 January 2018, as restated	7,074

	Company RM'000
FVOCI reserves	
As at 1 January 2018, as previously reported	15,458
Reclassify non-trading equity securities from AFS to FVOCI	(12,278)
As at 1 January 2018, as restated	3,180

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND ADOPTION OF MFRS 9, MFRS 15 AND MFRS 141 (CONTINUED)

Change in accounting policy upon application of MFRS 9 (continued)

The adjustments made to the statements of financial position of the Group in respect of items within the scope of MFRS 9 are as follows:

Group	Measurement category: Previous GAAP (FRS 139)	Measurement category: New (MFRS 9)	Carrying amount: Previous GAAP (FRS 139) RM'000	Carrying amount: Reclasification RM'000	Carrying amount: Remeasurement RM'000	Carrying amount: New (MFRS 9) RM'000
Non-current financial assets						
Investment in equity securities (a)	AFS	-	254,453	(254,453)	-	-
Investment in equity securities (a)(i)	-	FVTPL	-	28,989	-	28,989
Investment in equity securities (a)(ii)	-	FVOCI	-	274,562	-	274,562
Total non-current asset			254,453	49,098	-	303,551
Current financial assets						
Investment in equity securities (a)	AFS	-	49,098	(49,098)	-	-
Trade and other receivables (b)(i)	Amortised cost	Amortised cost	550,014	(233,131)	-	316,883
Investment in equity securities	-	FVTPL	-	233,131	-	233,131
Total current asset			599,112	(49,098)	-	550,014

The adjustments made to the statements of financial position of the Company in respect of items within the scope of MFRS 9 are as follows:

Company	Measurement category: Previous GAAP (FRS 139)	Measurement category: New (MFRS 9)	Carrying amount: Previous GAAP (FRS 139) RM'000	Carrying amount: Reclasification RM'000	Carrying amount: Remeasurement RM'000	Carrying amount: New (MFRS 9) RM'000
Non-current financial assets						
Investment in equity securities (a)	AFS	-	51,910	(51,910)	-	-
Investment in equity securities (a)(i)	-	FVTPL	-	74,275	-	74,275
Investment in equity securities (a)(ii)	-	FVOCI	-	26,733	-	26,733
Total non-current asset			51,910	49,098	-	101,008
Current financial assets						
Investment in equity securities (a)	AFS	-	49,098	(49,098)	-	-
Total current asset			49,098	(49,098)	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 SEGMENT INFORMATION

For management purposes, the Group is organised into strategic business units based on their products and services, and has five reportable segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group 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 the discontinued operations of BARUT (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 SEGMENT INFORMATION (CONTINUED)

31 December 2018	Plantations RM'000	Intrapreneur Ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property Investment RM'000	Other operations RM'000	Consolidated total RM'000
Segment revenue	843,683	47,932	469,918	15,258	-	10,846	1,387,637
Results							
Interest income	6,288	78	248	-	-	1,114	7,728
Finance costs	38,176	57	23,593	3	-	30,304	92,133
Depreciation of property,plant and equipment	90,392	2,491	77,875	3,223	-	6,434	180,415
Amortisation of intangible assets	-	-	-	-	-	25	25
Share of result of associate	-	-	-	-	-	564	564
Segment profit/(loss)	81,858	1,217	110,483	(1,321)	-	(37,355)	154,882
Profit/(loss) before tax	49,970	1,238	87,138	(1,324)	-	(65,981)	71,041
Earning before interest, tax, depreciation and amortisation	178,538	3,786	188,606	1,902	-	(29,243)	343,589
Assets							
Investments in associates	-	-	-	-	-	7,545	7,545
Intangible assets	-	1,642	21,484	-	-	4,289	27,415
Additions to non-current assets	75,585	1,452	87,409	4,407	-	28,438	197,291
Segment assets	5,483,114	37,273	829,914	14,276	45,996	77,784	6,488,357
Segment liabilities	1,983,475	39,188	602,023	18,731	-	58,746	2,702,163

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 SEGMENT INFORMATION (CONTINUED)

31 December 2017	Plantations RM'000	Intrapreneur Ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property Investment RM'000	Other operations RM'000	Total continuing operations RM'000	Total discontinued operations RM'000	Consolidated total RM'000
Segment revenue	1,027,431	56,234	409,320	12,936	8,995	10,080	1,524,996	371	1,525,367
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	86,266	2,926	65,617	2,714	-	6,142	163,665	-	163,665
Amortisation of intangible assets	-	-	4,776	-	-	95	4,871	-	4,871
Share of result of associate	-	-	-	-	-	552	552	-	552
Segment profit/ (loss)	240,754	(1,809)	(113,211)	(16,609)	4,500	4,565	118,190	(79,072)	39,118
Profit/(loss) before tax	205,014	(2,022)	(134,502)	(16,614)	4,500	(21,960)	34,416	(79,072)	(44,656)
Earning before interest, tax, depreciation and amortisation	327,152	1,264	(47,085)	(13,895)	4,500	14,342	286,278	(79,072)	207,206
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	67,345	1,781	167,988	4,384	-	16,902	258,400	-	258,400
Segment assets	5,485,713	47,591	914,962	25,380	26,631	298,575	6,798,852	-	6,798,852
Segment liabilities	1,796,865	42,260	749,093	26,243	-	119,281	2,733,742	-	2,733,742

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations:				
- Malaysia	1,385,975	1,524,093	6,250,262	6,569,628
- Indonesia	1,662	903	238,095	229,224
	1,387,637	1,524,996	6,488,357	6,798,852
Discontinued operations:				
- Malaysia	-	371	-	-
	-	371	-	-
Total	1,387,637	1,525,367	6,488,357	6,798,852

37 DIVIDEND

	2018 RM'000	2017 RM'000
In respect of the financial year ended 31 December 2018: Dividend of 37.50 (2017: 12,50) sen per share, declared on 1 December 2018 and paid on 24 December 2018 (2017: declared on 1 December 2017 and paid on 21 December 2017)	150,000	50,000

38 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	1.1.2018 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowing RM'000	Foreign exchange RM'000	Additional of property plant and equipment under finance lease RM'000	31.12.2018 RM'000
Islamic financing facilities	1,261,159	39,647	(272,365)	7,925	-	1,036,366
Conventional financing facilities	180,119	33,395	(10,883)	-	-	202,631
Revolving credit	298,366	328,511	(8,971)	3,293	-	621,199
Others	20,504	935	(2,516)	-	2,274	21,197
Total liabilities from financing activities	1,760,148	402,488	(294,735)	11,218	2,274	1,881,393

Group	1.1.2017 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowing RM'000	Foreign exchange RM'000	31.12.2017 RM'000
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

38 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Company	1.1.2018 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowing RM'000	31.12.2018 RM'000
Revolving credit	110,000	180,000	-	290,000
Term loan	633,005	60,000	(139,686)	553,319
Total liabilities from financing activities	743,005	240,000	(139,686)	843,319

Company	1.1.2017 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowing RM'000	31.12.2017 RM'000
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

39 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 28 February 2019.

ABOUT THIS REPORT

REPORT APPROACH

This Integrated Annual Report covers the activities of Kulim (Malaysia) Berhad for the financial year ended 31 December 2018 up to 28 February 2019, 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 182 to 324. 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 188 to 190 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

http://

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

Scan the QR Code to find more detailed information on our website relating to Kulim's Integrated Annual Report 2018.

We welcome feedback on our Integrated Annual Report.
Please contact us at:
info@kulim.com.my
+607 219 2692 (Registered Office)
+607 861 1611 (Business Office)

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Kulim's Integrated Annual Report 2018 is available on Kulim's website as downloadable documents.

KULIM (MALAYSIA) BERHAD (23370-V)
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor Darul Takzim, MALAYSIA.
Tel. : +607 219 2692
Fax. : +607 223 3175

Ulu Tiram Estate,
81800 Ulu Tiram,
Johor Darul Takzim, MALAYSIA.
Tel. : +607-861 1611
Fax. : +607-861 1701

www.kulim.com.my