KULIM (MALAYSIA) BERHAD
(23370-V)

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Scan to link with Kulim's website

KULIM (MALAYSIA) BERHAD (23370-V)

2016 INTEGRATED ANNUAL REPORT

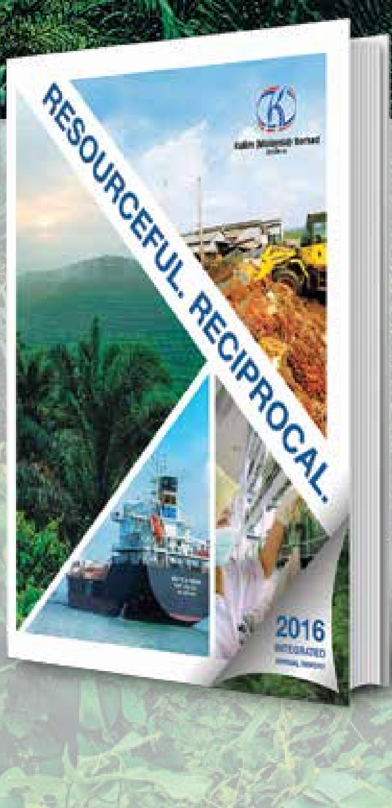
Kulim (Malaysia) Berhad
(23370–V)

RESOURCEFUL. RECIPROCAL.

2016
INTEGRATED
ANNUAL REPORT

KULIM'S INTEGRATED ANNUAL REPORT 2016

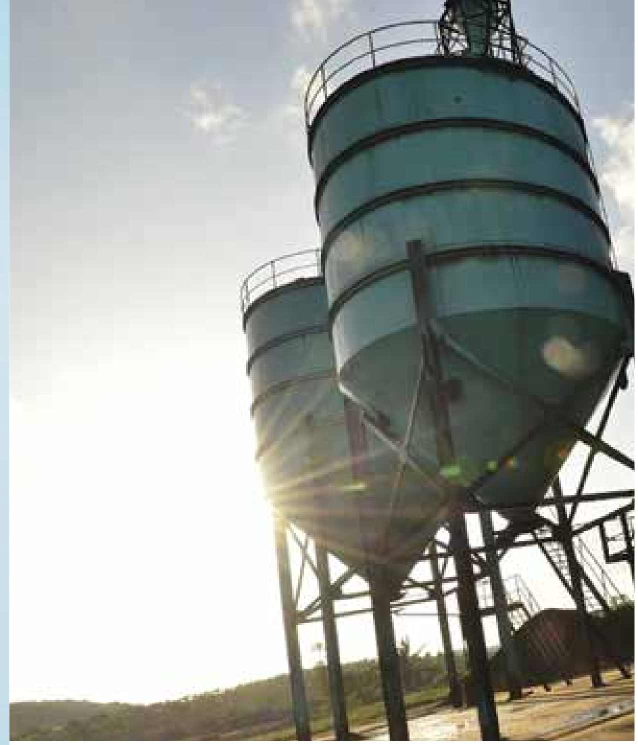
WHAT'S INSIDE



COVER RATIONALE

As the path of progression and development unravels the Group's significant step to mark Kulim's growth from a plantation resource based company, to the right balance of a diversified business entity it has now become, its privatisation exercise unfolds its strategic crafted move to up the ante of its value chain. In its fourth decade, its turning point determines shareholders can still anticipate with optimism.

With Plantation, Oil and Gas complementing Intrapreneur Ventures from a traditional to contemporary stand, we are sustainably committed in our imperatives to community, environment and the nation, in remaining as Resourceful and being as Reciprocal.



ABOUT THIS REPORT

REPORT APPROACH

This Integrated Annual Report covers the activities of Kulim (Malaysia) Berhad for the financial year ended 31 December 2016 up to 31 May 2017, 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 154 to 282. 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 159 to 161 of this Integrated Annual Report.

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

HOW TO READ

OUR INTEGRATED ANNUAL REPORT

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

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

Scan the QR Code to find more detailed information on our website relating to Kulim's Integrated Annual Report 2016.

WHERE READERS CAN FIND INFORMATION

MESSAGE FROM THE CHAIRMAN

PG 18

MANAGEMENT DISCUSSION AND ANALYSIS

PG 25

We welcome feedback on our Integrated Annual Report. Please contact us at

info@kulim.com.my
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FIND THIS REPORT ONLINE

Kulim's Integrated Annual Report 2016 is available on Kulim's website as downloadable documents.

2016 HIGHLIGHTS

CORPORATE DEVELOPMENT HIGHLIGHTS

10 FEB 2016

Kulim Energy Nusantara Sdn Bhd ("KENSB") entered into a Supplemental Agreement with PT Citra Sarana Energi ("PT CSE"), PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of Conditional Subscription and Shares Purchase Agreement ("CSSPA") from USD133.55 million to USD80 million.

27 MAY 2016

Disposal of a part of a leasehold land in Tanjung Langsat, Johor Bahru (approximately 30 acres) for a cash consideration of RM23 million.

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.

4 AUG 2016

Completion of Selective Capital Reduction and Repayment ("SCR") exercise under Section 64 of the Companies Act 1965.

Kulim was delisted from the Official List of Bursa Malaysia Securities Berhad.

13 NOV 2016

Disposal of Granulab (M) Sdn Bhd to SIRIM Tech Venture Sdn Bhd.

24 NOV 2016

Acquisition of additional 25% equity interest in Classruum Technologies Sdn Bhd ("CRTSB").

8 DEC 2016

Acquisition of the remaining 40% stake in Kulim TopPlant Sdn Bhd.

HOW DID WE PERFORM DURING THE YEAR 2016

Revenue

12%

RM1.61 billion

FY2015:
RM1.44 billion

Average Selling Price (RM per tonne)

CPO
FY2016: **RM2,532**
FY2015: **RM2,191**

CPO 16%

PK
FY2016: **RM2,387**
FY2015: **RM1,534**

PK 56%

PBT

RM59.92 million

FY2015: RM117.80 million

49%

Cash Repayment to Shareholders (SCR)

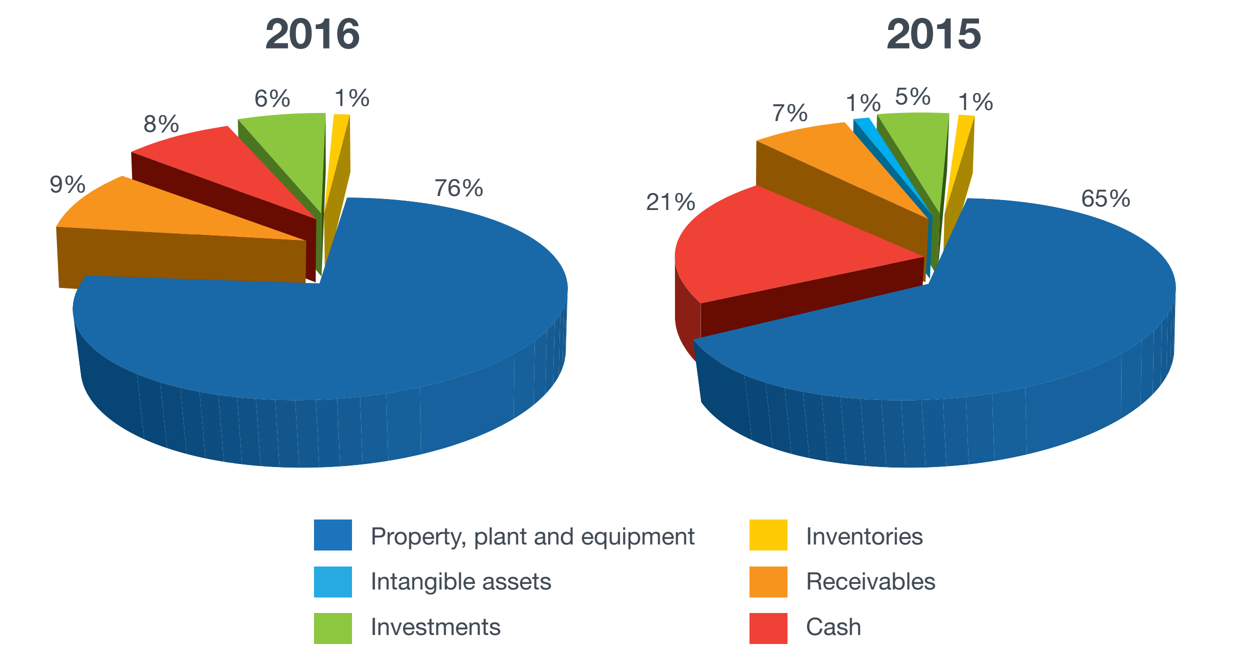
RM4.10 per share

Highest Traded Price 2016
(prior to delisting)

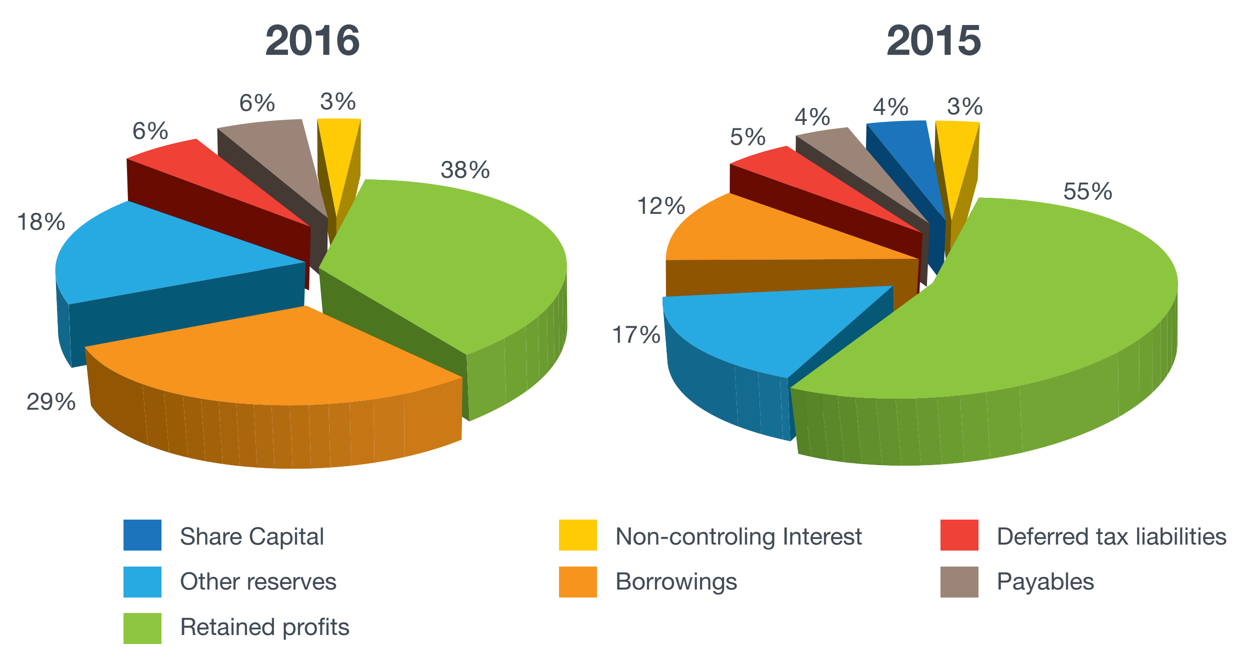
RM4.08 per share

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY



Group Statement of Financial Position: pg 164 - pg 167.

OUR CORE BUSINESSES

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

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

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

Driven by its Balanced Business Strategy, Kulim is uncovering opportunities in a new business dimension - Oil and Gas ("O&G") sector in the quest for business growth and value deliverance to its shareholders.

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

Segment Review (Plantation, Intrapreneur Ventures and Oil & Gas): pg 86 - pg 105

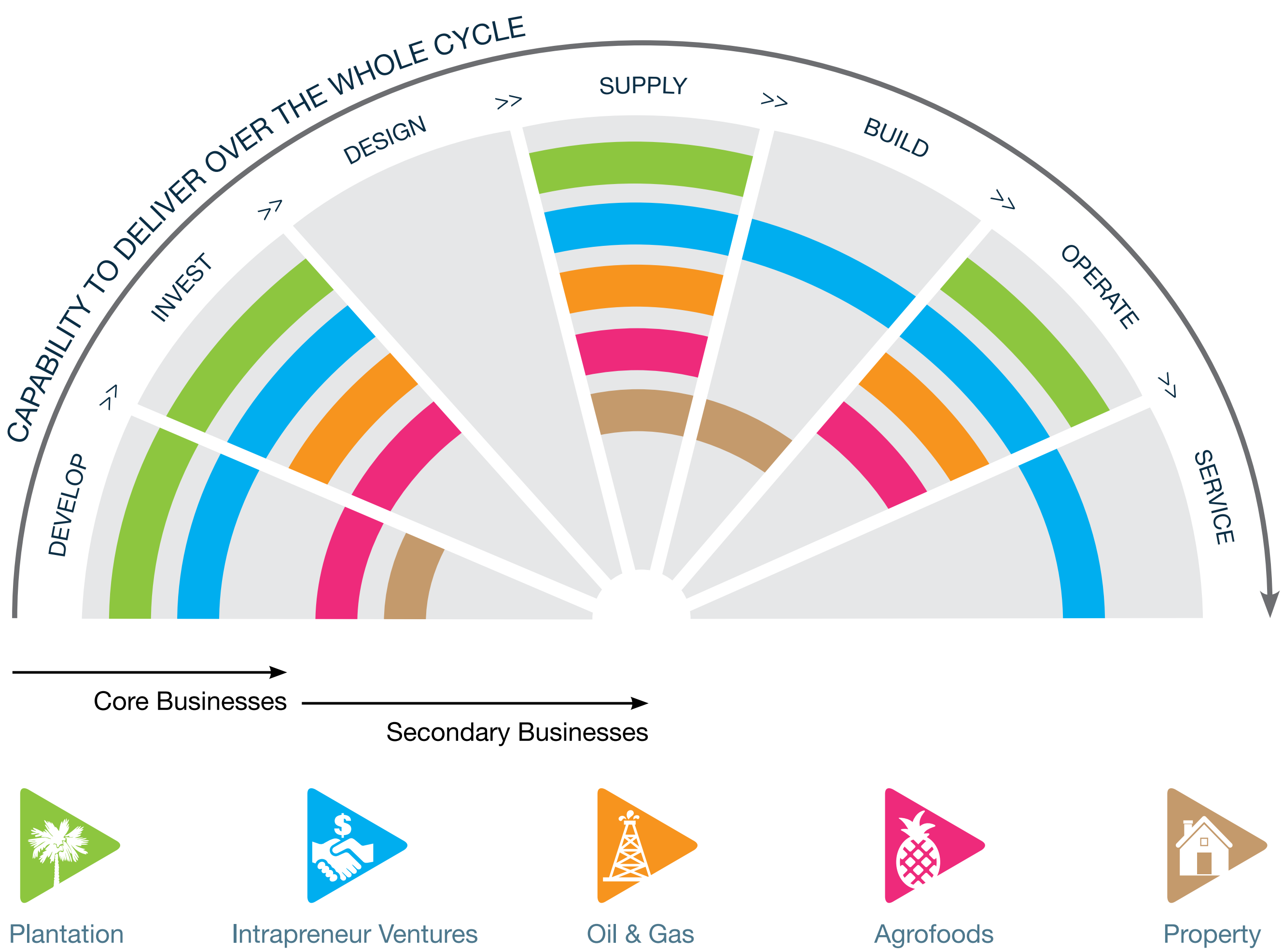
KEY STRATEGIC FOCUS AND SUSTAINABLE VALUE CREATION

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

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



THE GROUP'S BUSINESS STRATEGIES

EXPANSION/
DIVERSIFICATION

PRODUCTIVITY
IMPROVEMENT

COST MANAGEMENT

HUMAN CAPITAL
DEVELOPMENT

CORPORATE
RESPONSIBILITY

VALUE UNLOCKING

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 become a wholly-owned subsidiary of JCorp and was removed from the official listing of Bursa Malaysia Securities Berhad.

Over the years, Kulim has grown to become a diversified plantation company and continues to strengthen its position by securing new hectarages whilst developing and strengthening its intrapreneur ventures. At end-2013, Kulim once again made its way into Indonesia with the acquisition of 74% equity in PT Wisesa Inspirasi Nusantara ("PT WIN"), a plantation holding company in Indonesia, holding rights over 40,645 hectares of potential oil palm land in Central Kalimantan. On 23 June 2016, Kulim completed the acquisitions of PT Temperai Palm Oil 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 55,680 hectares at end-2016 spread across Malaysia and Indonesia.

After having footholds in other O&G related business in Malaysia, Kulim had on 10 December 2014, entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") with the existing shareholders of PT Citra Sarana Energi ("PT CSE") for acquisition of 60% equity in the company. This will enable Kulim to expand its involvement in the O&G sector particularly in Indonesia, moving up the value chain into upstream activities - exploration and production.

OUR VISION

DELIVERING VALUE

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

OUR MISSION

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

We shall:

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

8,487

employees as at December 2016

CORPORATE PHILOSOPHY

BUSINESS POLICY

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

ETHICS POLICY

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

PEOPLE POLICY

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

SUSTAINABILITY POLICY

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

CORPORATE VALUES

We

COMPETITIVE **A**CTION **R**ESPONSIBLE **E**THICAL

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

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

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

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

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

We CARE . . . . so we share.

STRATEGIC THRUSTS

PLANTATION

INTRAPRENEUR VENTURES

CORPORATE STRATEGIES — KEY PROGRAMMES

PRODUCTIVITY IMPROVEMENT

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

COST MANAGEMENT

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

VALUE UNLOCKING

- Disposal of rightly priced assets
- Involvement in new business
- Transforming estates into property
- Monetization of land assets

HUMAN CAPITAL DEVELOPMENT

- Adequate pool of talents
- Promote sense of belonging/loyalty
- Succession planning and career development
- Continuous training and development
- Transfer knowledge/technology between Malaysia & Indonesia
- Employees' engagement session
- Periodical employees climate survey

CORPORATE RESPONSIBILITY

- Sustainable Palm Oil ("SPO") programme and realisation of benefits
- Continuous Commitment to RSPO
- Enhanced stakeholders' engagement - internal and external

EXPANSION / DIVERSIFICATION

- Increase landbank - local and abroad
- Bigger feedlot, enhance integration and expand napier activities
- Monetization of O&G business
- Agrofarm and increase productivity
- Downstream pineapple products

OIL & GAS

AGROFOODS

PROPERTY

SEGMENTS

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

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

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- Optimisation of resources
- Realisation of higher asset value

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

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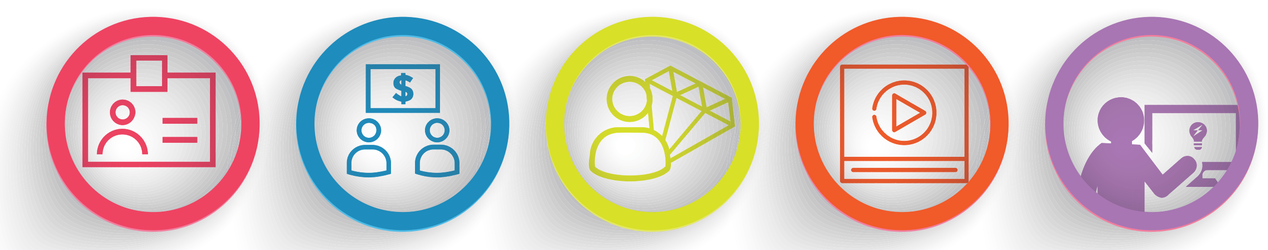
- More effective management to support community development
- Reduce cost of damage control
- More efficient in doing business as a result of good relationship with stakeholders
- Preserved environment and save the earth

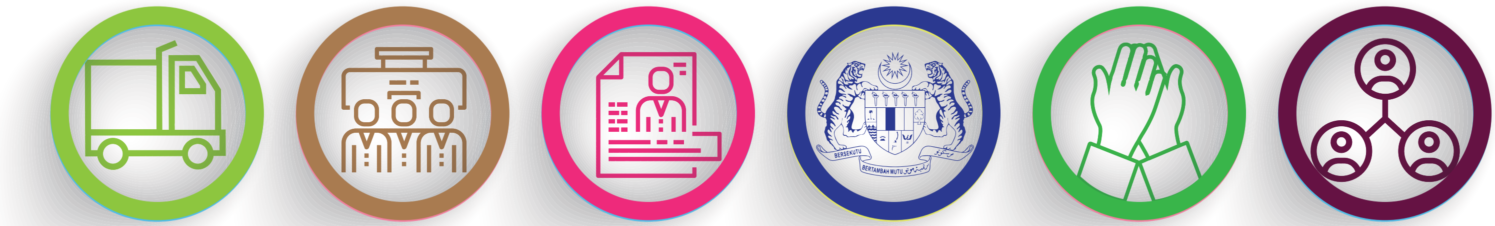
- Increased company value
- Embrace national food security programme
- Diversified earnings base to reduce over-dependence on palm oil activities

STAKEHOLDERS' ENGAGEMENT



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

STAKEHOLDER GROUPS	TYPES OF ENGAGEMENT	TOPICS DISCUSSED & THE GROUP'S RESPONSE
EMPLOYEES	- Dialogues, surveys, employee training programmes and sponsorship programmes	- Following climate survey, we conducted benchmark and review of salaries, initiated career and succession. - Initiated online Peers and Reverse Performance Feedback ("PARFEED"), performance appraisal and assess competency training needs.
BUSINESS PARTNERS	- Dialogues and relationship investments	- Ethics, values and governance, advocating and embedding sustainability
INVESTORS/ SHAREHOLDERS	- Group/one-on-one meetings - Analyst briefing sessions, operational site visits, annual/ quarterly reports - Press releases, regulatory announcements, shareholders' circulars, fact sheets - Updates on website - Active correspondence with the investment community via conference calls on ad-hocs issues	- Growth opportunities across Divisions, mergers & acquisitions, divestments, capital allocation, dividend payout, corporate governance - Volatility in CPO prices, demand-supply dynamics, enhancement of operational efficiency, strenghtening leadership position - RSPO certification, labour policies and human rights, grievance mechanism, sustainability risk and opportunity, socially-responsible landbank expansion - Operational developments, risk/opportunities across Divisions
MEDIA	- Press releases, regulatory announcements, shareholders' circulars, fact sheets	- Operational developments at Group and Division levels - Sustainability and Corporate Responsibility development
WORKERS	- Annual Social Impact Assessments ("SIA") - Promote possession of skills and income generation among housewives by Women OnWards ("WOW")	- 50 units of staff's new housing for five (5) estates - Training and facilities provided to WOW project at Operating Units ("OUs") and help them to market the product during company event and festive season - Awareness on economic and social achievement and challanges of women in future - Encourage business entrepreneur among workers' dependents/housewives - Recognition for *"Anugerah Kecemerlangan Pekerja Wanita"* to appreciate women's contribution to the organisation and community



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

SUSTAINABILITY COMMITMENTS AND TARGETS

Malaysia Plantation

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

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

DESCRIPTION	TARGET	COMMENT
Lost Time Accident Rate ("LTAR") below 10	On-going Commitment	2016 - Achieved at 3.51 Reduction from 2015 to 2016 was due to consistent training and strict supervision by the OUs in the aspects of occupational safety and health.
To reduce severity rate to below 3.5	On-going Commitment	2016 - Achieved at 2.13
Zero fatalities	On-going Commitment	Zero fatalities achieved in 2016 due to the consistent training and strict supervision by the OUs in the aspects of safety and health at work.
No increase in peat development	On-going Commitment	None
No development on land containing one or more high conservation values	On-going Commitment	None
No fine for environment-related incidents	On-going Commitment	None
Biennial carbon report of Kulim plantation	2017	Published in 2017.
Halal Certification of palm products	2016	Certification program for Pasir Panjang Palm Oil Mill have been completed in 2016 and received the certification on 1 February 2017.
2% reduction in usage of glyphosate on one (1) year old palms	2020	On-going effort is being implemented for continuous plastic mulching application in part of replanting areas. The monthly glyphosate consumption of one (1) year after planting was proposed to be recorded in Blackboard Database commenced in January 2016.
Reduce water usage to 1.2 m^3 per tonne of FFB	On-going Commitment	2016 - Achieved at 1.15 m^3 per tonne FFB. The reduction in water consumption is mainly due to the recycling of sterilizer condensate into mill operation.

SUSTAINABILITY COMMITMENTS AND TARGETS
Malaysia Plantation

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

DESCRIPTION	TARGET	COMMENT
5% reduction in paraquat out of total herbicide usage	2020	Achieved – No new purchase of paraquat effective on 1 March 2015.
ISCC in three (3) mills	2017	Three (3) POM have been certified since 2013. Certification for Pasir Panjang POM received on 19 March 2017.
CO_2 equivalents reduction by 90%	2017	Biogos plant in Sedenak POM is running. Biogog plant in Pasir Panjang POM is under commissioning stage. Biogas plant in Sindora POM is under progress stage. The other two (2) mills are put on hold until suitable usage of gas/power generated in identified. The target shall be revised to achieve 50% reduction in carbon footprint by 2020 as per Carbon Footprint Report 2014 & Kulim's Integrated Annual Report 2015.
100% of external fruit to be certified	2019	Target to certify one (1) traders in 2017.
Achieve average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("PPER") of 30%	2036	PPER for 2016 is 25.63%, improved compared to 26.41% in 2015. 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 most qualified person among housewife in Kulim's Estate to be trained as an adviser among colleagues	2017	Regional Controller's ("RC") Executive has been appointed as Social Officer for each complex. Introducing and briefing on the functional of the Social Officer to all workers has been done in early 2017.

2016 SYNOPSIS

SECTION 1

Panoramic view of palm oil plantation and nursery at Sedenak Estate, Kulai

MESSAGE FROM THE CHAIRMAN

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

RESOURCEFUL. RECIPROCAL.

For a better future

"DEAR SHAREHOLDERS,

2016 has been a dynamic year for Kulim. Faced with various challenges from fizzling crude oil prices to sizzling temperatures, we emerged stronger as we dug deep, looked within ourselves and restructured the organisation to be more agile, advance further towards more sustainable operations and gear towards achieving consistent earnings growth throughout the Group."

MESSAGE FROM THE CHAIRMAN

During the year, we made significant progress on our strategic initiatives, as our resourceful talents focused on capitalising and sustaining our resources and as we looked into different dimensions of reciprocity for each of our stakeholders. Hence, we have chosen to extend the theme "RESOURCEFUL. RECIPROCAL." for this year's Integrated Annual Report.

We introduced the first Integrated Annual Report for the financial year ended 31 December 2014 ("IAR 2014") in 2015 with the aim of providing greater information and sharing with you the Company's comprehensive value creation story, our strategies, governance and performance. We believe the way forward is through greater disclosure to our shareholders and stakeholders and we are humbled by the Recognition Award 2016 received for Kulim's IAR for 'Pioneering Integrated Reporting ("IR") in Malaysia', presented during the MIA (Malaysian Institute of Accountants) IR Conference & Recognition Award and the NACRA Awards 2016 (Main Board Companies) in Industry Excellence Awards in Plantation & Mining category for the 8 times in 9 years. Going forward, we aim to continue providing such information in current and future reports.

On behalf of the Board of Directors, I am pleased to present the third Integrated Annual Report and Audited Financial Statements of Kulim (Malaysia) Berhad for the financial year ended 31 December 2016.

A PIVOTAL YEAR OF TRANSFORMATION

Our transformation journey took another step forward in mid-2016 when our outgoing shareholders voted in favour of the proposal by our major shareholder, Johor Corporation ("JCorp") to take Kulim private during the Extraordinary General Meeting ("EGM") held on 3 May 2016.

The privatisation exercise began in November 2015 with JCorp's request for Kulim to undertake a Selective Capital Reduction and Repayment ("SCR") exercise involving a cash capital repayment of RM4.10 per Kulim Share, which paved the way for JCorp to take Kulim private. Upon completion of the exercise, on 4 August 2016 Kulim was delisted from the Main Market of Bursa Malaysia Securities Berhad.

With the privatisation, Kulim became a wholly-owned subsidiary of JCorp and would naturally share the corporate objectives and aspirations of the Johor state's investment arm and economic development agency.

In making this decision to move forward, we also considered Kulim's needs, as this exercise will improve the Group's agility to decide and take affirmative steps to recalibrate and reinvigorate the business to face the challenges of the future.

MESSAGE FROM THE CHAIRMAN

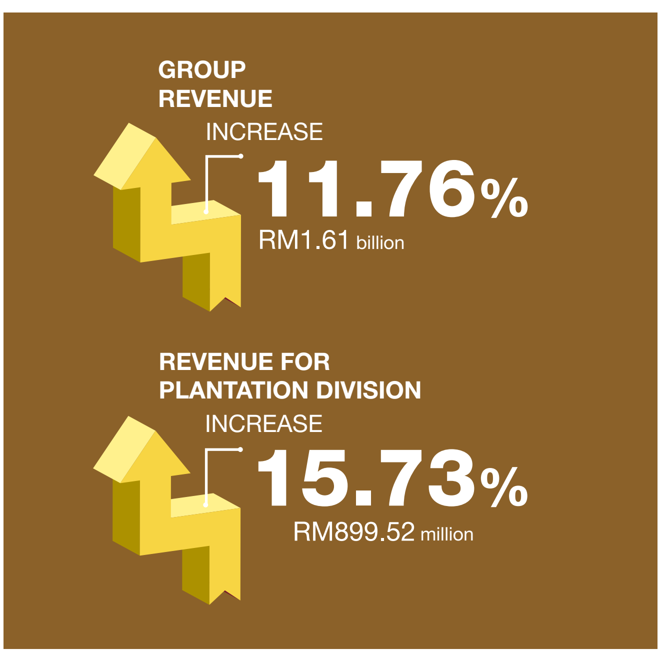
Rest assured that, even after going private, our commitment to sustainability and to all our stakeholders remains unabated. We will remain steadfast in our commitment to embrace sustainability, with transparency and good corporate governance as the overriding philosophy.

Suffice to say, this is the start of a new chapter in Kulim's transformation journey as we travel through many exciting and challenging phases to chart a successful future for the Group.

CORPORATE DEVELOPMENTS

Following our decision to acquire a 60% stake in an Indonesian Oil and Gas ("O&G") company in late 2014, we have since seen a significant decline in crude oil prices, which led us to renegotiate for a lower investment sum. Consequently, on 10 February 2016 our O&G subsidiary, Kulim Energy Nusantara Sdn Bhd ("KENSB"), signed a Supplemental Agreement with PT Citra Sarana Energi ("PT CSE"), PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of Conditional Subscription and Shares Purchase Agreement ("CSSPA") from USD133.55 million to USD80 million.

Kulim also successfully expanded its plantation land bank in 2016 with the completion of its acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") on 23 June 2016, adding 8,345 hectares of planted oil palm in South Sumatera, Indonesia, to bring the Group's total oil palm planted area to 55,680 hectares as at end-2016.



To further support our plantation operations, we have increased our interest in Kulim TopPlant Sdn Bhd ("KTP") by acquiring the remaining 40% stake via an agreement signed on 8 December 2016. KTP operates a commercial production laboratory dedicated to the production of elite high-yielding oil palm clones using plant tissue technology. This acquisition supports our strategy in further developing plant tissue culture, as it is an important aspect of the oil palm industry. It also provides us with full control over the operations, widens the opportunity for us to enhance our technological knowledge and for our experts to delve further into the R&D for better yielding clones as well as culture methodology. A successful expansion in this area could potentially lead to significant returns for the Group.

Online education is a trend that is fast gaining popularity and it is also a way to reach out to the community in rural areas where infrastructure is limited. In view of the growth potential, we have decided to acquire a further 25% equity in Classruum Technologies Sdn Bhd ("CRTSB") on 24 November 2016, bringing our total stake to 76%. It operates a social network for education and is part of Kulim's Corporate Responsibility effort to contribute towards the progress of national education, prepare the younger generation for the future and mould tomorrow's leaders.

Another notable development is our decision to divest Granulab (M) Sdn Bhd, a medical device manufacturer namely the synthetic bone graft to SIRIM Tech Venture Sdn Bhd in a deal completed on 13 November 2016 as part of our business consolidation efforts.

A YEAR OF CONSOLIDATION

It can be said that 2016 was a year of records - it set a global heat record that sent Crude Palm Oil ("CPO") prices soaring to its 20-month high of RM3,200 per tonne in December. The year 2016 also witnessed crude oil prices tumbling to its lowest ebb in over three (3) decades, driving the O&G industry into one of the severest downturns in years. This was compounded by the Malaysian Ringgit weakening to its lowest level since 1998.

The Malaysian Institute of Economic Research ("MIER") has maintained its growth projection for Malaysia's 2016 real GDP growth at 4.2%, amidst a sluggish external sector and it sees 2017 growth at 4.5% with domestic demand likely to continue to be the engine of growth.

Despite the challenging environment, Kulim managed to bag revenue at RM1.61 billion in 2016, gaining 11.76% over the preceding year's RM1.44 billion, mainly contributed by the Plantations Division.

MESSAGE FROM THE CHAIRMAN

Riding on the coattails of favourable CPO prices, which averaged at RM2,532 per tonne in 2016, revenue for the Plantations Division grew by a remarkable 15.73% to RM899.52 million during the year under review, compared with the preceding year's RM777.26 million.

However, dry and erratic weather over the past couple of years, exacerbated by El Nino's scorching heat and suppressed rainfall, had reduced flowering and fruit production. This pruned Kulim's Fresh Fruit Bunches ("FFB") output by 3.92% to 851,435 tonnes and consequently trimmed CPO production by 7.10% to 273,354 tonnes during the year.

Consequently, our unit production cost increased by 5.5% from the preceding year's RM252 per tonne mainly due to lower crop production in 2016.

At the same time, we were unable to dust off concerns over the impact of low crude oil prices on demand for biodiesel made using blended edible oils and the weakening of palm oil's competitiveness following the surge in CPO prices.

The heat from falling crude oil prices had caused many O&G industry players to aggressively adjust their business models or develop innovative ways to overcome the downturn, simmering interest in O&G exploration and production activities as well as changing trade and shipping requirements.

Similarly, our O&G Division operated under challenging circumstances during the year but remained resilient with revenue of RM626.17 million, compared to RM569.78 million in 2015 as our marine vessel operations under E.A. Technique (M) Berhad ("EA Tech") continued to deliver strong results. However, pre-tax profit was visibly lower at RM21.03 million, halved from 2015's level of RM48.34 million, as we had to be contend with tighter margins and higher costs.

Faced with a weaker local currency, the Intrapreneur Ventures Division successfully cut expenses through cost containment measures as well as by turning around several loss-making ventures and minimised cash burn by abandoning unsuccessful ideas.

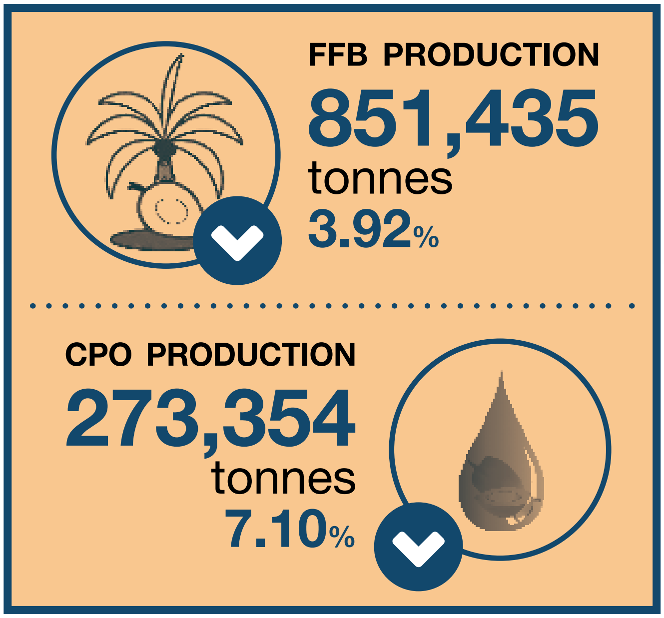
For the year under review, Intrapreneur Ventures generated RM57.61 million in revenue, just a tad off the preceding year's RM64.06 million.

Clearly this is one of the tougher years that Kulim had to face and collectively, these factors weighed heavily on the Group's bottom line which led to a 49.14% decline in pre-tax profit in 2016 to RM59.92 million from RM117.80 million previously.

A more detailed review on the financial and operating performance will be covered under the "Management Discussion and Analysis" section in this report.

ADVANCING SUSTAINABILITY

Kulim continues to place significant emphasis on our people and to adhere to stringent sustainable development principles in managing our resources, both of which are our valuable assets and I am pleased to note that our business decisions always consider the needs of our future generations and our stakeholders.



MESSAGE FROM THE CHAIRMAN

Routine activitiy of daily operations, Mungka Estate, Segamat

The resource of nature and the resourcefulness of our diverse workforce have brought us to where we are and naturally it is our responsibility to reciprocate by treating all employees with fairness and dignity and playing an active role in preserving the environment.

Among our key priorities is creating a safe and healthy work environment, where Kulim managed to achieve a zero fatality record in 2016 with its on-going culture of 'safety first' as well as an improvement in Lost-Time Accident Rate ("LTAR") rate to 3.51 in 2016 from 6.82 previously, due to consistent training and strict supervision on occupational safety and health.

Conserving biodiversity remains close to our hearts and Kulim continues to play its part in maintaining natural habitats and wildlife, both at and beyond the boundaries of its estates and in cooperation with the authorities and outgrowers. This year also saw Kulim continued to support the latest edition of the Raja Zarith Sofiah Wildlife Defenders Challenge 2016 which kicked-off in December 2015 with the theme - Symbiosis within Mangrove Forests and Eco-Development.

We took a step further in 2016 towards achieving our medium term goal of reducing chemical usage, which is one of our water conservation efforts, by eliminating the use of glyphosate and paraquat in plantations and implemented in its place the Integrated Pest Management system.

To address climate change and to reduce carbon footprint, Kulim has invested in a couple of biogas plants at its oil mills to produce renewable energy from methane generated by the waste product Palm Oil Mill Effluent ("POME"). To comply with international standards, our mills have also obtained the International Sustainability and Carbon Certification ("ISCC") as well as the *Halal* certification and we continue to place significant importance on the Roundtable on Sustainable Palm Oil ("RSPO") Certification by meeting sustainable standards and complying with RSPO Principles & Criteria ("RSPO P&C") for Sustainable Oil Palm production.

Aside from being environmentally conscious, long-term sustainability also rests on our ability to work harmoniously within the social and environmental settings and in close cooperation with our stakeholders as well as the ability to provide sustained returns to our shareholders. This is achieved through stakeholder engagements where we listen to their needs and endeavour to build trust-based relationships and through socially-responsible actions reciprocate by giving back to our stakeholders.

This is the crux of our theme: "Resourceful. Reciprocal. For a better future."

MOVING FORWARD

We enter 2017 with clear immediate priorities as we gear up for growth with confidence and the commitment of our people, set goals for a better future with the strategic initiatives that we have mapped out.

Kulim begins a new chapter following its privatisation, defining a new perspective for the Group as part of the larger JCorp Group to contribute to the state and national economic growth whilst maintaining sustainable business growth and improving the wellbeing of the community through business success and corporate responsibility undertakings.

To maintain its position as a competitive, profit-generating and highly-regarded business entity, which is also a vision of JCorp, Kulim will continue to find its core activity in the Plantation business with added contribution from the Indonesian estates.

MESSAGE FROM THE CHAIRMAN

Bird eye-view of Taman R.E.M, Kota Tinggi

We will also continue with our replanting efforts to ensure continuous improvement in future yields. Further research and enhancements in best practices for sustainable development should also improve our efficiency and cost management going forward as we continue to invest in our people and in newer technologies.

We are convinced that our forbearance in the upstream O&G venture will pay off in the coming years as the prospects looks promising and we are staying on course with our marine vessel operations as the industry is poised to see relatively more stable oil prices.

Although relatively small in size, the Agrofoods sector has much growth potential and agro industries not only generates employment and income opportunities but also contributes to enhancing the quality of farm products in an environmentally-friendly and sustainable manner.

Hence, the productive partnerships and the potential for further growth of our Agrofoods Division, further aided by the government's incentives to promote agro industries, will be yet another area of interest.

We have maintained positive momentum and plans are afoot to upscale the cattle project due to higher local demand for beef and in support of the national food security programme. We are also expanding the planting of our pineapple – Melita, amid the increasing taste for the sweet and juicy tropical fruit, which has high marketability worldwide.

PROPERTY DEVELOPMENT
TAMAN R.E.M

PHASE 1
457 UNITS

PHASE 2
471 UNITS

TARGET COMPLETION 2018

Property development and value realisation will feature in our Housing Project at REM Estate involving the construction of 928 homes in two (2) phases.

Phase 1 comprise 457 units while Phase 2 will see the construction of 471 units. We are pleased with the progress thus far, with the earthworks for Phase 1 completed on 13 April 2016 and the ongoing construction to be completed by mid-2017. Construction of the second phase is slated for completion in 2018.

Although we remain cautious about the strength of the local currency and its impact on our operations, we believe that our efforts on better cost control and greater efficiency will help to mitigate the risks.

Overall, we expect 2017 to be a satisfactory year for Kulim.

MESSAGE FROM THE CHAIRMAN

ACKNOWLEDGEMENTS

It is the hard work, enthusiasm, dedication and commitment of our people that enables us to continue to deliver superior business performance. On behalf of the Board of Directors, I wish to recognise and thank each and every employee and worker in our organisation who has contributed to Kulim's development and growth, for your untiring efforts and commitment throughout the year.

Our deepest appreciation also goes to our business partners, associates, consultants and the relevant government authorities in Malaysia and Indonesia, for your understanding and support in realising our goals.

We thank you, our shareholder – Johor Corporation, for its trust in us and for the support extended to us, giving us the strength to perform our best and to make a difference in all that we do.

I wish to thank the Board of Directors for its contribution and support as well as playing an important role in setting strategies to steer the Group through these challenging times and working closely with the management to achieve Kulim's vision.

I am also pleased to announce that Zulkifly Zakariah has been appointed as Executive Director of Kulim on 1 January 2017. He has served as the Vice President of Estate Operations since January 2013 and prior to that, as the Regional Head for Kulim's plantation operations in Northern Johor, Malaysia. He has been with the Company since 1980. With over 35 years of experience, I believe he will be able to lead the Group to greater heights and I look forward to working with him as we turn the page to begin a new chapter on Kulim's future.

We are proud of the quality, commitment and capability of our management under the stewardship of Ahamad Mohamad as the Managing Director, who has since 1994 nurtured Kulim from a small plantation firm into a well-known international player in the palm oil industry, guiding the Group past various hurdles and triumphs through which it has emerged stronger each time. After 23 years at the helm, Ahamad has now moved to a new role as the Corporate Advisor of Kulim, where we are confident that he will continue to support the Group's success.

A special note of appreciation goes to the outgoing Executive Director, Abdul Rahman Sulaiman who retired on 1 January 2017, the Independent Non-Executive Directors - Tan Sri Dato' Seri Utama Arshad Ayub, Tan Sri Datin Paduka Siti Sa'diah Sh Bakir, Datuk Haron Siraj, Dr. Radzuan A. Rahman and Leung Kok Keong, whose terms ended on 1 October 2016 and Rozaini Mohd Sani who resigned on 1 March 2017, all of whom have contributed significantly to the Group's development. I also take this opportunity to congratulate Mohamad Salleh Mohamad Yusof and Wan Su Ali who were appointed to the board as Non-Independent Non-Executive Directors on 1 March 2017. We are also grateful to Dr. Radzuan A. Rahman for agreeing to be reappointed to the Board on 16 January 2017 as an Independent Non-Executive Director to chair Kulim's Audit Committee, which reflects our continuing commitment to uphold good corporate governance even as a private entity.

Last but not least, my heartfelt gratitude extends to all our stakeholders for your continued support and contribution, both big and small, for with your cooperation, we shall be able to face the future with renewed confidence having better positioned ourselves to meet customers' emerging needs as well as improved delivery and competitiveness through our socially and environmentally responsible approach.

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

MANAGEMENT DISCUSSION AND ANALYSIS

ZULKIFLY ZAKARIAH
Executive Director

AZLI MOHAMED
Chief Financial Officer/
Vice President, Finance

"DEAR SHAREHOLDERS,

The financial year under review posed numerous challenges to businesses across the globe, both on the international and domestic front. Domestic business sentiment was, among others, affected by a sluggish economic environment amid the weakening ringgit and cuts in government spending."

MANAGEMENT DISCUSSION AND ANALYSIS

On the international front, uncertainty surrounded commodity prices while the O&G sector struggled to find their footing in one of the industry's worst downturns and planters had to contend with diminished yield at a time of rising CPO prices.

In addition, global economies were also adjusting to market volatility arising from political changes, further compounding unpredictability on the outlook for global trade.

These were the global economic landscape and challenges that Kulim faced in year 2016 and the dynamics of our effectiveness and responses to these challenges have helped us emerge leaner, stronger and with greater determination to forge ahead towards a better future.

FINANCIAL REVIEW

Commodity price volatility dominated the scene during the year under review and left a profound impact on the operations and financial performance of Kulim, whose earnings predominantly comes from the plantations business.

Kulim's plantation business encompasses the entire cycle of plant breeding, tissue culture, nursery and oil palm plantation right up to palm oil milling for the production of CPO and Palm Kernel ("PK").

Overall, it was a year of mixed fortunes for Kulim because the erratic weather and dry spells had affected flowering and fruit production and consequently crop output, which in turn led to higher CPO prices, whilst a weaker local currency led to higher costs.

Foreign exchange fluctuations and volatility in crude oil prices too had left an impact on our O&G operations, the Group's second largest earnings contributor.

The Group ended its financial year on 31 December 2016 with 11.76% growth in revenue to RM1.61 billion, aided by the surging CPO prices, to better its 2015 achievement of RM1.44 billion. However, PBT has decreased by 49.14% in 2016 to RM59.92 million, from RM117.80 million previously mainly due to the requirement of the Group's prior year adjustment as well as impairment.

Of this, the Plantation segment contributed 56% or RM899.52 million and O&G operations 39% or RM626.17 million that year, whilst the remainder came from other businesses.

Though faced with plunging crude oil prices, O&G Division managed to edge up by charting its course with key subsidiary EA Tech, which continued to stay afloat with existing contracts to provide marine transportation and offshore O&G storage services.

Unfortunately, the Group had to contend with lower crop yields, low oil prices that affected the sentiment in the overall O&G sector, as well as a beleaguered local currency that inevitably raised operating costs.

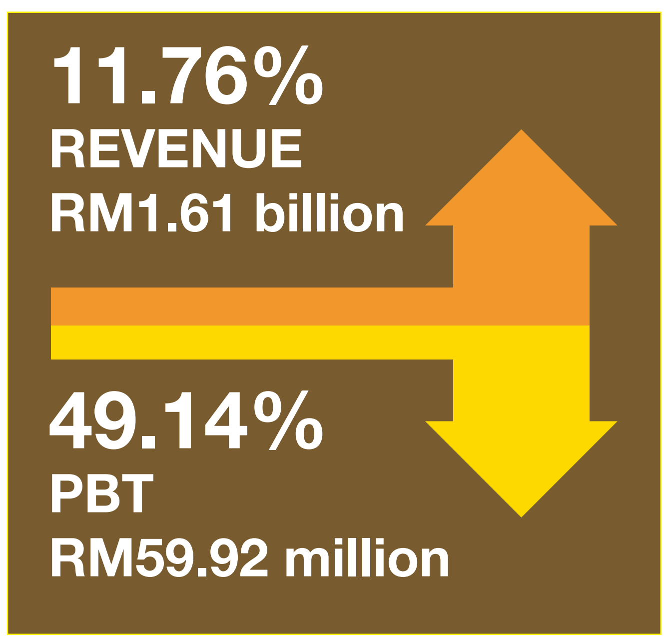
The Malaysian Ringgit fell to its lowest levels in years, slipping as much as 4.3% against the US Dollar to its 19-year low in 2016 after losing 18.5% in 2015 and tumbled further to RM4.50 against the greenback at the beginning of 2017.

Kulim has performed relatively well in 2016, field costs contained at RM266 per tonne FFB, similar to the budget estimates. However, it was an increase as compared to RM252 per tonne achieved last year mainly due to lower crop production in 2016. Whilst, our milling costs stood at RM46.68 per tonne FFB, beating our own budget estimates by 0.76%.

OPERATIONAL PERFORMANCE

PLANTATION

The performance of the Plantation Division was swayed by several key factors, namely the erratic weather conditions, crop yield, global commodity price trends and operating efficiency.



MANAGEMENT DISCUSSION AND ANALYSIS

Palm oil prices rallied in 2016 as yields fell during the year amid lingering drought damage. Since January 2016 CPO prices climbed steadily from the September 2015 low of USD538 per tonne to peak at USD783 per tonne in December 2016. This represented a massive 38% jump from the beginning of the year and a whopping 45% increase from September 2015.

This had helped to boost revenue for the Plantation segment by a significant 15.73% to RM899.52 million, while pre-tax profit increased by 71.58% to RM98.98 million.

During the year, we managed to achieve average CPO prices of RM2,532 per tonne for our Malaysian operations, which was well above the RM2,191 per tonne average attained a year earlier.

We also recorded a higher PK price of RM2,387 per tonne in 2016 for our Malaysian operations, compared with RM1,534 per tonne previously.

However, drought damage diminished production growth, causing Kulim's Fresh Fruit Bunches ("FFB") output to shrink by 3.92% to 851,435 tonnes and consequently reducing CPO production by 7.10% to 273,354 tonnes during the year.

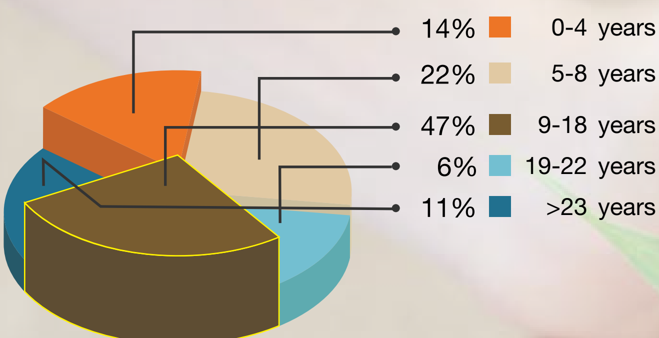
This brought the yield per hectare in 2016 to 20.86 tonnes compared to 22.50 tonnes recorded in year 2015.

In 2016, total FFB processed was also lower by 5.03% at 1,339,659 tonnes while Oil Extraction Rate ("OER") stood at 20.40%, markedly lower than that of 20.86% achieved in 2015.

To mitigate the impact, we implemented Good Agricultural Practices ("GAP") and enhanced the use of natural organics material, such as using fronds to help in soil conservation and Empty Fruit Bunches ("EFB") for mulch to retain moisture and return organic matter to soil.

At a more advanced level, we have long invested in mechanisation to reduce dependency on labour, increase the productivity and enhance the harvesting process alongside the use of more elite planting materials, such as sowing seeds of high-yielding crosses. This year, we have continued the mechanisation of oil palm operation; namely using motorised harvesting poles – Cantas and motorised sickles - Ckat to some 1,164 hectares of oil palm area, with the ever rising labour costs, we believe mechanisation is the way forward for the oil palm industry.

PALM AGE PROFILE
MALAYSIA



TOTAL PLANTATION LANDBANK
MALAYSIA

51,033 hectares

TOTAL PLANTATION LANDBANK
INDONESIA

64,345 hectares
with *Izin Usaha Perkebunan* ("IUP")

MANAGEMENT DISCUSSION AND ANALYSIS

In all, Kulim spent RM96.83 million in capital expenditure ("capex") for plantation in 2016 mainly for replanting at our estates in Malaysia.

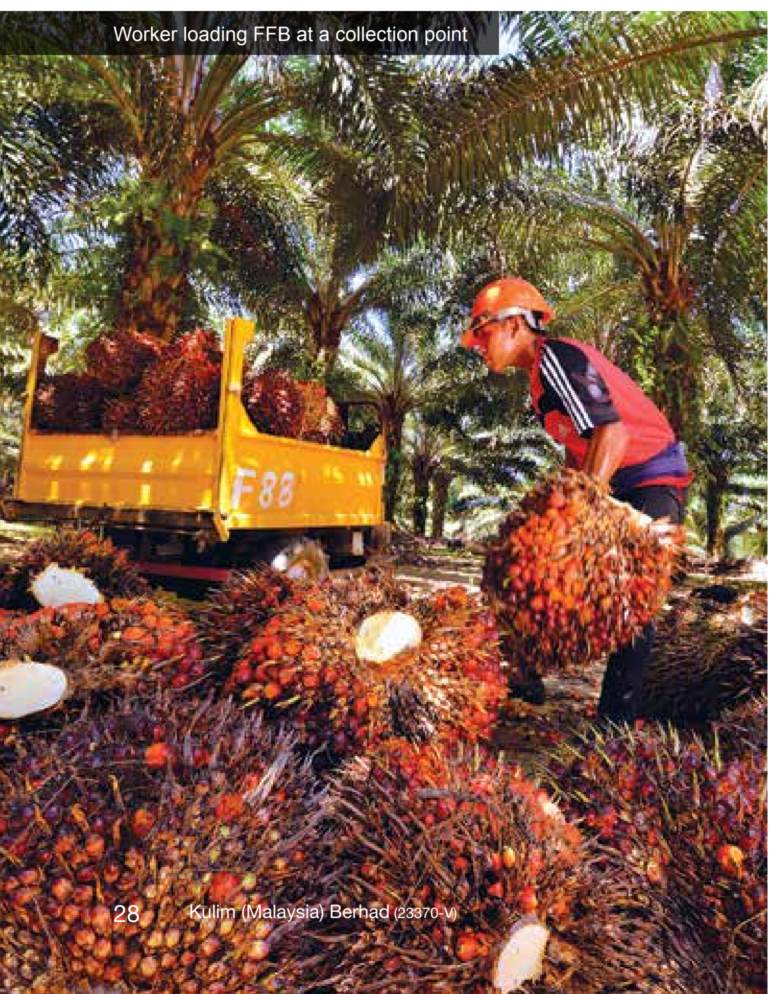
The capex is 16% lower than the RM114.80 million spent in 2015, due to smaller replanting area in 2016 at 1,050 hectares as compared to 1,182 hectares replanted in 2015.

Our continuous replanting efforts on a staggered basis to improve the age profile of our palms also bore fruit, as high yielding clones enabled us to reap better yields.

Our prime trees of between 9 and 18 years constitute around 47% of our total planted area.

Kulim currently has a total landbank of 51,033 hectares in Malaysia, of which 93% has been planted with oil palm and 3,500 hectares are slated for replanting in 2017.

On 10 February 2016, Kulim had signed an agreement via its 74%-owned subsidiary PT Wisesa Inspirasi Nusantara ("PT WIN") to acquire the four (4) mid-sized oil palm plantation companies that owned the 4 Indonesian estates for a total of IDR1.64 trillion (approximately RM509.35 million). The 4 companies are PT Nusa Persada Indonesia ("PT NPI"), PT Surya Panen Subur ("PT SPS"), as well as PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") of the Amara Group.


Worker loading FFB at a collection point

The 4 companies collectively held about 100,424 hectares of plantation land with *Izin Usaha Perkebunan* ("IUP"), of which 33,489 hectares have been planted with oil palm.

PT WIN officially took over the two (2) estates of PT RAJ and PT TPR on 23 June 2016. These estates, which are located in South Sumatera, stretches across 14,397 hectares areas secured with *Hak Guna Usaha ("HGU")* while 8,345 hectares of planted area and 4,316 hectares with matured trees.

Our first harvest was in August 2016 amounting to 1,041 tonnes of FFB, which was sold to a third party mill at an average price of IDR1.35 million (approximately RM430 per tonne), with the low production attributable to poor ground accessibility and lower fruit yield palms.

Subsequently, we initiated the rehabilitation process including infrastructure improvements to facilitate speedier revenue generation and measures to head towards compliance with Roundtable on Sustainable Palm Oil ("RSPO") and Indonesian Sustainable Palm Oil ("ISPO"). Plans are also afoot to prepare for new planting using high yielding clones, on a staggered basis from 2018.

Our aim is to fully rehabilitate the two (2) estates over a period of three (3) years, beginning with 500 hectares in 2016, followed by 2,000 hectares in 2017 and 2,000 hectares in 2018. This will bring the complete rehabilitated total planted areas to 9,000 hectares for both estates upon completion of the exercise.

As for Kulim's estate in North Barito, Central Kalimantan, where it has 307 hectares of planted areas, there were no further developments in 2016 due to some regulatory issues. However, we are currently ironing out the matters as well as to ensure compliance with all requirements, because as an RSPO-certified palm oil Group, it is our belief that true sustainability requires a harmonious balance of economic, social and environmental factors.

OUTLOOK FOR THE PLANTATION DIVISION

CPO prices are expected to remain firm as it gathers pace in early 2017, though there is a likelihood it may ease towards the later part of the year as yields improve and output increases following better weather conditions in the later part of 2016 and early 2017.

In view of this, we expect that the Plantation Division to continue to present a satisfactory showing in the year ahead and with greater demand from the biodiesel sector helping to stabilise demand for palm oil.

Plantation Segment: pg 86 - pg 95

MANAGEMENT DISCUSSION AND ANALYSIS

OIL & GAS

The Oil & Gas ("O&G") segment was stable in 2016, posting revenue of RM626.17 million as compared to the preceding year at RM569.78 million, despite a highly volatile crude oil price during the year, but suffered from the effects of a weaker local currency.

The benchmark Brent oil price collapsed to USD26 per barrel in early 2016 and sending rig counts plunging across the globe as industry players scaled back on exploration and production activities and as oil majors mulled a production freeze to arrest the price decline.

Oil prices rose above the USD50 per barrel level by mid-2016 but eventually slipped below USD40 per barrel in August after a production freeze agreement failed to materialise from an OPEC meeting. Only after OPEC agreed to cut production in the fourth quarter of the year did we see oil prices strengthening to around USD55 per barrel towards the end of the year. It averaged at around USD49 per barrel in the fourth quarter of 2016, buoyed by the decision on output reduction by oil producers.

According to the World Bank, despite the rebound in 2016, the annual averange oil price remains 16% below 2015 levels. *(Source: Commodity Markets Outlook, January 2017, World Bank Quartely Report).*

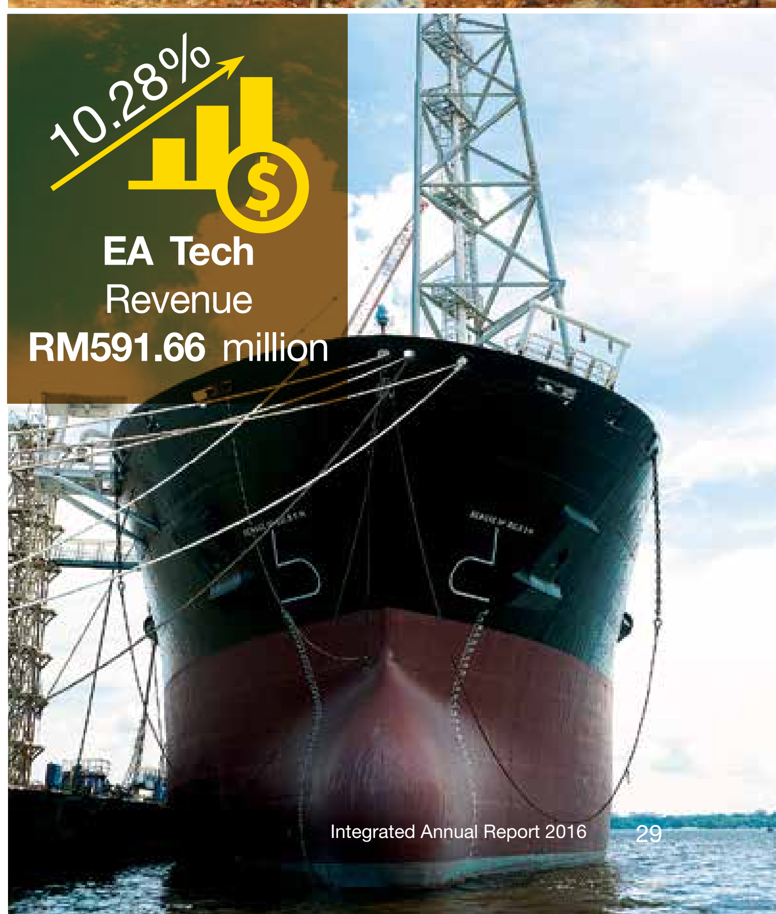
The volatile oil prices had little effect on our nascent Exploration and Production ("E&P") venture in Indonesia, as it is still at an early stage, but it had affected the O&G sector globally, indirectly posing a tremendous challenge to our marine vessel operations that supports the O&G sector.

In 2016, EA Tech contributed RM591.66 million to the Group revenue, an increase of 10.28% from revenue in 2015 of RM536.53 million. Pre-tax profit was posted at RM21.54 million, which is a 36.18% increase from RM15.82 million achieved in 2015.

Following EA Tech's listing in 2014, it was able to improve its cash position thus enabling it to acquire additional vessels in a chemical tanker and an oil tanker in mid-2016 and to take in further orders from customers. A couple of harbour tug boats were also delivered to clients in 2016.

Although EA Tech's planned joint-venture with MTC Engineering Sdn Bhd to provide floating services failed to materialise, the effort took off in a different perspective with EA Tech proposed to acquire the topside equipment from the former for USD24 million. The topside equipment, which included extended well test system, flare tower system, metering skid, cargo pump, quick release hook and helideck are installed to create a complete processing system on a vessel in order to facilitate more efficient transportation, lifting and installation from the dockside onto the vessel.

During the year, EA Tech also acquired Libra Perfex Precision Sdn Bhd, a company that hires and charters marine vessels, at a purchase price of RM5 million, further adding synergy to its existing operations.



MANAGEMENT DISCUSSION AND ANALYSIS

Another notable contributor to our O&G Division is engineering and quality assurance provider Danamin (M) Sdn Bhd ("Danamin"), which focuses on niche activities in specialised industries such as O&G, marine, petrochemical, and refineries.

Danamin's 2016 revenue growth of 8.35% to RM34.50 million, against RM31.84 million in 2015, was mainly attributable to its Non-Destructive Testing ("NDT") and fabrication activities, while provision quality assurance, integrity management and inspection services to the O&G industry play a lesser role.

Despite the marginal growth in revenue, the company's earnings improved substantially, turning its pre-tax loss of RM4.75 million in 2015 into pre-tax profit of RM1.33 million in 2016. This was mainly due to the effectiveness in costs management which includes review of manpower planning.

Despite a better showing in terms of revenue, the O&G Division was unable to completely offset the effects of the weaker Ringgit even with improved cost management.

Overall, O&G Division ended the year with a lower PBT of RM21.03 million, down 56.49% from RM48.34 million in 2015.

OUTLOOK FOR THE O&G DIVISION

Market conditions for the offshore O&G industry was extremely challenging throughout 2016, but going forward, we expect the environment to improve as oil prices stabilise, which is timely for our upstream venture in Indonesia that is likely to begin to yield returns in about 2-3 years.

We ventured into the South West Bukit Barisan ("SWBB") Block E&P project, onshore West Sumatera Province under a production sharing contract in 2016 via acquisition of 60% equity in PT Citra Sarana Energi ("PT CSE") by Kulim's wholly-owned subsidiary, Kulim Energy Nusantara Sdn Bhd ("KENSB"). Currently, the completion of the acquisition is subject to obtaining appropriate approvals.

Depending largely on its commercial viability, production is targeted to begin in the second half of 2017, thus making us well-positioned to capitalise on the anticipated upstream O&G recovery in the coming year.

In January, crude oil prices traded around USD53-55 per barrel following the commencement of production cuts and according to The World Bank, are projected to average USD55 per barrel in 2017. *(Source: Commodity Markets Outlook, Jan 2017, World Bank Quarterly Report).*

We continue to see bright prospects for EA Tech as it continues to leverage on its existing contracts whilst also securing new jobs from a recovering industry. This wider fleet of vessels has enabled us to meet greater and more diverse needs of our customers and we also see a renewal in demand for more supporting O&G activities amid anticipation in the market of an uptick in upstream activities in 2017.

In its 2016 Johor Budget, the Johor State Government announced its decision to task the establishment of the Pengerang Local Authority to JCorp in order to attract more firms to invest in the Pengerang Integrated Petroleum Complex ("PIPC"), which is expected to begin operations in 2019. JCorp will also be developing the Pengerang Industrial Park ("PIP") area that can house some 266 factories and offer an estimated 15,846 jobs.

On 16 January 2017, we celebrated the official launching of the Pengerang Local Authority, which will oversee the PIPC industrial zone and its surrounding areas. The Local Authority will be administered by JCorp and its jurisdiction covers an area of 128,830 hectares of land in Pengerang.

This development will bode well for Kulim's 8,000-hectare mixed property development projects in Pengerang, Kota Tinggi, which is located about 30 kilometres from Petroliam Nasional Bhd's Refinery and Petrochemical Integrated Development ("RAPID") project.

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

We foresee stable demand for properties in strategic areas in view of the developments such as RAPID, Pengerang Industrial Park and Pengerang's role in the near future as a growth area and catalyst for the development of east Johor Corridor.

O&G Segment: pg 100 - pg 105

INTRAPRENEUR VENTURES

The overall financial performance of the Intrapreneur Venture ("IV") Division was somewhat muted as the triumph from a turnaround in several ventures as well as higher revenue were overcome by higher operating costs resulting from the weaker currency.

In all, IV Division raked in RM57.61 million in revenue for 2016, down 10.07% from 2015's RM64.06 million, the pre-tax profit has decreased by 35.23% from RM1.09 million to RM704,960.

Extreme Edge Sdn Bhd ("EESB") remains its key earnings contributor, bringing in revenue of RM20.42 million, followed by MIT Insurance Brokers Sdn Bhd ("MIT") and Kulim Safety Training and Services Sdn Bhd ("KSTS"). MIT secured a revenue of RM9.59 million while KSTS traded in RM3.29 million in sales for the year, locking in PBT of RM1.50 million and RM666,640 respectively.

The revenue improvement was mainly due to a strategic shift in business and marketing strategy, turnaround in several loss-making ventures, favourable new acquisitions and gain from sale of several ventures. As in all business decisions, it was unfortunate that a couple of smaller ventures had stalled, which led to the subsequent disposal of these non-performing ventures.

Network infrastructure and system provider EESB had a taxing year, with revenue buckling 14% under the strain of lower contribution from subsidiary Sovereign Multimedia Resources Sdn Bhd ("SMR"). Following the completion of the Kedai Ayamas & Rasamas ("KARA") project, SMR had narrowed its services solely to JCorp, resulting in a decline in revenue.

EESB's operating expenses and administration cost increased significantly in 2016 to RM18.38 million from RM16.52 million previously and this helped it sustain its profit margins, which was also affected by the weaker currency. For the year, its pre-tax profit stood at RM2.44 million, down 19.49% from RM3.04 million in 2015. Nevertheless, EESB remained the IV Division's core profit contributor, accounting for 37% of the Division's bottom line in 2016.

The insurance business also performed well during the year, with MIT obviously benefiting with the staff of Takaful Brokers, Mutual Sense Sdn Bhd, joining the company and bringing along their portfolio. MIT also found new major clients in Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM"), Dewan Bandaraya Kuala Lumpur ("DBKL") and Bank Rakyat.

During the year, gross premiums rose to RM65.59 million compared to RM56.66 million in 2015.

MIT's specialist services currently encompass four (4) practices, namely Financial Solutions ("FINSOL"), Specialty, Commercial and Employees Benefits and to further broaden its earnings base, the insurance unit has now ventured beyond traditionally-regulated commercial insurance to diversify into Captive Insurance and Reinsurance. A captive insurer is wholly owned and controlled by its owners, insuring the risks of its owners and also allowing them to benefit from the captive insurer's underwriting profits. The advantages include, among others, lower insurance costs and improved a broader coverage.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result, MIT's pre-tax profit decreased by RM1.50 million in 2016 from RM1.69 million previously.

During the period under review, KSTS posted an encouraging revenue increase of 26.43% to RM3.29 million from RM2.60 million in 2015, mainly attributed to its strategies to strengthen existence and establish wider reach through setting up of additional outfit at the fast-developing RAPID project area in Pengerang. Correspondingly, pre-tax profit increased to RM666,640 from RM533,050 recorded in 2015.

Going forward, KSTS remains committed to providing innovative, cost-effective and quality service and to treat of each contract as a partnership.

OUTLOOK FOR THE IV DIVISION

We believe that the IV Division holds significant growth potential and we will continue to evaluate new ideas and opportunities that will allow us to unlock the value of the businesses nurtured under our IV initiatives.

Our strategies going forward include, among others, efforts to strengthen existing businesses by leveraging on the Group's knowledge, expertise and experience, as well as to support the growth of new investments. We will also consider harvesting matured ventures, exiting non-performing businesses or divesting investments to optimise returns.

However, for businesses that hold significant potential, we will restructure the operations to make them more efficient in order to remain an ongoing entity. We aim to continue investing in new potential business ventures as well as ideas that provide an opportunity for the Group to further diversify its operations.

Intrepreneur Ventures: pg 96 - pg 99

AGROFOODS

Although Kulim has built a strong portfolio in Plantation, O&G and IV, we continue to look into opportunities that have healthy synergy with our core operations and supports long-term growth.

The progression into Agrofoods is akin to a chain feed, allowing us to promote green activities through natural recycling of compost and fruit waste to support our feedlot and cattle integration effort while, at the same time, supporting our partners and outgrowers in building up a successful venture and in support of the national food security programme.

During the year under review, Kulim made great strides in its Agrofoods Segment, with its feedlot activities generating some RM2.5 million from the sale of cattle whilst its pineapple plantation prospered with revenue of RM4.92 million.

As at 31 December 2016, the feedlots housed a total of 357 cattle, of which 287 heads are in Feedlot Bukit Nyamuk and 70 heads in Feedlot Lubuk Bakul. Whereas, under integration segment, cattle herd was 7,208 at end-2016 versus 7,346 heads as at end-2015. As at year-end 2016, we had a total cattle population of 7,565 heads, an increase of 1.52% (2015: 7,452 heads) from the previous year's.

Starting from 1 January 2017, Kulim Livestock Sdn Bhd ("KLSB"), a wholly-owned subsidiary of Kulim in charge of the feedlot operations, will be taking over the management of JCorp's feedlot business which was previously under the care of the latter's subsidiary, Ihsan Permata Sdn Bhd ("IPSB"). This development will see Kulim to manage as many as eight (8) feedlots with additional 600 heads per cycle of cattle under its care.

MANAGEMENT DISCUSSION AND ANALYSIS

As one of the biggest producers of fresh pineapples in Malaysia for the local as well as export markets in the Middle East, East Asia and Singapore, we remain on track in our target to expand our pineapple plantation to about 1,000 hectares by 2019, from the current 182 hectares. The total productions for 2016 was 3,179 tonnes, an increase of 158% from the previous year.

Apart from producing fresh fruits, we are also looking into downstream produce such as tarts, jam, frozen yogurt and drinks under the brand of "Melita".

In a two prong approach to recycle waste and to reduce costs, pineapple waste will be collected by KLSB at least twice per week to be used as feed for livestock. This reduces our reliance on the relatively more costly palm kernel cake as a major feed ingredient and also environmentally friendly.

Agrofoods: pg 99

FINANCIAL POSITION

Kulim's financial position remained stable in 2016, with positive cash balance and net gearing ratio of 0.38 times.

The disposal of New Britain Palm Oil Limited ("NBPOL") boosted Kulim's cash balance to RM1.58 billion as at end-2015 and despite having paid generous cash repayment to shareholders under the privatisation exercise, the Group remains in positive cash position of RM530.78 million.

As a result of additional financing obtained for the Selective Capital Reduction and Repayment ("SCR") exercise, which amounted to RM1.05 billion, Kulim's total borrowings increased to RM2.04 billion as at 31 December 2016, compared to RM0.91 billion in 2015. Hence, net gearing ratio increased to 0.38 times from negative gearing of 0.11 times at end-2015.

At the same time, the Group also undertook a revaluation of its plantation landbank, resulting in an increase of RM448.64 million in its Property, Plant and Equipment while its capital base remained strong with Net Assets ("NA") of RM4.18 billion as at end-2016. The net decrease in NA from previous year's RM6.03 billion was majorly attributed to the SCR exercise which saw the capitalisation of Kulim's Retained Earnings of RM2.70 billion for the purpose of Bonus Issue and another RM340.35 million for cancellation of Treasury Shares.

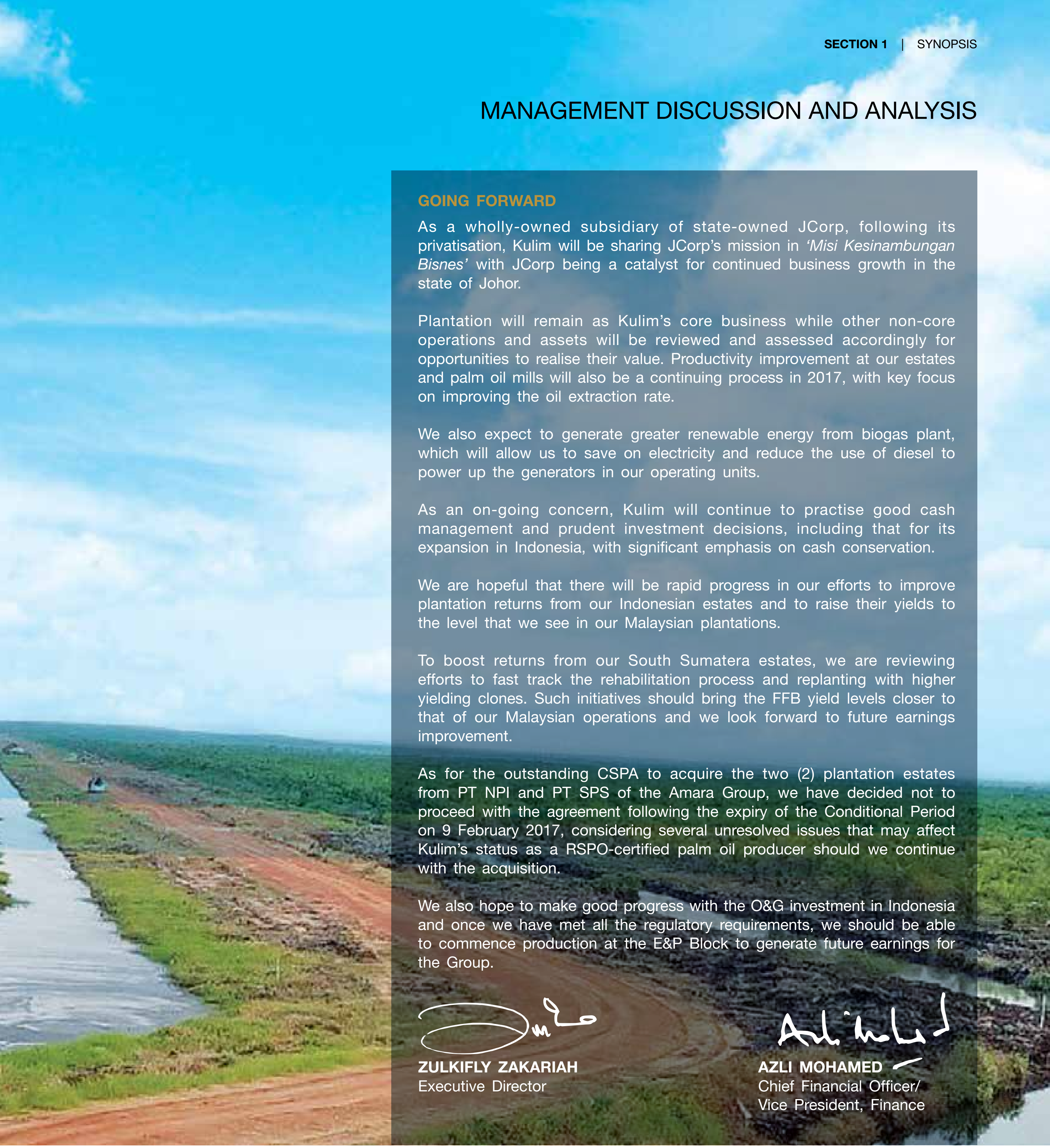
RETURN TO SHAREHOLDERS

In 2016, JCorp took Kulim private via the SCR with cash repayment to the entitled shareholders of RM4.10 per Kulim share, providing minority shareholders with an opportunity to realise their investment in Kulim at a premium to the market price. Kulim was last traded at RM4.06 per share.

Under the SCR, a total capital repayment of approximately RM2.22 billion (including professional fees and incidental costs) was made to the Entitled Shareholders on 5 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Tempirai Palm Resources Estate, South Sumatera, Indonesia.



MANAGEMENT DISCUSSION AND ANALYSIS

GOING FORWARD

As a wholly-owned subsidiary of state-owned JCorp, following its privatisation, Kulim will be sharing JCorp's mission in *'Misi Kesinambungan Bisnes'* with JCorp being a catalyst for continued business growth in the state of Johor.

Plantation will remain as Kulim's core business while other non-core operations and assets will be reviewed and assessed accordingly for opportunities to realise their value. Productivity improvement at our estates and palm oil mills will also be a continuing process in 2017, with key focus on improving the oil extraction rate.

We also expect to generate greater renewable energy from biogas plant, which will allow us to save on electricity and reduce the use of diesel to power up the generators in our operating units.

As an on-going concern, Kulim will continue to practise good cash management and prudent investment decisions, including that for its expansion in Indonesia, with significant emphasis on cash conservation.

We are hopeful that there will be rapid progress in our efforts to improve plantation returns from our Indonesian estates and to raise their yields to the level that we see in our Malaysian plantations.

To boost returns from our South Sumatera estates, we are reviewing efforts to fast track the rehabilitation process and replanting with higher yielding clones. Such initiatives should bring the FFB yield levels closer to that of our Malaysian operations and we look forward to future earnings improvement.

As for the outstanding CSPA to acquire the two (2) plantation estates from PT NPI and PT SPS of the Amara Group, we have decided not to proceed with the agreement following the expiry of the Conditional Period on 9 February 2017, considering several unresolved issues that may affect Kulim's status as a RSPO-certified palm oil producer should we continue with the acquisition.

We also hope to make good progress with the O&G investment in Indonesia and once we have met all the regulatory requirements, we should be able to commence production at the E&P Block to generate future earnings for the Group.

ZULKIFLY ZAKARIAH
Executive Director

AZLI MOHAMED
Chief Financial Officer/
Vice President, Finance

CORPORATE EVENT HIGHLIGHTS 2016

1. Kulim Pineapple Farm

2. Sindora Estate & Kulim Pineapple Farm

3. Prime City Hotel, Kluang

4. Kulim Pineapple Farm

5. Laguna Bali, Indonesia

1. 10 JANUARY

Visit by the Deputy Minister of Agriculture & Agro-based Industry Malaysia, YB Tuan Nogeh Gumbek.

2. 16 FEBRUARY

Visit by *Majlis Pembangunan Pertanian Parlimen Lenggong.*

3. 28 FEBRUARY

Pedoman Kulim 2016.

4. 3 MARCH

Visit by the Minister of Agriculture & Agro-based Industry, YB Dato' Sri Ahmad Shabery Cheek.

5. 21-22 APRIL

8th Annual Global CSR Summit and Awards Ceremony 2016. Kulim was awarded as the winner in two (2) categories:

1) Best Workplace Practices Award (Bronze Award)

2) CSR Leadership Award (Bronze Award) - Ahamad Mohamad.

6. 3 MAY

Kulim (Malaysia) Berhad 41st Annual General Meeting ("AGM") & Extraordinary General Meeting ("EGM").

7. 14-17 MAY

Kulim participated in JCorp Carnival 2016, in conjunction with *Kembara Mahkota Johor 2016.*

8. 8 JUNE

Visit by Datu Shameem B Mastura, Mayor of Sultan Kudarat Province, Philippines and his delegates.

9. 23 JUNE

Signing ceremony of completion acquisitions of PT TPR and PT RAJ.

10. 2-4 AUGUST

12th World Islamic Economic Forum ("WIEF") "Decentralising Growth, Empowering Future Business".

11. 13 AUGUST

Visit by the Deputy Chief Minister of Sarawak cum Minister at the Ministry of Modernisation of Agriculture & Rural Economy, YB Datuk Amar Douglas Uggah Embas and Delegates.

6. Permata Ballroom, The Puteri Pacific Hotel Johor Bahru

7. Dataran Bandaraya Johor Bahru

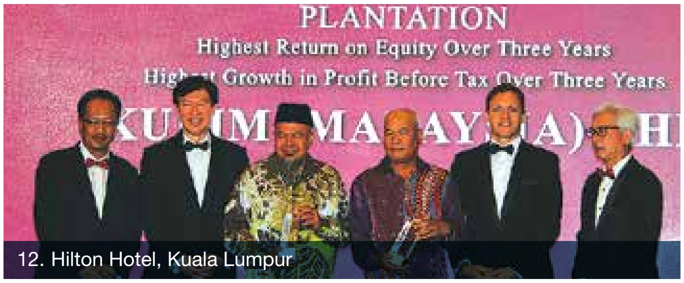
8. Kulim Pineapple Farm

9. Hotel Borobudur, Jakarta, Indonesia

10. Jakarta Convention Centre, Indonesia

11. Kulim Pineapple Farm

CORPORATE EVENT HIGHLIGHTS 2016

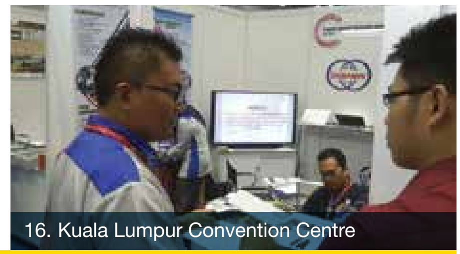


12. Hilton Hotel, Kuala Lumpur

13. KSL Hotel & Resort Johor Bahru


14. Western Entrance, Asia World Expo, Hong Kong


15. Dewan Berlian, Alam Bina UiTM Puncak Alam, Selangor


16. Kuala Lumpur Convention Centre

12. 15 AUGUST

Gala Dinner - The Edge Billion Ringgit Club ("BRC") Awards 2016.

Kulim was awarded as the winner in two (2) categories:

1) Highest Return on Equity Over Three Years - Plantation Sector.

2) Highest Growth in PBT Over Three Years - Plantation Sector.

13. 16 AUGUST

MPC Regional Convention on Team Excellence *Wilayah Selatan 2016*.

14. 7-9 SEPTEMBER

Asia Fruit Logistica 2016 - Participated by Melita.

15. 27-29 SEPTEMBER

Kulim and Melita participated in the Career, Halal, Innovation and Entrepreneur Festival ("CHIEF 2016").

16. 28-30 SEPTEMBER

Malaysia Oil & Gas Services Exhibition and Conference ("MOGSEC 2016") - Participated by Danamin Sdn Bhd and Kulim Smart Technologies Sdn Bhd.

17. 19-20 OCTOBER

Hari Mekar Kulim 2016, Theme: "Business Continuity Through Quality & Innovation".

18. 26 OCTOBER

Plantation visit by Kranji Countryside Association of Singapore and Royal Agricultural Society of the Commonwealth.

19. 2-3 NOVEMBER

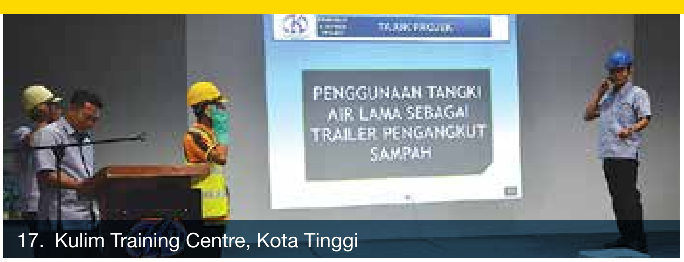
Kulim participated in #UM111 Be Inspired UM-JCorp Carnival: Building a Dynamic and Entrepreneurial Youth Culture.

20. 1 DECEMBER

National Annual Corporate Report Awards (NACRA Awards 2016). Kulim was awarded as the winner of Industry Excellence Awards (Main Board) under Plantation & Mining category.

21. 1-11 DECEMBER

Kulim participated in Malaysia Agriculture, Horticulture & Agrotourism 2016 ("MAHA 2016").



17. Kulim Training Centre, Kota Tinggi


18. Sedenak Estate & Sedenak Palm Oil Mill


19. Dewan Tunku Canselor, Universiti Malaya, Kuala Lumpur


20. Hilton Hotel, Kuala Lumpur


21. Dataran MAEPS, Serdang

SUSTAINABILITY EVENT HIGHLIGHTS 2016


1. Persada Johor


2. Masjid Jamek, Ulu Tiram Estate


3. KSRT Clubhouse


4. Kulim Eco-TRAIL Retreat & Sungai Johor, Basir Ismail Estate


5. Tanjung Piai National Park


6. Gunung Belumut, Kluang, Johor

1. **31 JANUARY**

   Opening Ceremony of the Raja Zarith Sofiah Wildlife Defenders Challenge 2016: *"Manusia dan Paya Bakau: Ke Arah Kehidupan Simbiosis".*

2. **12 FEBRUARY**

   Program Maulidur Rasul 1437H.

3. **6 MARCH**

   KARNIVAL JOM STAY FiT KSRT 2016 - Opening Ceremony: *Sukan Rakyat* & Explore Race.

4. **2 APRIL**

   Kulim Kota Tinggi Eco Boat Fishing Challenge 2016 & Kulim Kota Tinggi Badang Man Challenge.

5. **9 MAY**

   Contribution Ceremony of mangroves in conjunction of Raja Zarith Sofiah Wildlife Defenders Challenge 2016 Programme.

6. **14 MAY**

   KSRT JOM REKREASI 'XPDC Gunung Belumut 2016'.

7. **28-31 MAY**

   KSRT Jom Menuju Puncak - Eksplorasi Menakluk Gunung Kinabalu.

8. **14 JULY**

   KSRT 36th Annual General Meeting (AGM).

9. **31 JULY**

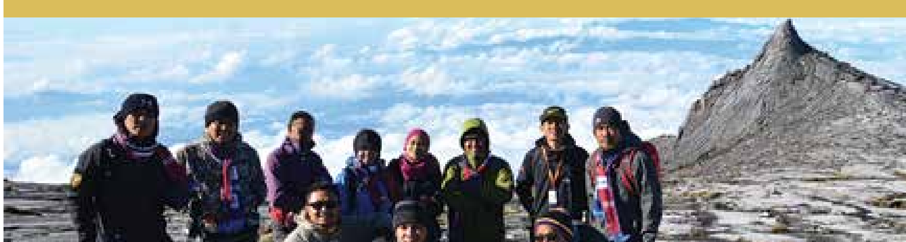
   KSRT Glamour Raya 2016.

10. **11 AUGUST**

    Football Friendly Match between KSRT vs Pejabat Kadi Daerah Kota Tinggi.

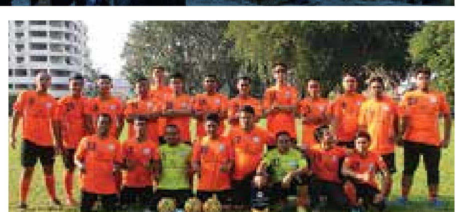
11. **31 AUGUST**

    Kulim participated in National Day Parade under the umbrella of JCorp.


7. Gunung Kinabalu, Sabah


8. KSRT Clubhouse


9. KSRT Clubhouse


10. Padang MDKT Jalan Johor, Kota Tinggi


11. Dataran Tangkak, Johor

SUSTAINABILITY EVENT HIGHLIGHTS 2016


12. Surau Annur, Kuala Kabong Estate


13. KSRT Clubhouse

14. Kulim Eco-TRAIL Retreat


15. Kulim Eco-TRAIL Retreat


16. Nam Heng Country Club

12. 2 SEPTEMBER

Decleration of First Friday Prayer by *Jabatan Mufti Johor.*

13. 4 SEPTEMBER

Pesta Buah-buahan KSRT.

14. 1 OCTOBER

Kulim Kota Tinggi MTB Challenge 2016.

15. 9 OCTOBER

A celebration of Kulim's International Women's Day organised by Women Onwards ("WOW") with the theme *"Wanita dan Cabaran Global".*

16. 15 OCTOBER

Charity Golf Tournament under As-Sajadah Programme.

17. 23 OCTOBER

Kulim participated in Annual Parade under Briged Waqaf Programme.

18. 24 OCTOBER

Closing & Prize-giving Ceremony Raja Zarith Sofiah Wildlife Defenders Challenge 2016.

19. 12 NOVEMBER

Kulim Kota Tinggi Trail Run 2016.

20. 8-10 DECEMBER

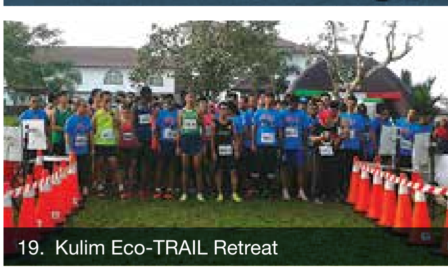
XPDC KSRT Gua Tempurung 2016.

21. 22 DECEMBER

Karnival Sukan Piala KMB 2016 (Under 15).


17. Kompleks Mutiara Johor Land


18. Persada Johor


19. Kulim Eco-TRAIL Retreat


20. Gua Tempurung, Gopeng, Perak

21. Padang Bola Sepak, Majlis Perbandaran Pasir Gudang

RECOGNITIONS AND ACCREDITATIONS

2016

National Annual Corporate Report Awards ("NACRA") 2016

- Kulim's Integrated Annual Report 2015
  - Winner of Industry Excellence Awards (Main Board) - Plantation & Mining

ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2016

- Kulim's Integrated Annual Report 2015
  - Shortlisted for the Best Reporting within an Annual Report

MIA IR Recognition Award 2016

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

Asia Sustainability Reporting Awards ("ASRA") 2016

- Kulim's Integrated Annual Report 2015
  - Shortlisted for Asia's Best Integrated Report

8th Annual Global CSR Summit and Awards 2016

- Best Workplace Practices Award (Bronze Award)

The Edge-Billion Ringgit Club & Corporate Awards 2016

- Highest Return on Equity Over 3 Years – Plantation Sector
- Highest Growth in Profit Before Tax Over 3 Years – Plantation Sector

TSD Special Award

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

Loyalty Award 2016

RECOGNITIONS AND ACCREDITATIONS

AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
ACCA Malaysia	Kulim (Malaysia) Berhad
Malaysian Institute of Accountants (MIA)	Kulim (Malaysia) Berhad
CSR Works	Kulim (Malaysia) Berhad
Pinnacle Group International	Kulim (Malaysia) Berhad
The Edge	Kulim (Malaysia) Berhad
Petronas Chemicals Ammonia Sdn Bhd	Danamin (M) Sdn Bhd
BSI Services Malaysia Sdn Bhd	Kulim (Malaysia) Berhad

RECOGNITIONS AND ACCREDITATIONS

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

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

RECOGNITIONS AND ACCREDITATIONS

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

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

IN THE NEWS

Melita ke Timur Tengah

AZLINA OTHMAN
16 JANUARI 2016

Tweet

Kamarulzaman (kiri) memberi penerangan kepada Anthony (dua, kiri) mengenai nanas MD2

JTP Trading Sdn Bhd, anak syarikat Kulim (Malaysia) Berhad (Kulim) giat mengkomersialkan nanas MD2 secara besar-besaran melalui jenama Melita yang kini sudah pun menembusi pasaran Timur Tengah.

Pengarahnya, Kamarulzaman Othman berkata, Melita telah menembusi pasaran di negara seperti Emiriah Arab Bersatu (UAE), Iran, Mesir, Arab Saudi, Jordan, Pakistan dan Turki.

Menurutnya, ia selaras dengan hasrat syarikat berkenaan untuk meletakkan nanas MD2 setanding negara pengeluar utama nanas seperti Filipina, Brazil dan Costa Rica pada masa akan datang.

"Selain itu, Melita turut dieksport ke Hong Kong, Singapura dan Korea. Bagi pasaran tempatan, syarikat telah membuka lapan rangkaian kios Melita. Antara lokasi kios di negeri ini (Johor) termasuklah di Ulu Tiram Estate, Galleria @ Kota Raya, Larkin Sentral, Hospital Pakar Johor dan Hospital Pakar Puteri.

"Rangkaian kios Melita di sekitar ibu negara pula terletak di Hospital Pakar Tawakal, Tesco Shah Alam dan Hospital Pakar Damansara. Malah, syarikat juga berhasrat mengembangkan kiosk Melita di kawasan lain pada masa akan datang," katanya.

Beliau berkata demikian ketika lawatan kerja Timbalan Menteri Pertanian dan Industri Asas Tani, Anthony Nogeh Gumbek bersama usahawan dari Parlimen Mas Gading, Sarawak ke ladang dan pusat pembungkusan nanas MD2 di Ladang Ulu Tiram, Johor Bahru, baru-baru ini.

Kamarulzaman berkata, hasil pengeluaran nanas MD2 berjumlah 1,234 tan metrik tahun lalu, meningkat sebanyak 13.11 peratus atau 1,091 tan metrik berbanding dua tahun sebelumnya.

"Nilai jualan pula berjumlah RM1.351 juta pada 2015, berbanding RM1.065 juta pada 2014," katanya.

Creating awareness on eco-system

JOHOR BARU: A total of 24 primary and secondary schools will be competing in a seven-month long competition to win the Raja Zarith Sofia Wildlife Defenders Challenge 2016.

The schools, comprising 13 primary and 11 secondary schools, will organise a series of three group activities which include carrying out environmental awareness events not just among the students but also their peers and the local community.

The teams will also need to present their projects for the programme themed "Human and Mangrove: Towards a symbiotic living".

Some 192 students and teachers have signed up for the challenge which started in December and is expected to end in July this year.

Johor Corporation (JCorp) president and chief executive Datuk Kamaruzzaman Abu Kassim said that participants needed to come out with their own creativity to provide information via a scrap book or organise seminars for their friends.

He added that each group consists of six students and two teachers and judgement is made based on creativity and how the group influences its audience on the importance of mangrove in the state.

"The schools selected are from Segamat, Ledang, Muar, Batu Pahat, Kluang, Mersing, Kota Tinggi, Kulai, Pontian, Pasir Gudang and Johor Baru," he said during the launch of the project.

Meanwhile, Sultanah of Johor Raja Zarith Sofia Sultan Idris Shah, who officiated at the ceremony said that Johor had the second largest mangrove area in peninsular Malaysia, measuring 18,000ha and located in Sungai Pulai forest reserve, Tg Piai and Kukup wetland Ramsar site.

"I hope such projects will be continued in future as it is important to educate the young about the eco system and the important role of mangrove to the eco system," she said, adding that this was the second time Jcorp was organising such an event.

BERNAMA

Unit Kulim Beli Empat Syarikat Indonesia Berharga RM509.35 Juta

KUALA LUMPUR, 11 Feb (Bernama) -- PT Wisesa Inspirasi Nusantara (PT WIN), unit Kulim (M) Bhd, telah memeterai perjanjian bagi cadangan pembelian empat syarikat Indonesia berharga RM509.35 juta dengan 95 peratus kepentingan ekuiti dalam setiap syarikat itu.

Empat syarikat berkenaan adalah PT Nusa Persada Indonesia, PT Surya Panen Subur, PT Tempirai Palm Resources dan PT Rambang Agro Jaya.

Dalam makluman kepada Bursa Malaysia hari ini, Kulim berkata aset perladangan syarikat-syarikat itu terletak di Kalimantan Selatan, Sumatera Selatan serta Aceh.

"Pertimbangan jumlah sebanyak RM509.35 juta itu dicapai berdasarkan persetujuan bersama dan selepas mengambil kira nilai pasaran, pinjaman dan pendahuluan belum lunas pemegang saham, agregat pinjaman syarikat terlibat serta perbelanjaan tambahan pembangunan perladangan," katanya.

Kulim turut menyifatkan cadangan pembelian itu sebagai peluang unik bagi syarikat menerusi PT Win untuk memiliki firma perladangan sawit bersaiz sederhana.

"Cadangan pembelian itu juga sejajar dengan hasrat kami untuk mempertingkat simpanan tanah sedia ada serta mendapat akses pasaran lebih besar di Indonesia," katanya.

-- BERNAMA

1,000 meriahkan Kulim Kota Tinggi MTB Challenge 3.0

IN THE NEWS


Kulim mahu jadikan KETR destinasi eko pelancongan
Pupuk sayang alam sejak usia muda
PUSAT peranginan KETR di Ladang Basir Ismail, Kota Tinggi.
Utusan
LPNM tanam nanas MD2 di kawasan seluas 8,500 hektar
Karnival UM, JCorp berjaya tarik pelajar minat sains, usahawan
Acara dapat sambutan lebih 1,200 penggemar basikal lasak
Kulim's unit to acquire Indonesian planters for RM509.35 mil
Nanas MD2 diperluaskan ke seluruh negara
Unit Kulim beli 4 syarikat Indonesia pada RM509.35j

FINANCIAL CALENDAR

ANNUAL REPORT & GENERAL MEETINGS

	DATE
Issuance of Integrated Annual Report 2015	11.04.2016
Annual General Meeting	03.05.2016
Extraordinary General Meeting	03.05.2016
Kulim officially delisted from Bursa Malaysia	04.08.2016

ESOS

EVENT	UNIT LISTED & QUOTED	LISTING DATE
Exercise of ESOS 2014/2019 – listing of new ordinary shares of RM0.25 each	1,881,650	28.01.2016
	1,867,450	28.01.2016
	490,200	28.01.2016
	2,288,350	29.01.2016
	150,000	04.02.2016
	1,523,350	11.02.2016
	3,291,200	26.02.2016
	7,466,400	01.04.2016
	137,600	19.04.2016
	3,491,573	26.04.2016
	500,000	13.05.2016
	800,000	17.05.2016
	1,093,827	26.05.2016
	519,050	16.06.2016
	15,000	23.06.2016
Total Option Exercised in 2016	**25,515,650**	

FINANCIAL CALENDAR

WARRANTS

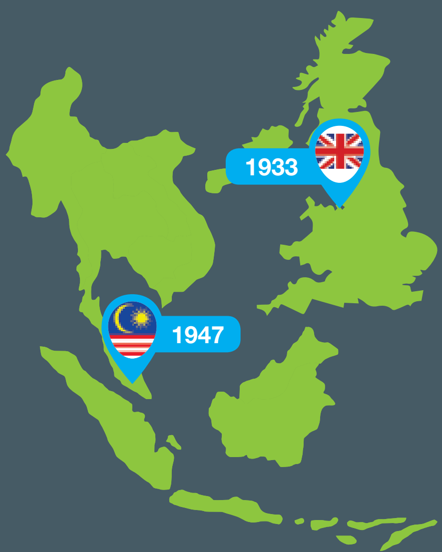
EVENT	UNIT LISTED & QUOTED	LISTING DATE
Exercise of warrants 2011/2016 – listing of new ordinary shares of RM0.25 each	159,650	07.01.2016
	2,668,600	12.01.2016
	171,529	18.01.2016
	35,624	28.01.2016
	1,551,750	29.01.2016
	69,800	04.02.2016
	64,727	05.02.2016
	14,232	05.02.2016
	116,299	11.02.2016
	163,370	11.02.2016
	61,230	15.02.2016
	946,519	17.02.2016
	1,961,457	19.02.2016
	468,636	22.02.2016
	234,995	23.02.2016
	3,731,710	24.02.2016
	1,752,087	26.02.2016
	646,650	26.02.2016
	1,326,574	01.03.2016
	1,967,489	01.03.2016
	7,794,353	02.03.2016
	7,714	08.03.2016
Total Warrants Converted in 2016	**25,914,995**	

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

About Kulim

SECTION
2

CORPORATE



THE BEGINNING

1933

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

1947

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

"REBRANDING" AND RESTRUCTURING

1970

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

1973

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

1975

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

1976

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

1977

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

1979

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

CONSOLIDATION AND GROWTH

1980

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

1982

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

1988

Kulim acquired 60% equity in Selai Sdn Bhd.

1989

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

1990

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

1993

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

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

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

MILESTONES

DIVERSIFYING AND FURTHER GROWTH

1994

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

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

1995

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

1996

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

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

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

1997

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

1998

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

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

NBPOL was successfully admitted to Port Moresby Stock Exchange, PNG.

2000

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

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

2001

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

2004

Kulim made an entry into Kalimantan, Indonesia when it acquired 100% equity in EPA Management Sdn Bhd ("EPA").

Kulim acquired 92.99% stake in Kumpulan Bertam Plantations Berhad, injecting an additional 1,016 hectares of plantation lands into the Group.

NBPOL entered into agreement for the formation of Guadalcanal Plains Palm Oil Limited ("GPPOL"), a company incorporated in the Solomon Islands with NBPOL holding 80% equity.

Kulim entered into a joint-venture with TopPlant Laboratories Sdn Bhd, to own 60% equity in the new company, Kulim TopPlant Sdn Bhd, for the production of high-yielding oil palm clones using tissue culture technology.

2005

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

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

2006

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

Kulim divested all of the Group's plantation in Sumatera in March.

In June, Kulim completed the acquisition of QSR when it gained control over the QSR Board at an Extraordinary General Meeting ("EGM") of the company.

2007

Secondary listing of NBPOL in the LSE in December for realisation of NBPOL's true earnings potential in the trading market.

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

CORPORATE

SUSTAINABLE GROWTH

2008

Sindora became a 77%-owned subsidiary of Kulim in May, adding plantation land and bringing in a number of Intrapreneur Ventures ("IV") companies into the Group.

In October, NBPOL acquired 100% stake in Ramu Agri-Industries Limited ("Ramu"), PNG, further expanding the Group's landbank to 124,833 hectares.

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

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

Expansion of QSR into Cambodia for KFC restaurants.

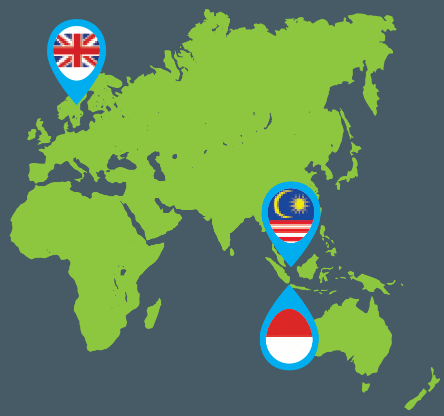
2009

Official RSPO certification was accorded to Kulim-owned plantations in Malaysia in January.

In January, QSR increased its shareholdings in KFCH to 50.25% and KFCH became a subsidiary of QSR.

Estate swap with Sime Darby Plantations Sdn Bhd ("SDP") in September, involving Sindora's Sungai Simpang Kiri Estate and SDP's Sungai Tawing Estate, to realise potential rationalisation benefits of their respective locations.

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



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

2010

In April, NBPOL acquired 80% stake in CTP (PNG) Ltd (now known as Kula Palm Oil Limited), bringing in additional 26,000 hectares of plantation land to the Group's landbank.

Completion of equity swap in Nexsol (S) Pte Ltd and Nexsol (M) Sdn Bhd between Kulim and Peter Cremer (Singapore) GmBH in April. Following the exercise, Nexsol (M) Sdn Bhd became a 100% subsidiary of Kulim, while at the same time Nexsol (S) Pte Ltd ceased to be an associate of Kulim.

In May, NBPOL officially launched its refinery in Liverpool.

NBPOL's subsidiary, Ramu, was officially accorded with RSPO certification in August.

In September, Kulim concluded the disposal of NatOleo and its subsidiaries, making the Group's exit from the oleochemicals business.

ENTERING NEW DIMENSION

2011

Kulim completed its capital restructuring exercise, involving a share split, bonus shares and free warrants in March.

Kulim acquired six (6) parcels of oil palm estates measuring approximately 13,687 hectares and two (2) palm oil mills from JCorp.

Sindora became a wholly-owned subsidiary of Kulim and delisted from the official list of Bursa Malaysia Securities Berhad effective 30 November 2011.

2012

Kulim's shareholding in NBPOL diluted to 48.97% in May pursuant to the issuance of new shares to the minority shareholders of KPOL to streamline the shareholding structure of KPOL. However, NBPOL is still consolidated as a subsidiary pursuant to FRS 10: Consolidated Financial Statements.

Kulim, via Sindora, completed the disposal of Metro Parking (Malaysia) Sdn Bhd Group to Damansara Realty Berhad.

2013

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

In April, Kulim via Sindora, completed the disposal of Orkim Sdn Bhd to GMV-Orkim Sdn Bhd.

Kulim acquired 60% stake in Danamin (M) Sdn Bhd, a company involved in Oil and Gas ("O&G") servicing activities in June 2013.

MILESTONES

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 Sumber Graha Berkah ("PT GSB") for the acquisition of up to 75% stake in PT Wisesa Inspirasi Nusantara ("PT WIN"), which will give it control over approximately 40,000 hectares of oil palm estate in Central Kalimantan.

2014

On 2 May, Kulim converted the Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in Asia Economic Development Fund Limited ("AEDFL") and capitalised accumulated interest into ordinary shares of AEDFL, which entailed AEDFL to become a 54.21% owned subsidiary of Kulim.

Kulim via its wholly-owned subsidiary company Kulim Energy Nusantara Sdn Bhd ("KENSB") had on 24 October 2014 entered into a Joint Operating Agreement ("JOA") with PT Radiant Bukit Barisan E&P ("PT RBB") and PT GSB to participate in the exploration and development of O&G field in South West Bukit Barisan Block ("SWBB Block"), Central Sumatera, Indonesia.

On 10 December 2014, KENSB entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") with PT Citra Sarana Energi ("PT CSE") and its existing shareholders for acquisition of 60% equity interest in PT CSE.

EA Tech an indirect subsidiary of Kulim held through Sindora, was admitted to the Main Market of Bursa Malaysia on 11 December 2014.

2015

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

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

On 24 August 2015, Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSA") for the proposed acquisition of 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB"). CRTSB is principally involved in the Information, Communication and Technology ("ICT") business.

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

2016

On 10 February 2016, KENSB entered into a Supplemental Agreement with PT CSE, PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of 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 acquisitions of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ"), adding 8,345 hectares of planted oil palm in South Sumatera to the Group's landbank.

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

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

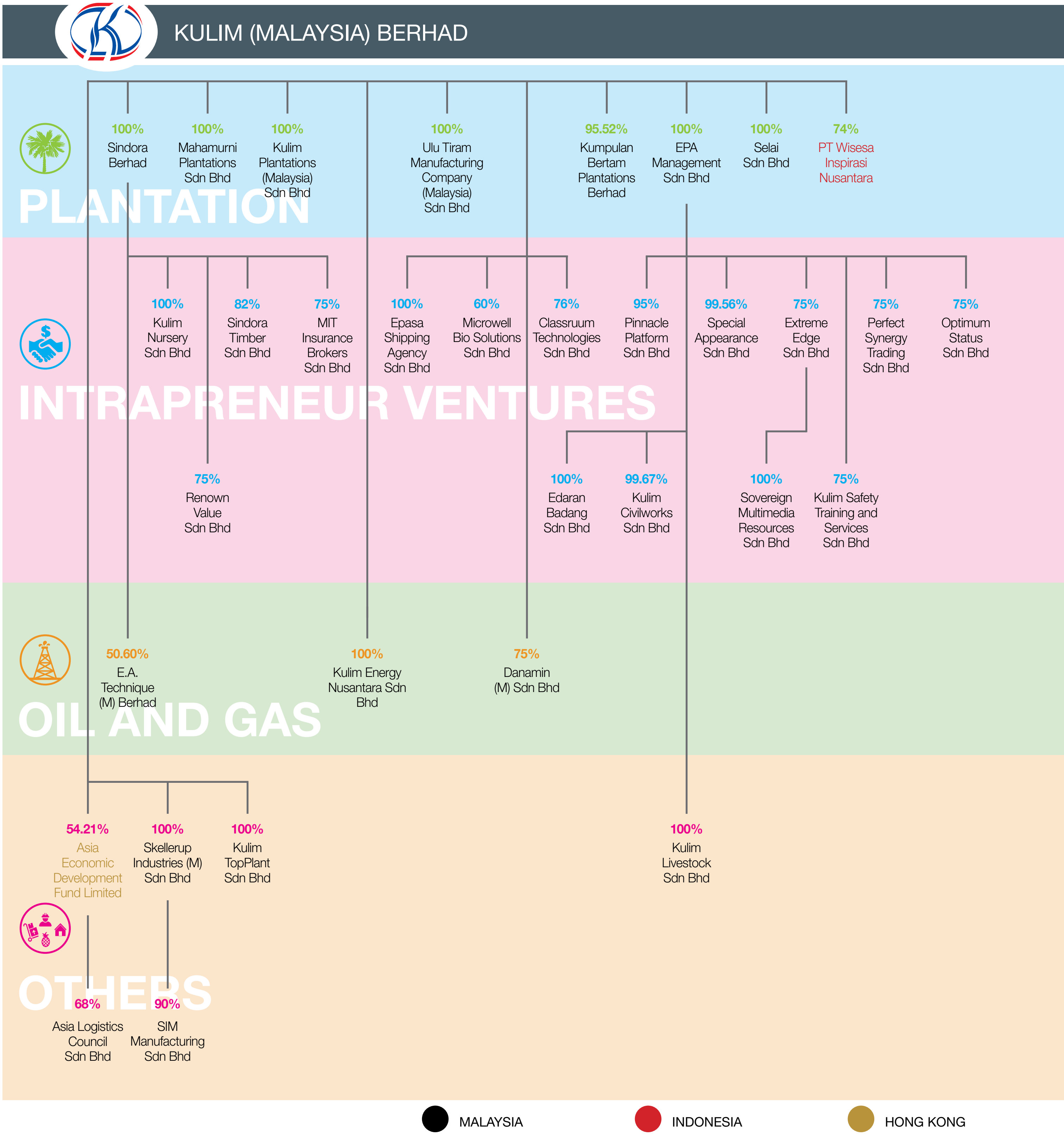
Kulim concluded the disposal of Granulab (M) Sdn Bhd to SIRIM Tech Venture Sdn Bhd on 13 November 2016.

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

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

GROUP'S SIGNIFICANT SUBSIDIARIES

AS AT 31 MAY 2017



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

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Kamaruzzaman Abu Kassim

CORPORATE ADVISOR

Ahamad Mohamad

EXECUTIVE DIRECTOR

Zulkifly Zakariah

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Radzuan A. Rahman

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Zulkifli Ibrahim
Jamaludin Md Ali
Mohamad Salleh Mohamad Yusof
Wan Su Ali

SECRETARIES

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

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Fax. : +607-2223044

REGISTRAR

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Johor, Malaysia.
Tel. : +607-2267692 / +607-2195077
Fax. : +607-2223044
Email: nursheila@jcorp.com.my

PRINCIPAL BANKERS

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

AUDITORS

PricewaterhouseCoopers (PWC)

WEBSITE

www.kulim.com.my

STOCK EXCHANGE LISTING

GROUP'S LISTED ENTITIES	STOCK EXCHANGE	LISTED SINCE	DELISTED	STOCK CODE
Kulim (Malaysia) Berhad	Main Market-Bursa Malaysia Securities Berhad	14 November 1975	4 August 2016	2003
E.A. Technique (M) Berhad	Main Market-Bursa Malaysia Securities Berhad	11 December 2014	-	5259

BOARD OF DIRECTORS

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

2 ZULKIFLY ZAKARIAH
Executive Director

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

4 DR. RADZUAN A. RAHMAN
Independent Non-Executive Director

5 ZULKIFLI IBRAHIM
Non-Independent
Non-Executive Director

6 JAMALUDIN MD ALI
Non-Independent
Non-Executive Director

7 WAN SU ALI
Non-Independent
Non-Executive Director

8 MOHAMAD SALLEH MOHAMAD YUSOF
Non-Independent
Non-Executive Director

BOARD OF DIRECTORS' PROFILE

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

Aged 53, is a Non-Independent Non-Executive Director and the Chairman of Kulim (Malaysia) Berhad ("Kulim"). He was appointed to the Board of Kulim as Director on 1 January 2008 and appointed as Chairman on 12 January 2011. He is also the Chairman of the Board Option and Nomination and Remuneration Committee of Kulim. He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987.

He embarked his career as an Audit Assistant at Messrs K.E Chan & Associates in May 1988 and later joined Messrs Coopers & Lybrand (currently known as Messrs PricewaterhouseCoopers) in 1989. In December 1992, he left the firm and joined *Perbadanan Kemajuan Ekonomi Negeri Johor* (currently known as Johor Corporation ("JCorp")) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999.

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

He also sits as the Chairman of KPJ Healthcare Berhad, another company under JCorp Group listed on the Main Market of Bursa Malaysia Berhad. Further, he is also the Chairman of several companies within the JCorp Group which includes, amongst others, Johor Land Berhad, QSR Brands (M) Holdings Sdn Bhd ("QSR"), Damansara Reit Managers Sdn Bhd (Manager for Al-'Aqar & Al-Salam Reits) and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's Corporate Responsibility programmes. In addition, he also sits as Chairman and/or Director of several other companies within JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of Kulim held during the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

ZULKIFLY ZAKARIAH
Executive Director

Aged 57, was appointed as the Executive Director of Kulim on 1 January 2017. Before assuming his current position he was a Vice President of Estate Operations 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 Indonesian from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor, Malaysia from May 2011 to December 2012. He is a member of the Incorporated Society of Planters and also a member of the Johor Clay Target Shooting Association. In addition, he also sits on the Board of several companies within Kulim Group.

Other than 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 offerces.

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

Aged 64, 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 and the Corporate Advisor of Kulim on 1 January 2017. He is also a member of the Board Option Committee of Kulim.

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

He is the Chairman of EA Tech, a company in JCorp Group which was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 December 2014. Apart from that, he is also a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

Aged 59, 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-Executive Non-Independent Director of Kulim on 1 September 2013. He is also a member of the Board Option Committee 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. In 1996, he was appointed the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He was the Chief Operating Officer of JCorp after serving Kulim as the Chief Operating Officer in 2003. He is also the Chairman and Director of several other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2016.

Aged 74, was appointed to the Board of Kulim on 1 November 2006 as an Independent Non-Executive Director and resigned on 1 October 2016. In addition, he was re-appointed to the Board of Kulim on 16 January 2017. He is also appointed as the Chairman of the Audit Committee of Kulim.

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

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

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

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended four (4) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

JAMALUDIN MD ALI
Non-Independent
Non-Executive Director

WAN SU ALI
Non-Independent
Non-Executive Director

Aged 59, was appointed to the Board of Kulim as a Non-Independent Non-Executive Director on 1 July 2012 and was re-designated as Executive Director on 13 December 2012.

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

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

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

He is also the Chairman and Director of several other companies within the JCorp and Kulim Group and was also appointed as Alternate Director to Ahamad Mohamad in EA Tech, a company in JCorp Group which is listed on the Main Market of Bursa Malaysia Securities Berhad before he resigned on 20 January 2016.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2016.

Aged 51, was appointed to the Board as a Non–Independent Non-Executive Director on 1 March 2017.

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

She has been promoted as General Manager of JCorp Group in 1 January 2013. Over a period of 26 years with JCorp, she assumed a few portfolio which includes legal and secretarial duties of JCorp's Group of Companies.

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

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

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

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

BOARD OF DIRECTORS' PROFILE

MOHAMAD SALLEH MOHAMAD YUSOF
Non-Independent
Non-Executive Director

Aged 48, was appointed to the Board as a Non–Independent Non-Executive Director on 1 March 2017. 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 experience include working in the big four (4) international accounting firm (PricewaterhouseCoopers and KPMG) for the past 24 years in both audit and tax prior to joining JCorp. His last designation in KPMG was Executive Director who was responsible for the tax practices in both Johor Bahru and Melaka branch offices.

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

In addition, he has been involved in numerous special assignments such as cross border transactions, concluding tax audit and investigation cases with the Inland Revenue Board ("IRB"), advising reputable legal advisors to represent tax payers in court cases, including being a witness during Income Tax Appeals processes, income tax incentive application to both of Ministry of Finance ("MOF") and Malaysian Invesment 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 client's in planning and implementation of the GST. His previous clients includes manufacturing, healthcare, services, property developers, construction and agriculture.

He also sits as a Director of several other companies within JCorp Group. Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

MANAGEMENT TEAM

1

ZULKIFLY ZAKARIAH
Executive Director

Aged 57, 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 Kulim in May 1980 as a Cadet Planter after completion of Higher School Certificate. 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 until December 2012. He is a member of the Incorporated Society of Planters and also a member of the Johor Clay Target Shooting Association. He also sits on the Board of several companies within Kulim Group.

2

AZLI MOHAMED
Head of Finance and IT Services

Aged 49, was appointed as the Vice President, Finance/Chief Financial Officer of Kulim on 1 June 2011. He is a member of the Malaysian Institute of Accountants. He was with Messrs. PricewaterhouseCoopers from 1992 prior to joining KPJ Healthcare Berhad in 2001 until 2008. He then served JCorp as the General Manager of Finance Division until he assumed the current position. He is currently a Director of EA Tech. He also sits on the Board of other companies within JCorp and Kulim Group.

3

ABDUL SHUKOR ABDULLAH
Head of Business Development

Aged 45, was appointed as the General Manager of Business Development of Kulim on 1 January 2017. Before assuming his current position, he was the General Manager of Corporate Affairs from 1 January 2014 until December 2016. He graduated with a Bachelor of Science (BSc) Accounting (Honours) from the University of Hull, United Kingdom in 1995 and Master of Business Administration (MBA) in Financial Management from the same university a year later. He joined Kulim as a Cadet in Corporate Planning and Investment Department in 1996 and later was seconded to JCorp in 2010 to head the Business Intrapreneur Department. His last position in JCorp was the General Manager of Business Intrapreneur Division until 2013. He also sits on the Board of several companies within Kulim Group.

MANAGEMENT TEAM

IDHAM JIHADI ABU BAKAR

Head of General Services

Aged 50, was appointed as the General Manager of General Services on 1 February 2017. 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.

KAMARULZAMAN OTHMAN

Head Of Agrofoods Business & Kulim Livestock Sdn Bhd

Aged 51, was appointed as the General Manager of Agrobusiness of Kulim on 1 January 2017. He graduated with a Bachelor of Science from Universiti Sains Malaysia in 1989. He joined Kulim in 1993 and was a Senior Manager in Plantation Division before being 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.

MANAGEMENT TEAM

NOOR EFFENDY MOHD ALI
Head of Palm Oil Marketing

Aged 53, was appointed as the General Manager of Palm Oil Marketing on 1 January 2017. He graduated with a Bachelor of Science (BSc) in Finance from the Northern Illinois University, United States of America in 1987. He joined Kulim 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 becoming the Senior Manager in 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

MOHAMAD YAMI BAKAR
Head of Plantation Operation

Aged 49, was appointed as the General Manager of Plantation Operation on 1 January 2017. He holds a Diploma in Planting Industry and Management from Institute Technology MARA (now known as University Technology MARA) in 1990. He joined Kulim 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.

MOHD AKHIR WANTEH
Head of Plantation Inspectorate & Special Project

Aged 54, was appointed as the General Manager of Inspectorate & Special Project on 1 January 2017. He holds a Diploma in Planting Industry and Management from Institute Technology MARA (now known as University Technology MARA) in 1984. He joined Kulim on 1 December 1987 as Cadet Planter before he was promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and became the Region Head of Plantation Operation in 2015 until December 2016. He also sits on the Board of Directors of several companies within Kulim Group.

MANAGEMENT TEAM

WAN ADLIN WAN MAHMOOD

Senior Manager, Engineering

Age 42, was appointed as Senior Manager of Engineering Department on 1 January 2017. He holds a Bachelor of Engineering (Chemical) from Vanderbilt University, Nashville, Tennessee, USA in 1997 and Diploma in Palm Oil Milling and Technology from MPOB in 2002. He also possessed the First Grade Steam Engineer Certification from Department Of Safety and Health in 2003. He joined Kulim 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.

AMRAN ZAKARIA

Head of Human Capital Management

Aged 49, was appointed as the General Manager of Human Capital Management in May 2017. He graduated with a Bachelor in Science of Horticulture from University Putra Malaysia, Diploma in Training & Development from Auckland College Of Education, New Zealand and Diploma in Industrial Relations from Malaysian Employers Federation. He brings with him vast experience in Human Resources Management at operation and strategic levels from his previous employment with well-established organisation namely Prime Minister Department, Toyota Group, Nestle and several GLCs. He comes across as a people and business-centric human resource partner with wide exposure in leading and implementing strategic human resource initiatives to drive productivity improvement.

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AZMIL MAJID

Secretary

AZIDA ISMAIL

Assistant Secretary

ORGANISATION CHART

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR
Zulkifly Zakariah

INTENAL AUDIT
Kasmawati Kasian

RISK MANAGEMENT

INSPECTORATE & SPECIAL PROJECT
Mohd Akhir Wanteh

PLANTATION OPERATION
Mohamad Yami Bakar

INDONESIAN OPERATION
Mahmud Saidoo

PALM OIL MARKETING
Noor Effendy Mohd Ali

GENERAL SERVICES
Idham Jihadi Abu Bakar

HUMAN CAPITAL MANAGEMENT
Amran Zakaria

FINANCE & IT SERVICES
Azli Mohamed

BUSINESS DEVELOPMENT
Abdul Shukor Abdullah

AGROBUSINESS
Kamarulzaman Othman

ADVISORY ROLE

LOCATIONS OF THE GROUP'S PALM OIL DIVISION OPERATIONS

ESTATES AND MILLS:

1. Bukit Layang Estate
2. Basir Ismail Estate
3. REM Estate
4. Ulu Tiram Estate
5. Sedenak Estate and Mill
6 Kuala Kabung Estate
7. Rengam Estate
8. Sindora Estate and Mill
9. Tereh Selatan Estate
10. Enggang Estate
11. Mutiara Estate
12. Tereh Utara Estate and Tereh Mill
13. Sungai Tawing Estate
14. Selai Estate
15. Sungai Sembrong Estate
16. Labis Bahru Estate
17. Sepang Loi Estate
18. UMAC Estate
19. Sungai Papan Estate
20. Siang Estate
21. Palong Estate
22. Kemedak Estate and Palong Cocoa Mill
23. Mungka Estate
24. Pasir Panjang Estate and Mill

PERFORMANCE HIGHLIGHTS AND STATISTICS

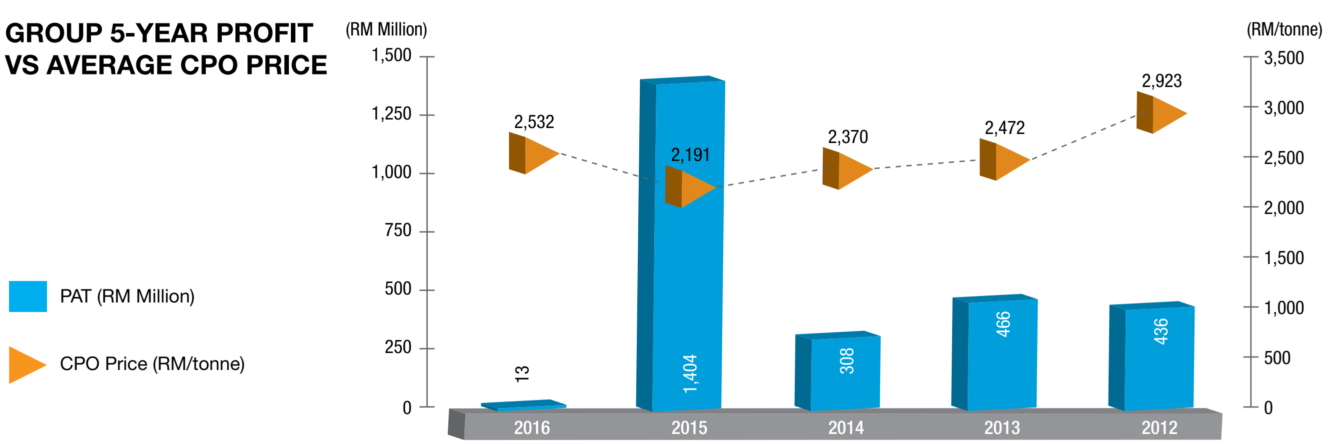
SECTION
3

GROUP 5-YEAR FINANCIAL STATISTICS

STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)	2016	2015	2014	2013	2012
Revenue	1,612,738	1,443,024	1,093,665	1,013,156	906,562
Segment %:					
Plantation	56%	54%	70%	77%	79%
Intrapreneur Ventures	3%	4%	24%	20%	18%
Others	41%	42%	6%	3%	3%
Profit from Operations	85,722	113,576	138,324	146,974	137,369
Segment %:					
Plantation	86%	64%	134%	112%	114%
Intrapreneur Ventures	1%	2%	16%	32%	18%
Others	13%	34%	(50%)	(44%)	(32%)
Interest income	33,930	36,909	11,820	11,067	11,050
Finance costs	(59,477)	(33,003)	(55,197)	(51,423)	(59,689)
Share of results of associates	(258)	317	586	300	454
Profit before taxation	59,917	117,799	95,533	106,918	89,184
Taxation	(46,391)	(30,193)	(34,005)	(66,817)	(25,852)
Profit after taxation from					
- Continuing operations	13,526	87,606	61,528	40,101	63,332
- Discontinued operation	(340)	1,316,326	246,913	425,721	372,411
Net profit for the year	13,186	1,403,932	308,441	465,822	435,743
Attributable to:					
Owners of the Company	3,855	1,410,516	164,303	431,068	211,210
Non-controlling interests	9,331	(6,584)	144,138	34,754	224,533
Net profit for the year	13,186	1,403,932	308,441	465,822	435,743

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

GROUP 5-YEAR PROFIT VS AVERAGE CPO PRICE

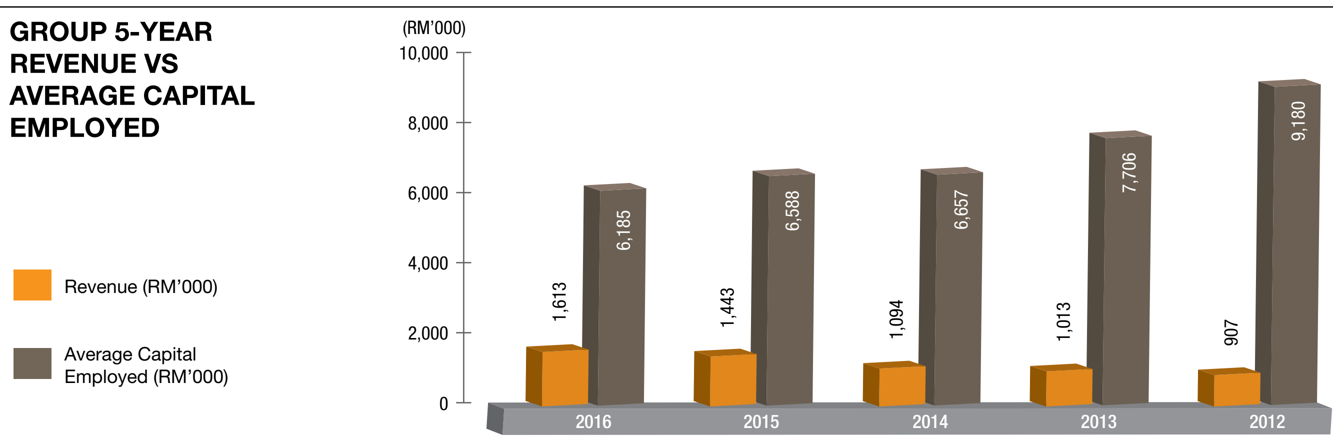


Group Financial Statements: pg 162 - pg 175

GROUP 5-YEAR FINANCIAL STATISTICS

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)	2016	2015	2014	2013	2012
ASSETS EMPLOYED					
Other non-current assets	5,744,668	5,348,716	3,773,743	6,624,596	6,795,342
Intangible assets	32,774	69,819	33,439	189,762	204,667
Total Non-Current Assets	5,777,442	5,418,535	3,807,182	6,814,358	7,000,009
Other current assets	768,291	603,815	324,987	1,238,362	1,412,037
Cash and bank balances	530,783	1,584,805	342,597	377,180	280,889
Assets of disposal group classified as held for sale	-	13,291	4,783,791	-	3,408,193
Total Current Assets	1,299,074	2,201,911	5,451,375	1,615,542	5,101,119
Other current liabilities	450,495	296,560	173,452	333,899	1,487,009
Loans and borrowings	1,182,151	396,772	750,924	1,030,716	971,347
Liabilities of disposal group classified as held for sale	-	-	2,084,517	-	1,295,060
Total Current Liabilities	1,632,646	693,332	3,008,893	1,364,615	3,753,416
	5,443,870	6,927,114	6,249,664	7,065,285	8,347,712
FINANCED BY:					
Share capital	1,000	337,605	335,626	323,513	320,637
Reserves	1,256,419	1,266,529	1,794,906	1,551,740	1,622,712
Reserves of disposal group classified as held for sale	-	-	(51,622)	-	-
Retained profits	2,698,746	4,218,890	1,943,596	1,905,404	1,474,336
Shareholders' equity	3,956,165	5,823,024	4,022,506	3,780,657	3,417,685
Non-controlling interests	222,462	209,423	1,590,197	1,346,491	2,781,972
Long-term borrowings	858,745	512,507	451,261	1,032,921	1,171,679
Other long-term liabilities	406,498	382,160	185,700	905,216	976,376
	5,443,870	6,927,114	6,249,664	7,065,285	8,347,712
Average capital employed	6,185,492	6,588,389	6,657,475	7,706,499	9,180,318
Average shareholders' equity	4,889,595	4,922,765	3,901,582	3,599,171	3,854,891

GROUP 5-YEAR REVENUE VS AVERAGE CAPITAL EMPLOYED



GROUP 5-YEAR FINANCIAL STATISTICS

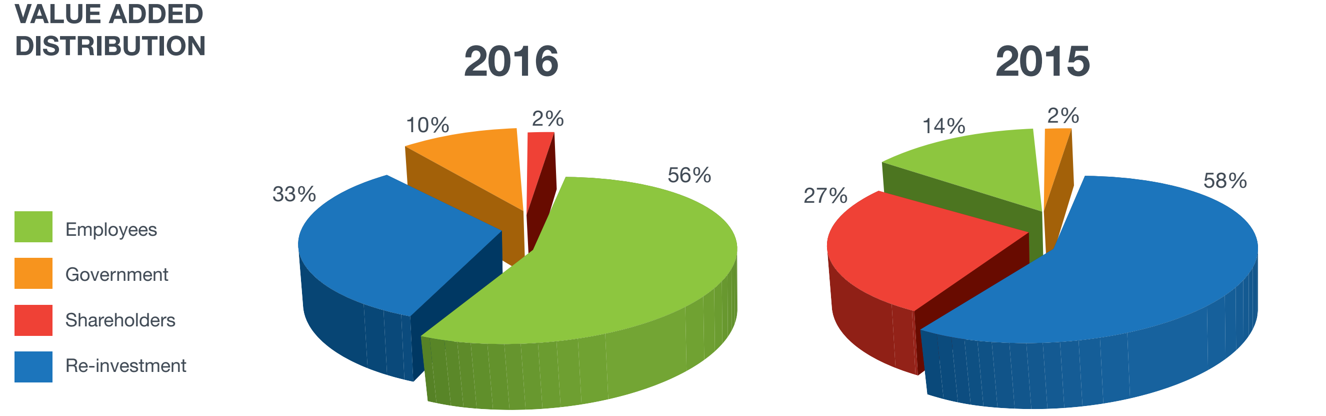
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)	2016	2015	2014	2013	2012
Net cash flow from operating activities	195,851	14,512	683,194	705,369	971,707
Net cash flow from investing activities	(418,997)	2,224,535	(565,141)	405,623	(1,039,503)
Net cash flow from financing activities	(982,375)	(1,173,053)	(102,688)	(1,345,144)	168,250
Net change in cash and cash equivalents	(1,205,521)	1,065,994	15,365	(234,152)	100,454

KEY FINANCIAL INDICATORS	2016	2015	2014	2013	2012
Profitability and Returns					
Operating profit margin (%)	5.32	7.87	12.65	14.51	15.15
PBT margin (%)	3.72	8.16	8.74	10.55	9.84
PATMI margin (%)	0.24	97.75	15.02	42.55	23.30
Return on average shareholders' equity (%)	0.08	28.65	4.21	11.98	5.48
Return on average capital employed (%)	0.06	21.41	2.47	5.59	2.30
Net assets per share (RM)	989.04	4.74	3.03	2.96	2.69
Solvency and Liquidity					
Gearing ratio (times)					
- Gross	0.49	0.15	0.21	0.40	0.35
- Net	0.38	(0.11)	0.15	0.33	0.30
Interest cover (times)	2.01	4.57	2.73	3.08	2.49
Current ratio (times)	0.80	3.18	1.81	1.18	1.36
Financial Market					
EPS (sen)					
- basic	96.38	109.80	12.55	33.80	16.84
- diluted	-	108.03	12.49	33.48	16.21
Gross dividend per share (sen)	37.65	37.65	9.50	-	98.44
Gross dividend rate (%)	151	151	38	-	394
Gross dividend yield (%)	-	11.09	2.82	-	21.12
Net dividend payout rate (%)	-	35.46	76.76	-	593.93
Average price-to-earnings ratio (times)	-	3.09	26.85	10.44	27.67
Average price-to-book ratio (times)	-	0.72	1.11	1.19	1.74

GROUP STATEMENT OF VALUE ADDED

	2016 RM'000	2015 RM'000
VALUE ADDED		
Revenue	1,612,738	1,443,024
Purchase of goods and services	(1,138,954)	(999,129)
Value added by the Group	473,784	443,895
Other income	72,880	106,190
Finance cost	(59,477)	(33,003)
Share of results of associates	(258)	317
Discontinued operations	(340)	1,316,326
Value added available for distribution	486,589	1,833,725
DISTRIBUTION		
To Employees		
Staff costs	272,171	251,857
To the Government		
Taxation	46,391	30,193
To Shareholders		
Dividends	-	500,107
Non-controlling interests	9,331	(6,584)
Retained for re-investment and future growth		
Depreciation / amortisation of PPE	154,841	147,743
Retained earnings	3,855	910,409
	486,589	1,833,725
No. of employees at year end (excluding discontinued operations)	8,487	8,472
Value added per employee (RM)	55,825	52,396
Wealth created per employee (RM)	57,333	216,445
No. of shares at year end ('000 units)	4,000	1,227,463
Value added per share (RM)	118	0.36
Wealth created per share (RM)	122	1.49

VALUE ADDED DISTRIBUTION



5-YEAR PLANTATION STATISTICS
MALAYSIA

	2016	2015	2014	2013	2012
OIL PALM					
Production (tonnes)					
FFB produced - Processed by own mills	844,582	872,867	827,341	801,297	605,298
FFB produced - Sold to others	6,854	13,305	13,738	14,599	110,228
Total FFB produced	851,435	886,172	841,079	815,896	715,526
Purchased FFB	359,224	415,029	425,484	458,561	416,393
Total FFB processed	1,339,659	1,410,658	1,252,825	1,259,858	1,021,691
Crude Palm Oil	273,354	294,255	257,881	254,735	207,265
Palm Kernel	70,030	78,290	69,681	70,891	58,773
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	20.86	22.50	22.34	22.11	20.68*
OER (%)	20.40	20.86	20.58	20.22	20.29
KER (%)	5.23	5.55	5.56	5.63	5.75
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	2,532	2,191	2,370	2,472	2,923
Palm Kernel (ex-mill)	2,387	1,534	1,708	1,287	1,599
AREA STATEMENT (HECTARES)					
Oil palm					
- mature	40,819	39,387	37,654	36,909	35,170
- immature	6,209	7,623	9,469	10,198	10,422
	47,028	47,010	47,123	47,107	45,592
Other crops:					
Rubber	298	298	337	410	503
Sentang	25	25	25	25	25
Pineapple	182	216	191	195	177
Fruits (inter-row planting with oil palm)	0	509	465	666	580
Planted area	47,533	47,549	47,676	47,737	46,297
Reserve land, building sites etc	3,500	3,450	3,484	3,423	3,254
Titled area	51,033	50,999	51,160	51,160	49,551

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

PLANTATION STATISTICS
INDONESIA

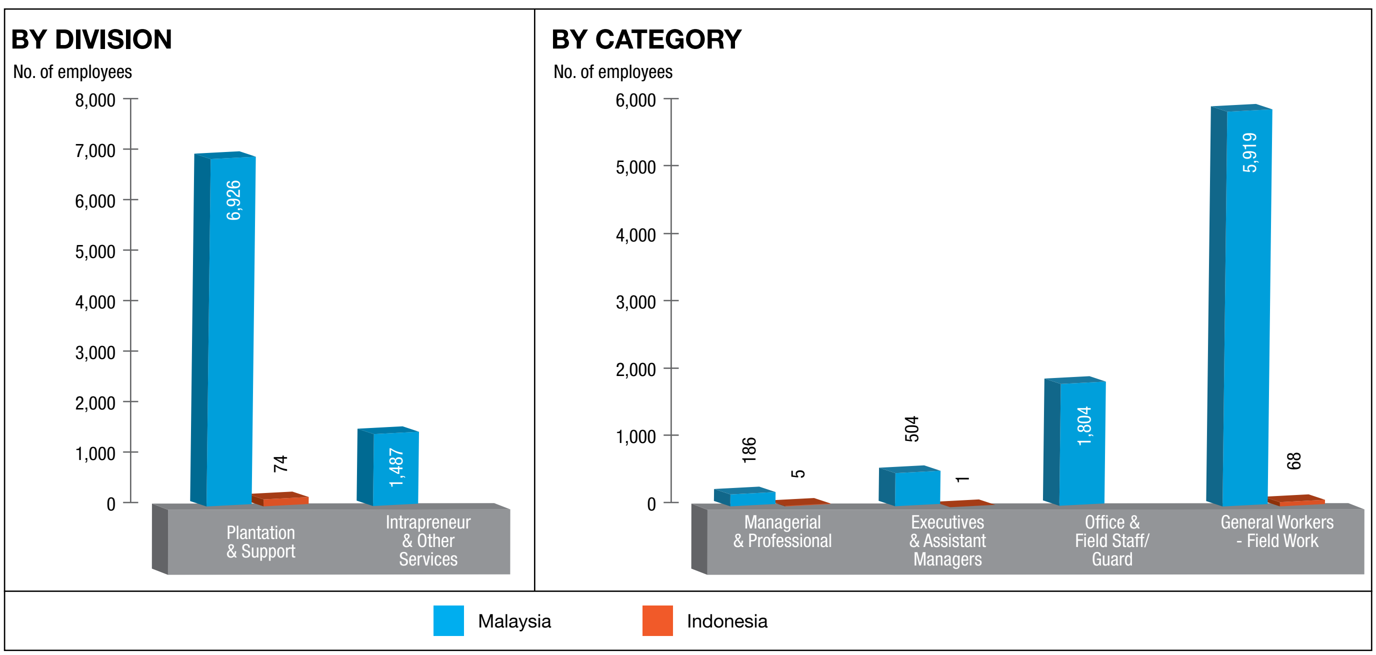
	2016	2015	2014
AREA STATEMENT (HECTARES)			
Oil palm			
- mature	4,316	-	-
- immature	4,336	307	71
Planted area	8,652	307	71
Undeveloped Land	55,693	40,338	40,574
Total area with IUP*	64,345	40,645	40,645
Total area with HGU#	14,397	-	-

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

HUMAN CAPITAL STATISTICS
AS AT 31 DECEMBER 2016

	BY DIVISION		
DIVISION	**Malaysia**	**Indonesia**	**Total**
Plantation and Support	6,926	74	7,000
Intrapreneur and Other Services	1,487	-	1,487
	8,413	74	8,487

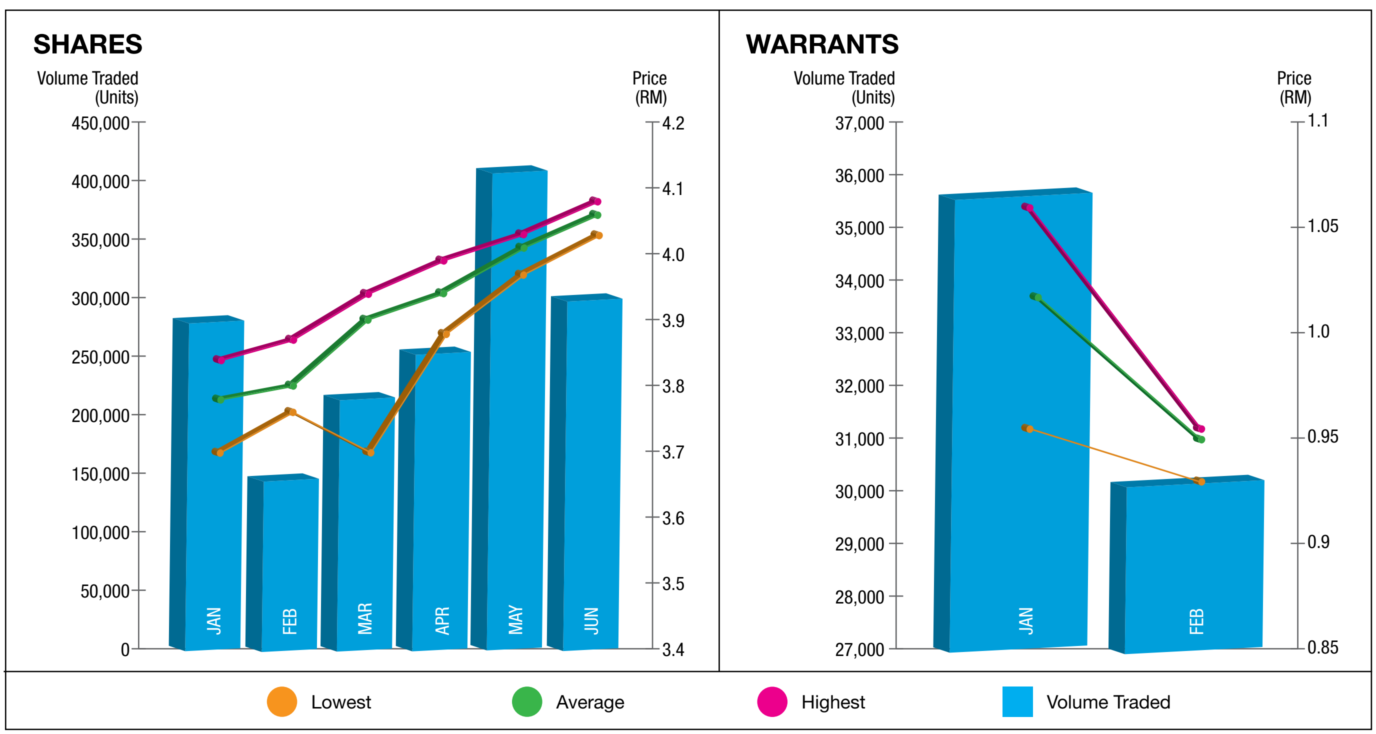
	BY CATEGORY		
CATEGORY	**Malaysia**	**Indonesia**	**Total**
Managerial and Professional	186	5	191
Executives and Assistant Managers	504	1	505
Office and Field Staff/Guard	1,804	-	1,804
General Workers - Field Work	5,919	68	5,987
	8,413	74	8,487



PRICE PERFORMANCE AND VOLUME TRADED 2016

SHARES AND WARRANTS

	Closing Share Price (RM)			Volume Traded	Closing Warrant Price (RM)			Volume Traded
Month	**Highest**	**Average**	**Lowest**	**('000)**	**Highest**	**Average**	**Lowest**	**('000)**
JAN	**3.840**	3.780	3.700	282,882	1.060	1.020	0.955	35,684
FEB	**3.870**	3.800	3.760	147,066	0.955	0.950	0.930	30,200
MAR	**3.940**	3.900	3.700	216,896	Expiry of warrants on 26 February 2016			
APR	**3.990**	3.940	3.880	255,948				
MAY	**4.030**	4.010	3.970	411,644				
JUN	**4.080**	4.060	4.030	301,694				
JUL	Kulim shares was suspended to facilitate the implementation of SCR							
AUG	Delisted from Bursa Malaysia Securities Berhad on 4 August 2016							



PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2016 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	151,309	2016*
Mutiara Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 4.11.2074	 1,613 324 607	Oil palm estate	160,821	2016*
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	3,197	Oil palm estate	381,847	2016*
REM Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911 15.04.2093 14.03.2100 (Building age: 18 years)	1,246 986 4 1	Oil palm estate Oil palm estate Staff training centre	292,880	2016*
Sg. Sembrong Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 05.05.2074 25.11.2082 13.10.2102	 607 607 29	Oil palm estate	84,084	2016*
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	502	Oil palm estate	102,868	2016*
Kuala Kabung Estate No 70, Jalan Ria 3 Taman Ria, Bukit Batu 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,718	Oil palm estate	-	1997
Mukim of Plentong, Johor (also known as Sg. Kim Kim) Lot 1581 Lot 2222 Lot 2223 Lot 2226 Lot 2227	 Freehold Freehold Freehold Freehold Freehold	 5 8 66 4 5	Vacant land	17,499	1997
Menara Ansar 65, Jalan Trus 80000 Johor Bahru	Leasehold expiring: 18.12.2080 (Building age: 18 years)	-	21-storey intelligent office building comprising 3-level basement carpark, 5-level podium and 16-level tower	112,000	1998
Mukim Sungai Tiram PTD 5069 HSD 564663	Leasehold expiring: 16.01.2068	8	Vacant land	8,685	2008
Mukim of Plentong, Johor PTD 155633 HSD 303856	Leasehold expiring: 18.05.2060	6	Container depot	17,498	2015
		13,651		**1,329,491**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2016 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	162,665	2016*
Tereh Utara Estate K B 536 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078 Leasehold expiring: 27.06.2079	831 1,559 607	Oil palm estate	174,466	2016*
		5,795		**337,131**	
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,418	Oil palm and rubber estate	181,000	2016*
Sedenak Estate K B 726 80990 Johor Bahru, Johor	Freehold	2,816	Oil palm estate	267,086	2016*
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,405	Oil palm estate	208,258	2016*
Sg. Papan Estate P O Box 15, Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	153,232	2016*
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	93,588	2016*
Mungka Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,924	Oil palm estate	87,705	2016*
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,785	Oil palm estate	81,526	2016*
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil Palm estate	95,198	2016*
		18,882		**1,167,593**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2016 RM'000	Year of Acquisition/ Revaluation
UNITED MALAYAN AGRICULTURAL CORPORATION BERHAD					
UMAC Estate P O Box 64 86007 Segamat, Johor	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 239 237 324 383 475	Oil palm estate	100,264	2016*
		1,658		**100,264**	
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	54,659	2016*
		398		**54,659**	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	94,263	2016*
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	97,795	2016*
		3,535		**192,058**	
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate K B 520 85009 Segamat	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	249,202	2016*
Sg. Tawing Estate K B 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	108,988	2016*
		6,145		**358,190**	
Total - Plantation		**51,033**		**3,603,752**	

* These properties were revalued in 2016. The accounting policy on revaluation is disclosed in Note 2.7 to the Financial Statements.

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Area	Description	Net Book Value @ 31.12.2016 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: 17 years)	2.56 hectares	Industrial land and building	114	2000
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 34 years)	2,344,000 sq. ft.	Industrial land and building for office and factory	5,710	1983
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 31 years)	5,000 sq. ft.	Factory building	38	1986
No 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold Expiring: 18.04.2085 (Building age: 30 years)	6,000 sq. ft.	1 unit of double-storey bungalow (staff residence)	50	1987
No 17, Jalan Resam Green Plains, Taman Bukit Tiram 81800 Ulu Tiram, Johor	Leasehold (Building age: 27 years)	0.5699 hectares	1 unit of double-storey bungalow (staff residence)	578	1990
				6,490	
E.A. TECHNIQUE (M) SDN BHD					
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa II Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 11 years)	6,402 sq. ft.	Office building	1,365	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	823	2013
11&13, Jalan Serangkai 1, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m^2	Shop office	3,183	2013
2, Jalan Bukit 6, Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (82 years)	291 m^2	Store	450	2013
Expansion Plant in Bandar Penawar Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (60 years)	2,600 m^2	Industrial land and building for plant	7,824	2014
				12,280	
DQ-IN SDN BHD					
Lot PT 11254, Taman Perindustrian Paka, 23100 Paka Dungun Terengganu	Leasehold (85 years)	143 m^2	Shop Office	294	2014
Total - Intrapreneur Ventures				**20,429**	


NAUTICA MUAR
ABC POWDER

SECTION

4

SEGMENT REVIEW

PLANTATION

In 2016, Kulim's core plantation segment continued to operate in a very dynamic and volatile environment, significantly influenced by changes in weather pattern due to El Nino and the resulting lower yield led to Crude Palm Oil ("CPO") prices peaking at a 20-month high of RM3,200/mt in December, as well as fluctuations in foreign exchange. The rapid growth of the palm oil industry has also brought about many new challenges to the sector's sustainability and competitiveness. For the country, making inroads into new markets is critical to absorb the nation's growing annual CPO production. The scenario in 2016 has seen better prices for the commodity but plantation players still need to embark on tight cost control measures.

PLANTATION

While our performance by large mirrored that of the Malaysian oil palm industry, there were still some notable highlights. Fresh Fruit Bunches ("FFB") and Yield Per Hectare ("YPH") decreased, beating the budget and surpassing the previous year's achievements. Thus, we continued to work in containing costs, beating our budget estimates. In Indonesia, in addition to developing an existing 40,645 hectares of greenfield in North Barito, we also boosted our total plantation landbank by a further 40,645 hectares to 64,345 hectares with *Izin Usaha Perkebunan* ("IUP") through the acquisitions of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") in South Sumatera which are expected to generate revenue and contribute earnings to Kulim Group.

INDUSTRY OVERVIEW

According to the Plantation Industries and Commodities Minister, Datuk Seri Mah Siew Keong, the El Nino effects in 2016 had led to a 13% decline in palm oil production at 17.32 million tonnes compared with 19.96 million tonnes in 2015, but the commodity's price has averaged at RM3,200 per tonne against RM2,200 per tonne in January 2016. Exports of palm oil products declined by 8.2% in 2016 to 23.29 million tonnes from 25.37 million tonnes in the preceding year. In 2016, palm oil stocks also declined by 23.2% to 1.77 million tonnes, the lowest level since 2011. India remained the largest export market, accounting for 17.6% of total Malaysia palm oil exports in 2016 or 2.83 million tonnes, followed by European Union at 2.06 million tonnes and China at 1.88 million tonnes. *(Source: The Star, 18 January 2017)*

The increase in consumption was also boosted by the implementation of biodiesel blend by Malaysia and Indonesia, which was further propelled by competitive palm oil prices, mainly trading at a range between RM2,162 and RM2,678 during the year.

Prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomena during the second half of 2015 and the first half of 2016 had impacted the Malaysian oil palm industry's performance in 2016. The year 2016 saw CPO production declined by double-digit, which drew down palm oil stocks and pushed up palm oil prices. High palm oil prices had influenced exports to major markets as the discount of CPO to soyabean oil narrowed. Average CPO price in 2016 was higher by 23.2% to reach RM2,653. Higher palm oil prices also helped to increase the export revenue by 7.3% to RM64.58 billion from RM60.17 billion in 2015.

Total Malaysian oil palm planted area stood at 5.74 million hectares in 2016, up 3.2% from 5.64 million hectares in 2015, mainly attributed to a 4.7% increase in Sarawak. Geographically, Sabah has largest planted oil palm estates with 27% of total planted area, followed by Sarawak at 26% and Peninsular Malaysia collectively accounting for 47%.

LOCATION	OIL PALM PLANTED AREA (MILLION HECTARES)		PERCENTAGE (%)
	2015	2016	
Peninsular Malaysia	2.66	2.68	47
Sabah	1.54	1.55	27
Sarawak	1.44	1.51	26
Total	5.64	5.74	100

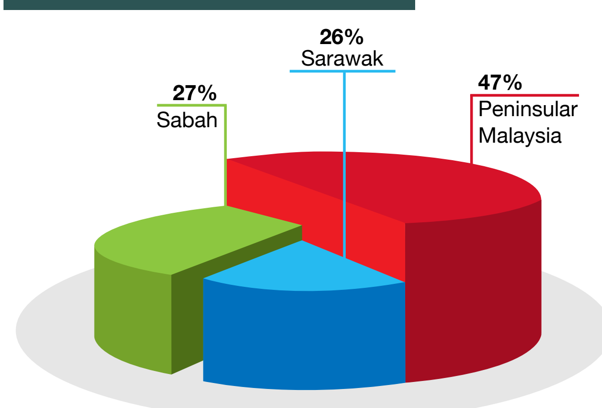
In 2016, CPO production fell by 13.2% to 17.32 million tonnes, from 19.96 million tonnes in 2015, resulting from a 12.0% reduction in FFB processed following a 13.9% decline in FFB yield. Oil Extraction Rate ("OER") also declined. A breakdown of production by geographical area are as follows:

LOCATION	CPO PRODUCTION (MILLION TONNES)		LEVELS OF DECLINE (%)
	2015	2016	
Malaysia	19.96	17.32	13.2
Peninsular Malaysia	10.54	8.89	15.7
Sabah	5.72	4.85	15.3
Sarawak	3.70	3.59	3.2

During the year, overall FFB yield fell 13.9% to 15.91 tonnes per hectare, from 18.48 tonnes per hectare achieved in 2015, as the El Nino phenomenon since the second half of 2015 brought prolonged dry weather and below-average rainfall. Further details are available in the following table:

LOCATION	FFB YIELD 2015 (TONNES PER HECTARES)		LEVELS OF DECLINE (%)
	2015	2016	
Malaysia	18.48	15.91	13.9
Peninsular Malaysia	18.77	15.77	16.0
Sabah	19.99	17.10	14.5
Sarawak	16.21	14.86	8.3

OIL PALM PLANTED AREA - MALAYSIA



PLANTATION

UP 3.2%

Total Malaysian oil palm planted area stood at

RM 5.74 ***million hectares***

The national OER in 2016 declined by 1.4% to 20.18% amidst unfavourable weather conditions and lower quality of FFB processed by palm oil mills with OER in Peninsular Malaysia, Sabah and Sarawak declining by 1.2%, 2.1% and 0.6% respectively.

LOCATION	OER (%)		LEVELS OF DECLINE (%)
	2015	2016	
National	20.46	20.18	1.4
Peninsular Malaysia	20.01	19.76	1.2
Sabah	21.57	21.11	2.1
Sarawak	20.15	20.02	0.6

In 2016, the total exports of oil palm products declined by 8.2% to 23.29 million tonnes in 2016 from 25.37 million tonnes exported in 2015. However, total export value increased by 7.3% to RM64.58 billion compared to the RM60.17 billion achieved in 2015 due to higher export prices. Palm oil export revenue increased by 5.1% to RM43.37 billion as against RM41.26 billion in 2015. Palm oil off-take declined by 8.1% to 16.05 million tonnes compared to 2015 due to lower demand, especially from India, China, the European Union ("EU") and the United State of America ("USA").

Nonetheless, India maintained its position as the largest Malaysian palm oil export market in 2016, with an intake of 2.83 million tonnes or 17.6% of total palm oil exports, followed by the EU, People's Republic of China, Pakistan, Turkey, The Philippines and the USA. These seven (7) markets combined accounted for 9.52 million tonnes or 59% of total Malaysian palm oil exports in 2016.

The price of all oil palm products were traded higher by 23.2% or RM499.50 per tonne to reach RM2,653 per tonne as compared to RM2,153.50 per tonne in 2015. The highest traded price was in December at RM3,200 per tonne and the lowest price was in January at RM2,250.50 per tonne. The higher CPO price during the year was mainly due to lower CPO production as dryness caused by El Nino weather phenomena, lowered FFB yield, thus boosting palm oil prices. Coupled with firmer competing vegetable oil prices, i.e. Soybean Oil ("SBO") price and weaker Ringgit against the US Dollar, palm oil became cheaper compared to other vegetable oils in the world market.

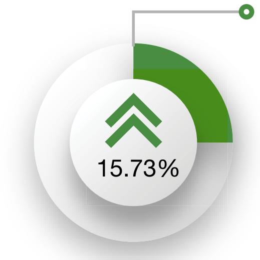
The average price of Palm Kernel ("PK") in 2016 increased by RM1,083.50 per tonne or 70.9% to RM2,611 per tonne as compared to RM1,527.50 per tonne during the same period of 2015. The higher PK price was mainly due to the bullish domestic Crude Palm Kernel Oil ("CPKO") price sentiment. *(Source: Economics & Industry Development Division Malaysian Palm Oil Board, January 2017)*

FINANCIAL PERFORMANCE

The Group's FFB production decreased by 3.92% to 851,435 tonnes in 2016 from 886,172 tonnes in the preceding year. In line with the industry's trend, the average CPO price achieved by the Group's Malaysian operations increased to RM2,532 per tonne in 2016, compared to RM2,191 per tonne posted in 2015. PK prices were also higher at RM2,387 per tonne, from RM1,534 per tonne a year earlier.

For the year under review, Plantation segment recorded revenues of RM899.52 million, an increase of 15.73% from RM777.26 million posted in 2015 mainly due to higher CPO and PK average price by 15.56% and 55.61% respectively. Nonetheless, Plantation segment remained by far the biggest contributor to Group's revenue, accounting for 56% in 2016.

PLANTATION



PLANTATION REVENUE

RM
899.52
million

Undeterred by the challenges of a tough year, the Group looked within the organisation and initiated cost management and operational efficiency improvement measures, which proved to be successful in improving the bottom line. At RM266 per tonne FFB, our field cost was similar to the budget estimates. Our cost per hectare improved to RM5,548 from RM5,689 achieved in 2015, while our milling costs stood at RM46.68 per tonne FFB, beating our own budget estimates by 0.76%.

This is a significant achievement given the revisions in collective agreements entered into by the Malayan Agricultural Producers Association ("MAPA") and National Union of Plantation Workers ("NUPW") which required an increase in wages for field workers to RM1,000 per month.

It helped that the move was widely anticipated, allowing us to initiate mitigating measures to retain workers and improve workers' productivity. We achieved this by improving housing amenities and organising activities for the local community, thus encouraging our foreign workers to be more productive and to stay on with the Group.

To counter the rising cost of fertilizers, we implemented plastic mulching applications wherever feasible to promote nutrient uptake during new replanting exercises.

OPERATIONAL REVIEW

For the year ended 31 December 2016, Kulim has plantation operations in Peninsular Malaysia as well as in Central Kalimantan and South Sumatera Indonesia, with the Group's plantation landbank totalling 115,378 hectares. Of this, some 51,033 hectares or 44% are located in the southern part of Peninsular Malaysia. Following the completion of acquisitions of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") on 23 June 2016, adding 8,345 hectares of planted oil palm in South Sumatera, Indonesia.

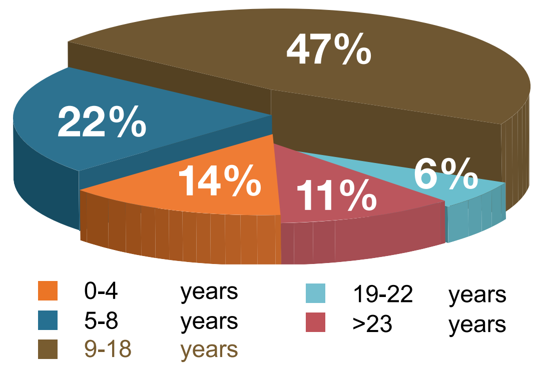
PLANTATION IN MALAYSIA

ESTATE OPERATIONS

In 2016, our Malaysian operations produced a total of 851,435 tonnes of FFB, a 3.92% decrease from 886,172 tonnes produced in 2015. Correspondingly, this led to a 7.29% decrease in YPH to 20.86 tonnes from 22.50 tonnes recorded in the previous year. The FFB performance remained superior compared to the average yield achieved by the industry in Johor as well as Peninsular Malaysia, which was 17.80 tonnes and 15.77 tonnes respectively.

The decrease of FFB production experienced by the Group's estates was in tandem with the general industry trend, as planters suffered from drought stressed weather over the past two years, exacerbated by the El Nino phenomenon.

PALM AGE PROFILE - Malaysia



OIL PALM PLANTED AREA AS AT 31 DECEMBER 2016				
LOCATION	TITLED AREA (HA)	MATURE (HA)	IMMATURE (HA)	TOTAL PLANTED (HA)
Malaysia	51,033	40,819	6,209	47,028
Indonesia	64,345*	4,316	4,336	8,652
Total	115,378	45,135	10,545	55,680

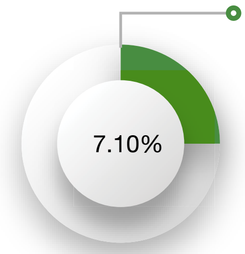
* With *Izin Usaha Perkebunan* ("IUP")

Oil palm trees flourished in consistent year-round temperatures and rainfall and can withstand drought for short periods, depending on its soil type and other geological factors. However, long drought tends to reduce flowering and fruit production, lowering the number of bunches produced and forming smaller fruit bunch (lower bunch weight). Extreme weather fluctuations also affect the palms' nutrients uptake, further aggravating crop production shortfall. For Kulim, the rainfall received by the estates in 2013 was moderately adequate at 2,282 mm but fell short in 2014 and 2015 at 1,823 mm and 1,827 mm respectively.

To strengthen its sustainable performance, Kulim continues to commit to replanting - a very important aspect of the industry - with a view to improving the age profile of its palms and for optimal productivity. During the year under review, a total of 1,050 hectares were replanted with high yielding clones. Replanting is undertaken on a staggered basis to maximise the crop potential before felling is carried out. As a result of our replanting initiative, the average age profile of our palms has improved to 12.16 years from 11.72 years in 2015. As at the end of 2016, the Group's planted area in Malaysia consists of 53% prime mature area, 36% immature/ young mature areas and 11% old palms above 23 years.

PLANTATION

MILL OPERATIONS



For the year under review, our five (5) mills processed a total of 1,339,659 tonnes of FFB, including 359,224 tonnes sourced from external smallholders and outgrowers. Although there was a 5.03% decline from 2015, it was notable that the decreased was narrower compared to the national average reduction at 12%.

Total CPO production from our mills amounted to 273,354 tonnes, a 7.10% decrease from 2015 production of 294,255 tonnes. Total PK production also decreased by 10.55% to 70,030 tonnes. Our oil yields declined to 5.78 tonnes of CPO per hectare for the year under review.

Our Oil Extraction Ratio ("OER") declined to 20.40%, from 20.86% recorded in 2015. However, as in previous years, we continue to achieve an OER that is higher than the industry average of 19.76% for Peninsular Malaysia and 20.18% for Malaysia as a whole. Our Kernel Extraction Rate ("KER") was 5.23%, against 5.55% recorded previously.

Going forward, our strategy for 2017 will be to focus on OER improvement through several programmes, including the use of Near Infra-Red Machine ("NIR") equipment to expedite results on oil loss to enable fast remedial action, conditioned-based maintenance approach for preventive maintenance and to reduce breakdown, review of loss limits for oil and palm kernel, as well as continue with our effort to increase the quality of FFB processed at our mills.

OER COMPARISON	
Kulim	20.40%
Peninsular Malaysia	19.76%
Malaysia	20.18%

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. Field cost contained at RM266 per tonne FFB whilst our milling costs stood at RM46.68 per tonne, 0.76% higher than the Group's own 2016 estimate.

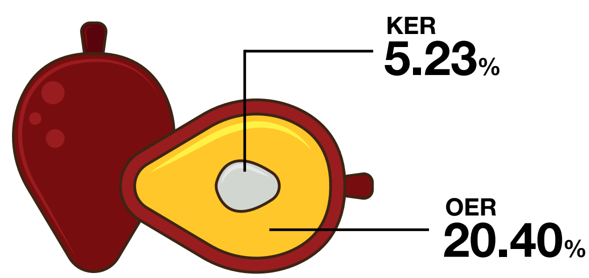
Regulatory issues also play a role in shaping a planter's performance and the government's announcement in the 2016 Budget for an increase in minimum wage rate for the private sector to RM1,000 per month was one that had affected plantation owners. This latest decision saw plantation owners paying an additional RM25 per worker per month in workers' wages, bringing the daily wage rate to RM38.47 per manday.

To contend with higher wage costs, Kulim continues to adopt Good Agricultural Practices ("GAP") and Manufacturing Practices in its plantation operation, which has long been the practice of the Group as a successful business strategy to enhance efficiency and productivity. These practices, which are endorsed by the Food and Agricultural Organisation ("FAO") of the United Nations, cover an entire spectrum of activities from nursery preparation, field planting, application of fertilizers at appropriate times and doses, restoring soil organic content, right up to FFB harvesting, transportation and processing at the mills.

The Group has also progressively stepped up its mechanisation and automation programmes to reduce reliance on manual labour. One of the most important activities in oil palm cultivation is harvesting, a labour-intensive operation involving 40% of manual labour and constituting about 50% of production costs. *(Source: MPOB Information Series, MPOB TT No. 349)*. To this effect, the Group has invested in a Scissor Lift Tractor and Bin System for quicker and more efficient FFB loading and evacuation. Motorised harvesting poles known as Cantas and C-Kat are now used in most of the Group's estates as they are able to more-than-double the harvesting productivity of a manual sickle.

The year under review, we have continue the mechanisation of oil palm operation; namely using motorised harvesting poles – Cantas and motorised sickles - C-Kat to some 1,164 hectares of oil palm area, with the ever rising labour costs, we believe mechanisation is the way forward for the oil palm industry.

In addition with the key programmes laid out for our estates and mills, will enable us to achieve higher volume of palm products and mill by-products as well as minimal crop and milling losses in 2017. Thus, we plan to optimise the use of biogas and continue with our efforts to effectively manage cost control while increasing productivity and enhancing mechanisation through the use of C-Kat, Cantas and Bin-System.



PLANTATION

RENEWABLE PROJECTS

The production of CPO also generates Palm Oil Mill Effluent ("POME"), which carries polluting characteristics of methane from the decomposition of POME. However, POME has high organic content that carries great potential for biogas production, a source of renewable energy. With this in mind, coupled with efforts to reduce Greenhouse Gas ("GHG") emissions. Kulim targets to cut the Group's overall carbon footprint to 58% by 2020 and to establish biogas plant at all of its five (5) mills by 2025. At end-2016, we have two (2) biogas plants installed and commenced operations at two of our palm oil mills. The installation of biogas plants at the remaining three palm oil mills are expected to complete by 2025 as per requirement by the Department of Environment ("DOE"). This new timeline will supersede our previous planning that the installation will be completed in 2017.

This effort began several years ago, with the development and commission of its first biogas plant at Sedenak Palm Oil Mill on 8 April 2014. In 2016, it produced a total of 1,445,335 cubic metres of methane biogas for power generation and flaring with the engine clocking 2,624 hours of operation.

The biogas plant located at Pasir Panjang Palm Oil Mill was physically completed in September 2015, while for the Sindora Palm Oil Mill is expected to be completed by June 2017 with commissioning slated for September 2017.

Meanwhile, the proposed installation of biogas plant at Tereh Palm Oil Mill and Palong Cocoa Palm Oil Mill - which was intended to facilitate exporting of electricity to Tenaga Nasional Berhad's ("TNB") grid - was postponed until the Feed-in-Tariff ("FIT") quota becomes available.

Our mill operations also produced around 83,821 tonnes of Palm Kernel Shell ("PKS"). Around 14,603 tonnes were sold in 2016 for external use as a replacement for fossil-based fuels.

RESEARCH AND DEVELOPMENT

Research and development ("R&D") is an integral part of Kulim's strategy to be a key player in the palm oil industry, epitomised by the Group's investment in industry specialists as well as a dedicated R&D centre known as Kulim Agro-Tech Centre in Kota Tinggi, Johor. The Group's investment in the development of its people and the R&D centre is supported by a team of highly trained and experienced research personnel with expertise in agronomy, remote sensing, microbiology, seed production, plant breeding, biotechnology & chemistry, among others.

PRECISION AGRICULTURE AND ANALYTICAL SERVICES

The Kulim Agrotech Information System ("KATIS") is based on the concept of precision agriculture. It combined the Global Positioning System ("GPS"), Geography Information System ("GIS") and the Oil Palm Monitoring Programme

to capture agronomic and management data. The data provides a quick overview of an estate's performance so that underperforming areas can be identified and mitigation action taken.

Moving forward, the group uses a drone to capture high resolution aerial photographs and integrates them into the available GPS digital maps. The system comprises a drone, which is a gadget equipped with avionics-autopilot, an imaging sensor (digital camera or any advance sensor) and the cradle system, ground control points and a photogrammetric processing software.

The information obtain from aerial photographs give a better perspective of the overall plantation landscape showing the physical infrastructure in place, terrain, land use, field conditions and even the health of palms. It was also useful in the design of road and drainage networks to address the problem of flooding in low lying areas.

Using the data gathered, we could efficiently improve land utilisation, precisely control fertilizer recommendation, map fields accurately, monitor crop health, check for signs of disease and outbreak of pest infestation.

ANALYTICAL SERVICES

The Group's Ulu Tiram Central Laboratory ("UTCL") has its expertise in chemical and physical testing of samples, agronomic and fertiliser recommendations to improve productivity, as well as effluent testing for palm oil mills.

The Laboratory is well-equipped with the latest testing equipment such as the Inductive Coupled Plasma-Optical Emission Spectrophotometer ("ICP-OES"), Atomic Absorption Spectrophotometer ("AAS"), Flame Photometer, UV-spectrophotometer and Nitrogen Auto Analyser to ensure reliable analytical results and reflecting Kulim's commitment to R&D.

PLANTATION

With the latest technology, tests can be completed with greater speed and accuracy, enabling UTCL to provide reliable and quality analytical services for both in-house and external customers.

For instance, the fully automatic nitrogen analyser expedites the sample processing time, taking only five (5) minutes per sample or three (3) hours to process a set of 40 samples using the Dumas method, as opposed to 17 minutes and 11 hours using older machines. Likewise, the ICP-OES too facilitates efficient and more expedient testing of samples. The testimony of efficiency and reliability is reflected in the 18% year on year increase in the samples analysed, totaling over 14,725 samples analysed in 2016, whilst samples received from external customers increased by a whopping 28% that year.

To further assure customers of its quality, UTCL continues to retain the MS ISO/IEC 17025 SAMM *(Skim Akreditasi Makmal-Makmal Malaysia)* accreditation, which is the main ISO standards for testing and calibration laboratories. It also participates in the National Crosscheck, organised by Agricultural Lab Association of Malaysia (AgLam) annually.

UTCL's competency is also well-recognised globally and supported 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 involved in the accreditation of conformity assessment bodies including calibration laboratories, testing laboratories, medical testing laboratories and inspection bodies.

AGRONOMY

To promote the science of soil management and crop production, the Group relies on a database built up over 20 years to determine the performance of different planting areas, provide analysis and recommendations on best practices and determine sites for new agronomy trials and the suitable measures to overcome pest outbreaks.

Over the years, the Agronomy Unit has extended its responsibilities from merely providing technical advice and services to undertaking full-fledged R&D activities, where findings were subsequently made available to estates across the Group to enhance the monitoring of field performance and facilitate benchmarking against other high-performers.

Maximising Yields

Applying best management practices, Agronomic services are used to maximise yields and outputs in a sustainable manner:

- Nutrient management as well as soil characterisation and conservation strategies are employed to improve soil management.
- Long-term fertiliser studies look into the efficiency of specific nutrient applications and evaluate the use of pesticides for effectiveness and cost competitiveness whilst ensuring that it is less toxic and more environmentally friendly.
- One of the primary tasks of Agronomists & Chemists of Kulim is to closely monitor the fertilisers sent to estates to ensure the use of good quality fertilisers.
- Emphasis is also placed on achieving optimal balance of inorganic and organic fertilisers so as to promote efficient energy usage and sustainably achieve higher oil palm yields.
- In the wake of increasing prices of inorganic fertilisers, biocompost produced from the Group's milling operations enabled efficient use of by products covering larger planting areas.
- Starting from FY 2014, the technique of biocompost application on terraces has been improvised from surface to subsoil application.
- Cognizant of the importance of water for plantations, an irrigation project was initiated in Mungka Estate in August 2015 as part of yield intensification for the dry region of the Segamat area. This proved successful with evidence of increased yield of up to 36% (Palat, 2000).

Integrated Pest Management ("IPM")

As an experienced planter, Kulim recognises the need for a balanced IPM approach for pest and disease control and to reduce overdependence on pesticides as part of the Group's sustainable growth. Kulim was tagged as one of 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 growth in oil palm plantations in the early '80s. Barn owls and snakes help keep a check on rodent populations while predatory insects, parasitoids and entomopathogenic fungi keep defoliating insects at bay. Only in an outbreak situation, where natural predatory controls are inadequate, do we resort to using insecticides.

Research Collaboration

Kulim has long collaborated with other research institutions such as MPOB and University Putra Malaysia ("UPM") for further advancement of the palm oil industry. Recent initiatives include research on Ganoderma, a major disease of oil palm trees and possible mitigation factors including the use of microbes. It also worked with UPM on the study of population fluctuation of *Elaeidobious kamerunicus* (pollinating weevil) in oil palm plantation to find ways of enhancing pollinator weevil population for better oil palm fruit set.

Zero-Burning Replanting

It has always been the Group's principle to practice environmentally-friendly zero-burning replanting, as opposed to burning old and uneconomical methods. This includes shredding oil palm stands and leaving them to decompose naturally in situ, thus helping to recycle nutrients into the soil. Zero-burning is also our contribution to the global effort to minimise global warming alongside compliance to environmental legislation.

PLANT BREEDING

Conventional Breeding

The industry has made significant progress in palm oil production over the past few decades but it is pertinent for the sector to continue improving agricultural productivity in view of competing interests for other vegetable oils.

While conventional breeding continues to play a significant role in yield enhancements, industry players are increasingly looking towards advancements for variety improvements as an alternative to relatively shorter cycles and better yields.

To this end, the selection of elite planting materials to achieve high oil yields remains the primary objective of Kulim's oil palm breeding programme. Seedlings of some new crosses were also nurtured for 2017 planting efforts. Experiments were undertaken to find new sources of improved dura and pisifera parent palms for future planting materials and pisifera ortets for clonal propagation. A total of 0.4 million of commercial DxP seeds were sold.

Biotechnology

a. DNA fingerprinting

Genomic research facilitates more accurate results to determine the legitimacy of a plant breeding material through DNA fingerprinting using parents-progenies analysis. This is particularly useful for quality control and assessment in plant breeding materials and tissue culture ramets. Through this technique, seed legitimacy can be determined as early as at nursery stage. A total of 111 leaves of DxP seedlings were sampled in Sg. Papan nursery for preliminary determination of contaminants to exclude illegitimate progenies from the analysis.

b. Shell gene analysis for determination of fruit form

Research has shown that the shell gene is responsible for different fruit forms and the unraveling of this genetic basis paves the way for seed producers to distinguish the dura, tenera and pisifera plants in the nursery long before they are planted (rather than at the fruit bearing stage as in the conventional breeding method), therefore allowing planters to plant the varieties based on the desired shell trait. Collaborative efforts with MPOB have successfully confirmed the reliability of the fruit segregation method for dura, tenera and pisifera varieties.

Tissue culture

a. Selection of high yielding tenera clones for recloning

A number of tenera palms with oil/bunch (O/B) over 35% and oil yield above 10 tonnes per hectare per year in four (4) clones of different genetic backgrounds were selected for recloning. Eight (8) palms were recloned.

b. Cloning of elite duras

Three (3) elite duras were cloned. They will be used as mother palms for future semi-clonal DxP seeds production.

PLANTATION

TOTAL QUALITY MANAGEMENT

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

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

The new revised standards of both ISO QM 9001:2015 and ISO 14001:2015 are recently being enforced and in line with it, the transition programme starting in March with Gap analysis was successfully carried out on 26 March 2017. The latest edition of the standards introduces a number of new requirements and concepts, incorporating new approaches in the field of Quality and Environmental Management System that meet stakeholders' expectation to balance the needs of developed and developing countries; with a focus on performance as opposed to managing processes.

UTCL has been accredited with ISO/IEC 17025, the main ISO standard used by testing and calibration laboratories to be deemed technically competent.

UTCL is in preparation to extend the scope of testing for fertilisers and foliar with targeted completion in 2017.

QUALITY ENVIRONMENT / 5S CERTIFICATION

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

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

The main objectives of 5S Certification are to:

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

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

The work continued for QE/5S with Internal Audit being conducted on 28 August and 27 November 2016 and we have successfully passed the second Surveillance Audit on 12 March 2017 with Certification Body – Malaysia Productivity Corporation ("MPC").

CONGRATULATIONS !

PLANTATION

In May 2015, four (4) of our palm oil mills, namely: Palong Cocoa Palm Oil Mill, Tereh Palm Oil Mill, Sindora Palm Oil Mill and Sedenak Palm Oil Mill, earned *Halal* Certification for its products, issued by Jabatan Kemajuan Islam Malaysia ("JAKIM"). In addition to these mills, our Pasir Panjang Palm Oil Mill has also embarked on *Halal* certification program with documentation of Halal Management System ("HAMS") completed in September 2016. The application for registration was done through the newly introduced fast track registration, e-HALAL JAKIM. Internal audit was carried out in December 2016. The Halal Certification was received on 1 February 2017 with the Certification period valid for two (2) years starting from 1 February 2017 until 31 January 2019 and is subject to an annual review audit.

5 Mills
OBTAINED *HALAL* CERTIFICATE BY JAKIM

Pasir Panjang Palm Oil Mill, commissioned in March 2015

PLANTATION IN INDONESIA

Kulim's decision to expand its operations to Indonesia is a natural progression given the Group's strategic goal of increasing its plantation landbank.

The latest Indonesian investment was inked on 10 February 2016, giving Kulim's 74%-owned subsidiary PT WIN ownership and control over four (4) midsized oil palm plantation companies. Four (4) CSPA were signed for the acquisitions of 95% equity interests in PT NPI, PT SPS, PT TPR and PT RAJ, for a total IDR1.64 trillion (approximately RM509.35 million).

Effective on 23 June 2016, PT WIN had officially taken over two (2) plantations from PT RAJ and PT TPR of the Amara Group, which are located in South Sumatera with 8,345 hectares total oil palm planted areas or around 4,316 hectares of total mature area.

The rehabilitation process, which includes improvement on infrastructure and implementation of initial stage of RSPO and ISPO are currently underway. PT WIN's strategic plan is to fully rehabilitate PT TPR and PT RAJ on a staggered basis within three (3) years, beginning with 500 hectares in 2016, followed by 2,000 hectares in 2017 and 2,000 hectares in 2018. This will bring the complete rehabilitated total planted areas to 9,000 hectares for both estates upon completion of the exercise.

In total, this boosted Kulim's landbank by 115,378 hectares, of this 64,345 with IUP.

New planting at the PT TPR estate will also commence in stages beginning 2018. By end of 2020, PT WIN is expected to have a total planted area of 12,238 hectares in these estates.

As for the outstanding CSPA to acquire another two (2) plantation estates from PT NPI and PT SPS, Kulim have decided not to proceed with the agreement following the expiry of the Conditional Period on 9 February 2017, considering several unresolved issues that may affect Kulim's status as a RSPO-certified palm oil producer should we continued with the acquisitions.

Kulim also has 307 hectares of planted areas in North Barito, Central Kalimantan. As at end 2016, which promises great potential for oil palm cultivation and expansion due to its soil suitability, topography as well as locality and access to the main road. Currently, Kulim's subsidiary, PT WIN is still in the process of converting the land to *Aerial Penggunaan Lain ("APL")* status, from *Hutan Produksi Konversi ("HPK")*, which involves a lengthy process by various Government departments. Upon successful conversion, Kulim plans to embark on land clearing to increase its brown field landbank.

INTRAPRENEUR VENTURES

The Group, through the Intrapreneur Ventures ("IV") Division, supports the development of individuals as entrepreneurs and creates business opportunities that allow them to develop the necessary skills and knowledge management alongside appropriate infrastructure to facilitate their success. The term intrapreneurship, which is a combination of 'intra' or internal and 'entrepreneurship', reflects the creation of an enterprise within an organisation by driving innovation. Growth of the IV Division moderated amid tighter liquidity conditions, slowing economic growth and rising operating costs. However, it remained resilient during tough times as it is well-capitalised with stable risk exposure and had implemented revenue measures and maintained prudent spending. Like many other businesses, the current economic environment has also driven many of our IV companies to operate on a leaner and more efficient manner as they ensure cost cutting measures and curtail excessive spending, thus emerging stronger and more resilient from these challenges and to remain ahead of the competition.

INTRAPRENEUR VENTURES

KEY DEVELOPMENTS

During the year under review, Kulim has stepped up an additional 25% stake in Classruum Technologies Sdn Bhd ("CRTSB") on 24 November 2016, which saw our total holdings in the operator of the social network for education climbed to 76%. In addition to being part of Kulim's Corporate Responsibility effort to contribute towards the progress of national education, the increased stake is to enable Kulim to reap maximum potential from this fast-growing business.

In line with the Group's rationalisation strategy for IV businesses, in November 2016, Kulim had disposed Granulab (M) Sdn Bhd ("Granulab") to Sirim Tech Venture Sdn Bhd for RM685,000. We also recognised several stalled ventures and to minimise further cash burn, we ceased operations of SG Lifestyle Sdn Bhd ("SG Lifestyle") and JTP Trading Sdn Bhd ("JTP Trading") in October 2016.

Other businesses within the Division were restructured to create leaner and more efficient operations. During the year, Special Appearance Sdn Bhd ("SASB") ceased non-profitable activities in event management and film production, in order to be more focused on contracts relating to oil palm replanting services, including the management of a small oil palm plantation - Mersing Hill Estate in Mersing, Johor.

Despite the challenging times, investments continue to be made in promising ventures, such as the purchase of heavy machineries including four (4) new stackers and two (2) forklifts for Epasa Shipping Agency Sdn Bhd, which should augur well for the company in the coming years.

FINANCIAL HIGHLIGHTS

The IV Division recorded revenue of RM57.61 million in 2016, down 10.07% from the previous year's record. Consequently, earnings also decreased from pre-tax profit of RM1.09 million in 2015 to pre-tax profit of RM704,960.

The Division received its largest 2016 revenue contribution of RM20.42 million from Extreme Edge Sdn Bhd ("EESB") Group. Other substantial contributors include MIT Insurance Brokers Sdn Bhd ("MIT") and Kulim Nursery Sdn Bhd ("KNSB").

The network infrastructure and system provider, EESB, contributed RM2.44 million to the IV Division's pre-tax profit, while RM1.50 million came from the insurance business. However, the earnings contributions were wiped out by pre-tax losses recorded by a couple of unprofitable ventures, notably Sindora Timber Sdn Bhd and Microwell Bio Solutions Sdn Bhd.

We believe that an organisation has to be farsighted to be flexible enough to make changes or to abandon unsuccessful ideas, while at the same time keeping its option open to identify highly potential endeavours.

EXTREME EDGE SDN BHD ("EESB")

EESB was incorporated on 1 January 2010 as a one-stop centre providing networking, communications, back-up and recovery solutions. Its networking and communications solutions encompass planning for network diagram and equipment and designing and implementing communication equipment, while its back-up and recovery solutions include Replistor, Seagate, Acronis and Oracle Dataguard. The company also offers website designing, development, hosting and management solutions for financial, risk management and human resource management systems and E-procurement.

EESB's vision is to become a premier information technology solution integrator and business performance enhancer, and in a span of seven years, it has stood up to larger and established competitors to create a name in the ICT industry with the support of 37 talented technical specialists in the areas of software engineering, application, analysis, programming, administration and technical support.

For the year under review, EESB Group has recorded a 6.03% increase in revenue of RM20.42 million as compared to RM19.26 million in 2015. However, pre-tax profit eased by 19.49% to RM2.44 million in 2016 from RM3.04 million in 2015, dragged down by lower margin following the completion of Kedai Ayamas & Rasamas ("KARA") project in 2015 by its wholly-owned subsidiary, Sovereign Multimedia Resources Sdn Bhd ("SMR"). Currently, SMR focuses on services to JCorp only.

EESB GROUP REVENUE
RM **20.42** million 6.03%

Plans are afoot to provide high service content and web/mobile application, enhance consultancy services on network, communication, technology products, to work closely with established partners such as Pinnacle Platform, Astura, Kansolve Network and to acquire strategic companies that will enable EESB to better position itself in the market.

INTRAPRENEUR VENTURES

MIT INSURANCE BROKERS SDN BHD ("MIT")

Founded in 1973, MIT is a home-grown enterprise that has evolved through the passage of time to be a market player of substance with the resources and ability to deliver quality insurance solutions. Centred on its tagline of "World Class, Home Grown", the company is backed by a team of established and experienced personnel who possess the skills and experience to provide innovative and strategic solutions to enterprise wide risks that businesses and organisations encounter in the conduct and growth of their businesses. Apart from providing conventional insurance, MIT is also a licensed Takaful broker.

MIT's specialist services encompass four (4) practices namely Financial Solutions ("FINSOL"), Specialty, Commercial and Employees Benefits. MIT's FINSOL practice engaged lawyers and economists to assess a company's exposure since professional liability risks are complex and extensive nowadays. Industry best practices are shared, applied and refined to continually create new business solutions to meet the expectations of an ever changing business environment.

One of MIT's specialist services, Commercial, is gaining prominence. MIT designs, manages and administers insurance programs for growing organisations. It uses the knowledge of competitive marketplace to tailor benefits programs and property and casualty coverage to an organisation. By focusing on the needs of corporate client's Employees Benefits Program, MIT designs tailor-made and cost effective health care program, implements them and provides ongoing consulting on trends and the changing environment relating to employee health care and benefits.

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

RM **9.59** million

MIT REVENUE
8.81%

In 2016, MIT obviously benefiting with the staff of Takaful Brokers, Mutual Sense Sdn Bhd, who are joining the company and bringing along their business portfolio. MIT also found new major clients in Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM"), Dewan Bandaraya Kuala Lumpur ("DBKL") and Bank Rakyat, which boosted its gross premiums to RM65.59 million compared to RM56.66 million in year 2015.

These strategies boosted MIT's performance in 2016, increasing its revenue by 8.81% to RM9.59 million from RM8.81 million in 2015, alongside its success in securing new clients in Perbadanan Insurans Deposit Malaysia, Perbadanan Perwira Hartanah Malaysia and Mesiniaga. Concurrently, pre-tax profit decreased by 10.96% to RM1.50 million from RM1.69 million previously.

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

KSTS a subsidiary of Kulim's wholly-owned EPA Management Sdn Bhd, provides Occupational, Safety and Health Administration ("OSHA") consultancy services to assist clients to comply with guidelines, rules and regulations.

UP 26.43%

KSTS REVENUE
RM **3.29** *million*

Guided by its motto to provide "Safety for People, Planet and Profits", KSTS offers Occupational, Safety and Health ("OSH") related services with key focus on training on OSH, human resource development, motivation and quality-related field work. It also provides advisory services on Occupational, Health and Safety Management Systems (OHSAS 1800), RSPO and ISO Quality Management Systems. It undertakes auditing, inspection and look into cases related to deaths, accidents and dangerous occurrences at the workplace and make recommendations for improvements.

Apart from providing health screening (medical surveillance), noise monitoring and administering urine and drugs tests, the company is also an authorised gas tester, visiting medical officer and a foreign workers medical screening expert on behalf of the Foreign Workers Medical Examination Monitoring Agency ("FOMEMA"). Other services include supplying and purchasing services, installation services, fire-fighting equipment maintenance, road safety and bat/termite eradication.

During the period under review, KSTS posted an encouraging revenue increase of 26.43% to RM3.29 million from RM2.60 million in 2015, mainly attributed to its strategies to strengthen existence and establish wider reach through setting up additional outfit at the fast-developing RAPID project area in Pengerang, Johor. Correspondingly, pre-tax profit increased by 25.06% to RM666,640 from RM533,050 recorded in 2015.

Going forward, KSTS remains committed to providing innovative, cost-effective and quality service and to treat of each contract as a partnership.

INTRAPRENEUR VENTURES

E-Learning Johor is the latest innovative product introduced by the Johor State Government which uses Classruum.com as the platform. It was specially developed by Classruum Technologies Sdn Bhd ("CRTSB"), a subsidiary of Kulim.

The programme was launched by the Chief Minister of Johor, YAB Dato' Mohamed Khaled Nordin at Maktab Sultan Abu Bakar, Johor Bahru on 27 April 2017. 600 guests comprising students, teachers and parents attended the event.

CRTSB is moving one step further to develop online tools and resources to promote and foster meaningful interaction among students through active student collaboration and engagement. Through E-Learning Johor, students will discover that online learning in schools are more interactive, social and fun. In addition, by having easy access to additional learning content, this will create the next generation of students who are adept at thinking creatively and critically.

This close collaboration with JCorp, the Department of Education of the state of Johor ("JPNJ"), *Yayasan Pelajaran Johor* ("YPJ"), *Yayasan Pasir Gudang* ("YPG") and *Yayasan Penyayang - Majlis Perbandaran Johor Bahru Tengah* ("MPJBT"), will benefit to many students. This programme is designed to be affordable to parents. YPJ will fund 50% of the cost of subscriptions while the balance will be borne by parents.

E-leaning Johor is offered to SPM students in Johor who will sit for the examination in 2017. Students whose family household income is below RM10,000 a month are eligible for participation in this programme. This affordable package is offered at only RM140. The normal price for a similar package is RM399.

AGROFOODS BUSINESS

158%
TOTAL PINEAPPLE PRODUCTION
3,179 tonnes

1.52%
TOTAL CATTLE POPULATION
7,565 heads

Kulim's involvement in the Agrofoods Division is a natural progression from its traditional oil palm business. Started of with small scale cattle-rearing within the oil palm estates with the aim to biologically control the weeding programme and improves company income. As at year-end 2016, we had a total cattle population of 7,565 heads, an increase of 1.52% (2015: 7,452 heads) from the previous year's. The Government is also encouraging cattle integration in oil palm estates, where the estate owners will implement a cattle breeding and rotational grazing programme in compliance with Good Animal Husbandry Practices ("GAHP").

Feedlot is the other branch of Kulim's cattle-rearing which involves two (2) feedlot premises – Bukit Nyamuk and Lubuk Bakul, managed by Kulim Livestock Sdn Bhd ("KLSB"). Its key activities are fattening and Qurban programme. The fattening programme, focuses on the rearing and fattening of cattle for one cycle of four months before being sold or slaughtered. As at 31 December 2016, there are 357 heads of cattle reared under our feedlots. KLSB has also been tasked to manage additional feedlots under JCorp's subsidiary – Ihsan Permata Sdn Bhd, which will see KLSB's expanded operation going forward.

Meanwhile, for pineapple business, as at 31 December 2016, some 182 hectares of Kulim's area was planted with the superior MD2 variety. Total production in 2016 was 3,179 tonnes, up 158% from 1,234 tonnes recorded in 2015. Export tonnage for 2016 increase to 682 tonnes with a value of RM1.78 million as against 2015 at 277 tonnes with value of RM623,281. Our aim is to increase the cultivation area to 1,000 hectares in 2021 via contract farming and reduce life cycle for fruit production to around 16 months with good agronomic practices.

The Division is also maximising the MD2 usage via involvement in downstream products including tarts, jam, frozen yogurt and drinks under the Melita brand.

OIL & GAS

The Oil and Gas ("O&G") industry went through one of its most transformative periods in 2016, with the sensational drop in oil prices affecting many companies and consequently redefining the way businesses are run as they tackle costs and prepare to face the challenges ahead. The impact on O&G players worldwide has been dramatic, as oil prices fell sharply over the past two (2) years, with many companies slashing outlays and affecting head count.

The rampant supply and lower global demand coupled with slowing economic growth and closer to home, the weaker Malaysian Ringgit, had similarly affected Kulim's O&G Division, though not as severely due to our limited exposure to Exploration and Production ("E&P") activities and our rather diversified portfolio.

OIL & GAS

Against this challenging backdrop, our O&G Division managed to post a stable revenue of RM626.17 million in 2016, which was comparable against RM569.78 million achieved in 2015, but pre-tax profit was visibly lower at RM21.03 million, halved from 2015's level of RM48.34 million, as we had to contend with tighter margins and higher costs.

O&G support services operations in Malaysia continued to draw strength from our marine vessel operation, with E.A. Technique (M) Berhad ("EA Tech") contributing revenue of RM591.66 million, a 10.28% increase from RM536.53 million posted in the previous financial year. Pre-tax profit increase by 36.18% to RM21.54 million, from RM15.82 million in 2015.

It continued to receive steady revenue contribution from Danamin (M) Sdn Bhd ("Danamin") in 2016 at RM34.50 million, a 8.35% increase from RM31.84 million posted in the previous year. Despite the marginal growth in revenue, the company's earnings improved substantially, cutting its pre-tax loss of RM4.75 million in 2015 to pre-tax profit of RM1.33 million in 2016. This was mainly due to the effectiveness in costs management, which includes review of manpower planning.

In Indonesia, the acquisition of PT Citra Sarana Energi ("PT CSE") is still on-going and hence, did not create a significant impact on our earnings in 2016. 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 E&P activities. This comes in the midst of industry expectations that the sector is now on the cusp of recovery.

O&G REVENUE
RM
626.17 million 9.90%

However, for Kulim, this Indonesian venture remains exploratory at the current stage. Although it offered little or no contribution to the Group's 2016 financial performance, we are confident that its contribution will grow significantly within the next few years as it enters into the production and commercialisation phase.

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

INDUSTRY OVERVIEW

Growth of the Malaysian economy expanded at a slower pace of 4.2% in 2016, compared with 5% growth in 2015, underpinned by the manufacturing and services sector and as domestic demand helped offset the impact of lower oil prices.

The central bank, Bank Negara Malaysia, however, had cautioned that the economy was likely to face a challenging operating environment going forward with domestic demand to continue driving growth with added support from exports. Investment activities are seen to remain focused on on-going infrastructure projects and capital spending in the manufacturing and services sectors.

According to the Malaysia External Trade Development Corporation ("MATRADE"), trade remained resilient in 2016, with total trade growing by 1.5% to reach RM1.49 trillion in 2016, from RM1.46 trillion in the preceding year. During the year, exports rose by 1.1% to RM785.93 billion while imports increased by 1.9% to RM698.66 billion.

The World Bank, however, had recently slashed its growth forecast for Malaysia from 2016 through 2018 citing the impact of a subdued global economy on the prospects of Malaysia's, open economy, predicting Malaysia's GDP growth would slow to 4.2% in 2016 from 5% in 2015 due to weak demand for oil and manufactured exports. However, it sees the economy rebounding to 4.3% in 2017 before accelerating further to 4.5% in 2018.

OIL & GAS

In neighbouring Indonesia, overall GDP expanded slightly in 2016, although growth eased in the final quarter of the year, supported by domestic demand with fourth quarter data on private consumption and fixed investment indicating steady economic growth. During the year, some volatility was seen in the external sector with modest growth in exports and trade balance surpluses that mainly attributable to exports of commodities in its heavily-weighted commodity export sector.

UPSTREAM ACTIVITIES – INDONESIA

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

On 10 December 2014, Kulim signed a Conditional Subscription and Shares Purchase Agreement ("CSSPA") to acquire 60% interest in PT CSE for USD133.55 million to gain a foothold in the Indonesian market. Subsequently, on 7 February 2016, taking into account the lower crude oil prices subsequent to the date of signing of the CSSPA, Kulim inked a Supplemental Agreement with the vendors, revising the investment cost downward to USD 80 million. The CSSPA is expected to be completed in 2017.

Based on the Plan of Development ("POD") and requirements by *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* ("SKK MIGAS"), PT RBBE has completed all its obligations to drill four (4) exploration wells and had on 28 November 2016 submitted a POD for approval.

PT RBBE is working closely with the Indonesian authorities to obtain the POD approval by 2017.

SUPPORT SERVICES – MALAYSIA

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

Incorporated in Malaysia on 18 January 1993, EA Tech was listed on the Bursa Malaysia Securities Berhad on 11 December 2014. The company is a marine vessel operator with its principal activities in marine transportation and offshore storage of O&G, provision of marine port services and marine engineering services. It also has a shipyard to support its vessel operations in terms of shipbuilding, ship repair and minor fabrication.

The company aims to be one of the major shipping companies in Malaysia with a strong culture of safety, quality and security well-embedded in the organisation.

The company is engaged in the provision of port marine services for petrochemical and bulk and container ports in Malaysia. The types of port marine services that EA Tech provides at the ports include, among others:

- Towage services, comprising towing, pushing or maneuvering vessels; and

- Mooring services, which involves securing a marine vessel to specially constructed fixtures such as piers, quays, wharfs, jetties, anchor buoys and mooring buoys.

EA Tech also provides dockside mooring services where mooring personnel will secure vessels to floating structure and fixtures at the wharf.

The company's marine engineering services are divided into two (2) segments, i.e. provision of marine engineering solutions and shipbuilding and ship repair activities. The former encompasses the provision of marine engineering solution and Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") activities, whilst the shipbuilding and ship repair activities provide internal support to its marine vessel operations.

- Shipbuilding: Some of the shipbuilding activities that the company carries out include construction of hull and structure, installation of machinery, equipment and instruments and various embedded systems on the deck of the vessel, painting and coating, as well as testing and commissioning.

- Ship repair: The company's ship repair utilises the same facilities, equipment and skill set as shipbuilding. The repair works involve inspection, replacement, modification, removal and installation and cleaning.

EA Tech also undertakes the mirror fabrication of steel structures in its shipyard. The steel structures that the company fabricates are mainly for marine vessels, such as helipad, flare stack, skids and piping systems.

In 2016, the EA Tech Group reported a 10.28% higher revenue of RM591.66 million and PBT of RM21.54 million, compared with a revenue of RM536.53 million and PBT of RM15.82 million previously.

EA TECH GROUP REVENUE
RM
591.66 million
10.28%

OIL & GAS

During the year under review, the Company achieved higher revenue from its EPCIC project, marine transportation and offshore operation and port marine services. EPCIC has contributed RM381.17 million or 64.4% of the Group's revenue, an improvement from RM342.22 million registered a year ago. Our marine operations segment contributed another RM210.49 million or 35.6% of EA Tech's revenue.

In the 2016 financial statement, the 2015 numbers were restated as a result of prior year adjustment. The adjustment was in relation to our project revenue which had been overstated due to the under statement of total estimated budgeted costs. The adjustment has been reflected retrospectively and it has no impact on the result under review as well as the current prospects.

The weakening Ringgit has also effected the company's bottom line as a result of foreign exchange losses, arising from its USD-denominated assets and liabilities as at 31 December 2016, based on the prevailing exchange rate on that date.

The company acquired one unit of chemical tanker and one unit of oil tanker on 13 May 2016 and 29 June 2016, respectively and began providing contract services to clients since December 2016. One unit of harbour tugboat, MV Nautica Tg. Puteri XXVII, was delivered on 4 September 2016 whilst another harbour tugboat, MV Nautica Tg. Puteri XXVIII was delivered on the 27 January 2017.

On 8 June 2016, EA Tech signed an agreement to acquire 100% Libra Perfex Precision Sdn Bhd for RM5 million, a deal which was subsequently completed on 22 November 2016.

On 14 December 2015, EA Tech signed a joint-venture agreement with MTC Engineering Sdn Bhd ("MTCE") to jointly undertake floating services operation and related ancillary activities. However, the move was called off on 22 November 2016 and instead, it was agreed that EA Tech would acquire from MTCE the topside equipment currently attached to EA Tech's vessel known as MT Nautica Muar for USD24 million.

The equipment include, among others, extended well test system, flare tower system, metering skid, cargo pump, quick release hook and helideck, which are installed to create a complete processing system on a vessel in order to facilitate more efficient transportation, lifting and installation from the dockside onto the vessel.

All the expansion of the company's fleet of marine vessels as well as business operations are expected to enhance its earnings capability and consequently boost revenue and profitability.

OIL & GAS

As at 31 December 2016, EA Tech has an orderbook of approximately RM0.95 billion, with an additional RM350 million for potential extension. The company has long-term contracts for its marine vessels, which provide a stable and recurring revenue stream.

EA Tech remains focused on ensuring a consistent high utilisation rate of its assets to maximise earnings. Despite the challenging environment, the Company is confident that its business strategies and current strong orderbook will continue to support its growth and remains optimistic on its future performance.

Looking ahead, we believe the growth prospects are bright and EA Tech would be able to continue to perform well and provide positive returns to its stakeholders. We plan to enhance the company's performance by tapping new potential markets. EA Tech's portfolio and a wider fleet of marine vessels has enabled the company to meet the diverse needs and requirements of customers in marine, transportation and offshore storage of O&G and provision of port marine services. We are convinced that our resources and people are vital factors for success and we will improve our competitive edge by enhancing their knowledge and skill sets.

DANAMIN (M) SDN BHD ("DANAMIN")

Established in 1994, Danamin is a company involved in provision of reliable, high quality, cost effective and technology-driven Engineering, Non-Destructive Testing ("NDT"), Quality Assurance, Asset Integrity Management and Inspection services. Danamin is led and managed by a group of Malaysian professionals, focusing on niche activities within selected specialised industries such as Oil & Gas, Marine, Petrochemical, Refinery and Pipeline.

Danamin's branches are strategically located to allow its team of experts to be based in the vicinity of its customers' facilities to support their inspection needs. Currently Danamin has a team of more than 300 professional employees with relevant certification.

Danamin's vision is to become a preferred and successful company by continually providing excellent service in the O&G industry and by complying with internationally recognised standards, such as ISO 9001:2008 for NDT, Heat Treatment ("HT") & Steel Structure Fabrication, ISO 14001:2008 and OHSAS 18001:2007 for NDT & HT; class certified societies BV.

During the year under review, Danamin registered a marginal 8.35% increase in revenue to RM34.50 million in 2016 from RM31.84 million in 2015. Despite the marginal growth in revenue, the company's earnings improved substantially, turning its pre-tax loss of RM4.75 million in 2015 into pre-tax profit of RM1.33 million in 2016. This was mainly due to the company's effort in costs management, which includes review of manpower planning.

Fabrication business commenced operation in 2013, which is still considered at an early stage. Taking advantage of its proximity to the RAPID project in Pengerang, Johor and rapport it has established with big market players such as Malaysia Marine and Heavy Engineering, Lotte Chemical Engineering, Toyo Engineering Corporation, Chec Construction and Petrovietnam Engineering, Danamin is looking forward to share the market with established competitors. The official launching of Pengerang Local Authority in January 2017 to oversee the Pengerang Integrated Petroleum Complex ("PIPC") industrial zone and its surrounding areas is also seen as an enabler to fast track the development of RAPID project, which would be advantageous to Danamin's businesses.

DANAMIN REVENUE
RM
34.50 million
8.35%

Presently, Danamin has RM18 million worth of books ordered for its fabrication business, whereas another RM45 million for the NDT business. Going forward, Danamin remains committed to providing innovative, cost-effective and high quality services as well as ensure customer satisfaction by treating each contract as a partnership.

Plans are also afoot to diversify into areas where it can enhance its capability and resources. This includes its smart partnership Kulim's R&D company - Kulim Smart Technology Sdn Bhd for construction of the prototype Intelligent In-Line Inspection System ("ILIS"), a pipe inspection device used in detecting metal fatigue in vessels and pipelines. For the initial stage, focus will be on the production of MICRO-ILIS that will be used for the pipe inspection as small as 3 inche diameter.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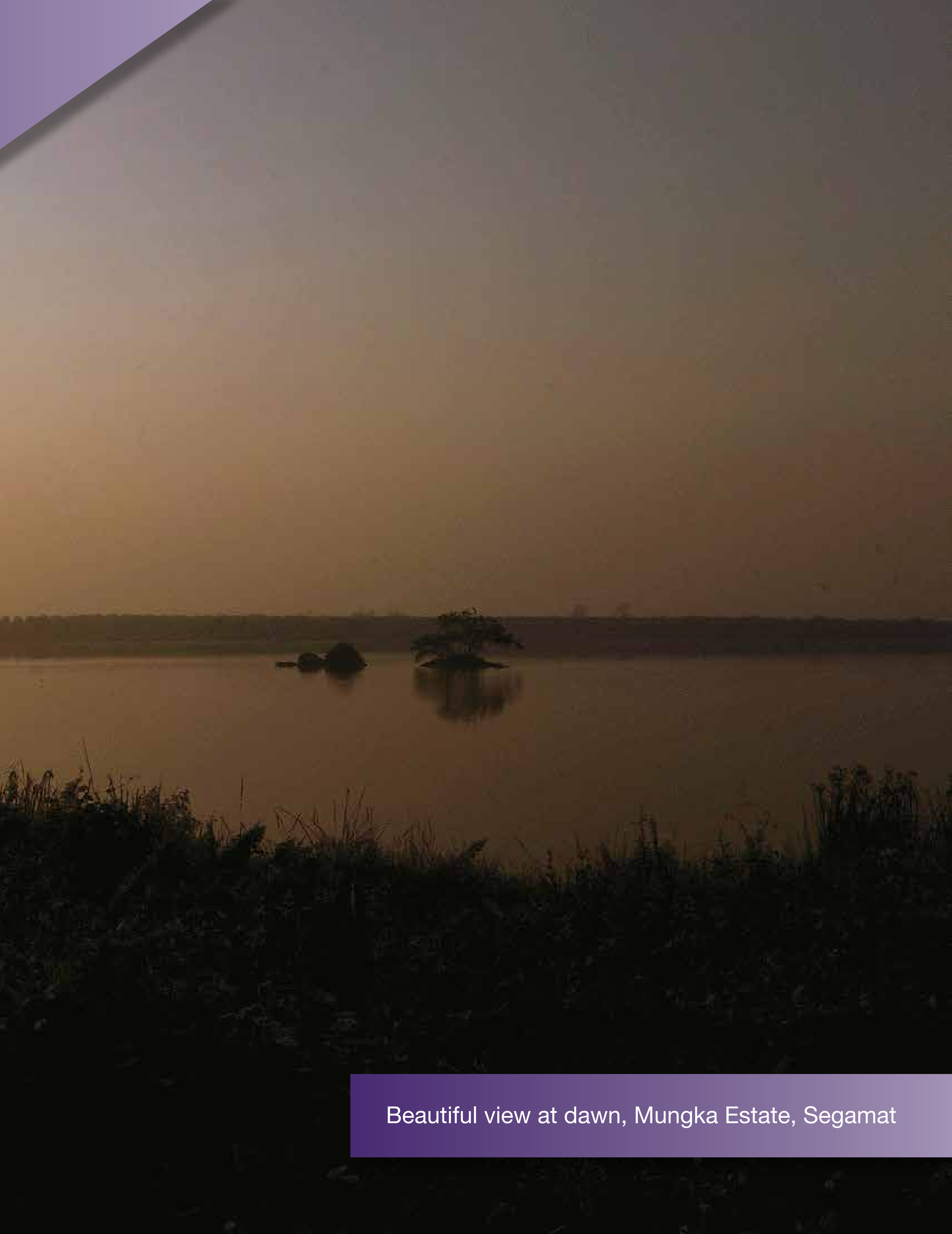
SECTION 5

SUSTAINABILITY



Beautiful view at dawn, Mungka Estate, Segamat

SUSTAINABILITY

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

The three (3) main pillars of sustainability, commonly referred to as the "3Ps", have become increasingly compelling in today's business world. Businesses have a broader future focus that recognises the roles of economic factors alongside social and environmental factors, which ultimately leads to long-term business viability.

The complexity of global markets, sophistication of consumers and the increased importance of environmental and social impacts have changed the way organisations look at what positively impacts their bottom line. There is also growing pressure to deliver wider societal value. Evidence is also building that sustainability initiatives, such as the 3Ps approach are important factors in creating value and is a source of long-term competitive advantage.

According to a survey conducted by McKinsey, a global management consulting firm, more companies than ever before are now integrating sustainability into their businesses to improve processes, pursue growth and add value rather than focusing on reputation alone.

CORPORATE VISION & MISSION

SUSTAINABILITY POLICY

PEOPLE

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

PLANET

- Environmental Policy
- Environmental Charter
- Malaysian Palm Oil Association

PROFIT

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

SUSTAINABILITY

OUR SUSTAINABILITY POLICY

The Kulim Group aspires to be a leader in sustainable development. To achieve top financial performance and growth, we believe we must adhere to the highest standards of corporate and social responsibility, put the 3Ps approach into practice and taking a leaf from the United Nation's definition of sustainability, strive to meet "the needs of the present without compromising the ability of future generations to meet their own needs." As we continue on our transformation journey, we must consider the future in making our decisions about the present.

To this end, Kulim has in place a Sustainability and Initiative Council ("SIC") that is tasked with ensuring that the workplace and workforce are fully aligned with the Group's Corporate Responsibility ("CR") strategies and activities and to measure the achievements against agreed targets and metrics.

Our earnestness is also reflected in our subscription to the Roundtable on Sustainable Palm Oil ("RSPO"), a membership that we have held since 8 August 2004 and our very own R&D that led to Kulim's development of a Sustainable Management System ("SMS") based on defined structures, practices and responsibilities set out in the RSPO Principles and Criteria. The SMS has helped strengthen the Group's strategic approach in sustainability management by setting out the key performance indicators and a system for monitoring and reporting on our performance. For 2016, the Group's key priorities for a Sustainable Development Performance were as follows:

SUSTAINABLE DEVELOPMENT PERFORMANCE PRINCIPLES

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

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

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

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.

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

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

PEOPLE

The people side of sustainability has always been one of the key focus areas for Kulim, sharing the global vision for healthy communities, equitable human well-being, articulating ethical responsibility and protecting the vulnerable.

Our people are our greatest asset, as we have often said and with it is well-reflected in our corporate culture and the way we conduct our daily business. Our people are the source of our ideas, actions and performance and it is only with the determination and commitment of our people that we can achieve our business and sustainability goals, deliver value to our shareholders and contribute to society. We are, therefore, determined to foster a workplace culture and environment that attracts, retains and develops talented people so that they can reach their full potential and deliver value to our stakeholders.

STAFF STRENGTH

At the end of 2016, we had a total staff strength of 6,926 full-time employees in Malaysia, of which 5,684 or 82.07% were categorised as workers. Another 17.93% comprised management and staff. About 78.5% were foreign workers, predominantly from Indonesia, India and Bangladesh.

In 2016, our turnover rate was 21.33% compared to 25.98% recorded in the previous year. This was mainly attributed to the repatriation of 580 (2015: 676) foreign workers on completion of their contractual obligations.

HUMAN RESOURCE POLICIES

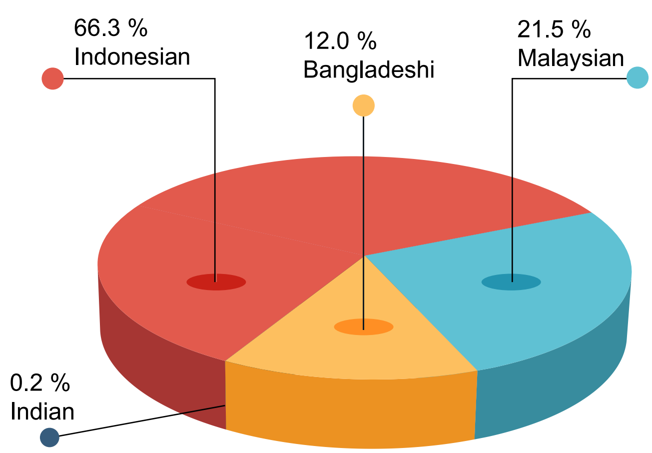
Kulim adheres to a Group-wide policy of treating all its employees with fairness and dignity with our human resource policies governed by Malaysia's labour legislation and the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at Work. At the same time, we are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

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

Policy of Non-Discrimination

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

WORKERS BY COUNTRIES



Fair Wages

Effective on 1 July 2016, we have adopted the Minimum Wages Order 2016, raising the minimum wage to RM1,000 per month in Peninsular Malaysia and RM920 per mounth in Sabah, Sarawak and Labuan.

Living Conditions

Workers are typically accommodated in a two (2) or three (3)-bedroom house that meets the minimum standard of the Housing and Amenities Act 1990. Appointed staff also conducts weekly inspection of the workers' housing to ensure that all buildings used for housing of workers, nurseries and community halls are in good operating condition and are not abused.

PEOPLE

Termination of Employment

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

Managing Overtime

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

Child and Bonded Labour

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

Employee Development

A skilled workforce is essential for the continued success of our business. Our emphasis to the strengthening our organisational capabilities continued in 2016. Through a Performance Management System ("PMS"), we strive to promote and improve employee competencies as the quality of our people is our greatest competitive advantage, more than ever in a highly competitive business landscape and to accomplish the Group's vision and business expansion plans. Employing outstanding people and providing them the opportunity to maximise their potential, showcase their talents and improve their careers are critical to our sustainability.

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

Building a strong pipeline of leaders is a fundamental part of our sustainability strategy. We have listened to the concerns raised by some of our younger employees at our staff engagement sessions and taking a cue from the views of the 'millennial generation', we are giving succession planning the due attention it deserves. Each year, we assess the potential and performance of identified candidates through the Johor Corporation Leadership Programme ("JLP"). The JLP is a two (2)-year structured leadership programme designed to enable participants to improve their decision-making skills and expand their leadership capacity. Participants will be exposed to business challenges from different angles and will have the opportunity to share leadership experiences. In 2016, a total of five (5) employees were selected for the JLP Cohort III 2017/2019, the third edition of the programme, joining an earlier batches of 14 candidates.

To accelerate the professional development of our people, we also collaborate with government agencies such as TalentCorp Malaysia to attract talents and skilled professionals. TalentCorp an agency under the Prime Ministers' Department, collaborates closely with relevant Government agencies and employers in priority economic sectors to develop demand-driven initiatives that address the skill gaps impeding Malaysia's economic transformation. It focuses on four (4) key areas: enhance graduate employability, promote talent diversity, engage Malaysians abroad and facilitate foreign talent.

In 2016, focusing in promoting talent diversity, we encouraged interested employees to pursue professional certifications such as ACCA, CIMA and Human Resource Certification to enhance their core competencies and to develop a specialisation in specific areas. At the same time, we continued to collaborate with PUSPATRI (Johor Skills Development Centre) to conduct technical courses for our employees.

The Strategic Enhance Executive Development System ("SEEDS") Programme, which was introduced in 2007, has been reengineered and registered with *Skim Latihan 1 Malaysia* ("SL1M") under the Economic Planning Unit ("EPU") of the Prime Minister's Office. The programmes outlined are in accordance with the SL1M requirement in developing and enhancing leadership amongst the younger generation. The third SL1M programme was launched in December 2016 with an intake of 19 fresh graduates from local higher learning institutions and is to complete in 2017. While intake for the fourth batch consists of 4 graduates have reported for duty in April 2017.

Employee Climate Survey

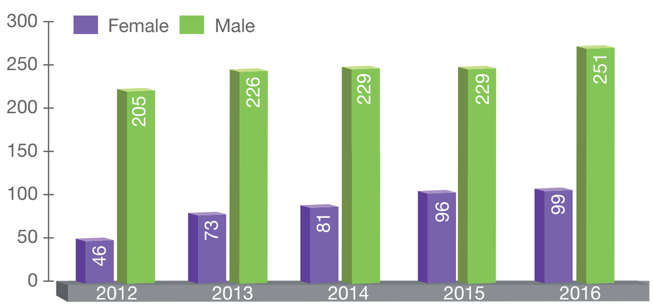
We seek to continually improve the level of engagement with our people through an Employee Climate Survey ("ECS"), which is one of the tools at our disposal to build positive employee relations and a conducive work environment. In the most recent ECS conducted in 2015, it is gratifying to learn that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

PEOPLE

ENGENDERING GENDER QUALITY

Kulim's commitment to promote gender equality is seeing positive results. Various initiatives rolled out to empower women have been gaining traction. As at 31 December 2016, women made up 11.52% of our workforce and 12.41% of them are at the management level. Notwithstanding the challenges that are involved, we do not discourage nor discriminate against women working on our estates.

MANAGEMENT BY GENDER



Women OnWards ("WOW")

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

Over the past six (6) years, WOW has been actively providing entrepreneurship opportunities for the women folk of Kulim through a programme known as *Jejari Bestari*. There is now a WOW Unit at each estate, with each one developing a unique product or service, such as tailoring, baking, arts and handicraft. These products or services are sold to staff and the public during the festive season such as *Hari Raya Aidilfitri* and company events, such as JCorp Carnival, Kulim Kota Tinggi Eco-Boat Fishing Challenge, Kota Tinggi MTB Challenge and Kulim Kota Tinggi Trail Run. In 2016, WOW generated sales of approximately RM52,000 and these proceeds were ploughed back into their fledgling businesses.

For the past six (6) years, we also joined the global movement to celebrate International Women's Day ("IWD"). Each year, a different theme is chosen to celebrate the economic, political and social achievements of women in the past, present and future. In 2016, IWD was conducted on 9 October 2016 at Kulim Eco-TRAIL Retreat, Basir Ismail Estate with the theme - "*Wanita dan Cabaran Global*". About 350 participants took part in the event. In addition, WOW has been shortlisted as the finalist for the Excellence in Diversity & Inclusion category in the HR Excellence Awards Malaysia 2016 which took place on 4 October 2016 and the finalist for Employment of Women Award in the 8th Annual Global CSR Summit & Awards Ceremony 2016 which took place on 22 April 2016. Consequently, on 30 March 2017, Kulim has been selected as the winner for Employment of Women Award (Gold) in the 9th Annual Global CSR Summit and Awards Ceremony 2017.

Sexual Harassment

In 2016, there were three (3) cases of sexual harassment reported. Efforts are ongoing to educate and refresh the employees of what constitutes inappropriate behaviour and it is reinforced from time to time. Through a concerted campaign, women are also more aware of their rights and are more receptive to reporting cases of sexual harassment.

Maternity Leave

All our female employees are entitled to 60 consecutive days of paid maternity leave, in accordance with Malaysia Employment Act 1955 Part IX Maternity Protection. In 2016, 19 employees took maternity leave and on returning to work, continued to remain employed with the Company. We are proud of the 100% retention rate as employment patterns suggest that women with a new baby are most likely to leave their jobs after one (1) year. No work with harmful chemicals shall be undertaken by pregnant or nursing female workers.

Ulu Tiram Estate's Women Onwards ("WOW") team at Women International Day event held at Kulim Eco-TRAIL Retreat, Ladang Basir Ismail, Kota Tinggi.

At Kulim, OSH is everyone's responsibility and concern

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

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

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

However, one person on his own cannot effectively carry the safety message or handle the multitude of tasks that crop up every single day. That is why at Kulim, OSH is everyone's responsibility and concern and managers and employees also work closely to build an effective safety and health programme. Each worker undergoes an average of 40 hours or five (5) man-day of safety training, which covers the handling, application and safe disposal of chemicals. In addition, tractor, lorry and Mechanical Buffalo drivers will have to complete a 16 hours or two (2) man-day of training under supervision as well as passing the required practical exam to be a certified driver before they are allowed to operate the machines independently.

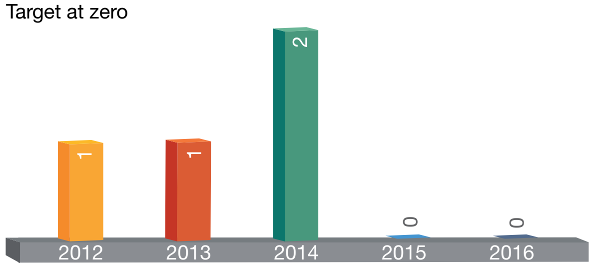
We are pleased to report that we continued to achieve our goal of zero fatalities in 2016. The year under review also saw a marked improvement in the Lost Time Accident Rate ("LTAR") which was recorded at 3.51 as compared to 6.82 posted in the previous year, keeping us within the target of below 10. Our injury severity rate of 2.13 is a marginal improvement versus 2.28 in 2015, against the target of below 3.5.

Although we are improving in terms of the respective OSH indicators, there is still room for improvement. We will continue to step up efforts in identifying, minimising and managing key occupational health and safety risks.

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

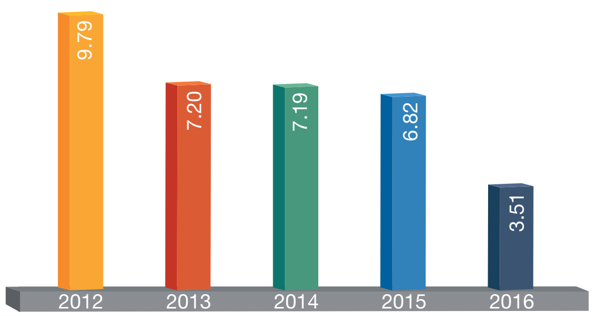
FATALITY RATE

Target at zero



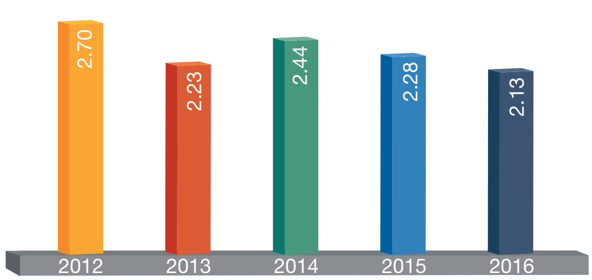
LOST TIME ACCIDENT RATE

Target below 10



SEVERITY RATE

Target below 3.5



PEOPLE

COMMUNITY DEVELOPMENT

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

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

In 2016, Kulim was involved in the following community investment activities:

INSTITUTION/ PROGRAMME	PURPOSES	APPROXIMATE CONTRIBUTIONS (RM'000)
Persatuan Bola Sepak Negeri Johor	National sports sponsorship to support the development of football in Malaysia.	5,500
Bistari Young Entrepreneur	Sponsorship for *Tunas Bistari* and entrepreneurship programmes.	300
Raja Zarith Sofiah Wildlife Defenders Challenge 2016	An awareness programme on wildlife conservation for students	203
PINTAR Foundation	Sponsorship for tuition programme and provide school essentials for three (3) Kulim's adopted schools.	105
Tabung Tijarah Ramadhan	To improve the living condition of the underprivileged community.	100
Briged Waqaf	Contribution to buy 1 unit of Toyota Hilux Double Cab.	104
Johor Clay Target Shooting Association	Sponsorship for facilities upgrade.	52

PEOPLE

PINTAR FOUNDATION

The PINTAR Foundation is a school adoption programme with the mandate to contribute towards nation building agenda by targeting under-performing and under-served schools. In addition to the existing of three (3) adopted schools, in January 2017, Kulim had adopted another three (3) primary schools – SK Kemedak in Segamat, SKJ (Tamil) Ladang Ulu Tiram in Ulu Tiram and SK Ladang Tunjuk Laut in Kota Tinggi. The three (3) newly adopted schools are located within Kulim's operation areas.

Throughout the year under review, Kulim had extended financial support to the adopted schools for their educational programmes such as tuition classes and educational trips. Kulim also sponsored motivational programmes as well as the school's infrastructure.

We are equally excited and proud to see the academic scores attained by the students in national examinations which showed marked improvement from previous years. During the Teacher's Day Celebration, Kulim presented its appreciation gifts to top performing students in national examinations as well as the teachers for their efforts.

Moving forward, we will continue the partnership with PINTAR as part of our efforts to reciprocate to our stakeholders, by giving back as much as it takes, thus creating value for all.

Pintar Mobile Learning Unit ("PMLU") visit to Sekolah Menengah Kebangsaan Sungai Tiram.

PLANET

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

CONSERVING BIODIVERSITY

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

High Conservation Value ("HCV") Tools

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

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

SAVING OUR NATURAL HERITAGE

Kulim is committed to protect the national biodiversity and endangered species. From time to time, incidences of human-elephant conflict have been reported at the Sindora, Sungai Tawing, Siang, Basir Ismail and REM Estates. In 2016, only 15 incidences of elephant encroachment were reported at the Sindora and Siang Estates. A more serious growing problem is that of elephants encroaching into residential areas resulting from increasing habitat loss.

We continue to collaborate with the Wildlife Conservation Society to consider a permanent solution to the encroachment problem. The Group is determined to put a stop to animal poaching and is also striving for biodiversity conservation.

To this end, our Kulim Wildlife Defenders ("KWD") joins forces with the Johor National Parks Corporation, Wildlife Department, Forestry Department and the Police Force under the Johor Wildlife Conservation Project to save our natural heritage. A total of six (6) programmes were conducted in 2016 under the programme at different locations in Johor as follows:

No	Month	Location
1	Jan	*Hutan Simpan Daerah Kluang*
2	Feb	*Hutan Simpan Daerah Kota Tinggi*
3	Apr	*Hutan Simpan Daerah Kluang*
4	June	*Hutan Simpan Daerah Kluang*
5	Aug	*Hutan Simpan Daerah Segamat*
6	Nov	*Hutan Simpan Daerah Kota Tinggi*

PLANET

Handing-over mangrove seedlings by Her Highness Che' Puan Khaleeda Bustamam on 9 May 2016 at Tanjung Piai, Pontian, Johor.

Enhancing Biodiversity Areas

As at 31 December 2016, Kulim has set aside 52.46 hectares of land for buffer zones. Another 32.67 hectares of jungle patches within our estates will be preserved as full-fledged HCV forests.

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

For the continuation of the awareness and importance of preservation and conservation of the environment, Kulim through Raja Zarith Sofiah Wildlife Defenders Challenge 2016 programme, had participated in the Mangrove Seedlings Sales Campaign to the local community. A total of 5,000 mangrove seedlings were contributed to the Johor National Park Corporation ("JNPC").

The ceremony for handing-over the mangrove seedlings was officiated by Her Highness Che' Puan Khaleeda Bustamam as the official representative for Her Royal Highness Raja Zarith Sofiah, the Permaisuri of Johor on 9 May 2016 at Tanjung Piai, Pontian, Johor.

Mitigating Impacts

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

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

- Buffer zones have been established at major water bodies in or around the estates and adjacent to forest reserves. Regular Rapid Biodiversity Monitoring on the identified hotspot area within the vicinity of our operating units and any land encroachment within our conservation areas (hotspots) are closely monitored.

- To minimise soil erosion, our roads have been realigned and silt traps constructed for rains. In addition, keeping soft grasses and planting of mucuna and natural cover crops for young palm are also initiated. We also encourage the planting of vertivar and guatemala in areas where erosion is severe to minimise the impact.

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

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

Beyond Our Estate's Boundaries

Our work in biodiversity conservation sometimes extends beyond our estate's boundaries. Incidents of humans coming into contact with wildlife happened occasionally, as when wild elephants encroached into the Sungai Tawing and more recently, the Sindora Estate. The incursion into the Sindora Estate damaged 26 palms at a cost of RM760 while for Siang Estate damaged 592 palms at a cost of RM177,600. We work closely with the Wildlife Conservation Society ("WCS") and the Johor Department of Wildlife to mitigate the possibilities of human-wildlife conflicts. In our effort to find a solution to the problem, we also participated in dialogues and meetings with the State Government and outgrowers.

PLANET

RAJA ZARITH SOFIAH WILDLIFE DEFENDERS CHALLENGE

Under the patronage of HRH Raja Zarith Sofiah, the programme of Raja Zarith Sofiah Wildlife Defenders Challenge was launched in August 2013 to increase awareness of wildlife conservation among students. The three (3)-stage competition is open to all educational institutions in Johor. A long-term objective of the biennial programme is to instill a life-long spirit of volunteerism among students, carried well beyond their formative years into adulthood.

The latest edition of the Challenge was launched in December 2015 with the theme "Symbiosis within Mangrove Forests and Eco-Development". A total of 13 secondary schools and 11 primary schools participated in the competitions.

The closing ceremony was graced by HRH Raja Zarith Sofiah on 24 October 2016 at Persada Johor.

All winners were honoured to receive prizes presented personally by HRH Raja Zarith Sofiah, as follows:

Overall Winners

Primary School

Winner - SK Buloh Kasap (Segamat)
Runner Up - SJK(T) Taman Tun Aminah (Johor Bahru)
3rd place - SK Serkat (Pontian)

Secondary School

Winner - SMK Telok Kerang (Pontian)
Runner Up - SMK Kangkar Pulai (Kulai)
3rd place - SMK Seri Mersing (Mersing)

Scrap Book Winners

Primary School

Winner - SK Kangkar Tebrau (Pasir Gudang)
Runner Up - SK Buloh Kasap (Segamat)
3rd place - SJK (T) Taman Tun Aminah (Johor Bahru)

Secondary School

Winner - SMK Seri Mersing (Mersing)
Runner Up - SMA Al-Khariah (Segamat)
3rd place - SMK Sagil (Ledang)

T-Shirt Design Winners

Primary School

Winner - SK Taman Selesa Jaya (Johor Bahru)
Runner Up - SJK (T) Taman Tun Aminah (Johor Bahru)
3rd place - SJK (C) Foon Yew 2 (Johor Bahru)

Secondary School

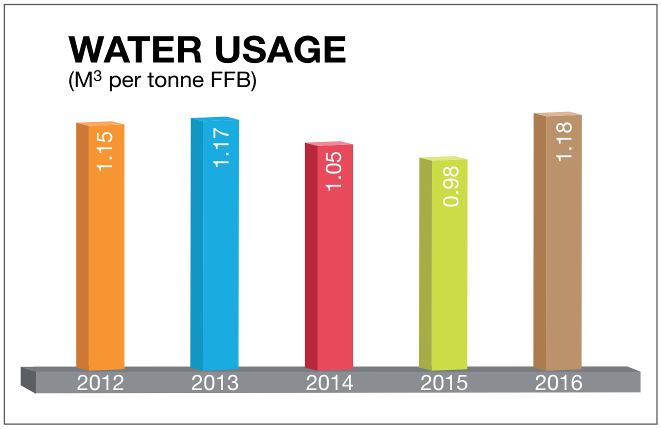
Winner - SMK Bukit Naning (Muar)
Runner Up - SMK Dato' Abd Rahman Andak (Simpang Renggam)
3rd place - SMK Felda Ulu Tebrau (Pasir Gudang)

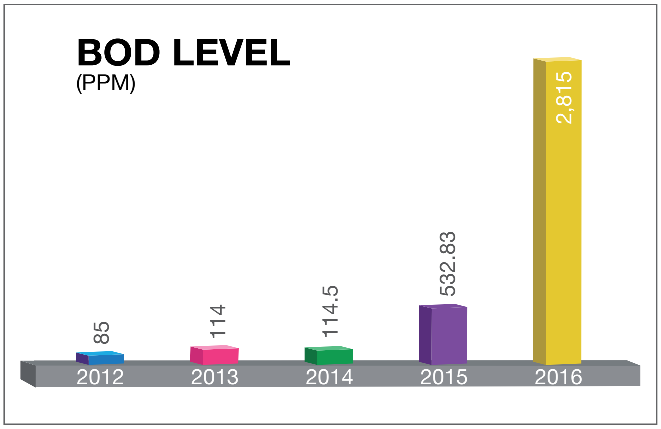
All winners received a trip package to Kuala Sepetang and Pulau Langkawi on 10-14 December 2016. The places visited include River Cruise along Kuala Sepetang Mangrove Forest, Zoo Taiping, LADA Office, KILIM Geopark and SkyCab Langkawi.

WATER CONSERVATION

Our updated materiality matrix has identified water usage by the Group's estates and mills and risk of chemical contamination as some of the primary concerns raised by our stakeholders.

The water consumption increased to 1.18 m^3 per tonne FFB from the previously recorded 0.98 m^3 per tonne FFB. This is due to the extended running hours of boilers by mills during the low crop period to reduce the running hours of genset and save on its diesel usage. We have also refrained from using piped water for cleaning floors but instead, whenever possible to minimise water consumption at our estates. Water is mainly used to maintain our nurseries or for domestic consumption. To ensure that the processed water that is supplied to our workforce is safe for consumption, water quality is closely monitored to ensure it meets the parameters set out by the National Water Services Commission ("SPAN").

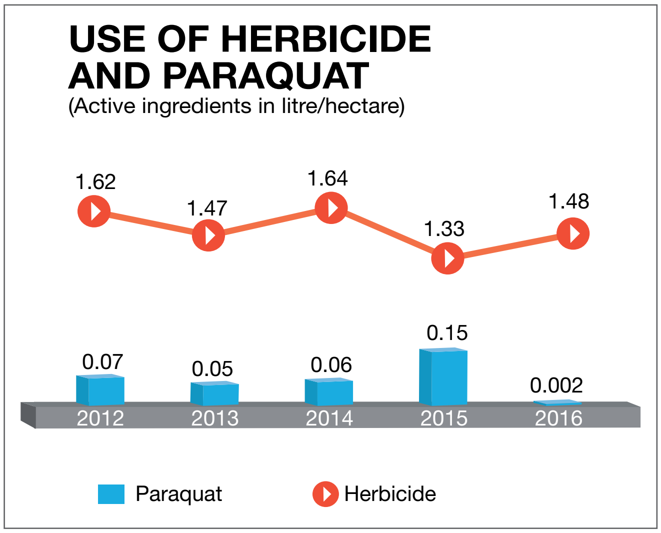




Eroded Soil Particles

Soil erosion can be a major contaminant of our waterways and as a standard operating practice, fast-growing leguminous cover crops are planted in erosion-prone areas. Extensive use of chemical fertilizers will also pollute rivers and underground water sources. To reduce pollution from heavy metals and wherever feasible, the Group has combined the use of both inorganic and organic fertilizers derived from Empty Fruit Bunches ("EFB"), a waste product of the milling process. The utilization of effluents for land application raises the concern of the Biological Oxygen Demand ("BOD") levels. BOD is the amount of dissolved oxygen needed by aerobic biological organisms in the oxidation of organic matter. The average BOD from our mill effluents has increased significantly by 428% in 2016 compared to the previous year. This is due to the inactive microbes in the newly constructed Biogas reactor in Pasir Panjang Palm Oil Mill during the commissioning stage, giving higher BOD of effluent coming out from the Biogas reactor. During the process, the final discharges is high but it is still below the limit as approved by Department of Environment ("DOE").

The Group also has a growing Agrofoods business and as at December 2016, we had a total cattle population of 7,565 heads of cattle. We are closely monitoring the problems associated with cattle rearing, which include soil compaction, over-grazing and soil erosion. The challenge is to ensure that our business targets are in line with good agricultural practices.



PLANET

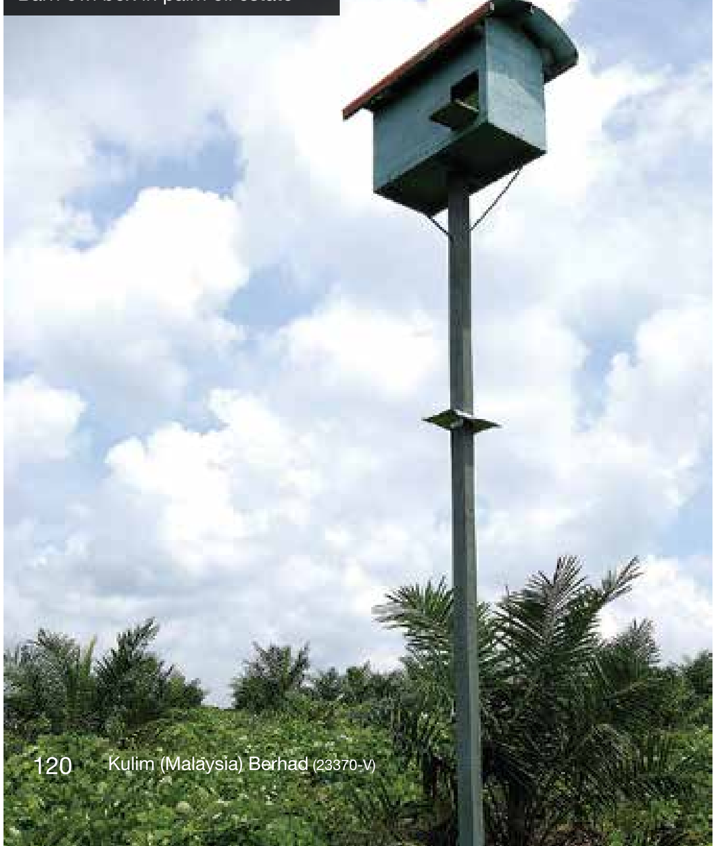
Reducing Chemical Usage

Waterways are 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 part of our effort to reduce chemical usage in our operations as natural weeding programme. In lieu of using pesticides, we have also adopted Integrated Pest Management ("IPM") techniques to control pests, diseases, weeds and introduced invasive species. IPM techniques include the use of barn owls, which were introduced to our estates to control the rodent population.

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

Minimising Solid Waste

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



Barn owl box in palm oil estate

ADDRESING CLIMATE CHANGE

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

In a report by the National Oceanic and Atmospheric Administration ("NOAA"), the globally averaged surface temperature for 2016 was the highest among all years 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 and other human-made emissions into the atmosphere. In December 2015, Malaysia submitted its action plan to the UN Framework Convention on Climate Change ("UNFCCC"), pledging to reduce its GHG emissions by 45% by the year 2030. The RSPO Principles and Criteria requires oil palm growers to monitor, manage and reduce GHG emissions across their entire operations.

Biogas Plants

The Group is establishing biogas facilities to make use of methane capture technologies to convert Palm Oil Mill Effluents ("POME") to electricity. Two (2) plants have already been commissioned at Sedenak and Pasir Panjang Palm Oil Mill, while another which is under construction at the Sindora Palm Oil Mill, is expected to be completed by June 2017 with commissioning slated for September 2017. Meanwhile, the proposed installation of biogas plant at Tereh Palm Oil Mill and Palong Cocoa Palm Oil Mill – which was intended to facilitate exporting of electricity to Tenaga Nasional Berhad's ("TNB") grid - was postponed until the Feed-in-Tariff ("FIT") quota becomes available.

Kulim targets to cut the Group's overall carbon footprint to 58% by 2020 and to establish biogas plant at all of its five (5) mills by 2025. At end-2016, we have two (2) biogas plants installed and commenced operations at two (2) of our palm oil mills. The installation of biogas plants at the remaining three (3) palm oil mills are expected to complete by 2025 as per requirement by the DOE. This new timeline will supersede our previous planning that the installation will be completed in 2017.

PLANET

Carbon Emission Baseline

In November 2013, Kulim had the distinction of being the first Malaysian plantation company to publish a Carbon Footprint Report using the GHG Beta Version 1a Guidelines. These guidelines were developed with funding from RSPO in order for palm oil producers to estimate the net GHG emissions produced during palm oil production. In November 2015, Kulim produced its Second Biennial Carbon Footprint Report using the PalmGHG Calculator Beta Version 2.1.1. While the third biennial Carbon Footprint Report is expected to be published in September 2017.

In 2015, our net GHG emissions amounted to 482,809 tonnes CO_2e using PalmGHG Version 2.1.1 with total CPO and PK production of 294,255 tonnes and 78,290 tonnes respectively. This is equivalent to a carbon footprint of 1.49 tonnes CO_2e per tonne CPO and PK (excluding Pasir Panjang Palm Oil Mill). These has been communicated voluntarily to RSPO as part of monitoring of our GHG emissions.

In November 2016, PalmGHG Version 3.0.1, a new and improved version was released which required only one year data compared to PalmGHG Version 2.1.1 which required average three (3) years data. Starting from 1 January 2017, the RSPO PalmGHG shall 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 Website. Therefore, for 2016 GHG calculation we used PalmGHG version 3.0.1. Our net GHG emissions for 2016 amounted to 424,000 tonnes CO_2e or carbon dioxide equivalent. With a total CPO production of 273,354 tonnes and PK production of 70,030 tonnes, this is equivalent to a carbon footprint of 1.43 tonnes CO_2e per tonne CPO and PK. Kulim's largest contributor to gross carbon emissions comes from land clearing, which accounts for 65% of total emissions. However, carbon sequestration by planted oil palms actually offsets land clearing, with a carbon positive estimated at 551,000 tonnes CO_2e. Only 1.8% of the land cleared consisted of peat, which accounted for 74,292 tonnes CO_2e.

Palm Kernel Shells

In 2016, a total of 83,821 tonnes of palm kernel shells were produced, of which 80% was used internally for power generation while the remainder were sold for third party consumption. We were able to incorporate a carbon credit of 33,000 tonnes CO_2e because of ongoing tracking and monitoring of sold palm kernel shells.

Fertilizer Reduction

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

Outgrower Engagement

In preparation for our 2012 Carbon Footprint Report, we began a long-term engagement process with all of our independent outgrowers, who we found to account for more than 30% of our total footprint. This work has continued through 2015 and 2016 and is now evolving into a full-scale programme to assist these outgrowers in achieving RSPO certification. So far, two (2) outgrower groups have achieved certification and we continue to work with other outgrowers. We believe that good agricultural practices, including the efficient use of fertilizers will help to reduce emissions from third party FFB.

International Sustainability and Carbon Certification ("ISCC")

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

During the year under review, our Sindora, Tereh and Sedenak Palm Oil Mills were audited and successfully recertified to the ISCC standard. For 2016, our target is to achieve ISCC for Pasir Panjang Palm Oil Mill followed by Palong Cocoa Palm Oil Mill. However Pasir Panjang Palm Oil Mill received the ISCC certification on 19 March 2017.

FFB are channelled to the loading ramp at Sedenak Palm Oil Mill, Kulai

PROFIT

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

RSPO CERTIFICATION

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

In 2014, RSPO-certified growers accounted for 18% of global palm oil production. The demand for sustainability is growing. Environmentally and socially responsible buyers are willing to pay a premium for responsibly produced products. Kulim was among the first palm oil companies to sign up for RSPO certification. Four (4) of our mills have earned RSPO certification in January 2009. RSPO certification is valid for five (5) years with annual surveillance audit being conducted annually with recertification audit will be at the end of 5th year period. In November 2013, we completed our RSPO recertification audit of all our mills and its supply base that involves documentation and physical audits of our certified operations over a period of several weeks. The certification was renewed in April 2014.

As at the end of 2015, four of our five mills had their RSPO certification successfully renewed after completing the annual surveillance audit 2. For Pasir Panjang Palm Oil Mill the RSPO and ISSC certification program commenced in February 2016, the mill being audited in October 2016 and February 2017 respectively. The mill was successfully certified with both standards in March 2017.

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

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

In the "Identity Preserved" option, CSPO from a single, identifiable source is kept separate from conventional palm oil and is tracked throughout the supply chain. Only CPO from the Tereh Palm Oil Mill is sold under "Identity Preserved", while CPO from three (3) other mills is sold under the "Mass Balance" mechanism, where CSPO is mixed with conventional CPO and tracked throughout the supply chain. An equivalent volume may be sold as CSPO to customers. (Source: *Sustainable Sourcing Guide for Palm Oil Users, published by Conservation International and World Wildlife Fund, May 2015*).

STAKEHOLDERS' ENGAGEMENT

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

PROFIT

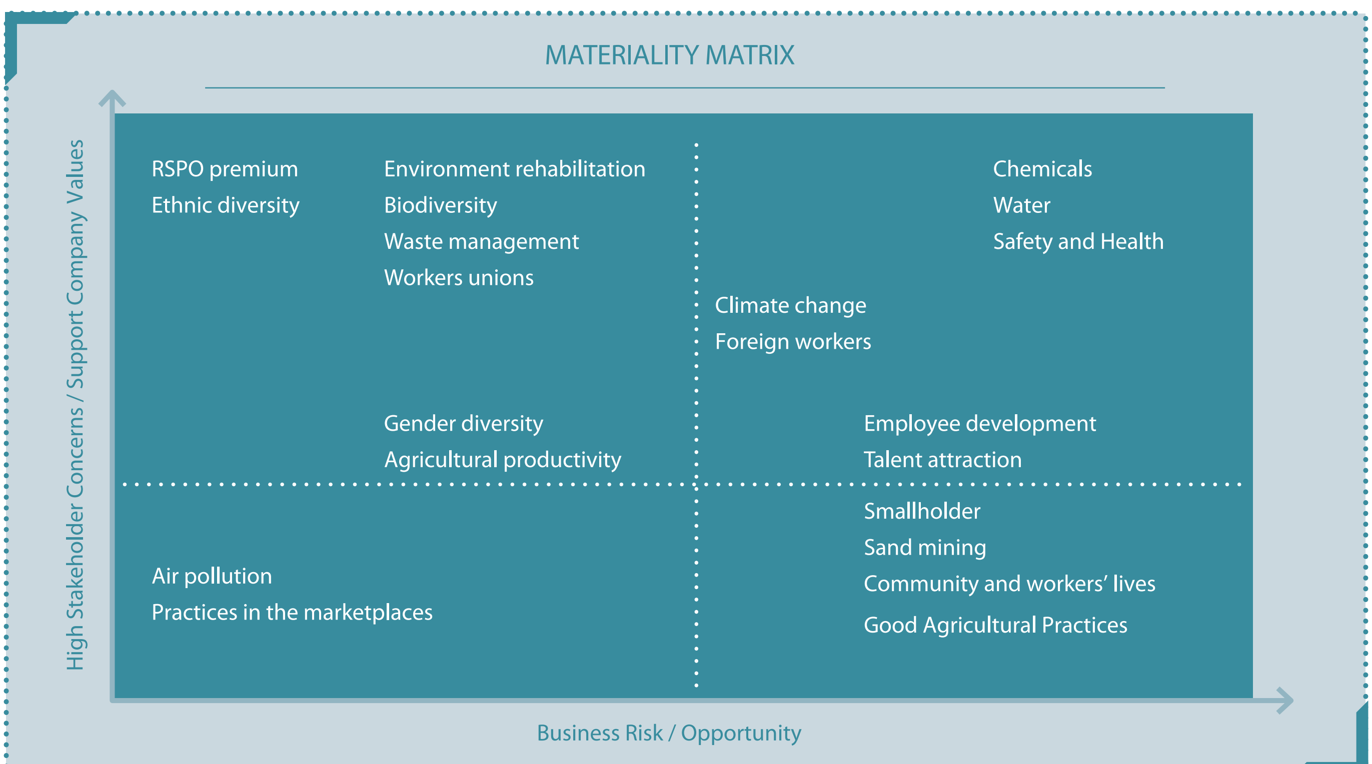
We strive to build good relationships and productive rapport with our employees, business partners, investors, members of the media, suppliers, community at large, government agencies, Non-Governmental Organisations ("NGOs") and unions. The Group engages with its broad spectrum of stakeholders through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

In November 2015, our Board of Directors received a letter from its major shareholder, JCorp requesting Kulim to undertake a Selective Capital Reduction and Repayment ("SCR") exercise, which was subsequently approved by shareholders at an Extraordinary General Meeting ("EGM") held on 3 May 2016, which paved the way for the privatisation of Kulim. On 4 August 2016, Kulim was delisted from the Main Market of Bursa Malaysia Securities Berhad.

Prior to the EGM, Kulim met with various stakeholders and addressed queries or concerns they had raised. We also kept our employees abreast of the Company's corporate developments and during that period, no less than five (5) Employees' Engagement programmes were organised.

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

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



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

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

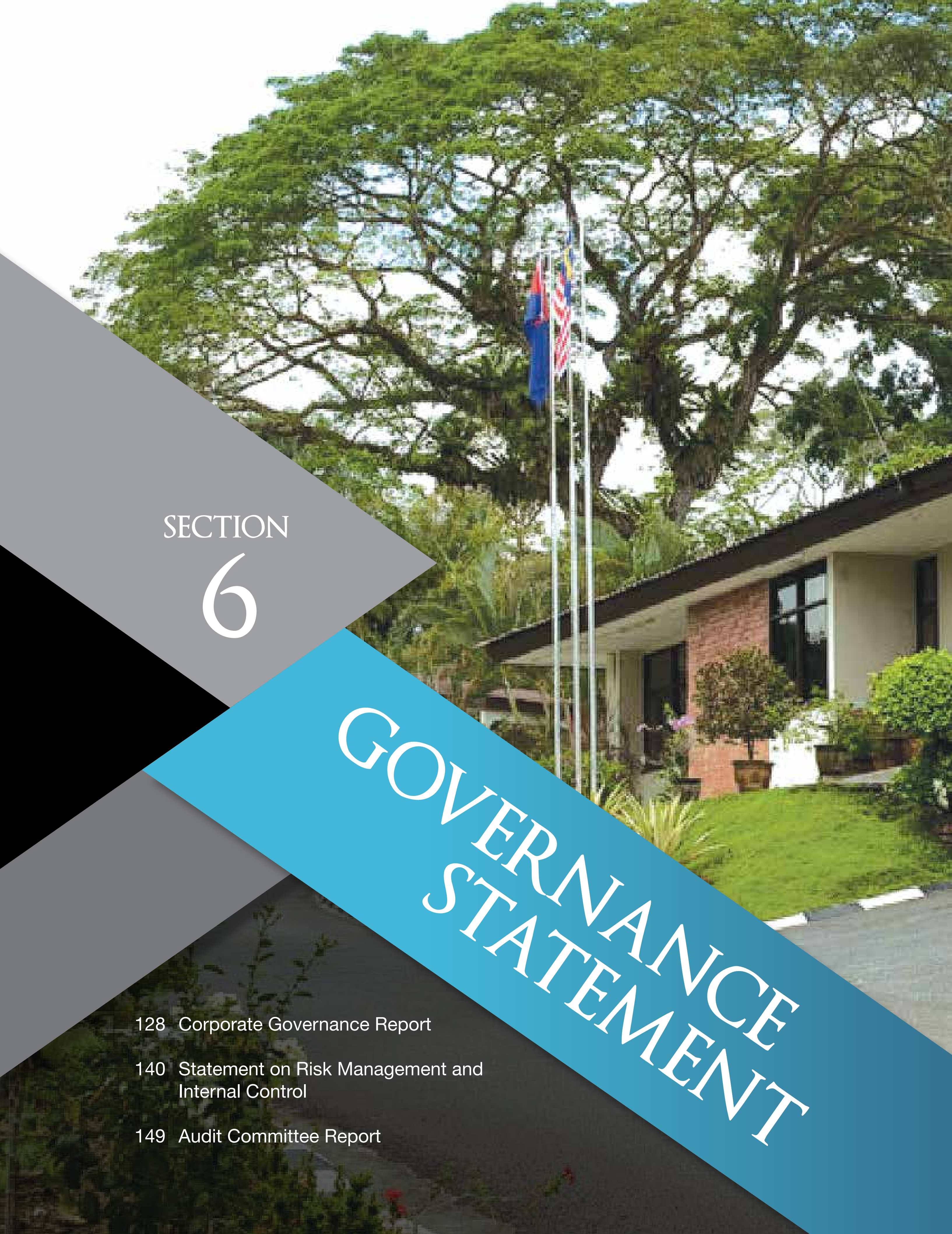
Kulim is continually finding new ways to improve its performance and our materiality matrix is reviewed and adjusted annually to reflect the current realities and concerns. This will ensure its relevance in identifying and prioritising key issues and help us determine how best to allocate resources in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

WORKING HARDER

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

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

Roll Call at Mungka Estate, Segamat



SECTION

6

GOVERNANCE STATEMENT

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

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

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

The Board of Directors of Kulim (Malaysia) Berhad continuously subscribes to and supports The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as the basis for the practices and enhancement of corporate governance.

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

The Board, to the best of its knowledge, confirms that the Group has applied the Principles set out in the MCCG 2012 together with the Recommendations stated under each Principle.

Kulim's effort towards strong governance and the continual enhancement of shareholders' value is substantiated by the following recognition and accreditations conferred on the Group in 2016 and up to the reporting date in 2017:

- **National Annual Corporate Report Awards ("NACRA") 2016**
  - » Kulim's Integrated Annual Report 2015
    - Winner of Industry Excellence Awards (Main Board) – Plantation & Mining

- **Asia Sustainability Reporting Awards ("ASRA") 2016**
  - » Kulim's Integrated Annual Report 2015
    - Shortlisted for Asia's Best Integrated Report

- **MIA IR Recognition Award 2016**
  - » Recognition Award 2016 in "Pioneering Integrated Reporting (IR) in Malaysia"

- **The Edge-Billion Ringgit Club & Corporate Awards 2016**
  - » Highest Return on Equity Over 3 Years – Plantation Sector
  - » Highest Growth in Profit Before Tax Over 3 Years – Plantation Sector

- **8th Annual Global CSR Summit and Awards 2016**
  - » Best Workplace Practices Award (Bronze Award)

- **ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2016**
  - » Kulim's Integrated Annual Report 2015
    - Shortlisted for the Best Reporting Within an Annual Report

- **Loyalty Award 2016**
  - » Kulim received Loyalty Award 2016 by BSI Services Malaysia Sdn Bhd

CORPORATE GOVERNANCE REPORT

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

	YEAR	THEME	GUIDELINES
1st Sustainability Report	2007/2008	Embracing the Challenge Ahead	GRI G3.0
2nd Sustainability Report	2009	We C.A.R.E – Unlocking Sustainable Value	GRI G3.0
3rd Sustainability Report	2010/2011	A New Road for Sustainable Growth	GRI G3.1
4th Sustainability Report	2012/2013	Expanding Horizon, Affirming Commitments	GRI G4.0
5th Sustainability Report	2014/2015	Beyond The Benchmarks	GRI G4.0

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

Kulim has been certified with the International Sustainability and Carbon Certification ("ISCC") in February 2013 and all the certified Palm Oil Mills will be audited every year for re-certification. The ISCC standard is for biomass and bioenergy and meets the Renewable Energy Directive of the European Union. The report on ISCC is contained on page 121 of this Integrated Annual Report.

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

CLEAR ROLES AND RESPONSIBILITY

BOARD OF DIRECTORS

SIZE AND COMPOSITION OF BOARD

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

EXECUTIVE DIRECTOR	NON-INDEPENDENT NON-EXECUTIVE DIRECTORS	INDEPENDENT NON-EXECUTIVE DIRECTOR
Zulkifly Zakariah	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Zulkifli Ibrahim Jamaludin Md Ali Mohamad Salleh Mohamad Yusof Wan Su Ali	Dr. Radzuan A. Rahman

PRINCIPAL DUTIES AND RESPONSIBILITIES

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

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

CORPORATE GOVERNANCE REPORT

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

The Board assumes the following responsibilities:

1. Reviewing and adopting a strategic plan for the Company

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

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

Additionally, on an ongoing basis, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans. Details on the Group's Business Strategies are on pages 6 to 11 of this Integrated Annual Report.

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

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

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

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

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

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

The RIMC met three (3) times in 2016 to review the Group's risks. Details on RIMC are on pages 140 to 144 of this Integrated Annual Report.

4. Succession planning

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

Each year, the department assesses the performance of the identified potential candidates undergoing the Johor Corporation Leadership Programme ("JLP"). The JLP is a two (2)-year structured leadership programme designed to enable participants to improve their decision-making skills and expand their leadership capacity. Participants will be exposed to business challenges from different angles and will have the opportunity to share their leadership experiences. In 2016, a total of five (5) employees were selected for the JLP Cohort III 2017/2019, the third edition of the programme, joining an earlier batches of 14 candidates.

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

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

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

The Board's function in fulfilling the above responsibility is supported and reinforced through the various Committees established at both the Board and the management's level. Aided by an independent function of the Internal Audit Department, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Company's internal controls. Details on the Internal Audit functions are further discussed in the Statement on Risk Management and Internal Control and Audit Committee Report in this Integrated Annual Report.

CORPORATE GOVERNANCE REPORT

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

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

1. Conduct of Board

- Appointment and resignation of Directors based on recommendations of the Board Nomination and Remuneration Committee;
- Appointment and resignation of Company Secretaries;
- Appointment and resignation of Board Members in Board Committees are based on the recommendations of the Board Nomination and Remuneration Committee;
- Approval of terms of references of Board Committees and amendments to such items;
- Appointment and resignation of Senior Executive positions, including the Executive Director, their duties and the continuation of their service; and
- Disclosure of the corporate governance practices of the Company in the Integrated Annual Report.

2. Remuneration

- Approval of the remuneration arrangements for Non-Executive Directors. The Non-Executive Directors whose remuneration is being deliberated by the Board should play no part in the deliberations;
- Approval of the remuneration structure and policy for Executive Directors and key executives based upon recommendations of the Board Nomination and Remuneration Committee;
- Approval of remuneration packages for Executive Directors and Senior Executives;
- Approval of any proposed new Employees' Share Option Scheme ("ESOS"); and
- Approval of allocation and share grants in ESOS.

3. Operational

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

4. Financial

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

5. Other matters to be considered including:

- The granting of powers of attorney by the Company;
- The entering into any indemnities or guarantees;
- Recommendations for the alteration of the Memorandum and Articles of Association of the Company;
- Alteration of the accounting reference date, registered office and name of the Company;
- Purchase of own shares by the Company;
- Issuance of any debt instruments;
- Political or charitable contributions;
- Scheme of reconstruction or restructuring;
- Any other significant business decision; and
- Any other matters requiring the convening of a general meeting of shareholders or any class of shareholders.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board Committees are essentially the cornerstone in governing the direction of the Group strategies and operations in line with the regulatory guidelines and requirements. The Board delegates its responsibility for specified matters to individual members or committees of the Board. The Board Committees were supported by several committees to facilitate the operations of the Group. Each committee has written terms of reference which state clearly the extent and limits of their responsibilities and authority and whether they act on behalf of the Board or report back to the Board. The committees are reviewed regularly and changes are approved by the Board. Apart from the Board Committees, there are internal or management committees established at Kulim Corporate Office level and within the Group's significant or strategic subsidiaries which facilitate the functions of Board of Kulim as well as the respective companies. These internal or management committees and their primary functions are set out on pages 144 to 146 of this Integrated Annual Report.

The list of Board Committees includes:

AUDIT COMMITTEE

The Audit Committee 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 system and internal and external audit functions. The role of the Audit Committee is to provide advice and recommendations to the Board within the scope of its terms of reference.

The Audit Committee Report for the financial year which sets out the composition and a summary of activities of the Audit Committee, is contained on pages 149 to 151 of this Integrated Annual Report.

BOARD OPTION COMMITTEE

The Board Option Committee was formed following the establishment of Kulim's ESOS on 31 December 2013. The ESOS was approved by the shareholders in the EGM held on 13 December 2013 and execisable for the period of five (5) years. The ESOS however was fully exercised upon the completion of SCR and the delisting of Kulim on 4 August 2016.

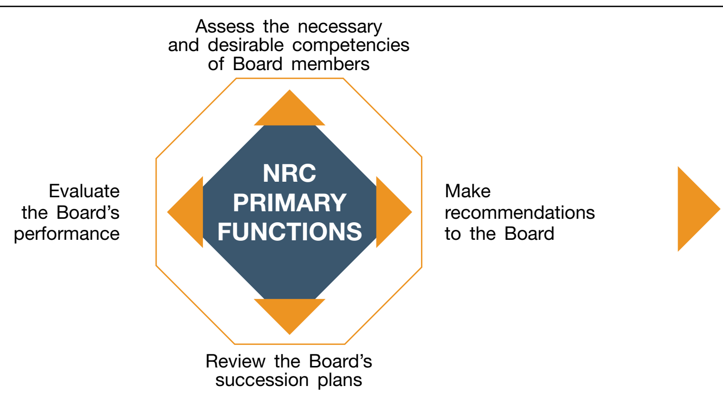
The composition of the Board Option Committee is as follows:

- Dato' Kamaruzzaman Abu Kassim – Chairman
- Ahamad Mohamad
- Dr. Radzuan A. Rahman
- Zulkifli Ibrahim

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors of the Company established its own Nomination and Remuneration Committee ("NRC") in order to exercise best practices of corporate governance by assisting and advising the Board in connection with its responsibilities and obligations towards the Company's shareholders and employees.

The NRC is accountable to the Board of the Company and not to the executive management. The primary functions of the NRC are to:



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

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

CORPORATE GOVERNANCE REPORT

FORMALISED ETHICAL STANDARDS THROUGH CODE OF ETHICS

In general, the Code of Ethics defines the standards of conduct in assisting the employees to make the right decision at the highest standards of ethic, integrity and governance as per stated on page 148.

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

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

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

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

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

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

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

WHISTLEBLOWING POLICY	In 2013, the Whistleblowing Policy was introduced by the Group to support transparent ethical conduct. The policy is intended to provide guidance to employees on how to report and deal with fraud and misconduct.
GRIEVANCE POLICY AND PROCEDURE	Kulim has established a Grievance Policy and Procedure as well as Women OnWards to ensure that throughout the Group, there is a transparent process for ensuring stakeholders' grievances and complaints are dealt with fairly, consistently and promptly. The corporate climate is also continuously nourished by value-centred programmes for team-building and active subscription to core values.
ETHIC DECLARATION FORM	The Group has also long established a formal avenue for all employees to report directly to the Executive Director of any misconduct or unethical behaviour conducted by any employees of the Group through a declaration in the Ethic Declaration Form.
CORPORATE INTEGRITY PLEDGE	The Group has made a commitment to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge that was signed in January 2014. The Group will work towards creating a business environment that is free from corruption, protect the interests of the Company and the Board of Directors and will uphold the Anti-Corruption Principles in the conduct of its business.
NO GIFT POLICY	As part of the Group's continuous effort to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge, the No Gift Policy was established in July 2014 with the primary objective to avoid conflict of interest and to indicate the Group's commitment to accord equal treatment to all individuals and organisations in their dealings with the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND SUPPLY OF INFORMATION

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

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the Directors receive all notices, agendas and minutes of the previous meetings and is supplied with pertinent information well in advance of each meeting. The agenda for each meeting shall be circulated at least seven (7) working days before each meeting to the Board Members and all those who are required to attend the meeting. Written materials including information requested by the Board from the management and/or external consultants shall be received together with the agenda for the meetings. The 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.

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

The Directors, in the event that they have interest in proposals considered by the Board, will be required to make declaration to that effect. The interested Directors will there upon abstain from deliberations and decisions of the Board on the said proposals. The Board met five (5) times during the financial year 2016. The members of the Board of Directors and their attendances at Board meetings in 2016 are set out below:

	Special BOD 28.01.2016	285th BOD 25.02.2016	Special BOD 03.05.2016	286th BOD 27.07.2016	287th BOD 22.11.2016	%
Dato' Kamaruzzaman Abu Kassim	/	/	/	/	/	100
Ahamad Mohamad	/	/	/	/	/	100
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	/	NA	100
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	/	/	/	/	NA	100
Zulkifli Ibrahim	/	/	/	/	/	100
Jamaludin Md Ali	/	/	/	/	/	100
Datuk Haron Siraj	/	/	/	/	NA	100
Dr. Radzuan A. Rahman	/	/	/	/	NA	100
Leung Kok Keong	/	/	/	/	NA	100
Abdul Rahman Sulaiman	/	/	/	/	/	100
Rozaini Mohd Sani	/	/	/	/	/	100

Notes:-

- Tan Sri Dato' Seri Utama Arshad Ayub, Tan Sri Datin Paduka Siti Sa'diah Sh Bakir, Datuk Haron Siraj, Dr. Radzuan A. Rahman and Leung Kok Keong resigned from the Board as Independent Non-Executive Directors on 1.10.2016;
- Abdul Rahman Sulaiman resigned from the Board as Executive Director on 1.1.2017;
- Rozaini Mohd Sani resigned from the board as Non-Independent Non-Executive Director on 1.3.2017;
- Zulkifly Zakariah was appointed to the Board as Executive Director on 1.1.2017;
- Ahamad Mohamad and Jamaludin Md Ali were re-designated to Non-Independent Non-Executive Director on 1.1.2017;
- Dr. Radzuan A. Rahman was re-appointed to the Board as Independent Non-Executive Director on 16.1.2017.
- Mohamad Salleh Mohamad Yusof and Wan Su Ali were appointed to the Board as Non-Independent Non-Executive Director on 1.3.2017.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting. All Directors have unrestricted access to all information within the Company in furtherance of their duties. In addition, all Directors have access to the advice of the Company Secretary and where necessary, in furtherance of their duties, obtain independent professional advice at the Group's expense.

Access to Independent Professional Advice

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

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

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

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

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

Access to the Management and Information

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

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

Access to the Company Secretary

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

The Secretary is responsible for ensuring that Board procedures are followed, that the application rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Secretary is also responsible for ensuring compliance by the Company with the relevant regulations affecting the Company, including but not limited to the Companies Act 2016.

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

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

STRENGTHEN COMPOSITION AND REINFORCE INDEPENDENCE

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

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

A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board. The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates. The new members will be given a copy of the Board Policy Manual, which consists of the following information:-

1. Group Organisation;
2. Board Organisation;
3. Board Responsibilities;
4. Board Procedures;
5. Board's and Director's Evaluation; and
6. Additional information including the latest business plan and budget, the latest Integrated Annual Report and accounts and minutes of past three (3) Board of Directors' meetings and applicable Committee Meetings.

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

In selecting potential new directors and directors to be nominated for re-election, the Board Nomination and Remuneration Committee will consider the skills and industry knowledge that the candidate will be able to bring to the Board. As a guide, the Board Nomination and Remuneration Committee would be required to ensure that the proposed candidates meet the requirements on knowledge and skills as set out in the Director Assessment Form. In selecting new directors to replace a member who resigns or for any reason ceases to be a member of the Board, the Board Nomination and Remuneration Committee may consider the candidate nominated by the existing Board members.

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

- becomes bankrupt;
- be found to be lunatic or become of unsound mind;
- ceases to be a Director under the provisions of the Companies Act 2016;
- be convicted of any sizeable offences;
- by notice in writing given to the Company, resigns from his office;
- is removed by ordinary resolution of the Company subject to the provisions of Article 104; and
- is absent for more than 50% of the total Board of Directors' meeting held during a financial year.

EFFECTIVENESS OF BOARD

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

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

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

The Position Description for the Chairman and for the Executive Director is prescribed in the Board Policy Manual. At the end of each financial year the Board will set KPI that should be achieved by the management for the next financial year.

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

The Non-Independent Non-Executive Directors are from varied business and professional backgrounds and bring with them a wealth of experience that bear favourably in Board's decisions and policy formulations. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the expanding Group.

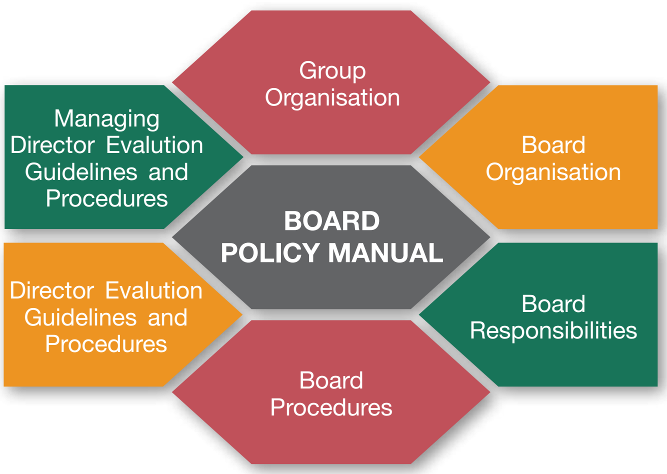
CORPORATE GOVERNANCE REPORT

The independence of the Independent Non-Executive Director is safeguarded as he is not involved in the day-to-day management of the Group and he does not engage in any business dealings or have other relationships with the Group.

The profiles of the Directors' are set out in pages 58 to 62 of the Integrated Annual Report.

Recommendation 1.7 of the MCCG 2012 states that the Board should formalise, periodically review and make public its Board Charter. The Company has in place a Board Policy Manual or Board Charter to assist the Board in discharging its duties effectively. The revised Board Charter has been approved by the Board of Directors of Kulim (Malaysia) Berhad on 24 June 2014. The Board Charter will adopt any changes to the MCCG 2012, the Companies Act 2016 or any other relevant rules and regulations from time to time for best practices.

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



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

DIRECTORS' REMUNERATION

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

	Basic Salary	Fees/ Allowances/ ESOS/Other Emoluments	Bonuses	Benefit in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors					
Ahamad Mohamad	1,105	544	986	34	2,668
Abdul Rahman Sulaiman	486	290	467	36	1,279
Jamaludin Md Ali	682	335	573	14	1,605
Non-Independent Non-Executive Directors					
Dato' Kamaruzzaman Abu Kassim	-	554	-	35	589
Zulkifli Ibrahim	-	136	-	-	136
Rozaini Mohd Sani	-	108	-	-	108
Independent Non-Executive Directors					
Tan Sri Dato' Seri Utama Arshad Ayub	-	121	-	-	121
Tan Sri Datin Paduka Siti Saadah Sh Bakir	-	136	-	-	136
Datuk Haron Siraj	-	123	-	-	123
Dr. Radzuan A. Rahman	-	139	-	-	139
Leung Kok Keong	-	142	-	-	142
Grand Total	**2,273**	**2,628**	**2,026**	**119**	**7,046**

Notes: Total Directors' Remuneration of RM7,046,000 differs from those reported under Audited Financial Statement of RM7,287,000 mainly due to recognition of cost of ESOS pursuant to FRS2: Share-based Payment, which was determined by the fair value at the date when the grant is made using an appropriate valuation model.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

FINANCIAL REPORTING

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

In the preparation of the financial statements, the Directors will consider compliance with all applicable Financial Reporting Standards, provisions of the Companies Act 2016 and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate. The Board is assisted by the Audit Committee who reviews both annual financial statements and the quarterly announcements to ensure the reports reflect a true and fair view of the state of affairs of the Group and Company.

The Audit Committee Report for the financial year which sets out the composition and a summary of activities of the Audit Committee, is contained on pages 149 to 151 of this Integrated Annual Report.

CORPORATE GOVERNANCE REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING AUDITED FINANCIAL STATEMENTS

The Directors are required by Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

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

The Directors have responsibility for ensuring that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act 2016.

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

RECOGNISE AND MANAGE RISKS

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

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

The Group's Statement on Risk Management and Internal Control are set out on pages 140 to 148.

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 2016 are set out on pages 258 to 262 of this Integrated Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

THE BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD ("THE BOARD") IS PLEASED TO PROVIDE THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL PURSUANT TO THE REVISED MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012") IN REPORTING THE STATE OF ITS INTERNAL CONTROL AND ESTABLISHING A SOUND RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM.

THE STATEMENT IS PREPARED IN ACCORDANCE WITH THE "STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS". THESE GUIDELINES SET OUT THE OBLIGATIONS OF MANAGEMENT AND THE BOARD WITH RESPECT TO RISK MANAGEMENT AND INTERNAL CONTROL. IT ALSO PROVIDES GUIDANCE ON THE KEY ELEMENTS NEEDED IN MAINTAINING A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL AND DESCRIBES THE PROCESS THAT SHOULD BE CONSIDERED IN REVIEWING ITS EFFECTIVENESS.

BOARD'S RESPONSIBILITIES

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

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

Good corporate governance practices contribute towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value, whilst taking into account the interests of other stakeholders.

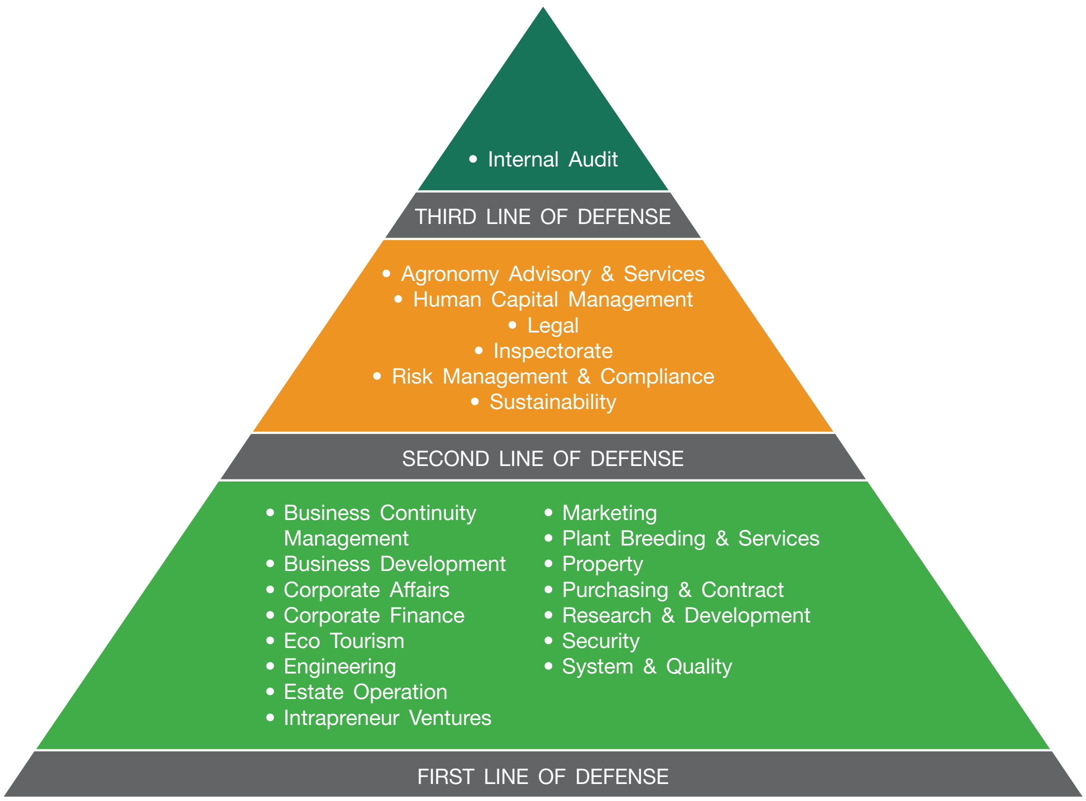
The Group has in place an ongoing control structure and process for identifying, analysing, evaluating and managing the significant risks to the achievement of strategy, policies and business objectives throughout the financial year under review up to the date of approval of this statement. This process is regularly reviewed by the Board with assistance from the management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

The Group's system of internal control is designed to manage, rather than eliminate the risk which could arise from human error, the possibility of poor judgment in decision making, control process being deliberately circumvented by employees 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, the management needs to consider the expected cost and benefits to be derived from the implementation of the internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK

To ensure that effective corporate governance is practised throughout the Group, the Group adopts an Enterprise Risk Management ("ERM") framework which incorporates the principles and guidelines of ISO 31000:2009 Risk Management. The framework determines the process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation. It supports the Group's efforts to achieve the highest levels of corporate governance, including the creation of value in the short and long-term.



The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. The Three (3) Lines of Defense make a distinction among three (3) groups involved in effective risk management. As the first line of defense the management owns and manages risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

The second line of defense ensures that the first line of defense is properly designed, in place, and operating as intended. As oversight functions, they may intervene directly in modifying and developing the internal control and risk systems.

On the third line of defense, internal audit provides assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defense achieve risk management and control objectives.

The Risk and Issues Management Committee ("RIMC") is represented by senior management from all functions of the Group. The Committee met three (3) times in 2016. This Committee, which is cross-functional in nature, was formed to assist the Board in implementing the processes for identifying, analysing, evaluating, monitoring and reporting of risks and internal control and to ensure proper management of risks to which the Group is exposed and to take appropriate and timely actions to manage such risks.

On an annual basis, the Internal Audit function assists the Board in reviewing the effectiveness of risk management and internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and/or events.

The ERM risk reporting structure; risk management and internal controls are intertwined within the Group's activities at a strategic and operational level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The structure of the ERM risk reporting promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. A strong culture of ownership and accountability is built through a clear identification of specific roles and responsibilities of the Board, Management Committee, RIMC, Risk Management and Compliance Department, Risk Owner, Risk Co-Owner, Internal Audit Department and all Staff.

The unambiguous identification of roles and responsibilities among these groups promotes improved accountability so that there are neither gaps in controls nor unnecessary duplications of coverage. This has also improved the control owner's understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure.

The key success factors of the Group's risk management process are active contribution and communication at operational or strategic level. Group's risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and project feasibility studies. This will ensure the Group has reliable information and appropriate plans to handle the changing environment.

The Group's ERM approach which prioritises risks according to their likelihood and impact goes through the following steps:

Department or Business Unit Risk Assessment:

The risk owner performs an exercise to identify and assess 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 and historical data. The exercise also covers a comprehensive occupational health and safety risk assesment process through the Hazard Identification, Risk Assessment and Risk Control ("HIRAC"). The risk owner provides to the Risk Management and Compliance Department on a quarterly basis. The risk level is determined according to their respective financial or non-financial risk parameter.

Presentation to the RIMC:

The Risk Management and Compliance Department will facilitate the risk owner during the risk assessment and risk action planning. Each risk will be evaluated in terms of the adequacy and effectiveness of the existing internal checks and balances controls, so as to provide a reasonable assurance that the likelihood and impact of the adverse event is within a manageable and acceptable level. The level of likelihood of a particular outcome actually occurring, including a consideration of the frequency of the event is determined using an approved likelihood parameter. The impact, of an event is similarly evaluated using an approved financial or non-financial impact parameter. On a quarterly basis, the Group Chief Risk Officer will present all the risks and its mitigation actions from the department and business units to the RIMC. The RIMC will review, rank and debate the risk ratings, control effectiveness, risk treatment options plans identified by the risk owners.

Compilation of Group Risk Profile:

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

Audit Committee Review:

A risk management report is tabled to AC on a quarterly basis. The AC provides on objective view on the Top Group Risk, requests and challenges risk information from the business and acts as change catalyst in risk and control areas in the Group.

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

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

In essence, the management of risks is treated as an iterative process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments. This significantly enhances the Risk Ownership factor across the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

TOP FIVE (5) GROUP RISKS

The following represents the Group's top strategic and operational risks that may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives and affect the Group's ability to create value over the short, medium and long-term.

RISK FACTORS	MITIGATING STRATEGIES
Economy-wide phenomena which affect the rate of growth, CPO prices and increase operating costs.	√ Market intelligence and being up-to-date on market conditions. √ Combination strategies of spot and forward contract for sales and procurement. √ Taking into account forecasts of market conditions. √ Enhance the productivity, efficiency and utilisation of available resources, while simultaneously abiding to the principles of sustainability. √ Continuous effort in cost saving initiatives and prudent CAPEX and OPEX management.
Replacement of Investment is critical in ensuring growth and business continuity.	√ Continuously explore and secure new opportunities. √ Comprehensive assessment and feasibility study for each new investment. √ Incorporate good governance and internal controls practices.
New investment's Risks with regards to the industry, laws and regulations, politics, country and local risks.	√ Revisit and strengthen the strategy to ensure the success of the investment. √ Putting in place workable internal control and monitoring framework including corporate and systems infrastructure. √ Proactive engagement with business partners and local stakeholders.
Liquidity Risk on existing and future funding requirements which could change the Group's gearing level and risk exposure on interest rate and foreign exchange.	√ Matching of inflows and outflows of cash and maintaining sufficient credit facilities. √ Borrowings are created in a particular currency to match payments and receipts, or liabilities and assets. √ Capital restructuring. √ Monitor the agreed covenants with the lenders.
Safety, Health and Environment ("SHE") commitment towards building a fair, ethical and responsible company.	√ Ensuring that SHE's related issues are preventable; establish a workable and consistent approach to ensure no repetitive occurrences. √ Embraces the principles of sustainable development in respect of People, Planet and Profit. √ Embarks in various initiatives in achieving the emissions reduction targets.

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

Key to the Group's Internal Control and Risk Management process is its Control Self-Assessment ("CSA") process. The process is a recognised and flexible management tool for acquiring information about business process risks, while empowering the risk owners to undertake responsibility for managing those risks. Risk assessment and evaluation form an integral part of the annual strategic cycle. The Board, as part of the annual strategic review, considers and approves the Group's risk structure.

The Board has adopted a control framework for ensuring the achievement of the Group's established objectives and that the Group's business operations are effectively managed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

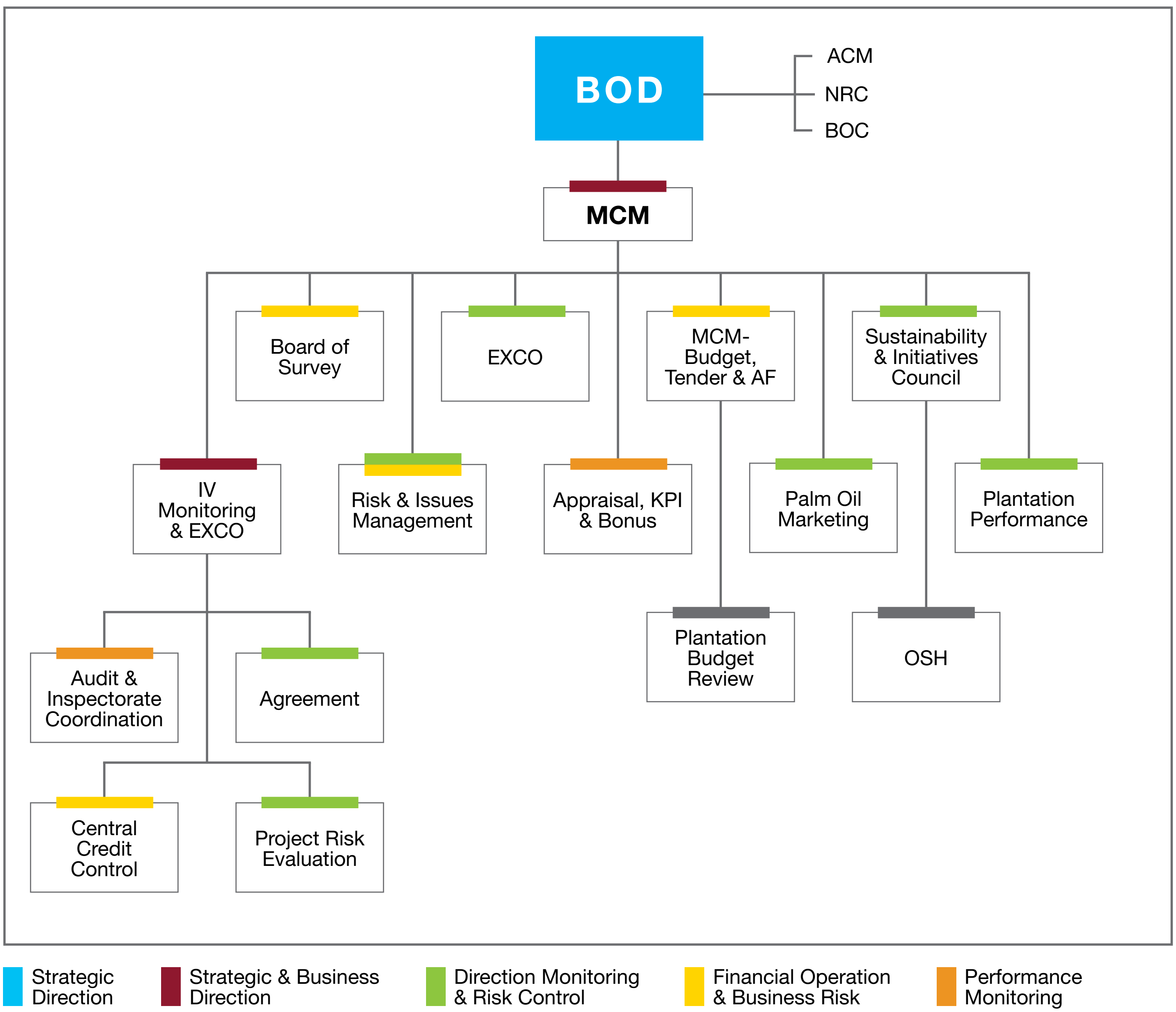
The key elements of the Group's system of internal control are as follows:

BOARD AND MANAGEMENT COMMITTEES

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

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

COMMITTEE STRUCTURE



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD COMMITTEE	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
Nomination and Remuneration Committee ("NRC")	To oversee the selection and assessment of directors by development, maintenance and review of the criteria to be used in the recruitment process and annual assessment of directors. The Committee is also responsible for establishing formal and transparent remuneration policies and procedures to attract and retain directors.
Board Option Committee ("BOC")	To review and amend at any time and from time to time, any provision of the By-laws.

MANAGEMENT COMMITTEE	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
Management Committee ("MCM")	To review and evaluate the performance progress including the key policy and strategy implementations of the various divisions, subsidiaries and operating units of the Group. Where authorised, to formulate and approve matters relating to Group policy, objectives and business strategy and projects, and where necessary to evaluate and recommend for Board's approval.
Executive Committee ("EXCO")	To coordinate departmental roles and administrative matters in relation to the various divisional operations and to review, recommend and seek Management's approval on any related proposals.
Management Committee – Budget, Tender and Additional Capital & Revenue Expenditure ("MCM – Budget, Tender & AF")	To recommend to the MCM the award of contracts for purchases and projects to suppliers/contractors in accordance with the Contract Administration Guidelines and Procedures of the Company. To review the budget and all requests pertaining to capital and revenue spending and to recommend them for the ratification of the MCM.
Risk and Issues Management Committee	To conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure that the Group is managing risks effectively. Further details on the Committee are set out in pages 141 to 144.
Plantation Performance Committee	To ensure that estates and mills own and the managed by the Group operate in accordance with Group's requirements and at the best possible standards.
Palm oil Marketing Committee	To review and decide on the appropriate selling arrangement, quantity and prices of the Group's palm products.
Board of Survey	To review all requests pertaining to write-off or write-back on fixed assets, debtors, stocks and creditors and 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.
Appraisal, KPI and Bonus Committee	To deliberate on performance, KPIs, behavioural competencies and recommend appropriate increments, promotions and merit of all executives and corporate office staff.
Plantation Budget Review	To ensure that the Plantation Operation budget is prepared with the objective of maximising the long-term profitability of the Group's oil palm plantations and at the same time, maintaining their sustainability.
OSH Committee	To foster cooperation and consultation between the management and workers in identifying, evaluating and controlling hazards at workplaces.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The company has also established committees to ensure the effective management and supervision of the Intrapreneur Ventures ("IV") companies.

COMMITTEES FOR INTRAPRENEUR VENTURES	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
IV Monitoring and Executive Committee ("IV EXCO")	To monitor progress and development of all the IV companies with the objective of strengthening respective business and management capabilities by providing necessary business guidance and referrals. To evaluate viability of projects, proposals, funding, capital expenditure or capital adequacy of the IV companies.
Central Credit Control Committee	To appraise the IV companies on its financial health, performance and compliance to Malaysia Financial Reporting Standards ("MFRS"), Income Tax Act and internal controls of the IVs which are related to credit control.
Project Risk Evaluation Committee	To ensure that IV companies/projects are being run, coordinated and managed at the best possible standards and in compliance with the Group's requirements and risk management policies.
Audit and Inspectorate Coordination Committee	To monitor the Internal Control System and recommend improvement of the Internal Control System and practices to achieve the company's objectives. To ensure that the operations of IV companies are in compliance with laws and regulations and the Group's Code of Conduct and Business Ethics and that the IV companies are being managed in line with the aspiration and expectations of Kulim.
Agreement Committee	To ensure that material agreements are forwarded for Committee discussion and/or approval. This is to ensure and safeguard the Group's interest.

ORGANISATION STRUCTURE

The Board has established a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. The organisation structure is formed by focusing both on performance delivery and business continuity through succession planning. It fosters and promotes the continual development of employees, and ensures that key positions maintain some measure of stability, thus enabling the Group to achieve business objectives.

The structure supports the Group's ability to ensure that qualified and experienced management personnel which head the Group's diverse operating units are always available and in place to carry out their job functions. Their performance is measured against Key Performance Indicators ("KPI") which have been approved by the Board.

OTHER ELEMENTS OF INTERNAL CONTROL

Apart from the committees and parties mentioned in the Corporate Governance Statement, the Audit Committee Report and sections above, the other elements of the Group's Internal Controls are as follows:

FINANCIAL AUTHORITY LIMIT

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BUDGET APPROVAL

Budget is an important control mechanism used by the Group to ensure an efficient allocation of Group's resources and that the operational managers have sufficient guidance in making business decisions. Budgets are generated annually at each subsidiary and operating unit.

For the plantation units, budgets will be reviewed by the Regional Controllers followed by their presentation to the Plantation Budget Review Committee for further deliberation.

Significant subsidiaries will have their budgets reviewed by their own budget committee. All budgets will then be presented for deliberation at the MCM - Budget, Tender and AF Committee, and subsequently will be tabled to MCM for approval and endorsement. Finally the budgets will be presented to the Board for final review and approval.

PROCUREMENT

A centralised and coordinated procurement function is established at each of the Group's key business division which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures.

Major contracts and supply works of both capital and revenue in nature exceeding the defined threshold amounts in the relevant contract procedure are required to be tendered out. Eligible bidders for contract works will need to attend a contract interview with the Contract Interview Committee, which is made up of representatives from several departments at the divisional headquarter including the acquiring unit's Manager. The Contract Interview Committee will then forward the recommendations to the MCM - Budget, Tender and AF Committee for further review and approval.

OPERATING AND PROCEDURAL MANUALS

The Group has reference manuals covering agricultural practices, procurement, financial operating system and financial policies and procedures. These will assist and guide employees on purchasing and contract awards, preparing of financial statements, observing the various internal control policies and procedures, as well as maintaining good management practices to ensure cost efficiencies, integrity of financial records and to safeguard the Group's assets. The Board believes that all these control measures will significantly enhance the internal control of the Group.

FORWARD SALES POLICY

The Group has in place a forward sales policy for its palm products which has been approved by the Board. For Malaysian palm oil products, the Group adopts a forward policy covering a maximum of six (6) months and 90% of the Group's own fruits.

STATUTORY AND REGULATORY COMPLIANCE

The Group is committed to complying with all statutory and regulatory requirement and is subject to regular inspections by the relevant government authorities.

WHISTLEBLOWING POLICY

The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

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

The Group views seriously any detrimental action taken against a whistleblower or any person related to or associated with the whistleblower in reprisal for a disclosure of improper conduct and will treat such action as gross misconduct.

This Policy aims to:

- encourage stakeholders to feel confident in raising serious concerns and to question and act upon concerns;
- provide avenues to raise those concerns and receive feedback on any action taken;
- ensure that whistleblowers receive a response and are aware of how to pursue further action if they are not satisfied; and
- provide reassurance that whistleblower will be protected from possible retaliation.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

NO GIFT POLICY

The No Gift Policy was established as part of the Group's continuous effort to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge.

All employees and directors are required to demonstrate commitment to treating all people and organisations impartially, with unbiased professionalism and non-discriminatory actions in relation to all suppliers, customers, contractors, employees, potential suppliers, potential employees, and any other individual or organisation.

The Group will work towards creating a business environment that is free from corruption, protect the interests of the shareholders and will uphold the above principles in the conduct of its business.

CODE OF ETHICS

This Code of Ethics defines the standards of conduct that are expected of employees to help them make the right decision in the course of performing their jobs to the highest standards of ethic, integrity and governance. Among others, the Code also requires the employees to ensure the following:

- maintaining full and accurate company records;
- all assets and property of the company will be used only for the benefit of the company;
- always dealing with customers and suppliers based on merit and fairness;
- engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage;
- always act to ensure a workplace environment that is free from harassment and discrimination; and
- deal with all team members with respect, courtesy and fairness.

All employees are required to adhere to the Group's Code of Ethics and to submit the Ethics Declaration Form annually.

MAINTAINING COMPLIANCE TO THE RSPO CERTIFICATION REQUIREMENT

Sustainability is a core value of the Group. Kulim has established its sustainability credentials by attaining RSPO certification. Safeguarding this reputation is critical to the organisation and the Group has put in place control measures in the form of appropriate policies, monitoring systems and procedures so as to minimise, if not prevent the risks of non-compliance with the requirements of RSPO. Among the key measures are:

- site follow-up visits and inspections are conducted on periodic basis to review the status of compliance, weaknesses and gaps in the implementations of various programs, which is also in line with the requirements of Principle 8 of RSPO on Continuous Improvement;
- KPI affecting key aspects of the certification requirements are developed to complement the economic indicators, which are subject to regular monitoring on their achievement progress;
- RSPO trainings and briefings are conducted regularly to ensure changes and updates on RSPO requirements are communicated to all affected employees;
- In relation to the requirements of laws regulation in the areas of safety and health, Kulim regularly collaborates with suppliers and contractors towards ensuring both parties' responsibilities in complying with the relevant legislations;
- Proper documentation and reference systems are established. These include Kulim Sustainability Handbook that sets out all relevant policies to guide employees. All system documentation are monitored and controlled through the Document Annual Review; and
- In relation to the social impact of the business on the various levels of stakeholders, internal social impact assesments, guided by the SA8000 Standard are conducted on all Operating Units to identify shortcomings which are monitored through the Social Register.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

AS AT THE DATE OF ISSUANCE OF THIS INTEGRATED ANNUAL REPORT, THE COMPOSITION OF THE AUDIT COMMITTEE CONSISTS OF THREE (3) MEMBERS AS FOLLOWS:

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

Wong Seng Lee
Member

Aziah Ahmad
Member

For the financial year ended 31 December 2016, prior to the delisting of the company on 4 August 2016, the Audit Committee consist of three (3) directors of Kulim (Malaysia) Berhad.

The composition of the Audit Committee prior to the delisting was as follows:

Tan Sri Dato' Seri Utama Arshad Ayub	Chairman/Independent Non-Executive Director
Dr. Radzuan A. Rahman	Member/Independent Non-Executive Director
Leung Kok Keong	Member/Independent Non-Executive Director

The attendance record of the members of the Audit Committee during the financial year 2016 prior to the delisting of the Company was as follows:

DIRECTOR	DATE OF MEETINGS	
	22/02/2016	26/05/2016
Tan Sri Dato' Seri Utama Arshad Ayub	/	/
Dr. Radzuan A. Rahman	/	/
Leung Kok Keong	/	/

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee during the year were as follows:

SCOPE OF RESPONSIBILITIES	ACTIVITIES
Financial	- Review of the Company's compliance, in particular the quarterly and year-end financial statements with the applicable approved accounting standard issued by the Malaysian Accounting Standard Board.
Internal Control	- Review of the risk management report presented by Chief Risk Officer. - Review of the Group's risks, requests and challenges risk information and reviewing management's mitigation strategy.
Internal Audit	- Review and approval of the annual internal audit plan for the year 2016. - Review of the Internal Audit activities related to management and operations, capacity, internal audit framework and of the analytical process and reporting procedures. - Review of the audit reports presented by the Internal Auditors and management's responses thereto and reviewing management's assurance that significant findings are adequately addressed. - Closed session with Internal Audit without the presence of management.
External Audit	- Review of the External Auditors' audit observation, the audit report and recommendations in respect of control weaknesses noted in the course of their audit.
Compliance	- Review of the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

Kasmawati Kasian
Head of Internal Audit

The Group's Internal Audit function is carried out by the Internal Audit Department ("IAD") and led by a Certified Internal Auditor ("CIA"). The IAD reports directly to the Audit Committee and is guided by its Internal Audit Charter. The IAD assists the Board in fulfilling its fiduciary responsibilities over the areas of financial, operational, information systems, investigations, risk management and governance process in accordance with the approved Risk Based Annual Audit Plan.

On quarterly basis, the IAD provides the Audit Committee with independent and objective reports on the state of internal control, highlighting any areas for improvement and updates on the extent to which the recommendations have been implemented. The management is responsible to ensure that corrective actions on reported weaknesses as recommended are taken within the required time frame to ensure that all potential weaknesses in system and risks under reviewed area are mitigated or remain within acceptable levels.

The External Auditors issue a Management Letter highlighting issues and weaknesses, which came to their attention during the conduct of their normal audit procedures. The Group's Internal Audit subsequently performs follow-up reviews to determine the extent to which the recommendations have been implemented.

The IAD operates within the Audit Charter approved by the Audit Committee and performs internal audit across the Group's diverse areas and environment focusing on any management, accounting, financial and operational activities including the effectiveness of risk management process and internal control within the organisation. In year 2016, the audit coverage was focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as IAD's own risk assessment. It also covered management request as well as consulting activity which are in line with the Audit Charter.

The Group's Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness. In year 2016, periodic assessment to evaluate conformance with the International Standards for the Professional Practice of Internal Auditing ("Standards") was conducted by the department.

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

FINANCIAL STATEMENTS

SECTION 7

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit net of tax	13,186	1,106
Profit attributable to:		
Owners of the Company	3,855	1,106
Non-controlling interests	9,331	-
	13,186	1,106

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

In the opinion of the directors, the results of the operations of the Group and of the Company were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company during the current financial year.

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	
Ahamad Bin Mohamad	
Jamaludin Bin Md Ali	
Zulkifli Bin Ibrahim	
Zulkifly Bin Zakariah	(Appointed on 1 January 2017)
Mohamad Salleh Bin Mohamad Yusof	(Appointed on 1 March 2017)
Wan Su Binti Ali	(Appointed on 1 March 2017)
Dr Radzuan A. Rahman	(Resigned on 1 October 2016 and re-appointed on 16 January 2017)
Tan Sri Dato' Seri Utama Arshad Bin Ayub	(Resigned on 1 October 2016)
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir	(Resigned on 1 October 2016)
Datuk Haron Bin Siraj	(Resigned on 1 October 2016)
Leung Kok Keong	(Resigned on 1 October 2016)
Abdul Rahman Bin Sulaiman	(Resigned on 1 January 2017)
Rozaini Bin Mohd Sani	(Resigned on 1 March 2017)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.25 each			
Company	**As at 1.1.2016**	**Acquired**	**Disposed**	**As at 31.12.2016**
Direct Interest				
Dato' Kamaruzzaman Bin Abu Kassim	200,000	800,000	(1,000,000)	-
Ahamad Bin Mohamad	963,400	500,000	(1,463,400)	-
Jamaludin Bin Md Ali	100,000	150,000	(250,000)	-
Zulkifli Bin Ibrahim	150,000	-	(150,000)	-
Dr Radzuan Bin A. Rahman	150,000	-	(150,000)	-
Abdul Rahman Bin Sulaiman	50,000	200,000	(250,000)	-

	Number of options over ordinary shares of RM0.25 each			
Company	**As at 1.1.2016**	**Granted**	**Exercised**	**As at 31.12.2016**
Dato' Kamaruzzaman Bin Abu Kassim	800,000	-	(800,000)	-
Ahamad Bin Mohamad	500,000	-	(500,000)	-
Jamaludin Bin Md Ali	150,000	-	(150,000)	-
Abdul Rahman Bin Sulaiman	200,000	-	(200,000)	-

	Number of ordinary shares of RM0.25 each			
	As at 1.1.2016	**Acquired**	**Disposed**	**As at 31.12.2016**
In related companies E.A. Technique (M) Berhad				
Direct interest				
Dato' Kamaruzzaman Bin Abu Kassim	-	25,000	-	25,000
Ahamad Bin Mohamad	500,000	-	-	500,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2016	Acquired	Disposed	As at 31.12.2016
In related companies KPJ Healthcare Berhad				
Direct interest				
Ahamad Bin Mohamad	1,125	-	-	1,125

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.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) other than as disclosed in the financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 22 MAY 2017

DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR

ZULKIFLY BIN ZAKARIAH
DIRECTOR

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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 162 to 282 are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 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 22 MAY 2017

DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR

ZULKIFLY BIN ZAKARIAH
DIRECTOR

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Azli Bin Mohamed, 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 162 to 282 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.

AZLI BIN MOHAMED

Subscribed and solemnly declared by the above named Azli Bin Mohamed at Johor Bahru, Johor Darul Takzim in Malaysia on 22 MAY 2017, before me.

PESURUHJAYA SUMPAH
COMMISSIONER FOR OATHS
No. J 265
Nama:
LIM JIT NGOH
MALAYSIA
NO. 89, JALAN TRUS
80000 JOHOR BAHRU, JOHOR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF KULIM (MALAYSIA) BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Kulim (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 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 162 to 282.

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF KULIM (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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 MEMBER OF KULIM (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U.RATHINASAMY
(No. 2059/06/18 (J))
Chartered Accountant

Johor Bahru

22 May 2017

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 (restated) RM'000	2016 RM'000	2015 (restated) RM'000
Continuing operations					
Revenue	4	1,612,738	1,443,024	186,417	143,577
Cost of sales		(1,257,894)	(1,121,971)	(85,725)	(85,185)
Gross profit		354,844	321,053	100,692	58,392
Other income		38,950	69,281	44,522	2,585,557
Administrative expenses		(200,326)	(209,445)	(113,427)	(83,333)
Other expenses		(107,746)	(67,313)	(37,082)	(17,275)
Profit/(loss) from operating activities		85,722	113,576	(5,295)	2,543,341
Interest income	5	33,930	36,909	30,515	32,956
Finance costs	6	(59,477)	(33,003)	(22,860)	(1,754)
Share of results of associates		(258)	317	-	-
Profit before tax	7	59,917	117,799	2,360	2,574,543
Income tax expense	9	(46,391)	(30,193)	(1,254)	(1,460)
Profit from continuing operations		13,526	87,606	1,106	2,573,083
Discontinued operations					
(Loss)/gain from discontinued operations, net of tax	10	(340)	1,316,326	-	-
Profit for the year		13,186	1,403,932	1,106	2,573,083
Other comprehensive income					
Items which may be reclassified to profit or loss in subsequent periods					
Impairment of available-for-sale financial assets		4,225	-	4,225	-
Foreign currency translation differences for foreign operations		(1,010)	(25,198)	-	-
Cashflow hedge		-	(25)	-	-
Fair value changes on available-for-sale financial assets		10,391	(4,898)	11,806	(5,392)
Item that will not reclassified to profit or loss					
Surplus on revaluation of land, net of tax	35	153,758	56,371	69,830	757
Other comprehensive income/(loss) for the year, net of tax		167,364	26,250	85,861	(4,635)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Group		Company	
	Note	2016 RM'000	2015 RM'000 (restated)	2016 RM'000	2015 RM'000 (restated)
Total comprehensive income for the year		180,550	1,430,182	86,967	2,568,448
Profit/(loss) attributable to:					
Owners of the Company		3,855	1,410,516	1,106	2,573,083
Non-controlling interests		9,331	(6,584)	-	-
Profit for the year		13,186	1,403,932	1,106	2,573,083
Total comprehensive Income/(loss) attributable to:					
Owner of the Company		165,852	1,431,948	86,967	2,568,448
Non-controlling interests		14,698	(1,766)	-	-
Total comprehensive income for the year		180,550	1,430,182	86,967	2,568,448

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31.12.2016 RM'000	31.12.2015 (restated) RM'000	1.1.2015 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	5,394,300	4,945,659	4,747,876
Investment properties	12	116,218	115,028	110,768
Intangible assets	13	32,774	69,819	77,562
Investment in associates	15	2,490	2,749	2,431
Investments	16	228,180	282,910	150,559
Deferred tax assets	24	453	-	-
Trade and other receivables	18	3,027	2,370	3,207
		5,777,442	5,418,535	5,092,403
Current assets				
Investments	16	40,420	6,005	16,839
Inventories	17	78,878	69,346	40,602
Trade and other receivables	18	632,260	513,335	211,162
Tax recoverable		16,706	13,804	15,445
Derivatives	19	27	1,325	2,449
Cash and bank balances	20	530,783	1,584,805	342,733
		1,299,074	2,188,620	629,230
Assets of disposal group classified as held for sale	10	-	13,291	4,819,085
		1,299,074	2,201,911	5,448,315
Total assets		7,076,516	7,620,446	10,540,718
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	21	365,630	226,225	178,722
Income tax liabilities		21,974	12,149	4,887
Borrowings	22	1,182,151	396,772	750,953
Convertible notes	23	62,891	58,186	-
Dividend payable		-	-	25
		1,632,646	693,332	934,587
Liabilities of disposal group classified as held for sale	10	-	-	2,084,517
		1,632,646	693,332	3,019,104
Net current (liabilities)/assets		(333,572)	1,508,579	2,429,211

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

	Note	31.12.2016 RM'000	31.12.2015 (restated) RM'000	1.1.2015 (restated) RM'000
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	22	858,745	512,507	451,356
Deferred tax liabilities	24	406,498	382,160	374,149
		1,265,243	894,667	825,505
Total liabilities		2,897,889	1,587,999	3,844,609
Net assets		4,178,627	6,032,447	6,696,109
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital and reserves				
Share capital	25	1,000	337,605	335,626
Reserves	26	1,256,419	1,266,529	1,488,452
Retained earnings	27	2,698,746	4,218,890	3,308,481
Reserves of disposal group classified as held for sale	10	-	-	(51,622)
		3,956,165	5,823,024	5,080,937
Non-controlling interests		222,462	209,423	1,615,172
Total equity		4,178,627	6,032,447	6,696,109
Total equity and liabilities		7,076,516	7,620,446	10,540,718

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31.12.2016 RM'000	31.12.2015 (restated) RM'000	1.1.2015 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,394,918	1,316,287	1,301,197
Investment properties	12	114,880	115,028	110,768
Investment in subsidiaries	14	1,185,303	749,312	674,139
Investments	16	30,123	64,373	21,598
		2,725,224	2,245,000	2,107,702
Current assets				
Investments	16	40,420	6,005	3,189
Inventories	17	32,737	1,694	1,274
Trade and other receivables	18	182,051	700,107	187,161
Current tax assets		7,713	4,822	2,478
Cash and bank balances	20	203,670	1,349,170	160,630
		466,591	2,061,798	354,732
Assets of disposal group classified as held for sale	10	-	13,291	216,390
		466,591	2,075,089	571,122
Total assets		3,191,815	4,320,089	2,678,824
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	21	109,836	36,991	41,557
Borrowings	22	240,000	-	150,000
		349,836	36,991	191,557
Net current assets		116,755	2,038,098	379,565

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

	Note	31.12.2016 RM'000	31.12.2015 (restated) RM'000	1.1.2015 (restated) RM'000
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	22	492,787	-	-
Deferred tax liabilities	24	90,634	83,891	84,913
		583,421	83,891	84,913
Total liabilities		933,257	120,882	276,470
Net assets		2,258,558	4,199,207	2,402,354
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital and reserves				
Share capital	25	1,000	337,605	335,626
Reserves	26	212,321	293,472	571,574
Retained earnings	27	2,045,237	3,568,130	1,495,154
Total equity		2,258,558	4,199,207	2,402,354
Total equity and liabilities		3,191,815	4,320,089	2,678,824

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve 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	Distributable Retained profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<---- Attributable to shareholders of the Company											---->		
		<---- Non-distributable									---->				
As at 1.1.2016		337,605	448,910	52,938	36,252	12,258	(6,091)	1,345,220	4,933	(371,088)	25,719	2,876,137	4,762,793	263,621	5,026,414
Effects of change in accounting policy	35	-	-	-	-	-	-	(269,824)	-	-	-	1,353,784	1,083,960	-	1,083,960
Prior year adjustment	35	-	-	-	-	(38,874)	-	-	49,713	-	(23,537)	(11,031)	(23,729)	(54,198)	(77,927)
As at 1.1.2016 – restated	35	337,605	448,910	52,938	36,252	(26,616)	(6,091)	1,075,396	54,646	(371,088)	2,182	4,218,890	5,823,024	209,423	6,032,447
Foreign exchange translation differences		-	-	-	-	(5,526)	-	-	-	-	-	-	(5,526)	4,516	(1,010)
Surplus on revaluation of land, net of tax	26	-	-	-	-	-	-	152,907	-	-	-	-	152,907	851	153,758
Impairment of available-for-sale financial assets		-	-	-	-	-	4,225	-	-	-	-	-	4,225	-	4,225
Fair value changes on available-for-sale financial assets		-	-	-	-	-	10,391	-	-	-	-	-	10,391	-	10,391
Total other comprehensive income for the year		-	-	-	-	(5,526)	14,616	152,907	-	-	-	-	161,997	5,367	167,364
Profit for the year		-	-	-	-	-	-	-	-	-	-	3,855	3,855	9,331	13,186
Total comprehensive income for the year		-	-	-	-	(5,526)	14,616	152,907	-	-	-	3,855	165,852	14,698	180,550
Transaction with shareholders:															
Grant of equity-settled share options to employees		-	-	-	(8,213)	-	-	-	-	-	-	-	(8,213)	-	(8,213)
Conversion of warrants		6,479	84,213	(52,938)	-	-	-	-	-	-	-	34,030	71,784	-	71,784
Exercise of ESOS		7,876	104,907	-	(28,039)	-	-	-	-	-	-	-	84,744	-	84,744
Bonus issue		1,851,368	(633,687)	-	-	-	-	-	-	-	-	(1,217,681)	-	-	-
Selective Capital Reduction	25	(2,171,588)	-	-	-	-	-	-	-	-	-	-	(2,171,588)	-	(2,171,588)
Cancellation of treasury shares		(30,740)	-	-	-	-	-	-	-	371,088	-	(340,348)	-	-	-
Transaction costs in relation to selective capital reduction *		-	(4,343)	-	-	-	-	-	-	-	-	-	(4,343)	-	(4,343)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		<---- Attributable to shareholders of the Company ---->													
		<---- Non-distributable ---->										Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve 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 profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Acquisition of subsidiaries	14	-	-	-	-	-	-	-	-	-	-	-	-	1,590	1,590
Acquisition of additional interest in subsidiaries from non-controlling interests		-	-	-	-	-	-	-	-	-	(5,114)	-	(5,114)	(237)	(5,351)
Partial disposal of shares by a subsidiary to non-controlling interests	14	-	-	-	-	-	-	-	-	-	19	-	19	-	19
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(3,012)	(3,012)
As at 31 December 2016		1,000	-	-	-	(32,142)	8,525	1,228,303	54,646	-	(2,913)	2,698,746	3,956,165	222,462	4,178,627

* Advisory fees incurred in respect of Selective Capital Reduction (Note 30(a)) are accounted for as deduction from equity.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

<------------------------------ Attributable to shareholders of the Company ------------------------------>

<------------------------------ Non-distributable ------------------------------>

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserves RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Distributable Retained profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2015		335,626	422,445	55,735	29,362	2,193	-	(1,193)	1,345,220	4,933	(67,063)	3,274	(51,622)	1,943,596	4,022,506	1,590,197	5,612,703
Effects of change in accounting policy		-	-	-	-	-	-	-	(326,195)	-	-	-	-	1,366,273	1,040,078	-	1,040,078
Prior year adjustment	35	-	-	-	-	(996)	-	-	-	20,732	-	-	-	(1,388)	18,348	24,975	43,323
As at 1 January 2015 – restated	35	335,626	422,445	55,735	29,362	1,197	-	(1,193)	1,019,025	25,665	(67,063)	3,274	(51,622)	3,308,481	5,080,932	1,615,172	6,696,104
Foreign exchange translation differences		-	-	-	-	(30,016)	-	-	-	-	-	-	-	-	(30,016)	4,818	(25,198)
Net surplus arising from revaluation of land, net of tax		-	-	-	-	-	-	-	56,371	-	-	-	-	-	56,371	-	56,371
Cash flow hedges		-	-	-	-	-	(25)	-	-	-	-	-	-	-	(25)	-	(25)
Fair value changes on available-for-sale financial assets		-	-	-	-	-	-	(4,898)	-	-	-	-	-	-	(4,898)	-	(4,898)
Total other comprehensive income for the year		-	-	-	-	(30,016)	(25)	(4,898)	56,371	-	-	-	-	-	21,432	4,818	26,250
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	1,410,516	1,410,516	(6,584)	1,403,932
Total comprehensive income for the year		-	-	-	-	(30,016)	(25)	(4,898)	56,371	-	-	-	-	1,410,516	1,431,948	(1,766)	1,430,182
<u>Transactions with shareholders:</u>																	
Conversion of warrants		958	12,471	(2,797)	-	-	-	-	-	-	-	-	-	-	10,632	-	10,632
Grant of equity-settled share options to employees		-	-	-	10,524	-	-	-	-	-	-	-	-	-	10,524	-	10,524
Exercise of employees share options		1,021	13,994	-	(3,634)	-	-	-	-	-	-	-	-	-	11,381	-	11,381
Issue of shares by subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	-	5,071	-	-	5,071	(4,691)	380

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	<---- Attributable to shareholders of the Company														
	<---- Non-distributable														
Group	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserves RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Distributable Retained profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Share swap with non-controlling interest	-	-	-	-	-	-	-	-	-	-	17,321	-	-	17,321	24,656	41,977
Partial disposal of shares by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	53	-	-	53	-	53
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(500,107)	(500,107)	-	(500,107)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,578)	(8,578)
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,346	23,346
Disposal of subsidiaries	-	-	-	-	2,203	25	-	-	-	-	-	51,622	-	53,850	(1,362,981)	(1,309,131)
Treasury shares acquired	-	-	-	-	-	-	-	-	-	(304,025)	-	-	-	(304,025)	-	(304,025)
Merger acquisition	-	-	-	-	-	-	-	-	28,981	-	(23,537)	-	-	5,444	(75,735)	(70,291)
As at 31 December 2015 - restated	337,605	448,910	52,938	36,252	(26,616)	-	(6,091)	1,075,396	54,646	(371,088)	2,182	-	4,218,890	5,823,024	209,423	6,032,447

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Re-valuation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Treasury Shares RM'000	Distributable Retained profit RM'000	Total RM'000
2016											
As at 1 January 2016		337,605	448,910	52,938	36,252	897,579	(7,117)	4,165	(371,088)	2,636,674	4,035,918
Effects of change in accounting policy	35	-	-	-	-	(768,167)	-	-	-	931,456	163,289
As at 1 January 2016 - restated		337,605	448,910	52,938	36,252	129,412	(7,117)	4,165	(371,088)	3,568,130	4,199,207
Fair value changes on available-for-sale financial assets		-	-	-	-	-	11,806	-	-	-	11,806
Surplus on revaluation of land, net of tax		-	-	-	-	69,830	-	-	-	-	69,830
Impairment of available-for-sale financial assets		-	-	-	-	-	4,225	-	-	-	4,225
Profit for the year		-	-	-	-	-	-	-	-	1,106	1,106
Total other comprehensive income for the year		-	-	-	-	69,830	16,031	-	-	1,106	86,967
Transactions with shareholders:											
Grant of equity-settled share options to employees		-	-	-	(8,213)	-	-	-	-	-	(8,213)
Conversion of warrants		6,479	84,213	(52,938)	-	-	-	-	-	34,030	71,784
Exercise of ESOS		7,876	104,907	-	(28,039)	-	-	-	-	-	84,744
Bonus issue		1,851,368	(633,687)	-	-	-	-	-	-	(1,217,681)	-
Selective Capital Reduction		(2,171,588)	-	-	-	-	-	-	-	-	(2,171,588)
Cancellation of treasury shares		(30,740)	-	-	-	-	-	-	371,088	(340,348)	-
Transaction costs in relation to selective capital reduction *		-	(4,343)	-	-	-	-	-	-	-	(4,343)
As at 31 December 2016		1,000	-	-	-	199,242	8,914	4,165	-	2,045,237	2,258,558

* Advisory fees incurred in respect of Selective Capital Reduction (Note 30(a)) are accounted for as deduction from equity.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Re-valuation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Treasury Shares RM'000	Dis-tributable Retained profit RM'000	Total RM'000
2015											
As at 1 January 2015		335,626	422,445	55,735	29,362	897,579	(1,725)	4,165	(67,063)	560,631	2,236,755
Effects of change in accounting policy	35	-	-	-	-	(768,924)	-	-	-	934,523	165,599
As at 1 January 2015 – restated		335,626	422,445	55,735	29,362	128,655	(1,725)	4,165	(67,063)	1,495,154	2,402,354
Fair value changes on available-for-sale financial assets		-	-	-	-	-	(5,392)	-	-	-	(5,392)
Surplus on revaluation of land, net of tax		-	-	-	-	757					757
Profit for the year		-	-	-	-	-	-	-	-	2,573,083	2,573,083
Total comprehensive income for the year		-	-	-	-	757	(5,392)	-	-	2,573,083	2,568,448
<u>Transactions with shareholders:</u>											
Grant of equity-settled share options to employees		-	-	-	10,524	-	-	-	-	-	10,524
Conversion of warrants		958	12,471	(2,797)	-	-	-	-	-	-	10,632
Exercise of ESOS		1,021	13,994	-	(3,634)	-	-	-	-	-	11,381
Treasury shares acquired		-	-	-	-	-	-	-	(304,025)	-	(304,025)
Dividends to shareholders		-	-	-	-	-	-	-	-	(500,107)	(500,107)
As at 31 December 2015 - restated		337,605	448,910	52,938	36,252	129,412	(7,117)	4,165	(371,088)	3,568,130	4,199,207

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)	31.12.2016 RM'000	31.12.2015 RM'000 (restated)
Cash flow from operating activities				
Profit/(loss) before tax				
- continuing operations	59,917	117,799	2,360	2,574,543
- discontinued operations	(340)	1,319,580		-
Adjustments for:				
Fair value changes on:				
- investments held for trading	9,428	5,886	2,465	353
- derivatives	1,298	1,124	-	-
Net provision for impairment losses on:				
- receivables	15,697	24,672	17,178	4,166
- investments in subsidiaries	-	-	11,000	-
- property, plant and equipment	988	3,305	-	-
- goodwill	43,323	461	-	-
Amortisation and depreciation of:				
- deferred farm expenditure	-	-	7,601	-
- intangible assets	1,388	2,600	-	-
- property, plant and equipment	154,841	147,743	11,771	19,845
- finance cost	199	-	-	-
Change in fair value of investment properties	148	(4,260)	148	(4,260)
Dividend income	(2,689)	(1,940)	(35,955)	(15,865)
(Gain)/loss on:				
- disposal of subsidiaries	(433)	(1,341,343)	-	(2,478,180)
- disposal of investments	(9,415)	(275)	(9,675)	-
- disposal of property, plant and equipment	(7,809)	5,847	(9,710)	-
Remeasurement of existing interest in new subsidiary	-	(3,093)	-	-
Group's share of net results in associate	258	5,996	-	-
Grant of equity-settled share options to employees	(8,213)	10,524	(8,213)	10,524
Interest expense on:				
- continuing operations	59,477	33,003	22,860	1,754
- discontinuing operations	-	4,445	-	
Interest income	(33,930)	(36,909)	(30,515)	(32,956)
Unrealised foreign exchange loss/(gain), net	31,996	(12,795)	(21,327)	(89,575)
Write off of:				
- property, plant and equipment	6,078	12,810	3,629	7,113
- intangible asset	389	-	-	-
Write down of inventories	1,799	4,557	-	-
Bargain purchase on acquisition of subsidiaries	(20,647)	-	-	-
Operating profit/(loss) before changes in working capital	303,748	299,737	(36,383)	(2,538)
Changes in working capital:				
- Inventories	19,015	(28,848)	(4,950)	(421)
- Payables – third party	(41,455)	57,535	10,355	1,424
- Payables – intercompany	-	-	(854)	(11,375)
- Receivables	(51,783)	(279,293)	4,981	(616,635)
- Receivables – intercompany	-	-	(7,513)	569,494
Cash generated from/(used in) operations	229,525	49,131	(34,364)	(60,051)
Tax paid	(38,259)	(39,512)	(4,595)	(6,842)
Tax refunded	4,585	4,893	1,952	1,559
Net cash flows generated from/(used in) operating activities	195,851	14,512	(37,007)	(65,334)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	Group 31.12.2016 RM'000	Group 31.12.2015 RM'000 (restated)	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000 (restated)
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash (out)/in flow	14	(38,450)	295	-	-
Dividends received		2,689	1,940	35,955	15,865
Interest received		33,930	36,909	30,515	32,956
Additions:					
- non controlling interests (net)		(5,332)	-	-	-
- interest in subsidiaries		-	-	(289,489)	(75,004)
- investments		(9,859)	(95,613)	(9,855)	(51,505)
- property, plant and equipment		(244,941)	(303,650)	(52,667)	(54,100)
- advances for proposal acquisition	30(f)	(105,996)	(105,062)	-	-
Net cash inflow on disposal of subsidiaries	10	666	2,662,306	-	2,662,306
(Addition to)/withdrawal of pledged fixed deposits		(126,543)	27,944	-	-
Addition to intangible assets		(767)	(1,508)	-	-
Proceeds from:					
- disposal of investments		46,710	80	32,934	-
- disposal of property, plant and equipment		28,896	894	23,004	-
Net cash flows (used in)/generated from investing activities		(418,997)	2,224,535	(229,603)	2,530,518
Cash flows from financing activities					
Dividends paid to:					
- shareholders of the Company		-	(500,107)	-	(500,107)
- non-controlling interests of subsidiaries		(3,012)	(8,578)	-	-
Proceeds from borrowings, net of transaction fees		1,225,166	446,420	732,787	-
Repayment of borrowings		(125,649)	(791,761)	-	(150,000)
Proceeds from issue of shares arising from conversion of warrants		71,784	10,632	71,784	10,632
Proceeds from exercise of ESOS		84,744	11,381	84,744	11,381
Proceeds from partial disposal of shares to non-controlling interests		-	53	-	-
Purchase of treasury shares		-	(304,025)	-	(304,025)
(Repayment of advance)/advances payment to subsidiaries		-	-	421,326	(432,346)
Selective capital reduction payment to shareholders		(2,171,588)	-	(2,171,588)	-
Transaction costs in relation to selective capital reduction		(4,343)	-	(4,343)	-
Issue of shares to non-controlling interest		-	380	-	-
Interest paid:					
- continuing operations		(59,477)	(33,003)	(22,860)	(1,754)
- discontinued operations		-	(4,445)	-	-
Net cash flows (used in)/generated from financing activities		(982,375)	(1,173,053)	(888,150)	(1,366,219)
Net change in cash and cash equivalents		(1,205,521)	1,065,994	(1,154,760)	1,098,965
Effect of exchange rate fluctuations on cash held		12,076	100,575	8,911	89,575
Cash and cash equivalents at 1 January		1,511,847	345,278	1,349,169	160,280
Cash and cash equivalents at 31 December (Note 20)		318,402	1,511,847	203,320	1,348,820

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

The Company is a company incorporated and domiciled in Malaysia and is ceased to be listed on the Main Board of Bursa Malaysia Securities Berhad on 4 August 2016. The addresses of the principal place of business and registered office of the Company are as follows:

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

Registered office
Level 11, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor Darul Takzim

The Company's ultimate holding corporation is Johor Corporation ("JCorp"), a body corporate established under the Johor Corporation Enactment (No. 4, of 1968) (As amended by Enactment No.5, Of 1995).

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2016.

As at 31 December 2016, the Group's current liabilities exceeded its current assets by RM333,572,000. The Group recorded a profit for the year of RM13,186,000 and had shareholder's equity of RM3,956,165,000 as at 31 December 2016. The net current liabilities position arose due to the Selective Capital Reduction exercise (Refer to Note 25) amounting to RM2,171,588,000 in the current financial year.

The Group's borrowings include short term revolving credits amounting to RM743,284,000, which by nature can be rolled-over but are also callable on demand and therefore are classified as current. The Directors are of the view that the risk of all their banks abruptly recalling the short term revolving credits in full is low considering the fact that these have been serviced on a timely basis, including the interest payable thereon and none have been recalled up to the date of the financial statements. The Directors are also confident that the Group will continue to generate profits and positive operating cash flows based on historical results and the Group's 6 year strategic plan. The Directors have assessed and are of the view that the Group's available banking facilities for the foreseeable future is adequate to meet its business needs and its financial obligations as and when they fall due in the next twelve months from the date of this financial statements.

Accordingly, the Directors are of the opinion that the preparation of the financial statements of the Group on a going concern basis is appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

Changes in accounting policies

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

On 1 January 2016, the Group adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2016:

Description	Effective for annual periods beginning on or after
Amendments to FRS 101 'Presentation of financial statements' – Disclosure initiative	1 January 2016
Amendments to FRS 127 "Equity Method in Separate Financial Statements"	1 January 2016
Amendments to FRS 116 & FRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above Amendments and Annual Improvements did not have any significant impact on the financial statements.

Standards issued but not yet effective

The Standards, Amendments and Annual Improvements that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these Standards, Amendments and Annual Improvements, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 'Statement of Cash Flows – Disclosure Initiative'	1 January 2017
Amendments to FRS 112 'Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle	1 January 2017
FRS 9 'Financial Instruments'	1 January 2018
Annual Improvements to FRSs 2014 – 2016 Cycle	1 January 2018

The directors are of opinion that the Standards, Amendments and Annual Improvements above would not have any material impact on the financial statements in the year of initial adoption.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Fair value measurement

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by directors’ for both recurring fair value measurement and for non-recurring measurement.

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

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

2.3 Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

(a) Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

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

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

(c) Disposal of subsidiaries

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

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

(d) Joint arrangements

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

(e) Associates

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(e) Associates (continued)

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

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

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

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

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

(f) Merger acquisition

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

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

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(b) Transactions and balances

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

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

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

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

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(c) Group companies (continued)

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

2.7 Property, plant and equipment

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

All expenditure relating to the development of oil palm field (immature field) is classified under estate development expenditure. This cost will be amortised over the useful life when the field reaches maturity. The maturity date for estate development expenditure is the point in time when such new planting areas achieve yields of at least 8.60 tonnes of fresh fruit bunches per hectare per annum or 48 months from the date of initial planting, whichever is earlier. Estate overhead expenditure is apportioned to profit or loss and estate development expenditure on the basis of proportion of mature to immature areas.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

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

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

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

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

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

2.8 Investment properties

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

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

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

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

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

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

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

2.9 Intangible assets

(a) Intangible assets other than goodwill

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

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

(b) Goodwill

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

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

2.10 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

(a) Classification

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

Financial assets at fair value through profit or loss

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

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 loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Notes 18 and 20).

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gains and losses

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(c) Subsequent measurement – gains and losses (continued)

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

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

(d) Subsequent measurement - Impairment

Assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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

Assets classified as available-for-sale

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

Assets classified as available-for-sale (continued)

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

(e) De-recognition

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

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

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.12 Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Inventories

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

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

2.14 Provisions

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

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

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

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

2.15 Financial guarantee contracts

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

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

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

2.16 Borrowings and borrowing costs

(a) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings and borrowing costs (continued)

(a) Borrowings (continued)

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

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

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

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

(b) Borrowing costs

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

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

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

2.17 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

(iii) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (continued)

(iii) Share-based payments (continued)

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in Employee Share Option Scheme ("ESOS") reserve included in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

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

2.18 Leases

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

(a) Accounting by lessee

Finance leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

(a) Accounting by lessee (continued)

Operating leases

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

(b) Accounting by lessor

Finance leases

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

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

Operating leases

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

2.19 Discontinued operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.20 Recognition of revenue and other income

Revenue or other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue or other income is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of palm-based products and goods

These represents revenues earned from sales of the Group's palm-based products and goods, net of trade allowance and duties and taxes paid. Revenue is recognised when there has been a passing of the title and risk to the customer, and:

- The product is in a form suitable for delivery and sale and no further processing is required;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the Group; and
- The selling price can be determined with reasonable accuracy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Recognition of revenue and other income (continued)

(b) Oil and gas and support services

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

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

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

(c) Rental income

Rental income from investment properties is recognised in the profit loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(d) Dividend income

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

(e) Interest income

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

2.21 Current and deferred income taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group’s subsidiaries, joint ventures and associates operate and generate taxable income.

Directors periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using an expected value the single best estimate of the most likely outcome.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income taxes (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates, and joint arrangement, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor and joint operator is unable to control the reversal of the temporary difference for associates and joint arrangement. Only where there is an agreement in place that gives the investor and joint operator the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

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

Goods and Services Tax ("GST")

On and after 1 April 2015, revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or part of the expense item, as applicable; and

- when receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report to the Group Managing Director, the chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received or paid, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.25 Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liabilities component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholder's equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components where the instruments are first recognised.

2.26 Contingent assets and liabilities

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

2.27 Derivative and hedging activities

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

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.11. Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Derivative and hedging activities (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.28 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date the estimated total contract cost.

Where the outcome of a construction contract cannot be estimated reliably contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract cost are recognised as expenses in the period which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expenses immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.29 Financial liabilities

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial liabilities as other financial liabilities.

The Company's other financial liabilities include trade payables and other payables.

These are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current non-current classification. An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(i) it is expected to be settled in the normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.31 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, the Directors has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are given in Note 13.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount and details of the Group's receivables at the reporting date are disclosed in Note 18.

(c) Valuation of property, plant and equipment

The Company, in reliance on independent professional valuers, applied estimates, judgements and assumption in the determination of fair values for plantation land. The valuation forms the basis for the carrying amount in the financial statements (Note 11).

(d) Construction contract

The Group recognises construction contract revenue in the profit or loss by using the stage of completion method. Construction contract revenue and profit are recognised based on percentage of completion which is determined by the proportion of actual costs incurred to date as compared to the estimated total budgeted costs.

Significant judgement and high degree of estimation are required in assessing the percentage of completion; determination of whether variations in contract works should be included in the contract revenue; measurement of claims which the Group seeks to collect from the customer as reimbursement for costs not included in the contract price as the measurement of such amounts is subject to a high level of uncertainty and often depends on the outcome of negotiations; and estimates made in respect of the total estimated contract costs.

A 5% increase/(decrease) in the estimated total budgeted costs would (decrease)/increase the Group's profits for the year by (RM31,242,387)/RM25,029,751.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Valuation of investments

The Group classifies its investments in unquoted equity instruments as available-for-sale ("AFS") financial assets when it does not have an intention to hold it for trading, nor designate it at fair value through profit or loss. The Group's investment in AFS financial assets are carried at cost less any impairment loss as these equity instruments do not have a quoted price in an active market and whose fair value cannot be reliably measured. During the financial year, the directors of Asia Logistics Council Sdn. Bhd. ("ALC") performed a directors' valuation on ALC's investment in World Logistics Council Limited ("WLC"), an unquoted equity instrument, based on a range of acceptable valuation techniques to determine the fair value of the instrument. The valuation exercise resulted in a wide range of fair value measurement. As a result, the Directors exercised judgement that the instrument should be carried at cost due to significant assumptions and estimates involved in determining range of fair value measurements and in evaluating the probabilities of the various assumptions used in estimating fair value.

4. REVENUE

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000
Sales of goods:				
Plantation:				
- Fresh fruit bunches	10,314	10,190	134,018	113,027
- Crude palm oil	724,517	651,365	-	-
- Palm kernel	164,690	115,709	-	-
	899,521	777,264	134,018	113,027
Intraprenuer ventures	57,609	64,057	-	-
Oil and gas support services	626,167	569,783	-	-
Agrofood	14,170	17,143	6,103	5,361
Investment properties	8,810	8,609	8,810	8,609
Dividend income	2,689	1,940	35,955	15,865
Others	3,772	4,228	1,531	715
	1,612,738	1,443,024	186,417	143,577

5. INTEREST INCOME

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Interest income:				
Deposit with licensed banks	33,930	36,909	29,644	31,376
Amount due from subsidiaries	-	-	870	1,576
Others	-	-	1	4
	33,930	36,909	30,515	32,956

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6. FINANCE COSTS

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Interest expense on:				
Term loans	38,383	16,943	15,240	-
Revolving credits	20,516	15,676	7,620	1,754
Bank overdraft	116	90	-	-
Other borrowings	462	294	-	-
	59,477	33,003	22,860	1,754

7. PROFIT BEFORE TAX

	Group		Company	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Profit before tax and net gain from discontinued operations is arrived at after charging/(crediting):				
Cost of sales:				
- Plantation				
- Cost of produce	614,125	556,936	51,625	50,056
- General charges	84,971	63,982	17,500	15,737
- Intrapreneur ventures	25,143	40,979	-	-
- Oil and gas support services				
- Cost of services	167,283	160,365	-	-
- Engineering, procurement, construction, installation and commissioning of floating storage and offloading vessels ("EPCIC")	348,728	279,589	-	-
- Agrofood	7,843	8,158	4,461	8,097
- Investment properties	4,722	4,819	4,722	4,819
- Others	5,079	7,143	1,236	718
Net provision for impairment losses on:				
- Trade and other receivables	15,697	24,672	15,686	4,166
- Intercompanies receivables	-	-	10,423	-
- Property, plant and equipment	988	3,305	-	-
- Goodwill	43,323	461	-	-
- Investment in subsidiaries	-	-	11,000	-
Amortisation and depreciation of:				
- Intangible assets	1,388	2,600	-	-
- Property, plant and equipment	154,841	147,743	19,375	19,841

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

7. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 (restated) RM'000
Auditors' remuneration:				
Statutory audit				
- PwC	959	-	150	-
- Other auditors	533	1,021	-	110
Other services				
- PwC	66	-	66	-
- Other auditors	261	355	195	355
(Gain)/loss on:				
- Disposal of subsidiaries	(433)	(1,341,343)	-	(2,478,180)
- Disposal of investments	(9,415)	(275)	(9,675)	-
- Disposal of property, plant and equipment	(7,809)	5,847	(9,710)	-
Foreign exchange (gain)/loss:				
- Realised	13,096	(14,321)	23,642	(12,328)
- Unrealised	31,996	(12,795)	(21,327)	(89,575)
Write down of inventories	1,799	4,557	-	-
Write off of property, plant and equipment	6,078	12,810	3,629	7,113
Rental of plant and machinery	3,422	3,053	-	-
Rental of land and building paid to:				
- Ultimate holding corporation	629	629	629	629
- Others	1,551	900	-	-
Staff costs (excluding Directors):				
- Salaries, wages, allowances and bonuses	227,207	222,399	56,521	45,032
- Defined contribution plan	15,951	13,868	4,454	3,517
- Other employee benefits	29,013	15,590	26,250	265
Fair value changes on:				
- Investments	9,428	5,886	2,465	353
- Derivatives	1,298	1,124	-	-
Dividend income from:				
- Unquoted shares in Malaysia	(1,478)	(1,649)	-	(491)
- Shares quoted in Malaysia	(1,211)	(291)	(1,211)	(291)
- Subsidiaries (unquoted shares in Malaysia)	-	-	(34,744)	(15,083)
Rental income	(425)	(961)		-
Fair value gain/(loss) on investment properties	148	(4,260)	148	(4,260)
Guaranteed return on car park concession	-	(1,811)	-	-
Remeasurement of existing interest in new subsidiary	-	(3,093)	-	-
Bargain purchase on acquisition of subsidiaries	(20,647)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Executive Directors				
- Fees	250	250	250	250
- Salaries, allowances and bonuses	4,449	4,258	4,449	4,258
- Estimated money value of benefits-in-kind	71	83	71	83
- Defined contribution plan	603	434	603	434
- ESOS	163	193	163	193
- Other emoluments	153	16	153	16
	5,689	5,234	5,689	5,234
Non-executive Directors				
- Fees	225	300	225	300
- Allowances	41	103	41	103
- Estimated money value of benefits-in-kind	68	33	68	33
- ESOS	562	222	562	222
	896	658	896	658
Independent non-executive Directors				
- Fees	281	375	281	375
- ESOS	339	145	339	145
- Other emoluments	82	210	82	210
	702	730	702	730
Total directors' remuneration	7,287	6,622	7,287	6,622

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Current income tax				
- Malaysia	37,767	42,992	-	2,973
- Outside Malaysia	1,923	-	-	-
Over provision in prior years	(1,329)	(1,905)	(247)	(13)
	38,361	41,087	(247)	2,960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

9. INCOME TAX EXPENSE (CONTINUED)

Major components of income tax expense (continued)

	Group		Company	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Deferred tax (Note 24)	8,030	(10,894)	1,501	(1,500)
Income tax attributable to:				
- Continuing operations	46,391	30,193	1,254	1,460
- Discontinued operations (Note 10)	-	3,254	-	-
Income tax expense recognised in profit and loss	46,391	33,447	1,254	1,460
Income tax expense recognised in other comprehensive income	24,766	21,233	5,241	478

Reconciliation between tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Profit/(loss) before tax from:				
- Continuing operations (restated)	59,917	117,799	2,360	2,574,543
- Discontinued operations (Note 10)	(340)	1,319,580	-	-
	59,577	1,437,379	2,360	2,574,543
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	14,298	359,345	566	643,636
Tax recognised at different tax rate	(1,394)	(600)	-	-
Effect of non-deductible expenses	56,547	39,326	20,302	5,140
Effect of income exempt from tax	(21,883)	(363,597)	(18,157)	(647,303)
Utilisation of previously unrecognised deferred tax assets	(1,644)	-	-	-
Deferred tax assets not recognised	1,796	878	-	-
Over provision of income tax in prior years	(1,329)	(1,905)	(1,457)	(13)
	46,391	33,447	1,254	1,460

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Disposal of Granulab (M) Sdn. Bhd. in 2016

During the financial year, the Group entered into an agreement for the disposal of a subsidiary, Granulab (M) Sdn. Bhd., which is involved in trading of granumas, a granulat synthetic bone graft. The decision is in line with the Group's business exit strategy for identified companies under its Intrapreneur Venture segment to maximise returns and mitigate risks.

The disposal was completed on 13 November 2016.

The results of Granulab (M) Sdn. Bhd. is presented separately on the statement of comprehensive income as "Loss from discontinued operation, net of tax"

The effects of the disposal of Granulab (M) Sdn. Bhd. on the financial position and results of the Group up to the date of disposal are as follows:

Assets and liabilities

	RM'000
Inventories	366
Trade and other receivables	110
Cash and cash equivalents	19
Trade and other payables	(243)
Net assets attributable to the Group	252
Cash proceeds from disposal	(685)
Gain on disposal to the Group	(433)
Cash inflow arising on disposals:	
Cash consideration	685
Cash and cash equivalents of subsidiary disposed	(19)
Net cash inflow on disposals	666

Results of discontinued operations

	RM,000 (11 months)
Revenue	54
Expenses	(827)
Loss from operations	(773)
Gain on disposal to the Group	433
Loss from discontinued operations, net of tax	(340)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(a) Disposal of Granulab (M) Sdn. Bhd. in 2016 (continued)

Cash flows attributable to the discontinued operations

	RM,000
Net cash generated from operating activities	2,026
Net cash used in financing activities	(2,249)
Net cash outflows	(223)

(b) Disposal of New Britain Palm Oil Limited ("NBPOL") in 2015

On 9 October 2014, Sime Darby Plantation Sdn Bhd ("SDP") served a takeover notice on NBPOL and announced its intention to make a cash offer to acquire all NBPOL shares at an offer price of GBP7.15 or PNG Kina 28.79 per NBPOL share ("Offer").

On 3 December 2014, the Kulim's shareholders voted to accept the Offer from SDP at the Extraordinary General Meeting convened to consider the Offer.

On 18 February 2015, Sime Darby announced that all conditions precedent in the Offer Document had been fulfilled and that the Offer was now unconditional.

On 26 February 2015, the Company announced that the disposal of NBPOL was completed following the receipt of the cash consideration from SDP. Accordingly, NBPOL ceased to be a subsidiary of the Group.

As NBPOL represents a major geographical area of operations, its results are excluded from the results of continuing operations and are presented as a single amount as profit after tax from discontinued operations in the statement of comprehensive income (including the comparative period).

The effects of the disposal of NBPOL on the financial position and results of the Group for the year ended 31 December 2015 are as follows:

Assets and liabilities of NBPOL at the date of disposal

	RM'000
Property, plant and equipment	3,362,048
Intangible assets	150,530
Inventories	538,789
Trade and other receivables	514,614
Current tax assets	3,417
Cash and cash equivalents	32,264
Deferred tax liabilities	(980,878)
Trade and other payables	(139,054)
Loans and borrowings	(817,144)
Reserves	51,622
Net assets	2,716,208
Non-controlling interests	(1,362,981)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Disposal of New Britain Palm Oil Limited ("NBPOL") in 2015 (continued)

Assets and liabilities of NBPOL at the date of disposal (continued)

	RM'000
Net assets attributable to the Group	1,353,227
Cash proceeds from disposal	(2,887,384)
Expenses attributable to disposal of subsidiary*	192,814
Gain on disposal to the Group	(1,341,343)
Cash inflow arising on disposals:	
Cash consideration	2,887,384
Expenses attributable to disposal of subsidiary*	(192,814)
Cash and cash equivalents of subsidiary disposed	(32,264)
Net cash inflow on disposals	2,662,306

* The expenses attributable to disposal of subsidiary represent consultancy fees paid to an investment bank, legal firms and various other consultants for services rendered in connection with the disposal of NBPOL.

Results of discontinued operations for the year ended 31 December 2015

	RM'000 (2 months)
Revenue	303,560
Expenses	(320,878)
Loss from operations	(17,318)
Finance costs	(4,445)
Gain on disposal to the Group	1,341,343
Profit before tax from discontinued operations	1,319,580
Taxation	(3,254)
Gain from discontinued operations, net of tax	1,316,326

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Disposal of New Britain Palm Oil Limited ("NBPOL") in 2015 (continued)

Cash flows attributable to the discontinued operations

	RM'000
Net cash generated from operating activities	10,157
Net cash used in investing activities	(26,019)
Net cash used in financing activities	(30,264)
Net cash outflows	(46,126)

(c) Assets of disposal group classified as held for sale

	Group and Company	
	31.12.2016 RM'000	31.12.2015 RM'000
Assets of disposal group held for sale:		
- Leasehold land	-	13,291
	-	13,291

As at 31 December 2015, a parcel of leasehold land with carrying amount of RM13,291,000 has been presented as asset held for sale as the Company has entered into a land transfer agreement to sell the land for RM23,000,000. The disposal was completed in July 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

Group	Plantation Operation Freehold land RM'000	Long term leasehold land RM'000	Land use rights RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
	<------------- At valuation	------------->	<-----------------------		At Cost		----------------------->	
Cost								
At 1 January 2016, as previously stated	1,274,948	799,177	82,687	947,136	189,680	1,163,922	125,806	4,583,356
Effects of change in accounting policy (Note 35)	340,287	966,043	-	-	-	-	-	1,306,330
At 1 January 2016, as restated	1,615,235	1,765,220	82,687	947,136	189,680	1,163,922	125,806	5,889,686
Revaluation surplus	106,975	70,697	-	-	-	-	-	177,672
Acquisition of subsidiaries (Note 14)	-	-	43,726	168,214	13,350	2,910	126	228,326
Additions	-	-	904	44,841	6,671	96,879	95,646	244,941
Disposals	-	-	-	-	(22)	(21,722)	-	(21,744)
Disposals of subsidiaries (Note 10)	-	-	-	-	(1,798)	(3,633)	(97)	(5,528)
Write off	-	-	-	(13,866)	(692)	(8,257)	(569)	(23,384)
Transfer to inventories	-	(5,041)	-	-	-	-	(21,113)	(26,154)
Transfer to investment properties (Note 12)	-	-	-	-	-	-	(1,338)	(1,338)
Reclassification	-	-	-	-	1,505	42,383	(43,888)	-
Transfer from finance lease receivables (Note 18(e))	-	-	-	-	-	2,795	-	2,795
Exchange differences	-	-	752	671	28	67	317	1,835
At 31 December 2016	1,722,210	1,830,876	128,069	1,146,996	208,722	1,275,344	154,890	6,467,107

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Plantation Operation: Freehold land RM'000	Plantation Operation: Long term leasehold land RM'000	Plantation Operation: Land use rights RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
	<------------- At valuation		------------->	<---------------------- At Cost			---------------------->	
Accumulated depreciation								
At 1 January 2016, as previously stated	-	70,596	-	323,089	103,505	409,375	-	906,565
Effects of change in accounting policy (Note 35)	-	12,688	-	-	-	-	-	12,688
At 1 January 2016, as restated	-	83,284	-	323,089	103,505	409,375	-	919,253
Acquisition of subsidiaries (Note 14)	-	-	-	6,869	769	2,117	-	9,755
Charge for the year	-	21,794	-	39,956	6,286	86,299	506	154,841
Disposals	-	-	-	-	(7)	(13,924)	-	(13,931)
Disposals of subsidiaries (Note 10)	-	-	-	-	(352)	(2,022)	-	(2,374)
Write off	-	-	-	(11,203)	(333)	(5,770)	-	(17,306)
Transfer to inventories	-	(61)	-	-	-	-	-	(61)
Exchange differences	-	-	-	-	3	19	-	22
At 31 December 2016	-	105,017	-	358,711	109,871	476,094	506	1,050,199
Accumulated impairment loss								
At 1 January 2016	-	-	-	12,177	1,592	10,672	333	24,774
Charge for the year	-	-	-	-	-	988	-	988
Disposal of subsidiaries	-	-	-	-	(1,446)	(1,611)	(97)	(3,154)
At 31 December 2016	-	-	-	12,177	146	10,049	236	22,608
Net book value as at 31 December 2016	1,722,210	1,725,859	128,069	776,108	98,705	789,201	154,148	5,394,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Plantation Operation Freehold land RM'000	Plantation Operation Long term leasehold land RM'000	Plantation Operation Land use rights RM'000	Estate deve-lopment expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
	<------------- At valuation		------------->	<----------------------	At Cost		---------------------->	
Cost								
At 1 January 2015, as previously stated	1,274,948	799,177	80,967	909,531	169,612	969,983	129,254	4,333,472
Effects of change in accounting policy (Note 35)	363,274	865,258	-	-	-	-	-	1,228,532
Prior year adjustment (Note 35)	-	-	-	-	-	1,376	-	1,376
At 1 January 2015, as restated	1,638,222	1,664,435	80,967	909,531	169,612	971,359	129,254	5,563,380
Revaluation surplus	(22,987)	100,785	-	-	-	-	-	77,798
Prior year adjustment (Note 35)	-	-	-	-	-	(1,376)	-	(1,376)
Acquisition of subsidiaries	-	-	-	-	661	524	-	1,185
Additions	-	-	1,366	52,889	12,693	203,842	32,860	303,650
Disposals	-	-	-	-	(115)	(10,550)	(2,386)	(13,051)
Write off	-	-	-	(15,438)	(1,395)	(9,963)	-	(26,796)
Transfer to asset held for sale	-	-	-	-	-	(15,739)	-	(15,739)
Reclassification	-	-	-	-	8,218	25,784	(34,002)	-
Exchange differences	-	-	354	154	6	41	80	635
At 31 December 2015	1,615,235	1,765,220	82,687	947,136	189,680	1,163,922	125,806	5,889,686

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Plantation Operation							
	Freehold land RM'000	Long term leasehold land RM'000	Land use rights RM'000	Estate deve-lopment expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
	<------------- At valuation		------------->	<----------------------	At Cost		---------------------->	
Accumulated depreciation								
At 1 January 2015	-	62,588	-	284,956	98,047	348,390	-	793,981
Charge for the year	-	20,696	-	44,709	6,597	75,935	-	147,937
Disposals	-	-	-	-	(300)	(5,956)	-	(6,256)
Write off	-	-	-	(6,576)	(839)	(6,571)	-	(13,986)
Transfer to asset held for sale	-	-	-	-	-	(2,448)	-	(2,448)
Exchange differences	-	-	-	-	-	25	-	25
At 31 December 2015, as restated	-	83,284	-	323,089	103,505	409,375	-	919,253
Accumulated impairment loss								
At 1 January 2015	-	-	-	12,177	-	9,110	236	21,523
Charge for the year	-	-	-	-	1,592	1,616	97	3,305
Disposals	-	-	-	-	-	(54)	-	(54)
At 31 December 2015	-	-	-	12,177	1,592	10,672	333	24,774
Net book value as at 1 January 2015, as restated	1,638,222	1,601,847	80,967	612,398	71,565	613,859	129,018	4,747,876
Net book value as at 31 December 2015, as restated	1,615,235	1,681,936	82,687	611,870	84,583	743,875	125,473	4,945,659

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

Group (Continued)	Non-plantation Operation Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
	<----------------	----------------	----------------	At Cost	----------------	---------------->	
Cost							
At 1 January 2016	17,458	37,928	924	971,981	85,131	50,500	1,163,922
Acquisition of subsidiaries	-	-	-	771	648	1,491	2,910
Additions	-	14	-	85,443	5,596	5,826	96,879
Disposals	-	-	-	(16,241)	(234)	(5,247)	(21,722)
Disposal of subsidiaries	-	-	-	-	(3,633)	-	(3,633)
Write off	-	-	-	(4,796)	(1,264)	(2,197)	(8,257)
Reclassification	-	(1,402)	(353)	77,263	(33,125)	-	42,383
Transfer (Note18(e))	-	-	-	2,795	-	-	2,795
Exchange differences	-	-	-	-	21	46	67
At 31 December 2016	17,458	36,540	571	1,117,216	53,140	50,419	1,275,344
Accumulated depreciation							
At 1 January 2016	-	5,228	133	331,666	36,328	36,020	409,375
Acquisition of subsidiaries	-	-	-	609	483	1,025	2,117
Charge for the year	-	715	-	76,673	4,101	4,810	86,299
Disposals	-	-	-	(8,674)	(168)	(5,082)	(13,924)
Disposal of subsidiaries	-	-	-	-	(2,022)	-	(2,022)
Write off	-	-	(133)	(2,672)	(907)	(2,058)	(5,770)
Exchange differences	-	-	-	-	6	13	19
At 31 December 2016	-	5,943	-	397,602	37,821	34,728	476,094

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows: (continued)

	Non-plantation Operation						
Group (Continued)	Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
	<------------------------------			At Cost		------------------------------>	
Accumulated impairment losses							
At 1 January 2016	-	-	-	9,051	1,611	10	10,672
Impairment loss for the year	-	-	-	157	831	-	988
Disposals of subsidiaries	-	-	-	-	(1,611)	-	(1,611)
At 31 December 2016	-	-	-	9,208	831	10	10,049
Net book value as at 31 December 2016	17,458	30,597	571	710,406	14,488	15,681	789,201

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows: (continued)

Group (Continued)	Non-plantation Operation Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
	<-------------------	-------------------	At Cost	-------------------	-------------------	------------------->	
Cost							
At 1 January 2015, as previously stated	17,458	35,737	924	788,829	80,329	46,706	969,983
Prior year adjustment (Note 35)	-	-	-	-	1,156	220	1,376
At 1 January 2015, as restated	17,458	35,737	924	788,829	81,485	46,926	971,359
Prior year adjustment (Note 35)	-	-	-	-	(1,156)	(220)	(1,376)
Acquisition of subsidiaries	-	-	-	-	357	167	524
Additions	-	17,930	-	174,405	4,865	6,642	203,842
Disposals	-	-	-	(4,974)	(4,226)	(1,350)	(10,550)
Write off	-	-	-	(7,897)	(373)	(1,693)	(9,963)
Transfer to assets held for sale	-	(15,739)	-	-	-	-	(15,739)
Reclassification	-	-	-	21,618	4,166	-	25,784
Exchange differences	-	-	-	-	13	28	41
At 31 December 2015	17,458	37,928	924	971,981	85,131	50,500	1,163,922
Accumulated depreciation							
At 1 January 2015	-	7,152	133	276,187	32,638	32,280	348,390
Charge for the year	-	524	-	65,033	4,325	6,053	75,935
Disposals	-	-	-	(4,861)	(419)	(676)	(5,956)
Write off	-	-	-	(4,693)	(238)	(1,640)	(6,571)
Transfer to assets held for sale	-	(2,448)	-	-	-	-	(2,448)
Exchange differences	-	-	-	-	22	3	25
At 31 December 2015	-	5,228	133	331,666	36,328	36,020	409,375

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows: (continued)

	Non-plantation Operation						
Group (Continued)	Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
	<------------------	------------------	At Cost	------------------	------------------	------------------>	
Accumulated impairment losses							
At 1 January 2015	-	-	-	9,100	-	10	9,110
Impairment loss for the year	-	-	-	5	1,611	-	1,616
Disposals	-	-	-	(54)	-	-	(54)
At 31 December 2015	-	-	-	9,051	1,611	10	10,672
Net book value as at 1 January 2015	17,458	28,585	791	503,542	48,847	14,636	613,859
Net book value as at 31 December 2015	17,458	32,700	791	631,264	47,192	14,470	743,875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plantation Operation						
Company	Freehold land RM'000	Long term leasehold land RM'000	Estate development expenditure RM'000	Building RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2016, as previously reported	757,279	177,296	193,697	63,768	94,136	18,901	1,305,077
Effect of change in accounting policy	(16,765)	200,526	-	-	-	-	183,761
At 1 January 2016, as restated	740,514	377,822	193,697	63,768	94,136	18,901	1,488,838
Revaluation surplus	61,898	13,172	-	-	-	-	75,070
Additions	-	-	17,154	698	8,386	26,429	52,667
Disposal	-	-	-	-	(9)	-	(9)
Written off	-	-	(8,728)	(448)	(1,620)	(523)	(11,319)
Reclassification	-	-	-	106	4,791	(4,897)	-
Transfer to inventories	-	-	-	-	(5,042)	(21,115)	(26,157)
At 31 December 2016	802,412	390,994	202,123	64,124	100,642	18,795	1,579,090
Accumulated Depreciation							
At 1 January 2016, as previously reported	-	12,634	89,079	36,508	31,263	-	169,484
Effect of change in accounting policy	-	3,067	-		-	-	3,067
At 1 January 2016 – restated	-	15,701	89,079	36,508	31,263	-	172,551
Change for the year	-	767	7,600	2,128	5,752	-	16,247
Write off	-	-	(6,065)	(239)	(1,386)	-	(7,690)
Transfer to asset held for sale	-	-	-	-	(61)	-	(61)
Disposal	-	-	-	-	(6)	-	(6)
At 31 December 2016, prior valuation	-	16,468	90,614	38,397	35,562	-	181,041
Effect of change in accounting policy	-	3,131	-	-	-	-	3,131
At 31 December 2016	-	19,599	90,614	38,397	35,562	-	184,172
Net book value as at 31 December 2016	802,412	371,395	111,509	25,727	65,080	18,795	1,394,918

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plantation Operation Freehold land RM'000	Long term leasehold land RM'000	Estate deve-lopment expenditure RM'000	Building RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
	<---- At valuation ---->						
Cost							
At 1 January 2015, as previously reported	757,279	177,296	188,711	63,726	85,720	6,750	1,279,482
Effect of change in accounting policy	(15,264)	197,786	-	-	-	-	182,522
At 1 January 2015 - restated	742,015	375,082	188,711	63,726	85,720	6,750	1,462,004
Revaluation surplus/(deficit)	(1,501)	2,740	-	-	-	-	1,239
Additions	-	-	16,188	590	25,171	12,151	54,100
Write-off	-	-	(11,202)	(548)	(1,016)	-	(12,766)
Transfer to assets for held	-	-	-	-	(15,739)	-	(15,739)
At 31 December 2015 – restated	740,514	377,822	193,697	63,768	94,136	18,901	1,488,838
Accumulated Depreciation							
At 1 January 2015, as previously reported	-	11,867	82,998	34,729	31,213	-	160,807
Change for the year	-	771	10,335	2,175	3,501	-	16,782
Write off	-	-	(4,254)	(396)	(1,003)	-	(5,653)
Transfer to assets held for sale	-	-	-	-	(2,448)	-	(2,448)
At 31 December 2015, as previously stated	-	12,638	89,079	36,508	31,263	-	169,488
Effect of change in accounting policy	-	3,063	-	-	-	-	3,063
At 31 December 2015, - restated	-	15,701	89,079	36,508	31,263	-	172,551
Net book value as at 31 December 2014 - restated	742,015	363,215	105,713	28,997	54,507	6,750	1,301,197
Net book value as at 31 December 2015 - restated	740,514	362,121	104,618	27,260	62,873	18,901	1,316,287

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance lease

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of approximately RM244,941,000 (2015: RM303,650,000) and RM52,667,000 (2015: RM54,100,000) respectively, of which RM1,188,264 (2015: RM2,199,000) 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 RM10,412,000 (2015: RM1,779,000). The leased assets consist of equipment and motor vehicles (Note 22).

Assets pledged as security for borrowings

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000
Carrying amount of assets pledged as security for borrowings:		
- long term leasehold lands	727	741
- vessels	605,257	597,389
- vessels under construction	92,657	37,984
- buildings	2,870	3,264
	701,511	639,378

If plantation operation lands were stated on the historical cost basis, the amounts would be as follows:

	Group		
	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
2016			
Freehold land	1,274,948	-	1,274,948
Leasehold land	794,136	(78,389)	715,747
Land use rights	128,069	-	128,069
	2,197,153	(78,389)	2,118,764
2015			
Freehold land	1,274,948	-	1,274,948
Leasehold land	799,177	(70,596)	728,581
Land use rights	82,867	-	82,867
	2,156,992	(70,596)	2,086,396

Borrowing costs

Included in vessels under construction of the Group and of the Company is interest capitalised for the year of RM1,260,437 (2015: RM2,342,330).

Fair values of land and buildings

An independent valuation of land was performed by valuers to determine the fair value of the plantation land and buildings as at 31 December 2016, 2015 and 2014. The revaluation surplus net of applicable taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value measurement using significant unobservable inputs (Level 3)

Level 3 fair values of plantation land are based on comparison method. Comparison method is made of the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustment are made.

Valuation processes of the Group and the Company

On a regular interval of at least once a year, the Group and the Company engages external, independent and qualified valuers to determine the fair values of the Group's and the Company's plantation land. As at 31 December 2016, 2015 and 2014 the fair values have been determined by Cheston International KL Sdn Bhd, a qualified and registered valuer.

Group

Financial year/ Asset class	Fair value	Valuation technique	Average price per acre	Range of recent transaction price per acre
	RM'000		RM	RM
2016				
Freehold land	1,722,210	Comparison approach	34,705	21,132 – 34,935
Leasehold land	1,725,859	Comparison approach	23,888	21,132 – 34,935
2015				
Freehold land	1,615,235	Comparison approach	32,550	21,132 – 34,935
Leasehold land	1,681,936	Comparison approach	23,249	21,132 – 34,935
2014				
Freehold land	1,638,222	Comparison approach	33,013	21,132 – 34,935
Leasehold land	1,601,847	Comparison approach	22,142	21,132 – 34,935
Company				
2016				
Freehold land	802,412	Comparison approach	45,949	21,132 – 34,935
Leasehold land	371,396	Comparison approach	31,651	21,132 – 34,935
2015				
Freehold land	740,510	Comparison approach	42,405	21,132 – 34,935
Leasehold land	367,101	Comparison approach	31,028	21,132 – 34,935
2014				
Freehold land	742,015	Comparison approach	42,491	21,132 – 34,935
Leasehold land	368,195	Comparison approach	31,116	21,132 – 34,935

The relationship of unobservable inputs to fair value is the higher the price per hectare, the higher the fair value.

12. INVESTMENT PROPERTIES

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January	115,028	110,768	115,028	110,768
Net gain/(loss) from fair value adjustments recognised in profit or loss	(148)	4,260	(148)	4,260
Transfer from property, plant and equipment (Note 11)	1,338	-	-	-
At 31 December	116,218	115,028	114,880	115,028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

12. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise a number of commercial properties and a residential property, all of which are leased to third parties.

As at 31 December 2016 and 2015, the fair values of the properties are based on valuations performed by Cheston International, an accredited independent valuer.

Description of valuation technique used and key inputs to valuation on a significant investment property.

	Valuation technique	Significant unobservable inputs	Range (weighted average) 2016	2015
Office property	Investment method	Estimated rental value per sqft per month	RM2.50– RM4.00	RM2.50– RM4.00
		Outgoings per sqft per month	RM1.00 – RM1.30	RM1.00 – RM1.30
		Void rate	5%	5%
		Term yield	6% - 7%	6% - 7%

(Carrying value for office property as at 31 December 2016 for the Group and Company is RM114,000,000)

Inter-relationship between significant unobservable inputs and fair value measurement

Investment method

Increases/(decreases) in estimated rental value per sqft in isolation would result in a higher/(lower) fair value of the properties. Increases/(decreases) in the long-term vacancy rate (void rate) and discount rate (term yield) in isolation would result in a lower/(higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental value per sqft and an opposite change in the void rate and term yield.

A sensitivity analysis has been performed on the significant assumptions that impact the fair value of the office properties. Arising thereof, the impact of a 10 percent increase/decrease in the void rate and term yield will result in a lower/higher fair value charge by RM12 million/RM11 million.

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Rental income derived from investment properties	8,810	8,609	8,810	8,609
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	(4,722)	(4,819)	(4,722)	(4,819)
Profit arising from investment properties carried at fair value	4,088	3,790	4,088	3,790

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group has assessed that the highest and best use of its properties do not differ from their current use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. INTANGIBLE ASSETS

Group	Goodwill RM'000	Concession rights RM'000	Others RM'000	Total RM'000
Cost				
At 1 January 2015, as previously stated	28,548	14,405	3,537	46,490
Prior year adjustment (Note 35)	43,323	-	800	44,123
At 1 January 2015, as restated	71,871	14,405	4,337	90,613
Additions	-	960	548	1,508
Disposed	-	(15,365)	-	(15,365)
Written-off	-	-	(75)	(75)
At 31 December 2015/ At 1 January 2016, as restated	71,871	-	4,810	76,681
Acquisition of subsidiaries (Note 14)	-	-	7,288	7,288
Additions	-	-	305	305
Written-off	-	-	(4,010)	(4,010)
Exchange differences	462	-	-	462
At 31 December 2016	72,333	-	8,393	80,726
Accumulated amortisation and impairment				
At 1 January 2015	2,780	6,734	3,537	13,051
Impairment	461	-	-	461
Amortisation	-	2,266	334	2,600
Disposed	-	(9,000)	-	(9,000)
Written-off	-	-	(250)	(250)
At 31 December 2015/ At 1 January 2016	3,241	-	3,621	6,862
Impairment	43,323	-	-	43,323
Amortisation	-	-	1,388	1,388
Written-off	-	-	(3,621)	(3,621)
At 31 December 2016	46,564	-	1,388	47,952
Net carrying amount				
At 31 December 2016	25,769	-	7,005	32,774
At 31 December 2015, as restated	68,630	-	1,189	69,819

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets with indefinite useful lives have been allocated to the following cash-generating units ("CGU").

	Goodwill		Others		Total	
	2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 (Restated) RM'000
Cash Generating Units						
Sea transportation and related services	12,560	12,560	4,775	-	17,335	12,560
Insurance broking and consultancy	1,642	1,642	-	-	1,642	1,642
Trading of agricultural fertilizers, water treatment and biotechnology research and development	2,587	2,587	-	-	2,587	2,587
Construction of oil and gas equipment	8,463	8,463	-	-	8,463	8,463
E-Commerce	-	43,323	800	800	800	44,123
Software development expenditure	-	-	380	-	380	-
Others	517	55	1,050	389	1,567	444
	25,769	68,630	7,005	1,189	32,774	69,819

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (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:

	2016			
Cash generating units	**Revenue growth rate %**	**EBITDA margin %**	**Discount rate %**	**Terminal growth rate %**
Sea transportation and related services	-50 to 4	50 to 54	12	3
Insurance brokering and consultancy	15 to 20	24 to 33	9	3
Trading of agricultural fertilizers, water treatment and biotechnology research and development	6 to 82	0 to 9	14	3
Construction of oil and gas equipment	12 to 159	14 to 23	15	3

The Directors have determined the revenue and EBITDA margin based on expectations of market development. The discount rates used are based on selected market comparable companies and adjusted for projection risk. The terminal growth rate is the growth rate of the business in a stabilised state into perpetuity.

The goodwill attributable to the global logistics platform arose from the acquisition of Asia Logistics Council Sdn Bhd ("ALC"). ALC is involved in the development of the global logistics platform Multi-Dimensional Digital Economy Application System ("MDDEAS") that will link the various parties and stakeholders involved in the freight and shipping industry on a common platform.

ALC has a 5% interest in World Logistics Council Limited ("WLC"), which is responsible for the development of MDDEAS which will contribute revenue to WLC.

The recoverable amount of the CGU is determined based on value-in-use calculation ("VIU") using 5-year discounted cash flow projection which is in line with management's most recent 5-year business plan.

The key assumptions used in the VIU calculation are as follows:

(a) Revenue: Projected revenue of RM667 million to RM16,709 million commencing from 2019 to 2021 based on the latest earning projection provided by WLC, being derived from WLC's business plans. The revenue is based on the expected ALC's recurring income stream at 1.25% share of WLC revenue stream, mainly to be derived upon deployment of MDDEAS in 2019.

(b) EBITDA margin: EBITDA margin of 5% to 7% from 2019 to 2021 being derived from the expected operating costs of technology service providers based on industry information.

(c) Discount rate: Weighted-average cost of capital of 25% based on the required rate of return expected for early-stage companies.

(d) Terminal growth rate: 0%

Management's judgement is involved in the assignment of probability of outcome to the recoverable amount taking into account the CGU as an early-stage business, the complex nature of planned business, the speed of penetration of MDDEAS may not be reliably estimated and the milestones achieved to-date.

Based on the goodwill impairment assessment carried out during the financial year, the carrying amount of goodwill attributable to this CGU exceeds its recoverable amount resulting in a full impairment of the goodwill amounting to RM43,323,000, which has been accordingly charged to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES

	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
At cost:		
Unquoted shares in Malaysia	624,010	616,055
Unquoted shares outside Malaysia	105,792	105,792
Convertible notes	49,170	49,170
Amounts due from subsidiaries	439,037	-
Less: Impairment losses	(32,706)	(21,705)
	1,185,303	749,312

During the year, the Company has reclassified approximately RM439,037,000 of amounts due from subsidiaries as investment in subsidiaries as the Directors do not expect repayment in the foreseeable future.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2016	% of ownership interest held by the Group 2015	% of ownership interest held by non-controlling interests* 2016	% of ownership interest held by non-controlling interests* 2015
Held by the Company:						
Mahamurni Plantations Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Selai Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Kumpulan Bertam Plantations Berhad	Malaysia	Oil palm plantation	95.52%	95.52%	4.48%	4.48%
EPA Management Sdn. Bhd.	Malaysia	Investment holding, provision of management services and consultancy, and mechanical equipment assembler	100.00%	100.00%	-	-
Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Manufacturer of rubber-based products	100.00%	100.00%	-	-
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	100.00%	60.00%	-	40.00%
JTP Trading Sdn. Bhd.	Malaysia	Trading/distribution of tropical fruits	100.00%	100.00%	-	-
Kulim Energy Sdn. Bhd.	Malaysia	Investment holding	80.00%	80.00%	20.00%	20.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	2015	2016	2015
Held by the Company: (continued)						
Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	51.00%	51.00%	49.00%	49.00%
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Sindora Berhad	Malaysia	Investment holding, operations of oil palm million and rubber estates	100.00%	100.00%	-	-
+Cita Tani Sdn. Bhd.	Malaysia	Cultivation of sugar cane and other agriculture produce	100.00%	100.00%	-	-
Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	75.00%	75.00%	25.00%	25.00%
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	100.00%	100.00%	-	-
+SG Lifestyle Sdn Bhd	Malaysia	Marketing of personal care products	100.00%	100.00%	-	-
Danamin (M) Sdn. Bhd.	Malaysia	Construction of oil and gas equipment	75.00%	75.00%	25.00%	25.00%
+PT Wisesa Inspirasi Nusantara	Indonesia	Investment holding	74.00%	74.00%	26.00%	26.00%
+Asia Economic Development Fund Limited	Hong Kong	Investment holding	54.21%	54.21%	45.79%	45.79%
Kulim Energy Nusantara Sdn. Bhd.	Malaysia	Investment holding	100.00%	100.00%	-	-
Kulim SmartTech. Sdn. Bhd.	Malaysia	Researching and developing cutting-edge solutions for oil and gas, healthcare and industrial automation	100.00%	100.00%	-	-
+Classruum Technologies Sdn. Bhd.	Malaysia	Computer equipment supplier and services	76.00%	-	24.00%	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	2015	2016	2015
Held through Mahamurni Plantations Sdn. Bhd.:						
Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	100.00%	100.00%	-	-
United Malayan Agricultural Corporation Berhad	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Held through Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.:						
EPA Futures Sdn. Bhd.	Malaysia	Dormant	51.00%	51.00%	49.00%	49.00%
Held through EPA Management Sdn. Bhd.:						
+Akli Resources Sdn. Bhd.	Malaysia	Provider of in-house and external training programmes	100.00%	100.00%	-	-
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	100.00%	100.00%	-	-
Kulim Civilworks Sdn. Bhd.	Malaysia	Facilities maintenance, project and construction works	99.67%	99.67%	0.33%	0.33%
Panquest Ventures Limited	British Virgin Island	Dormant	100.00%	100.00%	-	-
Kulim Livestocks Sdn. Bhd.	Malaysia	Breeding and sale of cattle	100.00%	100.00%	-	-
Special Appearance Sdn. Bhd.	Malaysia	Production house and event management	99.56%	90.00%	0.44%	10.00%
Extreme Edge Sdn. Bhd.	Malaysia	Computer equipment supplier and services	75.00%	75.00%	25.00%	25.00%
Pinnacle Platform Sdn. Bhd.	Malaysia	Software maintenance and supplier	95.00%	95.00%	5.00%	5.00%
Kulim Safely Training & Services Sdn. Bhd.	Malaysia	Provision of training services and any other services related to occupational safety, health, environmental and security systems	75.00%	75.00%	25.00%	25.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	2015	2016	2015
Held through EPA Management Sdn. Bhd.: (Continued)						
+PT Kulim Agro Persada	Indonesia	Management services	100.00%	100.00%	-	-
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	75.00%	75.00%	25.00%	25.00%
Optimum Status Sdn. Bhd.	Malaysia	Mill maintenance	75.00%	75.00%	25.00%	25.00%
Held through Kulim Livestocks Sdn. Bhd.:						
+Exquisite Livestock Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Held through Kulim Civilworks Sdn. Bhd.:						
+KCW Hardware Sdn. Bhd.	Malaysia	Dormant	99.67%	99.67%	0.33%	0.33%
+KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	99.67%	99.67%	0.33%	0.33%
+KCW Electrical Sdn. Bhd.	Malaysia	Dormant	99.67%	99.67%	0.33%	0.33%
+KCW Roadworks Sdn. Bhd.	Malaysia	Dormant	99.67%	99.67%	0.33%	0.33%
Held through Skellerup Industries (Malaysia) Sdn. Bhd.:						
Skellerup Foam Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
SIM Manufacturing Sdn. Bhd.	Malaysia	Investment holding and manufacturers and dealers in rubber and rubber products of all kinds	90.00%	90.00%	10.00%	10.00%
Held through Extreme Edge Sdn. Bhd.						
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Information and communication technology business	75.00%	75.00%	25.00%	25.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	2015	2016	2015
Held through JTP Trading Sdn. Bhd.:						
+JTP Montel Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Held through Sindora Berhad:						
+Sindora Wood Products Sdn. Bhd.	Malaysia	Property letting	100.00%	100.00%	-	-
+Sindora Timber Products Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
+Sindora Trading Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
+Sindora Development Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Sindora Timber Sdn. Bhd.	Malaysia	Timber logging, processing and sale of sawn timber, timber doors, laminated timber scantling and trading of wood products	82.03%	82.03%	17.97%	17.97%
** Granulab (M) Sdn. Bhd.	Malaysia	Trading of GranuMas, a granular synthetic bone graft	-	99.29%	-	0.71%
Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	100.00%	100.00%	-	-
+E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	50.60%	50.60%	49.40%	49.40%
Microwell Bio Solutions Sdn. Bhd.	Malaysia	Trading of agricultural fertilizers, water treatment, biotechnology research and development	60.00%	60.00%	40.00%	40.00%
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	75.00%	75.00%	25.00%	25.00%
*** Sindora Marketing Sdn. Bhd. (Formerly known as Granulab Marketing Sdn. Bhd.)	Malaysia	Dormant	100.00%	99.29%	-	0.71%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	2015	2016	2015
Held through Sindora Timber Sdn. Bhd.:						
+Tiram Fresh Sdn. Bhd.	Malaysia	Cultivation and trading of mushroom and related products	82.03%	82.03%	17.97%	17.97%
+Jejak Juara Sdn. Bhd.	Malaysia	Manufacturers and dealers in rubber products	72.92%	72.92%	27.08%	27.08%
Held through E.A. Technique (M) Berhad:						
+Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	50.60%	50.60%	49.40%	49.40%
+Libra Prefex Precision Sdn Bhd	Malaysia	Hiring and charter of vessels, supplying and installation of equipment supplying of all kinds of chemicals and chemical preparation and cleaning service for the industrial, oil and gas, marine, engineering and agricultural sector	50.60%	-	49.40%	-
Held through Microwell Bio Solutions Sdn. Bhd.:						
Microwell Trading Sdn. Bhd.	Malaysia	Trading of biochemical fertilizer	60.00%	60.00%	40.00%	40.00%
Held through MIT Insurance Broker Sdn Bhd:						
MIT Captive Ltd	Malaysia	Licensed to carry Labuan Captive takaful business	75.00%	-	25.00%	-
Held through Danamin Sdn. Bhd.:						
DQ-IN Sdn. Bhd.	Malaysia	Dormant	75.00%	75.00%	25.00%	25.00%
Xcot Tech Sdn. Bhd.	Malaysia	Dormant	75.00%	75.00%	25.00%	25.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2016	**2015**	**2016**	**2015**
Held through PT Wisesa Inspirasi Nusantara:						
+PT Sawit Sumber Rejo	Indonesia	Oil palm plantation	70.30%	70.30%	29.70%	29.70%
+PT Wahana Semesta Kharisma	Indonesia	Oil palm plantation	70.30%	70.30%	29.70%	29.70%
+PT Harapan Barito Sejahtera	Indonesia	Oil palm plantation	70.30%	70.30%	29.70%	29.70%
+PT Tempirai Palm Resources	Indonesia	Oil palm plantation	70.30%	-	29.70%	-
+PT Rambang Agro Jaya	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%
Held by Granulab (M) Sdn Bhd:						
Sindora Marketing Sdn. Bhd. (Formerly known as Granulab Marketing Sdn. Bhd.)	Malaysia	Sales of Granulab Synthetic Borne Graft	-	99.29%	-	0.71%

* Equals to the proportion of voting rights held

\+ Audited by firms other than PricewaterhouseCoopers

\# Listed on Main Board of Bursa Malaysia Securities Berhad

** Disposed during the year

*** Previously held through Granulab (M) Sdn Bhd

Acquisition of Asia Logistics Council Sdn Bhd ("ALC") in the financial year ended 31 December 2015

On 5 March 2015, Asia Economic Development Fund Limited ("AEDF") entered into a share sale agreement ("SSA") with Johor Logistics Sdn. Bhd. ("JLog"), a wholly-owned subsidiary of the parent corporation, Johor Corporation ("JCorp"), in relation to the proposed acquisition of 2,109,212 ordinary shares in ALC representing a 30% equity interest not already owned by AEDF, for a total consideration of RM23.17 million to be satisfied by the issuance of 158,958 ordinary shares in AEDF.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of Asia Logistics Council Sdn Bhd ("ALC") in the financial year ended 31 December 2015 (continued)

Upon completion of the acquisition on 1 November 2015, ALC became a 68% owned subsidiary of AEDF which in turn resulted in ALC becoming an indirect subsidiary of the Company.

In the previous financial year, the acquisition was recorded as a business combination and provisional fair values were recorded. In 2016, the Directors determined that the acquisition should be recorded as a business combination under common control. The effect of the prior year adjustment is disclosed in Note 35.

The acquisition of ALC had the following effects on the Group's assets and liabilities as at 1 January 2015:

	Carrying values recognised RM'000
Property, plant and equipment	1,376
Intangible assets	44,123
Investment in associates	(74,091)
Investments	82,074
Trade and other receivables	(36)
Tax recoverable	47
Cash and bank balances	136
Trade and other payables	(10,182)
Borrowings	(124)
Net identifiable assets	43,323
Represented by:	
Capital reserves	19,736
Retained earnings	(1,388)
Non-controlling interests	24,975
	43,323

(a) Acquisition of subsidiaries in 2016

Acquisition of Classruum Technologies Sdn. Bhd. ("CRTSB")

In February 2016, the Group acquired 204,000 ordinary shares in CRTSB representing 51% of the issued and paid up share capital of CRTSB for a total purchase consideration of RM2,142,000. Following the acquisition, CRTSB became a subsidiary of the Group. In November 2016, the Group acquired a further 25% equity interest for a purchase consideration of RM250,000.

The impact to the Group from the date of acquisition or from the beginning of the financial year is not material.

Acquisition of PT Rambang Agro Jaya ("RAJ") and PT Tempirai Palm Resources ("TPR")

On 24 June 2016, the Group acquired 2,375 ordinary shares in RAJ representing 95% of the issued and paid up share capital of RAJ for a total purchase consideration of RM1,199,000. Following the acquisition of the interest, RAJ became a subsidiary of the Group.

On 24 June 2016, the Group acquired 2,375 ordinary shares in TPR representing 95% of the issued and paid up share capital of TPR for a total purchase consideration of RM2,000. Following the acquisition of the interest, TPR became a subsidiary of the Group.

The acquisition of PT RAJ and PT TPR included the settlement of outstanding shareholders' loans and advances amounting to RM35,970,000.

The impact to the Group from the date of acquisition or from the beginning of the financial year is not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries in 2016 (continued)

Acquisition of Libra Prefex Precision Sdn. Bhd. ("LIBRA")

On 24 November 2016, the Group acquired 2,000,000 ordinary shares in LIBRA representing 100% of the issued and paid up share capital of LIBRA for a total purchase consideration of RM5,000,000. Following the acquisition of the interest, LIBRA became a subsidiary of the Group.

LIBRA contributed revenue of approximately RM1,596,185 and profit after taxation of approximately RM91,135 to Group for the period from the date of acquisition to 31 December 2016. Had the acquisition been taken effect at the beginning of the financial year, the revenue and profit after taxation contributed to the Group would have been RM10,220,306 and RM106,614 respectively.

The net assets of RAJ, TPR and LIBRA recognised in the Group's statement of financial position for the year ended 31 December 2016 were based on provisional assessments of their fair values while the Group is still evaluating the fair values of their assets acquired and liabilities and contingent liabilities assumed. The purchase price allocation ("PPA") on identifiable assets, liabilities and contingent liabilities had not been completed by the date the Group's statement of financial position for the year ended 31 December 2016 were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identify adjustments to the above provisional amounts, or any provisions that existed at the acquisition date, then the accounting for the acquisition will be revised as allowed by MFRS 3 Business Combination.

The acquisitions above had the following effects on the Group's assets and liabilities on the acquisition date:

	Final fair value recognised on acquisition	Provisional fair value recognised on acquisition		
	CRTSB RM'000	RAJ & TPR RM'000	LIBRA RM'000	Total RM'000
Property, plant and equipment	117	218,410	44	218,571
Inventories	-	4,618	-	4,618
Deferred tax assets	-	273	282	555
Intangible assets	1,957	-	5,331	7,288
Cash and cash equivalents	1,070	693	4,100	5,863
Receivables	81	189	626	896
Payables	(623)	(164,885)	(5,003)	(170,511)
Tax payables	-	(60)	-	(60)
Effect of exchange rate	-	(670)	-	(670)
Net identifiable assets	2,602	58,568	5,380	66,550
Less: Non-controlling interest on acquisition	(460)	(1,130)	-	(1,590)
Group's share of net assets acquired	2,142	57,438	5,380	64,960
Bargain purchase on acquisition	-	(20,267)	(380)	(20,647)
Purchase consideration	2,142	37,171	5,000	44,313
Cash and cash equivalents acquired	(1,070)	(693)	(4,100)	(5,863)
Net cash outflow	1,072	36,478	900	38,450

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries in 2016 (continued)

Increase in investment in other subsidiaries

During the current financial year, the Group acquired an additional 40% equity interest in Kulim Topplant Sdn Bhd ("KTSB") for a total consideration of RM4,000,000. The additional acquisition did not have any significant effect on the financial position and results of the Group. Other equity increases in investments in subsidiaries during the year were not significant to the Group.

(b) Disposal of subsidiary in 2016

As disclosed in Note 10(a), the Group disposed of its equity interests in Granulab (M) Sdn Bhd for a total consideration of RM685,000 during the year. The effects of the disposal on the financial position and results of the Group and the Company are disclosed in Note 10(a).

(c) Disposal of subsidiary in 2015

As disclosed in Note 10(b), the Group disposed of its equity interests in New Britain Palm Oil Limited for a total consideration of RM2,887,384,000. The effects of the disposal on the financial position and results of the Group and the Company are disclosed in Note 10(b).

(d) 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:

	2016 %	2015 %
E.A. Technique (M) Berhad ("EAT") Group	49.40	49.40
Asia Economic Development Fund Limited ("AEDF") Group	45.79	45.79
PT Wisesa Inspirasi Nusantara ("PT WIN") Group	26.00	26.00

Summarised statements of financial position before intra-group elimination:

At 31 December 2016	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Current assets	406	440,931	23,335	464,672
Non-current assets	175,173	715,047	286,826	1,177,046
Current liabilities	(12,901)	(571,268)	(215,801)	(799,970)
Non-current liabilities	(112,087)	(310,910)	(1,586)	(424,583)
Total equity	50,591	273,800	92,774	417,165
Attributable to:				
- Equity holders of the Company	20,285	138,543	63,438	222,266
- Non-controlling interest	30,306	135,257	29,336	194,899
	50,591	273,800	92,774	417,165

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) 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 December 2015	AEDF Group RM'000 (restated)	EAT Group RM'000 (restated)	PT WIN Group RM'000	Total RM'000 (restated)
Current assets	1,975	302,436	6,035	310,446
Non-current assets	252,787	646,336	92,075	991,198
Current liabilities	(121,268)	(407,962)	(20,138)	(549,368)
Non-current liabilities	-	(270,747)	-	(270,747)
Total equity	133,494	270,063	77,972	481,529
Attributable to:				
- Equity holders of the Company	62,527	136,652	57,699	256,878
- Non-controlling interest	70,967	133,411	20,273	224,651
	133,494	270,063	77,972	481,529

Summarised statements of comprehensive income before intra-group elimination:

At 31 December 2016	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Revenue	-	591,663	302	591,965
Cost of sales	-	(492,106)	(5,224)	(497,330)
Other income	83	-	21,285	21,368
Administrative and other expenses	(741)	(60,619)	(3,301)	(64,661)
Finance costs	-	(17,397)	-	(17,397)
(Loss)/profit before tax	(658)	21,541	13,062	33,945
Income tax expense	-	(12,762)	(1,971)	(14,733)
(Loss)/profit after tax	(658)	8,779	11,091	19,212
Attributable to non-controlling interests	(1,553)	4,337	1,518	4,302
Dividend paid to non-controlling interests	-	2,490	-	2,490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of comprehensive income before intra-group elimination: (continued)

At 31 December 2015	AEDF Group RM'000 (restated)	EAT Group RM'000 (restated)	PT WIN Group RM'000	Total RM'000 (restated)
Revenue	-	536,530	-	536,530
Cost of sales	-	(418,336)	-	(418,336)
Other income	-	6,629	1,584	8,213
Administrative and other expenses	(561)	(93,303)	(1,220)	(95,084)
Finance costs	(5)	(15,702)	-	(15,707)
(Loss)/profit before tax	(566)	15,818	364	15,616
Income tax expense	-	(4,281)	(92)	(4,373)
(Loss)/profit after tax	(566)	11,537	272	11,243
Attributable to non-controlling interests	(83)	5,699	75	5,691
Dividend paid to non-controlling interests	-	5,602	-	5,602

Summarised cash flows before intra-group elimination:

At 31 December 2016	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Operating	(3,714)	156,910	47,756	200,952
Investing	(3)	(245,840)	(222,178)	(468,021)
Financing	2,157	78,952	18,086	99,195
Net decrease in cash and cash equivalents	(1,560)	(9,978)	(156,336)	(167,874)

At 31 December 2015	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
Operating	1,247	(24,890)	(1,124)	(24,767)
Investing	(44,300)	(173,032)	(9,070)	(226,402)
Financing	44,590	196,464	7,992	249,046
Net increase/(decrease) in cash and cash equivalents	1,537	(1,458)	(2,202)	(2,123)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. INVESTMENT IN ASSOCIATE

	Group 31.12.2016 RM'000	Group 31.12.2015 RM'000
Unquoted shares in Malaysia	800	8,800
Share of post-acquisition reserves	1,690	1,949
	2,490	10,749
Less: Accumulated impairment losses	-	(8,000)
	2,490	2,749

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* 2016	% of ownership interest held by the Group* 2015	Accounting model applied
			%	%	
Held through Sindora Berhad					
Tepak Marketing Sdn Bhd ("Tepak")	Malaysia	Tea blending and packaging	20.00	20.00	Equity method
MM Vita Oils Sdn. Bhd.	Malaysia	Manufacturing and marketing of edible oil product	-	30.00	Equity method

* equals to the proportion of voting rights held

MM Vita Oils Sdn. Bhd. has entered into receivership status and the investment has been impaired in full in previous financial years. During the financial year, the investment was written off.

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

Tepak	2016 RM'000	2015 RM'000
Current assets	18,110	16,241
Non-current assets	2,143	2,495
Current liabilities	(7,778)	(4,809)
Non-current liabilities	(24)	(180)
Equity	12,451	13,747

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. INVESTMENT IN ASSOCIATE (CONTINUED)

Summarised financial information on associate (continued)

(i) Summarised statement of financial position (continued)

Tepak	2016 RM'000	2015 RM'000
Proportion of Group's ownership	20%	20%
Equity attributable to the Group, representing carrying amount of the investment	2,490	2,749

(ii) Summarised statement of comprehensive income

Tepak	2016 RM'000	2015 RM'000
Revenue	36,975	33,569
Cost of sales	(31,201)	(28,779)
Administration expenses	(3,596)	(3,186)
Finance cost	-	(18)
Profit for the year	2,178	1,586
Total comprehensive income for the year	2,178	1,586
Previous year over recognition of profit	(694)	-
Current year share of profit	436	317
Group's share of (loss)/profit for the year	(258)	317

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

16. INVESTMENTS

Group	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 RM'000
2016						
At cost						
Non-current:						
Available-for-sale financial assets	-	-	173,360	-	-	173,360
	-	-	173,360	-	-	173,360
At fair value						
Non-current:						
Available-for-sale financial assets	16,634	36,542	-	-	1,644	54,820
	16,634	36,542	-	-	1,644	54,820
Current:						
Available-for-sale financial assets	-	24,276	-	-	-	24,276
Investment held for trading	7,560	-	-	8,584	-	16,144
	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 2016 (CONTINUED)

16. INVESTMENTS (CONTINUED)

Group	Shares in Malaysia		Outside Malaysia	Warrants in Malaysia		
	Unquoted RM'000	Quoted RM'000	Unquoted RM'000	Quoted RM'000	Fund investments RM'000	Total RM'000
2015						
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	21,222	86,599	-	-	1,729	109,550
	21,222	86,599	-	-	1,729	109,550
Current:						
Investment held for trading	-	-	-	6,005	-	6,005
	-	-	-	6,005	-	6,005
	21,222	86,599	173,360	6,005	1,729	288,915

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

16. INVESTMENTS (CONTINUED)

Company	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Warrant in Malaysia Quoted RM'000	Total RM'000
At fair value				
2016				
Non-current				
Available-for-sale financial assets	9,697	20,426	-	30,123
Current				
Available-for-sale financial assets	-	24,276	-	24,276
Investment held for trading	7,560	-	8,584	16,144
	7,560	24,276	8,584	40,420
	17,257	44,702	8,584	70,543
2015				
Non-current				
Available-for-sale financial assets	768	63,605	-	64,373
Current				
Investment held for trading	-	-	6,005	6,005
	768	63,605	6,005	70,378

17. INVENTORIES

	Group 31.12.2016 RM'000	Group 31.12.2015 RM'000	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
At cost:				
Agricultural produce	1,667	2,791	-	-
Raw materials and consumables	20,606	16,284	2,184	1,694
Work-in-progress	3	319	-	-
Livestocks	16,539	18,218	-	-
Finished goods	9,646	31,734	136	-
Property development cost	30,417	-	30,417	-
	78,878	69,346	32,737	1,694

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and Company were RM635,451,000 (2015: RM543,743,000) and RM80,897,000 (2015: RM80,253,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)	31.12.2016 RM'000	31.12.2015 RM'000
Non-current				
Trade receivables:				
Finance lease receivables	3,027	2,370	-	-
	3,027	2,370	-	-
Current				
Trade receivables:				
Third parties	195,347	216,734	2,191	4,250
Less: Allowance for impairment losses				
Third parties	(38,016)	(31,814)	(1,252)	(1,161)
	157,331	184,920	939	3,089
Finance lease receivables	-	1,028	-	-
Amount due from contract customer	153,861	133,862	-	-
	311,192	319,810	939	3,089
Trade receivables, net	314,219	322,180	939	3,089
Current				
Other receivables:				
Third parties	272,695	153,834	10,411	14,046
Deposit	6,824	7,105	396	333
Prepayments	4,868	11,079	1,441	532
	284,387	172,018	12,248	14,911
Less: Allowance for impairment losses				
Third parties	(14,942)	(7,772)	(10,043)	(7,772)
	(14,942)	(7,772)	(10,043)	(7,772)
Other receivables, net	269,445	164,246	2,205	7,139
Amount due from:				
Subsidiaries	-	-	164,713	685,421
Ultimate holding corporation	46,063	24,239	32,458	10,788
Related companies	5,596	5,889	4,071	582
	51,659	30,128	201,242	696,791

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)	31.12.2016 RM'000	31.12.2015 RM'000
Current (continued)				
Less: Allowance for impairment losses				
Subsidiaries	-	-	(22,335)	(6,912)
Related companies	(36)	(849)	-	-
	(36)	(849)	(22,335)	(6,912)
Amount due from, net	51,623	29,279	178,907	689,879
Total trade and other receivables	635,287	515,705	182,051	700,107

Included in other receivables (current) is:

(i) Share subscription monies paid in advance for redeemable convertible preferences shares of RM10 million and dividends and interest receivable of RM1.4 million from a third party. These balances will be settled upon the purchase of the third party topside equipment by a subsidiary, E.A. Technique (M) Berhad which is expected to be completed by June 2017.

(ii) Deposit and prepayment of RM47 million and RM163 million respectively paid for the purchase and subscription of shares in PT Citra Sarana Energi (Note 30(f)).

(a) Trade receivables

Third party trade receivables are non-interest bearing and payment terms range from payment in advance to 90 days (2015: payment in advance to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Neither past due nor impaired	102,491	105,964	-	11
1 to 30 days past due not impaired	13,611	61,625	144	559
31 to 60 days past due not impaired	6,245	10,031	88	510
61 to 90 days past due not impaired	2,177	3,119	118	286
91 to 120 days past due not impaired	2,634	3,159	73	938
More than 120 days past due not impaired	29,959	1,022	516	785
	54,626	78,956	939	3,078
Impaired	38,016	31,814	1,252	1,161
	195,133	216,734	2,191	4,250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables (continued)

The ageing analysis of the Group's and the Company's trade receivables are as follows: (continued)

Receivables that are neither past due nor impaired are mainly due from regular customers that have been transacting with the Group. None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to RM54,626,000 (2015: RM78,956,000) and RM939,000 (2015: RM3,078,000) respectively that are past due at the reporting date but not impaired. These balances are not secured.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Trade receivables				
- nominal amounts	38,016	31,814	1,252	1,161
Less: Allowance for impairment	(38,016)	(31,814)	(1,252)	(1,161)
	-	-	-	-
Movement in allowance accounts:				
At 1 January	31,814	8,321	1,161	-
Charge for the year	9,282	24,252	872	1,161
Reversal of impairment loss	(785)	(1,474)	(781)	-
Written off	(2,295)	-	-	-
Other adjustment	-	715	-	-
At 31 December	38,016	31,814	1,252	1,161

Trade receivables that are determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on repayments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Amount due from subsidiaries and related companies

These amounts are unsecured, non-interest bearing and repayable on demand.

The Group's and the Company's amount due from subsidiaries and related companies that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Amount due from				
- nominal amounts	36	849	22,335	6,912
Less: Allowance for impairment	(36)	(849)	(22,335)	(6,912)
	-	-	-	-
Movement in allowance accounts:				
At 1 January	849	1,020	6,912	5,972
Charge for the year	36	-	15,423	2,203
Reversal of impairment loss	(849)	(171)	-	(1,263)
At 31 December	36	849	22,335	6,912

(c) Amount due from ultimate holding corporation

These amounts are unsecured, non-interest bearing and repayable on demand.

(d) Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Other receivables				
- nominal amounts	14,942	7,772	10,043	7,772
Less: Allowance for impairment	(14,942)	(7,772)	(10,043)	(7,772)
	-	-	-	-
Movement in allowance accounts:				
At 1 January	7,772	5,707	7,772	5,707
Charge for the year	7,173	2,065	2,271	2,065
Reversal of impairment loss	(3)	-	-	-
At 31 December	14,942	7,772	10,043	7,772

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Finance lease commitments - as lessor

Finance lease receivable represents the present value of the minimum lease payments receivable by the Group via E.A. Technique (M) Berhad Group, under a finance lease arrangement for a period of five years. At the end of lease term, the ownership of the vessel will be transferred to the lessee for a consideration of RM1,000,000.

During current financial year, the finance lease arrangement has been terminated resulting in derecognition of the finance lease receivable. The carrying amount of the finance lease receivable of RM2,795,000 has been transferred to property, plant and equipment.

The future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000
Future minimum lease payment:		
Not later than 1 year	-	1,925
Later than 1 year but not later than 5 years	-	3,023
Total minimum lease payments	-	4,948
Less: Unearned finance income	-	(1,550)
Present value of minimum lease payment	-	3,398
Present value of minimum lease payment:		
Not later than 1 year	-	1,028
Later than 1 year but not later than 5 years	-	2,370
	-	3,398

(f) Amount due from contract customers

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)
Construction contract cost incurred to date	628,317	279,588
Attributable profit	95,074	62,629
	723,391	342,217
Less: Progress billings	(526,508)	(185,937)
Effect of foreign exchange differences	(43,022)	(22,419)
	153,861	133,861

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

19. DERIVATIVES

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000
Contractual nominal value		
Interest rate swap	210,000	265,000
Fair value		
Current assets		
Interest rate swap	27	1,325

The Group has entered into an interest rate swap contract with a notional amount of RM210,000,000 (2015: RM265,000,000) that is designed to convert its floating rate liabilities to fixed rate liabilities to reduce the Company's exposure to adverse fluctuations in interest rate on its borrowings.

Under the interest rate swap contract, the Group pays a fixed rate of interest of 4.18% per annum and receives a variable rate based on one month KLIBOR on the amortised notional amount.

The above interest rate swap is not designated as a cash flow or fair value hedge and is entered into for a period consistent with the transaction exposure. It does not qualify for hedge accounting.

20. CASH AND BANK BALANCES

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Cash and bank balances	211,512	174,482	97,759	74,601
Deposits placed with licensed banks	189,887	1,160,013	104,847	1,073,263
Short-term money market funds	129,384	250,310	1,064	201,306
	530,783	1,584,805	203,670	1,349,170

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM204,070,000 (2015: RM63,086,000) and RM350,000 (2015: RM350,000) respectively, pledged for bank facilities granted to the Group and the Company.

The weighted average interest rate of the fixed deposits of the Group and of the Company at the reporting date are 1.35% (2015: 3.83%) per annum and 0.05% (2015: 4.00%) per annum respectively.

The weighted average maturities of the fixed deposits of the Group and of the Company at the reporting date are 17 days (2015: 77 days) and 1 day (2015: 70 days) respectively.

Short-term money market funds of the Group and of the Company are highly liquid fund investments which can be realised within 2 days (2015: 2 days) and 7 days (2015: 7 days) for the Group and for the Company respectively. They bear interest at rates of 0.91% (2015: 3.83%) per annum and 3.08% (2015: 3.47%) per annum for the Group and for the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

20. CASH AND BANK BALANCES (CONTINUED)

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Cash and short-term deposits	530,783	1,584,805	203,670	1,349,170
Less:				
Deposits pledged	(204,070)	(63,086)	(350)	(350)
Bank overdrafts (Note 22)	(7,286)	(5,141)	-	-
Deposits placed with licensed banks with maturities exceeding 90 days	(1,025)	(4,731)	-	-
Cash and cash equivalents	318,402	1,511,847	203,320	1,348,820

21. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)	31.12.2016 RM'000	31.12.2015 RM'000
Current				
Trade:				
Third parties	239,955	131,221	12,837	6,531
	239,955	131,221	12,837	6,531
Non-trade:				
Third parties	123,190	95,004	15,244	11,173
	123,190	95,004	15,244	11,173
Amount due to:				
Subsidiaries	-	-	80,995	18,888
Related companies	2,485	-	760	399
	2,485	-	81,755	19,287
Total trade and other payables	365,630	226,225	109,836	36,991

(a) Trade payables

Trade and other payables are unsecured and non-interest bearing. Credit terms range from payment in advance to 90 days (2015: payment in advance to 90 days).

(b) Amounts due to subsidiaries and related companies (non-trade)

These amounts which arose mainly from advances and payments on behalf are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. BORROWINGS

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000 (restated)	31.12.2016 RM'000	31.12.2015 RM'000
Current				
Secured:				
Finance leases	3,292	1,235	-	-
Bank overdrafts	1,941	-	-	-
Revolving credits	6,400	6,400	-	-
Term loans	372,859	175,279	-	-
Bankers' acceptances	130	1,760	-	-
	384,622	184,674	-	-
Unsecured:				
Bank overdrafts	5,345	5,141	-	-
Revolving credits	736,884	150,298	240,000	-
Term loans	55,000	55,000	-	-
Bankers' acceptances	300	1,659	-	-
	797,529	212,098	240,000	-
Current borrowings	1,182,151	396,772	240,000	-
Non-Current				
Secured:				
Finance leases	8,712	3,342	-	-
Term loans	302,446	399,563	-	-
	311,158	402,905	-	-
Unsecured:				
Term loans	547,587	109,602	492,787	-
Non-current borrowings	858,745	512,507	492,787	-
Total borrowings:				
Finance leases (Note 29 (c))	12,004	4,577	-	-
Bank overdrafts (Note 20)	7,286	5,141	-	-
Bankers' acceptances	430	3,419	-	-
Revolving credits	743,284	156,698	240,000	-
Term loans	1,277,892	739,444	492,787	-
	2,040,896	909,279	732,787	-

During the financial year, the Group and Company capitalised directly attributable transaction costs relating to certain term loans amounting to RM7,593,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. BORROWINGS (CONTINUED)

Details of the Group's term loans are as follows:

Group	Year of maturity	Carrying amount RM'000	<------ Repayment 2017 Under 1 year RM'000	2018 1 – 2 years RM'000	2019-2021 3 – 5 years RM'000	------> >2021 Over 5 years RM'000
2016						
Islamic financing facilities	2021 – 2026	767,701	94,584	133,514	223,020	316,583
Islamic financing facility – EPCIC	2017	291,356	291,356	-	-	-
Conventional financing facilities	2017 – 2030	218,835	41,919	36,453	101,942	38,521
		1,277,892	427,859	169,967	324,962	355,104

	Year of maturity	Carrying amount RM'000	<------ Repayment 2016 Under 1 year RM'000	2017 1 – 2 years RM'000	2018-2020 3 – 5 years RM'000	------> >2020 Over 5 years RM'000
2015						
Islamic financing facilities	2021-2023	323,072	90,130	90,818	136,672	5,452
Islamic financing facility – EPCIC	2017	215,771	107,997	-	-	107,774
Conventional financing facilities	2018-2030	200,601	33,524	38,853	85,843	42,381
		739,444	231,651	129,671	222,515	155,607

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. BORROWINGS (CONTINUED)

Details of the Company's term loans are as follows:

			<------------------------ Repayment			------------------------>
Company	Year of maturity	Carrying amount RM'000	2017 Under 1 year RM'000	2018 1 – 2 years RM'000	2019-2021 3 – 5 years RM'000	>2021 Over 5 years RM'000
2016						
Islamic financing facilities	2026	492,786	-	38,481	137,722	316,583

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. BORROWINGS (CONTINUED)

Islamic financing facilities, Islamic financing facility - EPCIC

Included in the Islamic financing facilities is a loan denominated in USD amounting to RM101,626,288 (2015: RM94,981,711).

Securities

The term loans are secured by the following:

(a) Charges over certain property, plant and equipment of the Group as disclosed in Note 11;

(b) Charges over certain fixed deposits of the Group as disclosed in Note 20;

(c) Corporate guarantee from the Company;

(d) Joint and several guarantee by certain directors and shareholders of the subsidiary

The Islamic financing facilities, Islamic financing facility – EPCIC are secured by way of the following:

(i) Duly executed and enforceable Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM2,027,304 (2015: RM3,235,608) in form of AL Mudharabah General Investment Account (GIA) throughout the financing period respectively;

(ii) Assignment of the relevant insurance coverage over the vessels indicating the Bank as loss payee (beneficiary), namely;

   (a) Hull and machinery;

   (b) Mortage interest; and

   (c) Protection and Indemnify Club (P&I) acceptable to the Bank.

(iii) Guarantee given by certain directors and shareholders of the Company;

(iv) Duly executed and enforceable Deed of Mortage and Covenant over the vessels and vessels under construction to be financed by the Banks;

(v) Legal Assignment of the contract proceeds throughout the financing period to be duly acknowledged by Charterer; and

(vi) Sinking funds built up by deducting each progressive contract proceeds of the EPCIC channelled to the Designated Collection Account ("DCA").

Significant covenants

In connection with significant term loan facilities, the Group and the Company have agreed on the following significant covenants with the lenders:

(i) The ratio of the consolidated total borrowings to the consolidated shareholders' funds will not exceed 125% at all times;

(ii) The Group's gearing ratio is below 1.5 times and finance service coverage ratio is more than 1.25 times;

(iii) The gearing ratio of a subsidiary, Mahamurni Plantations Sdn Bhd Group, will not exceed 1.75 times; and

(iv) A minimum of Tangible Net Worth (TNW) of RM350,000,000 on a consolidated basis and total liabilities to TNW on consolidated basis shall not exceed 2.0 to 1 for a subsidiary, Mahamurni Plantations Sdn Bhd Group, and maintain TNW of least RM350,000,000 million on consolidated basis and total liabilities to TNW on consolidated basis shall not exceed 1.5 to 1 for the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22. BORROWINGS (CONTINUED)

Significant covenants (continued)

The borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	31.12.2016 % per annum	31.12.2015 % per annum	31.12.2016 % per annum	31.12.2015 % per annum
Weighted average effective interest rates at the end of reporting period:				
- Finance leases	3.35	3.54	-	-
- Bank overdrafts	5.65	6.50	-	-
- Revolving credits and bankers' acceptances	2.48	3.99	4.17	-
- Term loans	4.99	5.93	6.03	-

23. CONVERTIBLE NOTES

On 5 March 2015, the Group via Asia Economic Development Fund Limited entered into a subscription agreement with Johor Logistics ("Subscriber") who subscribed for the convertible notes issued by the subsidiary at the nominal amount of USD13,550,000 which is equivalent to RM62,891,000 (2015: RM58,186,000).

The conversion period is from 5 March 2015 to 5 March 2020 (the "Maturity Date").

Under the terms for the convertible notes, the Subscriber could, at any time before the Maturity Date, convert in whole or in part the convertible notes into ordinary shares of the subsidiary at conversion prices as determined by the subsidiary's board of directors.

Unless previously redeemed, converted or purchased and cancelled as provided in the subscription agreements, the convertible notes would be converted on the maturity date into ordinary shares of the subsidiary based on the conversion price as determined by the subsidiary's board of directors.

24. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets/(liabilities) as at 31 December relate to the following:

Group	2016 RM'000	2015 RM'000 (restated)
At 1 January, as previously stated	177,363	185,700
Effects of the change in accounting policy (Note 35)	209,682	188,449
Effect of prior year adjustment (Note 35)	(4,885)	-
At 1 January, as restated	382,160	374,149
Recognised in profit or loss (Note 9)	8,030	(10,894)
Acquisition of subsidiaries	(555)	-
Recognised in comprehensive income (Note 26)	16,410	18,905
	406,045	382,160

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred (liabilities)/assets are as follows:

Group (Continued)	2016 RM'000	2015 RM'000 (restated)
As at beginning of the financial year, as restated	382,160	374,149
Charged/(credited) to profit or loss (Note 9)		
- property, plant and equipment	15,111	(6,009)
- payables	(6,959)	-
- tax losses	(210)	-
- others	88	(4,885)
	8,030	(10,894)
Acquisition of subsidiaries (Note 14)	(555)	-
Charged/(credited) to equity (Note 26)		
- property, plant and equipment	24,766	21,233
- exchange differences	103	(2,328)
- others	(8,459)	-
	16,410	18,905
As at end of the financial year	406,045	382,160

Deferred tax assets/(liabilities) as at 31 December relate to the following: (continued)

Group	2016 RM'000	2015 RM'000 (restated)
Deferred tax assets (before offsetting)		
Payables	(6,959)	-
Tax losses	(210)	-
Others	-	(15,698)
	(7,169)	(15,698)
Offsetting	7,622	15,698
Deferred tax assets (after offsetting)	453	-
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	414,032	397,858
Others	88	-
	414,120	397,858
Offsetting	(7,622)	(15,698)
Deferred tax liabilities (after offsetting)	406,498	382,160

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets/(liabilities) as at 31 December relate to the following: (continued)

Company	2016 RM'000	2015 RM'000
At 1 January, as previously stated	66,490	67,990
Effect of change in accounting policy (Note 35)	17,401	16,923
At 1 January, as restated	83,891	84,913
Recognised in profit or loss (Note 9)	1,503	(1,500)
Recognised in comprehensive income (Note 26)	5,240	478
	90,634	83,891

The movements during the financial year relating to deferred liabilities are as follows: (continued)

	2016 RM'000	2015 RM'000
As at beginning of the financial year, as restated	83,891	84,913
Charged/(Credited) to profit or loss (Note 9)		
- property, plant and equipment	3,598	1,196
- Others	(2,095)	(2,696)
	1,503	(1,500)
Charged to equity (Note 26)		
- property, plant and equipment	5,240	478
As at end of the financial year	90,634	83,891
Deferred tax assets (before offsetting)		
Payables	1,194	1,137
Tax losses	3,501	2,649
Others	2,745	1,559
Offsetting	(7,440)	(5,345)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	98,074	89,236
Offsetting	(7,440)	(5,345)
Deferred tax liabilities (after offsetting)	90,634	83,891

At the reporting date, deferred tax assets have not been recognised in respect of the following items:

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000
Unutilised tax losses	40,046	44,118
Unabsorbed capital allowances	127,227	77,825
Other deductible temporary differences	1,264	2,875
	168,537	124,818

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The availability of the above tax losses and allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967, other guidelines issued by the tax authority and subject to the approval from the tax authority of the country in which the losses originate.

25. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM0.25		Amount	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	'000	000	RM'000	RM'000
Authorised				
At 1 January/31 December	2,000,000	2,000,000	500,000	500,000
Issued and fully paid				
At 1 January	1,350,423	1,342,504	337,605	335,626
Conversion of warrants	25,915	3,834	6,479	958
Exercise of ESOS	31,503	4,085	7,876	1,021
Bonus issue	7,405,469	-	1,851,368	-
Selective capital reduction	(8,686,351)	-	(2,171,588)	-
Cancellation of treasury shares	(122,959)	-	(30,740)	-
At 31 December	4,000	1,350,423	1,000	337,605

During the year, the Company undertook a selective capital reduction ("SCR") and repayment exercise to all shareholders of the Company other than the Non-Entitled Shareholders. Non-Entitled Shareholders are the shareholders that not entitled to give up their shares which comprises Johor Corporation and entities acting in concert with Johor Corporation in relation to the exercise.

A total of 25,914,609 warrants and 31,503,350 ESOS options were fully exercised at exercise prices of RM2.77 and RM2.69 per share respectively, which resulted in proceeds of RM71,784,000 and RM84,744,000 respectively.

Given that the number of the Company's shares to be cancelled was higher than the issued and paid-up share capital, a bonus issue of 7,405,469,351 shares was issued by the Company only to the Non-Entitled Shareholders to increase the issued and paid-up share capital to a level which is sufficient for the selective capital reduction.

Subsequently a total of 529,655,508 shares were redeemed by the Entitled Shareholders (shareholders that are entitled to give up their shares during SCR and obtain cash in return) at RM4.10 per share, amounting to RM2,171,588,000. The balance of 8,156,695,492 shares held by Non-Entitled Shareholders were also cancelled as part of the SCR.

The 122,958,300 treasury shares were similarly cancelled for no consideration.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. RESERVES

		Group		Company	
	Note	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 (restated) RM'000
Reserves					
Non-distributable:					
Share premium reserve	(a)	-	448,910	-	448,910
Translation reserve	(b)	(32,142)	(26,616)	-	-
Fair value reserve	(c)	8,525	(6,091)	8,915	(7,117)
Revaluation reserve	(d)	1,228,303	1,075,396	199,241	129,412
Other reserves	(e)	54,646	54,646	4,165	4,165
Warrant reserve	(a)	-	52,938	-	52,938
Treasury shares	(a)	-	(371,088)	-	(371,088)
Equity transaction reserve	(f)	(2,913)	2,182	-	-
ESOS reserve	(g)	-	36,252	-	36,252
		1,256,419	1,266,529	212,321	293,472

The movements of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Selective capital reduction

Following the SCR and delisting of the Company from the Main Board of Bursa Securities Berhad, there were no outstanding share premium reserve, warrant reserve and treasury shares as at 31 December 2016.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

(c) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

26. RESERVES (CONTINUED)

(d) Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's and Company's freehold and leasehold lands for plantation operation on 31 December 2016.

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January, as previously stated	1,345,220	1,345,220	897,579	897,579
Effects of change in accounting policy (Note 35)	(269,824)	(326,195)	(768,167)	(768,924)
At 1 January, as restated	1,075,396	1,019,025	129,412	128,655
Arising from revaluation of property, plant and equipment during the financial year				
- revaluation surplus	177,673	77,604	75,071	1,235
- tax effect	(24,766)	(21,233)	(5,241)	(478)
- Net of tax	152,907	56,371	69,830	757
As at end of the financial year	1,228,303	1,075,396	199,242	129,412

(e) Other reserves

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation, liquidation and merger of certain subsidiaries.

(f) 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.

(g) ESOS reserve

An Executives Share Options Scheme ("ESOS") was implemented on 31 December 2013 for the benefit of senior executives and employees of the Company. The ESOS was for a duration of 5 years. The fair value of each share option on the grant date was RM0.89. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The options granted are divided into 5 tranches which vest on 31 December 2013, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options were to expire on 31 December 2018 but were accelerated due to the SCR.

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options at exercise price of RM2.69 each	
	2016 '000	2015 '000
Outstanding at beginning of financial year	27,781	22,410
- vested	26,484	10,125
- exercised	(31,503)	(4,085)
- forfeited	(22,762)	(669)
Outstanding at end of financial year	-	27,781
Exerciseable at end of financial year	-	27,781

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27. RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2016 may be distributed as dividends under the single tier system.

28. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

For the purposes of the financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All entities within the Johor Corporation Group are considered related companies/parties.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Transaction value for the year ended 31 December	
	2016 RM'000	**2015 RM'000**
Group		
Ultimate holding corporation		
Johor Corporation		
- Agency fees received	1,218	770
- Acquisition of land	-	(17,930)
- Purchase and sales commission received	25	18
- Planting advisory and agronomy fees received	650	638
- Computer charges received	2,725	3,440
- Training, seminar and course fees received	-	14
- Sales of goods	1,867	1,703
- Sales of cattle	1,864	1,520
- Construction work and maintenance fees received	-	482
- Event management fees and replanting services received	1,508	1,746
- Sales of oil palm seedling and bio compost fertilizer	935	519
- Rental payable	(834)	(529)
- Purchase of oil palm fresh fruit bunches	(29,295)	(22,256)
- Insurance charges	115	67
- Secretarial and share registration fees paid	(328)	(209)
- Profit shared from Persada Parking Concession	-	1,810
- Deposit paid for acquisition of Menara Ansar land	(17,100)	-
Other related companies		
Johor Franchise Development Sdn. Bhd.		
- Agency fees received	1,124	757
- Purchase and sales commission received	36	90
- Purchase of oil palm fresh fruit bunches	(51,698)	(36,335)
- Planting advisory and agronomy fees received	628	628

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2016 RM'000	2015 RM'000
Group (continued)		
Other related companies (continued)		
- Computer charges received	41	23
- Training, seminar and course fees received	-	1
- Sales of goods	1,111	1,751
- Construction work and maintenance fees received	33	565
- Event management fees, replanting fees and booth rental received	395	573
- Sales of oil palm seedling and bio compost fertilizer	47	92
Akedemi JCorp Sdn. Bhd.		
- Training, seminar and course fees payable	-	(37)
Pro Biz Solution Sdn. Bhd.		
- Rental income	60	60
Pro Corporate Management Services Sdn. Bhd.		
- Secretarial and share registration fees paid	(46)	(209)
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	-	(831)
- Rental commission payable	(547)	(591)
- Computer charges received	18	100
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(2,270)	(1,726)
- Management fees received	415	293
- Rendering of services	1,202	980
- Rental payable	(25)	(89)
Tanjung Langsat Port Sdn. Bhd.		
- Computer charges received	-	1,074
KARA Holdings Sdn. Bhd.		
- Computer charges received	587	3,111

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2016 RM'000	2015 RM'000
Company		
Ultimate holding corporation		
Johor Corporation		
- Rental payable	(629)	(629)
- Acquisition of land	-	(17,930)
- Secretarial Fee	(36)	-
- Deposit paid for acquisition of Menara Ansar Land	(17,100)	-
Other related companies		
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	(843)	(831)
- Rental commission payable	(547)	(591)
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(2,270)	(1,726)
- Management fees received	415	293
- Purchasing and sales commission received	57	-
Pro Biz Solution Sdn. Bhd.		
-Rental income	60	60
Subsidiaries		
Mahamurni Plantations Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	76,842	58,355
- Interest income	854	665
Kulim Plantations (Malaysia) Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	38,769	35,190
- Dividend income	22,000	-
Selai Sdn. Bhd.		
- Dividend income	975	-
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.		
- Dividend income	1,000	3,000
Kumpulan Bertam Plantations Berhad		
- Dividend income	2,814	2,345

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2016 RM'000	2015 RM'000
Company (continued)		
Subsidiaries (continued)		
Sindora Berhad		
- Sales of oil palm fresh fruit bunches	18,870	19,483
- Dividend income	7,880	-
Asia Economic Development Fund Limited		
- Subscription of convertible notes	-	49,170
EPA Management Sdn. Bhd.		
- Computer charges payable	-	(5,545)
- Training, seminar and course fees payable	-	(131)
- Purchase of goods	-	(5,602)
- Construction work and maintenance fees payable	-	(6,340)
- Event management fees replanting and booth rental payable	-	(914)
Kulim Nursery Sdn. Bhd.		
- Purchase of oil palm seedlings and bio compost fertilizers	(1,248)	(101)
Edaran Badang Sdn. Bhd.		
- Purchase of goods	(1,564)	(1,498)
Perfect Synergy Sdn. Bhd.		
- Purchase of chemicals	(1,440)	(1,598)
Extreme Edge Sdn. Bhd.		
- Purchase of computer hardware and software supplies	(7,294)	(830)
- Services performed on conversion of IT software	(1,858)	(865)
- Maintenance of equipments charged	(1,800)	(1,375)
- IT Hardware and maintenance services	(11,742)	(4,681)
Soverign Multimedia Resources Sdn. Bhd.		
- Services performed on software development, implementation and support	(938)	(95)
- Purchase of computer software	(1,565)	(4,389)
Kulim Civilworks Sdn. Bhd.		
- Repair and maintenance charged	(2,502)	(2,710)
- Transportation fee charged	(1,674)	(1,604)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2016 RM'000	**2015 RM'000**
Company (continued)		
Subsidiaries (continued)		
Pinnacle Platform Sdn. Bhd.		
- Services performed on maintenance of IT application systems	(1,299)	(466)
- Purchase of IT application systems and software	(5,415)	(329)
Special Appearance Sdn. Bhd.		
- Replanting cost payables	(1,162)	(598)

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors of the Company and their compensation are disclosed in Note 8.

29. COMMITMENTS

(a) Capital commitments

Committed capital expenditure as at the reporting date is as follows:

	Group		Company	
	31.12.2016 RM'000	**31.12.2015 RM'000**	**31.12.2016 RM'000**	**31.12.2015 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	82,389	98,019	58,513	1,251
- Not contracted for	13,236	21,348	-	210
	95,625	119,367	58,513	1,461
Authorised capital expenditure in respect of investment in new subsidiaries:				
- Contracted for	117,974	808,142	-	808,142

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

29. COMMITMENTS (CONTINUED)

(b) Operating lease arrangements

Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000
Not later than 1 year	17,285	31,928
Later than 1 year but not later than 5 years	-	19,112
	17,285	51,040

(c) Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	31.12.2016 RM'000	31.12.2015 RM'000 (Restated)
Minimum lease payments		
Not later than 1 year	3,361	1,570
Later than 1 year but not later than 5 years	8,810	3,688
Total minimum lease payments	12,171	5,258
Less: Amounts representing finance charges	(167)	(681)
Present value of minimum lease payments	12,004	4,577
Present value of payments		
Not later than 1 year	3,292	1,235
Later than 1 year but not later than 5 years	8,712	3,342
Present value of minimum lease payments	12,004	4,577
Less: Amounts due within 12 months	(3,292)	(1,204)
Amount due after 12 months	8,712	3,373

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. SIGNIFICANT EVENTS

(a) Selective Capital Reduction ("SCR")

On 5 November 2015, the Company announced that the Board of Directors ("Board") had received a letter from its major shareholder, JCorp and parties acting in concert, requesting for the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 ("Act") ("Offer" or "Proposed SCR"). The Proposed SCR entails a capital repayment of the proposed cash amount of RM4.10 per ordinary share of RM0.25 each held by the Entitled Shareholders on an entitlement date to be determined later. Entitled shareholders included all shareholders of the Company other than the Non-Entitled Shareholders, whom names appear in the Record of Depositors of the Company as at the close of business on the entitlement date of SCR exercise. Non-Entitled Shareholders consist of JCorp and entities acting in consert with JCorp in relation to SCR exercise.

On 18 November 2015, the Company announced that the Board, save for the Interested Directors, had at a meeting held on 17 November 2015 deliberated on the contents of the Offer Letter and has decided to present the Proposed SCR to shareholders for their consideration.

On 14 December 2015, the Company announced that, the Board, had appointed AmInvestment Bank Berhad ("AmBank") as the Independent Adviser to advise the Entitled Shareholders and the non-interested directors in relation to the Proposed SCR.

On 22 December 2015, the Company announced that the relevant applications in relation to the Proposed SCR have been submitted to the SC pursuant to Sections 1.1, 1.2(b) and 1.2(c), Practice Note 44 of the Malaysian Code on Take-Overs and Mergers, 2010 ("Code").

Reference to the announcement made by the company on 31 December 2013, the Board had offered up to 63,935,462 ESOS Options to eligible employees with the vesting period of the ESOS Options staggered over a five (5) year period ("ESOS Options Vesting Period").

Given that the Proposed SCR will take place prior to the completion of the ESOS Options Vesting Period, any ESOS Options not exercised prior to the Entitlement Date shall automatically lapse and shall thereafter be null and void in accordance with the terms of the ESOS by-laws.

On 10 February 2016, the Company announced that the SC had vide its letter dated 5 February 2016, which was received on 10 February 2016, approved the proposed exemption under Paragraph 1.1 of Practice Note ("PN") 44 of Code in relation to the Proposed SCR, subject to compliance with the requirements under Paragraph 1.2 of PN 44 of the Code.

On 5 April 2016, the Company announced that the SC had vide its letter dated 4 April 2016, which was received on 5 April 2016, granted its consent for the contents and the issuance of the circular, explanatory statement and the independent advice letter to the shareholders in relation to the Proposed SCR pursuant to Sections 1.2(b), (c) and (d) of Practice Note 44 of the Code.

At the EGM of the Company held on 11 April 2016, the shareholders approved the proposed selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965, whereby the entire selected shares of the Company (including treasury shares but excluding shares held by Johor Corporation and its related company shall be cancelled via capital repayment of RM4.10 for each share cancelled. Upon completion of the exercise, the Company will become a wholly owned subsidiary of Johor Corporation (89.48% direct shareholding and 10.52% indirect shareholding) and the resultant issued and paid up capital shall be RM1,000,000 comprising 4,000,000 ordinary shares of RM0.25 each.

On 9 May 2016, the Company announced that on 5 May 2016 the Company had filed the petition to the High Court of Malaya at Kuala Lumpur ("High Court") to obtain an order of the High Court to confirm the Proposed SCR pursuant to Section 64 of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. SIGNIFICANT EVENTS (CONTINUED)

(a) Selective Capital Reduction ("SCR") (continued)

On 2 June 2016, the High Court granted an order confirming the SCR pursuant to Section 64 of the Act. On 9 June 2016, the SCR had become effective upon lodgement of the office copy of the order obtained from the High Court confirming the SCR with the Companies Commission of Malaysia ("CCM").

On 1 August 2016, Bursa Securities had informed the Company that the entire issued and paid-up share capital of Company has been removed from the Official List of Bursa Securities with effect from 9.00 a.m. on Thursday, 4 August 2016 pursuant to Paragraph 16.07(b) of the Main Market Listing Requirements of Bursa Securities. Following to the removal, JCorp effectively holds 100% of the equity interest of the Company.

(b) Acquisition of 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB")

On 20 January 2016, Kulim announced that it had on 19 January 2016, completed the acquisition of 51% equity interest in CRTSB for a total consideration of RM2,142,000. Following the acquisition of the interest, CRTSB became a subsidiary of the Group.

CRTSB is involved in the information, communication and technology ("ICT") business.

(c) Acquisition of plantation companies in Indonesia

On 10 February 2016, Kulim announced that its 74% owned Indonesian subsidiary, PT Wisesa Inspirasi Nusantara ("PT WIN") had entered into 4 conditional share purchase agreements ("CSPA(s)") with the following Indonesian companies:

(i) PT Agro Maju Raya ("PT AMR") and PT Mitra Plantation ("PT MP") in relation to the proposed acquisition of 95% equity interest in PT Nusa Persada Indonesia ("PT NPI");

(ii) PT AMR in relation to the proposed acquisition of 95% equity interest in PT Surya Panen Subur ("PT SPS");

(iii) PT Agri Capital Resources ("PT ACR") in relation to the proposed acquisition of 95% equity interest in PT Tempirai Palm Resources ("PT TPR") and

(iv) PT ACR in relation to the proposed acquisition of 95% equity interest in PT Rambang Agro Jaya ("PT RAJ").

Collectively, PT AMR, PT MP and PT ACR are referred to as the Vendors.

Transactions (iii) and (iv) were completed during the financial year. Details of these acquisition are disclosed in Note 14.

The Condition Precedents for transaction (i) and (ii) had expired on 10 February 2017. As result, the Group does not plan to complete these transactions. The deposits of RM23.6 million previously paid for the proposed acquisition of PT NPI and PT SPS had been utilised as part of the settlement of bank loans obtained by Vendors which formed part of the acquisition arrangement for PT RAJ and PT TPR (Note 14).

(d) Proposed acquisition of topside equipment by E.A. Technique (M) Berhad ("EAT")

On 14 December 2015, the Group via EAT entered into a conditional Joint Venture & Shareholders' Agreement with MTC Engineering Sdn. Bhd. ("MTCE") to, inter-alia, subscribe in the equity of EAT MTC Floating Services Sdn. Bhd. ("EMF") for the purpose of joint venture on a 73% (EAT): 27% (MTCE) basis ("Proposed JV"). Under the Proposed JV, EMF will undertake the floating services operation and its related ancillary activities.

On 22 November 2016, the Joint Venture Agreement was terminated and a different arrangement to enable an outright transfer of asset belonging to MTCE will be effected. On the same day, EAT entered into a conditional Sale and Purchase Agreement ("SPA") with MTCE in relation to the proposed acquisition of topside equipment currently attached to EAT's vessel known as M.T. Nautica Muar, comprising amongst others, extended well test system, flare tower system, metering skid, cargo pump, quick release hook and helideck (collectively known as the "Topside Equipment") for a total purchase consideration of USD24.0 million (RM107,578,000).

All the conditions precedent under the SPA have been fulfilled on 11 April 2017 and the acquisition has became unconditional.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30. SIGNIFICANT EVENTS (CONTINUED)

(e) Proposed acquisition of Menara Ansar land by the Company

The Company had on 30 December 2016 entered into a Sale and Purchase Agreement ("SPA") with Johor Corporation for the acquisition of a parcel of lands erected held under Geran 468052 Lot 22414, HSD 475165 PTB 18322 and HSD 500384 PTB 23359 in the Township and District of Johor Bahru, State of Johor for a total cash consideration of RM37,100,000 ("Menara Ansar Land") and paid a deposit of RM17,100,000 in accordance with the SPA.

(f) Proposed acquisition of 60% equity interest in Citra Sarana Energi ("CSE") to participate in the exploration and development of an oil & gas ("O&G") field in South West Bukit Barisan Block, Central Sumatera, Indonesia

On 10 December 2014, Kulim announced that Kulim Energy Nusantara Sdn Bhd ("KENSB"), its wholly owned subsidiary company, had entered into a Conditional Subscription and Share Purchase Agreement ("CSSPA") with CSE and its existing shareholders, namely PT Wisesa Inspirasi Sumatera and PT Inti Energi Sejahtera, to acquire a 60% equity interest in CSE to participate in the exploration and development of an O&G field in South West Bukit Barisan Block, Central Sumatera, Indonesia for a total cash consideration of approximately USD133.55 million (RM442 million).

On 11 November 2015, Kulim announced that the CP completion period of the CSSPA would be extended by 6 months from 7 November 2015 to 6 May 2016.

On 10 February 2016, Kulim announced that it had entered into a supplemental agreement dated 7 February 2016 to revise the total cash consideration under the CSSPA from USD133.55 million (RM442 million) to USD80 million (RM339 million). In addition, the supplemental agreement included a call option for KENSB to acquire an additional 5% equity interest in PT CSE for a consideration of USD4.67 million (RM15.5 million). The call option will expire a year from the date of the supplementary agreement.

As at 31 December 2016, deposit and prepayment of RM47 million and RM163 million respectively were paid for the purchase and subscription of shares in PT CSE.

The CP completion date of the CSSPA had been further extended to 5 November 2017.

As at the date of the financial statements, the Group is in the midst of completing the various conditions precedent as defined in the CSSPA.

(g) Acquisition of Libra Prefex Precision Sdn. Bhd. ("LIBRA")

On 24 November 2016, the Group acquired 2,000,000 ordinary shares in LIBRA representing 100% of the issued and paid up share capital of LIBRA for a total purchase consideration of RM5,000,000. Following the acquisition of the interest, LIBRA became a subsidiary of the Group.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. The audit committee provides independent oversight over the effectiveness of the risk management process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

Exposure to credit risk

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 RM576,685,000 (2015: RM314,899,000) as at the reporting date.

Financial guarantees have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and that it is not probable that a future sacrifice of economic benefits will be required.

Credit risk concentration profile

The Group and the Company determine concentrations of credit risk by monitoring individual profile of their trade receivables on an ongoing basis. The Group's and the Company's significant concentration of credit risks are in the form of two (2015: three) major customers which constitute approximately 72% (2015: 78%) and 77% (2015: 78%) of the total trade receivables respectively. There are no other customers which represent more than 10% of the total balance of trade receivables.

Other than the amounts due from the subsidiaries to the Company, the Company is not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions and investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. 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 RM81,000,000.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's liabilities at the reporting date based on contractual repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
At 31 December 2016				
Financial liabilities:				
Trade and other payables	365,630	-	-	365,630
Borrowings	1,182,151	536,218	353,872	2,072,241
Total undiscounted financial liabilities	1,547,781	536,218	353,872	2,437,871
At 31 December 2015				
Financial liabilities:				
Trade and other payables	226,226	-	-	226,226
Borrowings	504,546	395,054	147,102	1,046,702
Total undiscounted financial liabilities	730,772	395,054	147,102	1,272,928

	On demand or within one year RM'000	Total RM'000
Company		
At 31 December 2016		
Financial liabilities:		
Trade and other payables	105,512	105,512
Financial guarantees*	576,685	576,685
Borrowings	240,000	240,000
Total undiscounted financial liabilities	922,197	922,197
At 31 December 2015		
Financial liabilities:		
Trade and other payables	37,012	37,012
Financial guarantees*	314,899	314,899
Total undiscounted financial liabilities	351,911	351,911

* Based on maximum amount that can be called for under financial guarantee contracts provided to certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
50 bp increase in interest rates	(7,457)	(3,364)	(2,400)	-
50 bp decrease in interest rates	7,457	3,364	2,400	-

(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:

	2016 RM'000	2015 RM'000
Group		
Trade and other receivables	206,865	190,816
Cash and bank	302,900	684,176
Trade and other payables	(129,277)	(44,649)
Borrowings	(551,904)	(461,049)
Net exposure	(171,416)	369,294

The Company is exposed to significant foreign currency risk on advances made to a subsidiary that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily the Indonesian Rupiah ("IDR").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

The Company exposure to IDR foreign currency risk based on carrying amounts as at the end of the reporting period was:

	2016 RM'000	2015 RM'000
Company		
Investments in subsidiaries	266,643	58,754
Trade and other receivables	-	19,961

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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
USD/RM				
- strengthening of USD 5% (2015: 5%)	(8,571)	19,274	742	(848)
- weakening of USD by 5% (2015: 5%)	8,571	(19,274)	(742)	848

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	
	31.12.2016 RM'000	31.12.2015 RM'000
USD/RM		
- strengthening of USD by 5% (2015: 5%)	5,293	31,011
- weakening of USD by 5% (2015: 5%)	(5,293)	(31,011)
IDR/RM		
- strengthening of IDR by 5% (2015: 5%)	10,394	998
- weakening of IDR by 5% (2015: 5%)	(10,394)	(998)

(e) Market price risk

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

The Group is exposed to equity price risk arising from its investments in financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Market price risk (continued)

Sensitivity analysis for market price risk

At the reporting date, a 5% (2015: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Group's pre-tax profit and other comprehensive income by RM1,679,000 (2015: RM1,523,000) and RM3,078,000 (2015: RM3,219,000) respectively. A 5% weakening in the FTSE Bursa Malaysia KLCI would have an equal but opposite effect on the Group's pre-tax profit and other comprehensive income.

At the reporting date, a 5% (2015: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Company's pre-tax profit and other comprehensive income by RM807,000 (2015: RM300,000) and RM2,259,000(2015: RM3,219,000) respectively. A 5% weakening in the FTSE Bursa Malaysia KLCI would have an equal but opposite effect on the Company's pre-tax profit and other comprehensive income.

(f) Fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

	Note
Trade and other receivables	18
Borrowings	22
Trade and other payables	21

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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 2016				
Unquoted shares	-	-	24,194	24,194
Quoted shares	60,818	-	-	60,818
Quoted warrants	8,584	-	-	8,584
Fund investments	-	1,644	-	1,644
Derivative financial instruments	-	27	-	27
Investment properties	-	-	116,218	116,218
Property, plant and equipment	-	-	3,553,086	3,553,086

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities: (continued)

	<---------- Fair value measurement using			---------->
	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value (continued)				
Group (Continued)				
At 31 December 2015				
Unquoted shares	-	-	21,222	21,222
Quoted shares	86,599	-	-	86,599
Quoted warrants	6,005	-	-	6,005
Fund investments	-	1,729	-	1,729
Derivative financial instruments	-	1,325	-	1,325
Investment properties	-	-	115,028	115,028
Property, plant and equipment	-	-	3,380,455	3,380,455
Company				
At 31 December 2016				
Unquoted shares	-	-	17,257	17,257
Quoted shares	44,702	-	-	44,702
Quoted warrants	8,584	-	-	8,584
Investment properties	-	-	114,880	114,880
Property, plant and equipment	-	-	1,193,406	1,193,406
At 31 December 2015				
Unquoted shares	-	-	768	768
Quoted shares	63,605	-	-	63,605
Quoted warrants	6,005	-	-	6,005
Investment properties	-	-	115,028	115,028
Property, plant and equipment	-	-	1,118,336	1,118,336

(i) Financial instruments in Level 1

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency forward contracts and available-for-sales financial assets invested in certain unit trusts. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Available-for-sale financial assets	173,360	173,360	*	*

* Investments (Note 16)

Fair value information has not been disclosed for the Company's investments in AFS financial assets that are carried at cost because fair value cannot be measured reliably.

32. FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

	Note	31.12.2016 RM'000	31.12.2015 RM'000
Group			
(a) Loans and receivables			
Trade and other receivables	18	635,287	515,705
Cash and bank balances	20	530,783	1,584,805
		1,166,070	2,100,510

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

		Note	31.12.2016 RM'000	31.12.2015 RM'000
Group (continued)				
(b)	Financial assets at fair value through profit or loss			
	Available-for-sale financial assets	16	79,096	109,550
	Investment held for trading	16	16,144	6,005
	Derivatives	19	27	1,325
			95,267	116,880
(c)	Financial liabilities measured at amortised cost			
	Trade and other payables	21	365,630	226,225
	Borrowings	22	2,040,896	909,279
			2,406,526	1,135,504
Company				
a)	Loans and receivables			
	Trade and other receivables	18	182,051	700,107
	Cash and bank balances	20	203,670	1,349,170
			385,721	2,049,277
(b)	Financial assets at fair value			
	Available-for-sale financial assets	16	54,399	64,373
	Investment held for trading	16	16,144	6,005
			70,543	70,378
(c)	Financial liabilities measured at amortised cost			
	Trade and other payables	21	109,836	36,991
	Borrowings	22	732,787	-
			842,623	36,991

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

A subsidiary of the Group which is involved in insurance broking and consultancy is required by Bank Negara Malaysia to maintain a minimum shareholders' fund of RM600,000 at any point in time. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

33. CAPITAL MANAGEMENT (CONTINUED)

The Group monitors capital using the debt-to-equity ratio. The Group's policy, which is unchanged from 2015, is to maintain the debt-to-equity ratio at the lower bound of the band between 0.5:1 and 0.8:1. The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:

	Group	
	31.12.2016 RM'000	**31.12.2015 RM'000 (restated)**
Total borrowings (Note 22)	2,040,896	909,279
Convertible Note (Note 23)	62,891	58,186
Less: Cash and bank balances (Note 20)	(530,783)	(1,584,805)
Net debt	1,573,004	(617,340)
Total equity	4,178,627	6,032,447
Debt-to-equity ratios	0.38	Not applicable

The Group has met its externally imposed financial covenants as described in Note 22 during the financial year.

34. SEGMENT INFORMATION

For management purposes, the Group is organised into strategic business units based on their products and services, and has five reportable segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group Managing Director (Group MD) reviews internal management reports for each of the strategic business units on a monthly basis. The operations of each of the Group's reportable segments are summarised below:

- Plantation operations — Oil palm planting, crude palm oil processing and plantation management services and consultancy.
- Intrapreneur ventures — Information and communication technology business sales of wood based products and others.
- Oil & gas ("O&G") support services — Sea transportation and construction of oil & gas equipment.
- Agrofood — Commercial cattle farming and trading and distribution of tropical fruits.
- Property investment — Rental of office building.

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group MD. Management believes that segment profits are the most relevant measure by which it can assess the results of the segments against those of other entities operating in the same industries.

Other operations of the Group mainly comprise investment holding, tourism, training, and other miscellaneous activities which are not of sufficient size to be reported separately and consolidation adjustments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

31 December 2016	Plantations RM'000	Intrapreneur Ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property investment RM'000	Other operations RM'000	Con-solidated RM'000
Segment revenue	899,521	57,609	626,167	14,170	8,810	6,461	1,612,738
Results							
Interest income	325	119	2,857	-	-	30,629	33,930
Finance costs	17,935	446	18,159	8	-	22,929	59,477
Depreciation of property, plant and equipment	80,171	3,121	60,246	5,154	-	6,149	154,841
Amortisation of intangible assets	-	-	556	-	-	832	1,388
Share of result of associate	-	-	-	-	-	(258)	(258)
Segment profit/(loss)	73,267	1,032	36,335	(5,067)	4,088	(23,933)	85,722
Assets							
Investments in associates	-	-	-	-	-	2,490	2,490
Intangible assets	-	4,229	26,260	-	-	2,285	32,774
Additions to non-current assets	96,829	2,829	129,750	4,883	-	10,650	244,941
Segment assets	5,374,510	82,751	1,186,451	25,274	114,880	292,650	7,076,516
Segment liabilities	1,760,201	77,567	901,282	31,676	-	127,163	2,897,889

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

31 December 2015 (restated)	Plantations RM'000	Intrapreneur Ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property investment RM'000	Other operations RM'000	Con-solidated RM'000
31 December 2015 (restated)							
Segment revenue	777,264	64,057	569,783	17,143	8,609	6,168	1,443,024
Results							
Interest income	1,018	116	2,322	14	4	33,435	36,909
Finance costs	15,827	657	16,184	39	-	296	33,003
Depreciation of property, plant and equipment	76,278	2,283	50,694	5,249	-	13,433	147,937
Amortisation of intangible assets	-	991	-	-	-	1,609	2,600
Share of result of associate	-	-	-	-	-	317	317
Segment profit/(loss)	72,951	1,629	27,265	(9,571)	3,790	17,512	113,576
Assets							
Investments in associates	-	-	-	-	-	2,749	2,749
Intangible assets	-	4,229	12,560	-	-	53,030	69,819
Additions to non-current assets	121,524	3,545	173,594	4,477	-	510	303,650
Segment assets	6,156,730	91,542	978,320	27,391	115,028	251,435	7,620,446
Segment liabilities	667,687	82,483	696,130	31,525	-	110,174	1,587,999

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total assets	
	31.12.2016 RM'000	31.12.2015 (restated) RM'000	31.12.2016 RM'000	31.12.2015 (restated) RM'000
Continuing operations:				
- Malaysia	1,612,738	1,443,024	7,020,787	7,498,973
- Indonesia	-	-	55,729	78,150
	1,612,738	1,443,024	7,076,516	7,577,123

35. EFFECTS OF THE CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS

(a) The Group and the Company have adopted the revaluation model in respect of plantation operations. As a result, adjustments had been made to the opening balances and relevant comparative information of the Group and the Company had been restated accordingly.

(b) A subsidiary of the Group made prior year adjustments in relation to the following:

(i) Over-recognition of revenue from construction contract due to understatement of total estimated budgeted cost used to calculate percentage of completion; and

(ii) Unrealised foreign exchange losses on amount due from customer contract not recognised at reporting date using closing rate; and

(iii) Tax effects of the (i) and (ii).

(c) The Group did not correctly apply their accounting policy for a business combination under common control in respect of Asia Logistics Council Sdn Bhd (Note 14). Accordingly, comparative figures of the Group have been amended. The Group are using the merger accounting method on the basis of common control. Thus the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and the related notes to the financial statements of the Group are presented as if the subsidiary have been owned throughout the current and preceding financial periods. Accordingly, comparative figures of the Group have been amended.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

35. EFFECTS OF THE CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

The effects of the change in accounting policy and prior year adjustments are as follows:

Group

(a) Impact on the Group's statement of financial position:

As at 1 January 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Property, plant and equipment	3,517,968	1,228,532	1,376	4,747,876
Intangible assets	33,439	-	44,123	77,562
Investment in associates	76,522	-	(74,091)	2,431
Investments	68,485	-	82,074	150,559
Trade and other receivables (current)	211,198	-	(36)	211,162
Tax recoverable	15,398	-	47	15,445
Cash and bank balances	342,597	-	136	342,733
Trade and other payables	168,540	-	10,182	178,722
Borrowings	1,202,185	-	124	1,202,309
Deferred tax liabilities	185,700	188,449	-	374,149
Reserves	1,794,906	(326,190)	19,736	1,488,452
Retained earnings	1,943,596	1,366,273	(1,388)	3,308,481
Non-controlling interests	1,590,197	-	24,975	1,615,172

As at 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Property, plant and equipment	3,652,017	1,293,642	-	4,945,659
Intangible assets	121,852	-	(52,033)	69,819
Trade and other receivables (current)	548,061	-	(34,726)	513,335
Deferred tax liabilities	177,363	209,682	(4,885)	382,160
Trade and other payables	226,417	-	(192)	226,225
Borrowings	909,186	-	93	909,279
Current tax liabilities	15,999	-	(3,850)	12,149
Reserves	1,549,051	(269,824)	(12,698)	1,266,529
Non-controlling interests	263,621	-	(54,198)	209,423
Retained earnings	2,876,137	1,353,784	(11,031)	4,218,890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

35. EFFECTS OF THE CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

Group (continued)

(a) Impact on the Group's statement of financial position: (continued)

As at 31 December 2016

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Property, plant and equipment	3,936,926	1,457,374	5,394,300
Deferred tax liabilities	180,509	225,989	406,498
Reserves	1,373,336	(116,917)	1,256,419
Retained earnings	1,358,902	1,339,844	2,698,746

(b) Impact on the Group's statement of comprehensive income:

For the financial year ended 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Revenue	1,455,545	-	(12,521)	1,443,024
Administrative expenses	174,163	12,494	22,788	209,445
Other income	69,401	-	(120)	69,281
Other expenses	64,220	-	3,093	67,313
Finance costs	32,999	-	4	33,003
Share of results of associates	5,996	-	(6,313)	(317)
Income tax expense	38,928	-	(8,735)	30,193
Surplus on revaluation of land, net of tax	-	56,371	-	56,371

For the financial year ended 31 December 2016

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Administrative expenses	186,386	13,940	200,326
Profit before tax	73,857	(13,940)	59,917
Net profit for the financial year	27,126	(13,940)	13,186
Other comprehensive income	13,606	153,758	167,364

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

35. EFFECTS OF THE CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

Group (continued)

(c) Impact on the Group's statement of cash flows:

For the financial year ended 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Profit before tax	162,506	(12,494)	(32,213)	117,799
Unrealised foreign currency exchange gain	(35,214)	-	22,419	(12,795)
(Increase)/decrease in trade and other receivables	(289,087)	-	9,794	(279,293)
Amortisation and depreciation of:				
- property, plant and equipment	(135,249)	(12,494)	-	(147,743)

Company

(a) Impact on the Company's statement of financial position:

As at 1 January 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Property, plant and equipment	1,118,675	182,522	1,301,197
Deferred tax liabilities	67,990	16,923	84,913
Reserves	1,340,498	(768,924)	571,574
Retained earnings	560,631	934,523	1,495,154

As at 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Property, plant and equipment	1,135,593	180,694	1,316,287
Deferred tax liabilities	66,490	17,401	83,891
Reserves	1,061,638	(768,166)	293,472
Retained earnings	2,636,674	931,456	3,568,130

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

35. EFFECTS OF THE CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

Company (continued)

(b) Impact on the Company's statement of comprehensive income:

For the financial year ended 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Administrative expenses	(80,270)	(3,063)	(83,333)
Surplus on revaluation of land, net of tax	-	757	757

(c) Impact on the Company's Statement of Cash Flows:

For the financial year ended 31 December 2015

	As previously reported RM'000	Effects of change in accounting policy RM'000	As restated RM'000
Profit before tax	2,577,610	(3,067)	2,574,543

36. 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 22 May 2017.