



**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

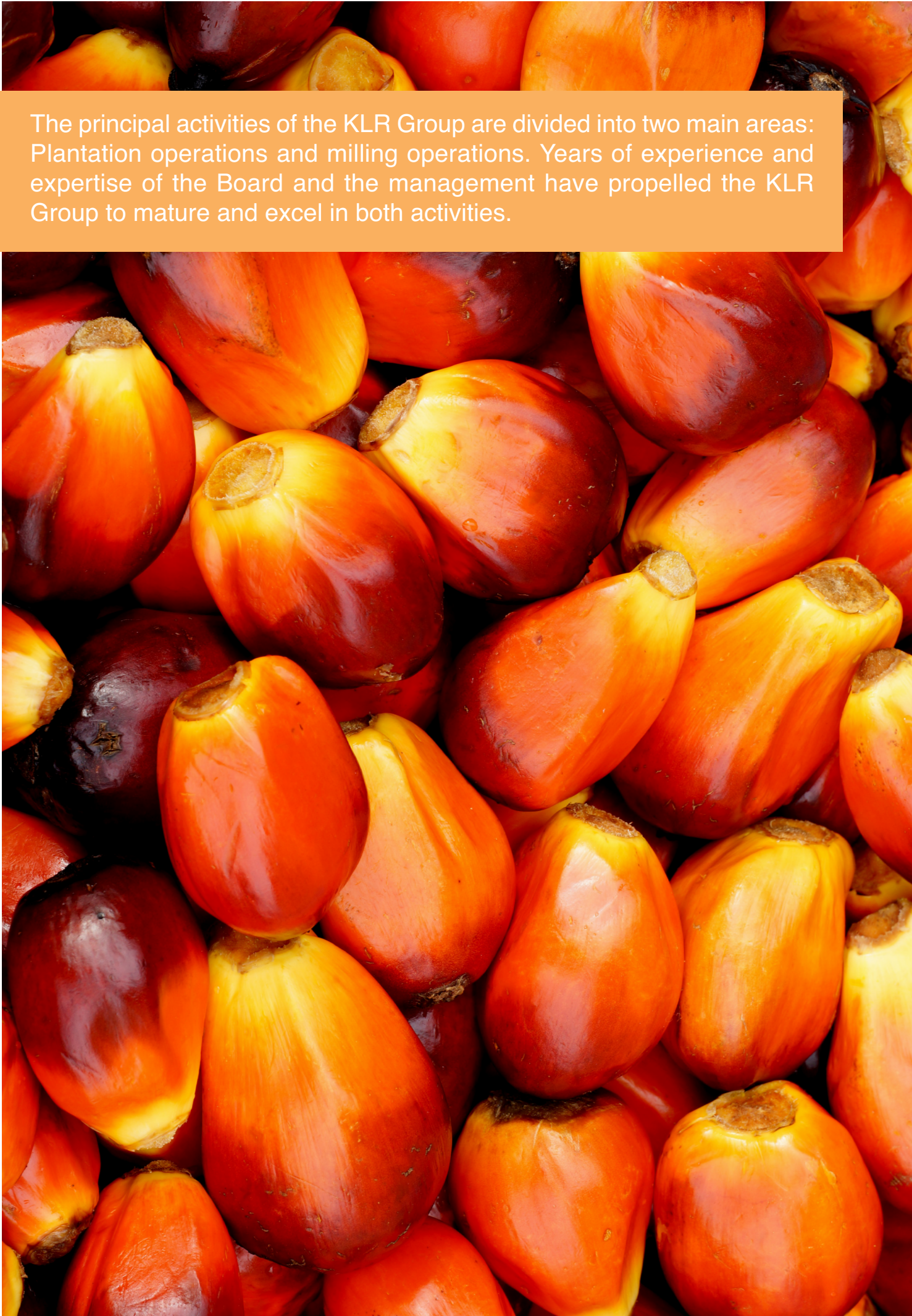
錦隆資源有限公司

# Innovation Enhancing Performance

annual report 2018







The principal activities of the KLR Group are divided into two main areas: Plantation operations and milling operations. Years of experience and expertise of the Board and the management have propelled the KLR Group to mature and excel in both activities.

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# CORPORATE MILESTONES

1977

Incorporation of Kim Loong Palm Oil Sdn. Bhd. (currently a subsidiary of Kim Loong Resources Berhad) by SKL to undertake the milling operation and relocation of palm oil mill to Kota Tinggi, Johor under Kim Loong Palm Oil Mills Sdn. Bhd. which commenced operations in 1996.



1967

Sharikat Kim Loong Sendirian Berhad ("SKL"), holding company of Kim Loong Resources Berhad commenced business with 1,000-acre rubber plantation at Ulu Tiram, Johor. (The first planting of oil palm started in 1968).



1998

Incorporation of Kim Loong Corporation Sdn. Bhd. ("KLC") by SKL to enter into a JV with Desa Cattle (S) Sdn. Bhd. to develop 17,731 acres of land into oil palm plantation and to erect new palm oil mill in Sook, Keningau, Sabah. Kota Tinggi Mill was ranked the largest commercial mill in Malaysia in terms of its CPO Production.

1997

Incorporation of Desa Kim Loong Plantations Sdn. Bhd. (currently known as Kim Loong – KPD Plantations Sdn. Bhd.) to enter into a JV with Korporasi Pembangunan Desa to develop 4,000 acres of land in Telupid, Sandakan, Sabah, into an oil palm plantation. Restructuring exercise to transfer all Sabah plantation operations to Kim Loong Resources Berhad.

1981

SKL expanded into Sabah by acquiring 1,000 acres of land in Sandakan, Sabah. Cocoa was first planted on the land followed by oil palm.

2003

Kim Loong Resources Berhad expanded its downstream diversification by entering into a Supply and Installation Contract and a Joint Venture Agreement in 2004 to undertake projects to extract CPO from wet palm fibre and extract tocotrienol concentrates from CPO under Kim Loong Technologies Sdn. Bhd. and Palm Nutraceuticals Sdn. Bhd. respectively.

2002



Construction of the Keningau Mill which commenced operations in February 2003. Kota Tinggi Mill won the most innovative mill award by MPOB.

2000

Kim Loong Resources Berhad was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

1999

As part of the listing restructuring exercise, KLPO group (milling operations at Kota Tinggi, Johor) and KLC (the plantation and milling operations at Sook, Keningau, Sabah) were transferred to Kim Loong Resources Berhad.





## Corporate Milestones (cont'd)

### 2006

The Group undertook a biogas plant in our Kota Tinggi mill as a Clean Development Mechanism ("CDM") project under the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("UNFCCC").



### 2005

Keningau Mill was awarded by MPOB for achieving OER exceeding 25%.

### 2004



The Group entered into a Development cum Joint Venture with AI-Yatama Berhad to develop 2,702 acres of land in Kota Tinggi, Johor. Capacity of our Keningau Mill was successfully expanded to 45 MT of FFB per hour.

### 2010



Kim Loong Resources Berhad received the shareholder value award (Agriculture & Fisheries sector) from KPMG. Commissioned the second palm pressed fibre oil extraction plant. The Group expanded into Sarawak by acquiring Tetangga Akkrab Pelita (Pantu) Sdn Bhd (currently known as Winsome Pelita (Pantu) Sdn. Bhd.), a joint venture company with Pelita Holdings Sdn. Bhd. to develop Native Customary Rights Land ("NCR Land") with estimated plantable area of 6,300 Ha in Sri Aman Division.

### 2008

Commissioned the 3rd palm oil mill at Telupid, Sabah. Commissioned our first CDM project at Kota Tinggi in August 2008. Kim Loong Resources Berhad received an award from Malaysia Cocoa Board under cocoa estate category.

### 2007

Keningau Mill was awarded by MPOB as the highest OER mill in Malaysia in year 2007. The Group undertook another CDM project in our Keningau mill.

### 2018

The Company had successfully implemented Corporate Exercises involving Share Split (1 existing ordinary share to 3 Subdivided Shares) and Bonus Issue of Warrants (1 Warrant for every 20 Subdivided Shares) in April 2018.

### 2016/2017



Kim Loong Resources Berhad was awarded by The Edge in year 2016 as the highest returns to shareholders over three years in Malaysia (Plantation).

### 2013/2014

Telupid Mill was awarded by MPOB for achieving the highest OER (External FFB Source) in Malaysia.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-third Annual General Meeting of Kim Loong Resources Berhad will be held at the Lido Room, Level 6, Amari Johor Bahru, No. 82C, Jalan Trus, 80000 Johor Bahru, Johor Darul Takzim on Wednesday, 25 July 2018 at 11.00 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 January 2018 together with the Auditors' Report thereon. (Ordinary Resolution 1)
2. To declare a final single tier dividend of 3 sen per share in respect of the financial year ended 31 January 2018. (Ordinary Resolution 2)
3. To approve the following payment to Directors:-
  - (a) Fees totalling RM288,000 for the financial year ended 31 January 2018. (Ordinary Resolution 3)
  - (b) Meeting allowance of RM500 per meeting day for each Director from this Annual General Meeting until the next annual general meeting of the Company. (Ordinary Resolution 4)
4. To re-elect the following Directors retiring in accordance with Article 77 of the Articles of Association (Constitution) of the Company:-
  - (a) Mr. Gooi Seong Chneh (Ordinary Resolution 5)
  - (b) Mr. Cheang Kwan Chow (Ordinary Resolution 6)
5. To re-appoint M/s. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

As Special Business, to consider and if thought fit, to pass the following resolutions:-

### 6. AUTHORITY TO ALLOT AND ISSUE SHARES

"THAT subject always to the Companies Act, 2016, the Articles of Association (Constitution) of the Company and the approval of the relevant governmental/regulatory bodies, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as they may deem fit and that the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad provided always that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

(Ordinary Resolution 8)

### 7. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

"THAT subject to compliance with all applicable rules, regulations and orders made pursuant to the Companies Act, 2016 ("the Act"), the provisions of the Company's Memorandum and Articles of Association (Constitution) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, approval be and is hereby given to renew the authority for the Company to purchase its own shares through Bursa Securities, subject to the following:-

- (a) the maximum number of shares which may be purchased by the Company (which includes the shares already purchased and held as treasury shares) shall be 93,541,070 representing 10% of the total number of issued shares of the Company as at 23 April 2018;



- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the audited retained profits of the Company as at 31 January 2018 of RM28,851,210;
- (c) the authority conferred by this Ordinary Resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next annual general meeting or the expiry of the period within which the next annual general meeting is required by law to be held, whichever occurs first (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company or any person before the aforesaid expiry date and in any event, in accordance with the provisions of the requirements issued by Bursa Securities or any other relevant authorities;
- (d) upon completion of the purchase by the Company of its own shares, the shares shall be dealt with in the following manner:-
  - (i) to cancel the shares so purchased; or
  - (ii) to retain the shares so purchased in treasury for distribution as dividend to the shareholders of the Company and/or resell through Bursa Securities and/or subsequently cancel the treasury shares and/or transfer the treasury shares for the purposes of or under an employees' share scheme or as purchase consideration; or
  - (iii) to retain part of the shares so purchased as treasury shares and cancel the remainder;

and in any other manner as prescribed by Section 127 of the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be imposed by the relevant authorities from time to time and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

(Ordinary Resolution 9)

#### **8. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT Mr. Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017."

(Ordinary Resolution 10)

#### **9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of the Proposed Shareholders' Mandate for the Company and / or its subsidiaries to enter into and give effect to the category of the recurrent related party transactions of a revenue or trading nature with the related parties, as specified in Section 2.3 of the Circular to Shareholders dated 30 May 2018 provided that such transactions are made on an arm's length basis and on normal commercial terms and subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and

## Notice of Annual General Meeting (cont'd)

(b) disclosure is made in the Annual Report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:-

- (i) the type of the recurrent transactions made; and
- (ii) the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company,

and such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the said Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and / or authorised by this Ordinary Resolution."

(Ordinary Resolution 11)

10. To consider any other business for which due notice shall have been given.

### NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Forty-third Annual General Meeting, the final single tier dividend of 3 sen per share in respect of the financial year ended 31 January 2018 will be paid on 29 August 2018 to depositors registered in the Record of Depositors on 10 August 2018.

A depositor shall qualify for entitlement only in respect of:-

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 August 2018 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

CHONG FOOK SIN (MACS 00681)  
KAN CHEE JING (MAICSA 7019764)  
CHUA YOKE BEE (MAICSA 7014578)  
Company Secretaries

Petaling Jaya  
30 May 2018



### NOTES:

- (1) A member whose name appears in the Record of Depositors as at 18 July 2018 shall be regarded as a member entitled to attend, speak and vote at the meeting.

- (2) Proxy -

A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. To be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof. If the appointor is a corporation, this Form must be executed under its common seal or under the hand of its attorney. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

- (3) Ordinary Resolution 8 -

This resolution, if approved, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, expire at the next annual general meeting.

The approval is a renewed general mandate and is sought to provide flexibility and to avoid delay and cost in convening a general meeting for such issuance of shares.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last annual general meeting held on 25 July 2017 and which will lapse at the conclusion of the Forty-third Annual General Meeting.

Should there be a decision to issue new shares after the authority is sought, the Company will make an announcement of the actual purpose and utilization of proceeds arising from such issuance of shares.

- (4) Ordinary Resolution 9 -

The detailed text on this resolution on the Proposed Renewal of Authority for Share Buy-Back is included in the Statement to Shareholders dated 30 May 2018 which is enclosed together with this Annual Report.

- (5) Ordinary Resolution 10 -

Both the Nominating Committee and the Board have assessed the independence of Mr. Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, and recommended him to be retained as an Independent Non-Executive Director of the Company based on the following justifications:-

- (a) He has fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, he would be able to provide independent judgement, objectivity and check and balance to the Board.
- (b) He performs his duties and responsibilities diligently and in the best interests of the Company without being subject to influence of the management.
- (c) His in-depth knowledge of the Group's businesses and his extensive knowledge, commitment and expertise continue to provide invaluable contributions to the Board.
- (d) He, having been with the Company for more than 12 years, is familiar with the Group's business operations and has devoted sufficient time and attention to his professional obligations and attended the Board and Committee meetings for an informed and balanced decision making.
- (e) He is independent as he has shown great integrity and has not entered into any related party transaction with the Group.
- (f) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group.

Shareholders' approval for Ordinary Resolution 10 will be sought on a single tier voting basis.

- (6) Ordinary Resolution 11 -

The detailed text on this resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is included in the Circular to Shareholders dated 30 May 2018 which is enclosed together with this Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD

- (1) The following Directors are standing for re-election pursuant to Article 77 of the Articles of Association (Constitution) of the Company at the Forty-third Annual General Meeting:-

- (a) Mr. Gooi Seong Chneh
- (b) Mr. Cheang Kwan Chow

The profiles of the Directors standing for re-election as mentioned in paragraph above at the Forty-third Annual General Meeting are set out on pages 13 and 15 of this Annual Report.

- (2) The statement relating to the general mandate for authority to issue shares is set out in the Notes to the Notice of the Forty-third Annual General Meeting on page 7 of this Annual Report.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Gooi Seong Lim**  
*Executive Chairman*

**Gooi Khai Chien**  
*Alternate Director to  
Mr. Gooi Seong Lim*

**Gooi Seong Heen**  
*Managing Director*

**Gooi Chuen Kang**  
*Alternate Director to  
Mr. Gooi Seong Heen*

**Gooi Seong Chneh**  
*Executive Director*

**Gooi Seong Gum**  
*Executive Director*

**Gan Kim Guan**  
*Senior Independent  
Non-Executive Director*

**Chan Weng Hoong**  
*Independent Non-Executive Director*

**Cheang Kwan Chow**  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Gan Kim Guan  
*Chairman*  
Chan Weng Hoong  
Cheang Kwan Chow

## COMPANY SECRETARIES

Chong Fook Sin (MACS 00681)  
Kan Chee Jing (MAICSA 7019764)  
Chua Yoke Bee (MAICSA 7014578)

## REGISTERED OFFICE

Unit 203, 2nd Floor, Block C,  
Damansara Intan,  
No. 1, Jalan SS 20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan.  
Tel : 03 7118 2688  
Fax : 03 7118 2693

## REGISTRAR

Tacs Corporate Services Sdn. Bhd.  
(231621-U)  
Unit No. 203, 2nd Floor, Block C,  
Damansara Intan,  
No. 1, Jalan SS20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan.  
Tel : 03 7118 2688  
Fax : 03 7118 2693

## AUDITORS

Ernst & Young (Firm No. AF 0039)  
Suite 11.2, Level 11, Menara Pelangi,  
2, Jalan Kuning, Taman Pelangi,  
80400 Jalan Bahru,  
Johor Darul Takzim.

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
(295400-W)  
HSBC Bank Malaysia Berhad  
(127776-V)  
Malayan Banking Berhad (3813-K)  
Public Bank Berhad (6463-H)  
AmBank (M) Berhad (8515-D)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Short Name : KML0ONG  
Stock Code : 5027

# BOARD OF DIRECTORS



*From left to right:*

1. **Gooi Seong Lim** (Executive Chairman)
2. **Gooi Seong Heen** (Managing Director)
3. **Gooi Seong Chneh** (Executive Director)
4. **Gooi Seong Gum** (Executive Director)
5. **Gan Kim Guan** (Senior Independent Non-Executive Director)
6. **Chan Weng Hoong** (Independent Non-Executive Director)



## Board of Directors (cont'd)



*From left to right:*

- |     |                         |   |
|-----|-------------------------|---|
| 7.  | <b>Cheang Kwan Chow</b> | (Independent Non-Executive Director)        |
| 8.  | <b>Gooi Chuen Kang</b>  | (Alternate Director to Mr. Gooi Seong Heen) |
| 9.  | <b>Gooi Khai Chien</b>  | (Alternate Director to Mr. Gooi Seong Lim)  |
| 10. | <b>Chong Fook Sin</b>   | (Company Secretary)                         |
| 11. | <b>Chua Yoke Bee</b>    | (Company Secretary)                         |
| 12. | <b>Kan Chee Jing</b>    | (Company Secretary)                         |

# PROFILE OF DIRECTORS



## GOOI SEONG LIM EXECUTIVE CHAIRMAN

**Gooi Seong Lim**, Male, aged 69, a Malaysian, was appointed to the Board of Kim Loong Resources Berhad ("KLR") as an Executive Director on 28 February 1990. He was a Managing Director up to 30 March 2006 before redesignation as the Executive Chairman of KLR. He was also a member of the Remuneration Committee with effect from 27 March 2002 until 30 January 2018. He graduated from the University of Toronto, Canada, with a Bachelor of Applied Science degree in Mechanical Engineering in 1972 and a Master's degree in Mechanical Engineering in 1975. From 1975 until to-date, he has been the Managing Director of Sharikat Kim Loong Sendirian Berhad ("SKL"), a company which owns a controlling stake in KLR and Crescendo Corporation Berhad ("CCB"). CCB is a public company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). Since 1977, he has been a director of Kim Loong Palm Oil Sdn. Bhd. ("KLPO") which is involved in palm oil milling. The success of the Group owes much to his extensive involvement in plantation and milling operations. He also sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended five (5) out of six (6) Board meetings held during the financial year 2018.

## GOOI SEONG HEEN MANAGING DIRECTOR

**Gooi Seong Heen**, Male, aged 67, a Malaysian, was appointed to the Board of KLR as an Executive Director on 28 February 1990. He was redesignated as Managing Director on 30 March 2006. He graduated with a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto in 1972 and obtained a Master's degree in Business Administration from the University of Western Ontario, Canada in 1976. He served as an engineer with Esso Singapore Pte Ltd from 1973 to 1974. His experience embraces oil palm and rubber estate management, palm oil mill management and property development. From 1972, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. Since 1977, he has been a director of KLPO Group which is involved in palm oil milling. He is currently also a director of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.





**GOOI SEONG CHNEH**  
EXECUTIVE DIRECTOR

**Gooi Seong Chneh**, Male, aged 63, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor of Science degree from the University of Toronto, Canada in 1975 and obtained a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He is a member of the Professional Engineers Association of Alberta, Canada. He was formerly a consultant with Campbell Engineering and Associates, Calgary, Canada for three (3) years from 1981 to 1983. He has extensive experience in construction site management and property development. His experience also includes oil palm and cocoa estate management. From 1976, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. He has been responsible for the development and management of oil palm and cocoa estates in Johor, Sabah and Sarawak since 1985. He is also a director of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.



**GOOI SEONG GUM**  
EXECUTIVE DIRECTOR

**Gooi Seong Gum**, Male, aged 62, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He was an engineering consultant for Bobrowski & Partners, Calgary, Canada for one (1) year from 1982 to 1983. His experience covers oil palm and rubber estate management, property development and construction site management. From 1980, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. Since 1983, he has been a director of KLPO Group which is involved in palm oil milling. He currently sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.



## Profile of Directors (cont'd)



### **GAN KIM GUAN** SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

**Gan Kim Guan**, Male, aged 55, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 28 March 2001. He is currently the Senior Independent Non-executive Director of KLR. He was appointed as a member of the Audit Committee on 28 March 2001 and currently, he is the Chairman of the Audit Committee. He also sits as a member of both the Nominating and Remuneration Committees with effect from 27 March 2002. He was appointed as the Chairman of the Nominating Committee and Remuneration Committee with effect from 31 December 2012 and 28 March 2013 respectively. He is a Chartered Accountant and has experience in accounting and financing related work. He is also a director of CCB.

Mr Gan is a Chartered Accountant of the Malaysian Institute of Accountants. He has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.

### **CHAN WENG HOONG** INDEPENDENT NON-EXECUTIVE DIRECTOR

**Chan Weng Hoong**, Male, aged 69, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 24 March 2011. He is a member of the Audit Committee of KLR with effect from 24 March 2011. He also sits as a member of both the Nominating and Remuneration Committees with effect from 24 March 2011. He graduated with a Bachelor of Agricultural Science (Hon) from the University of Malaya in 1973. Since graduation, he has worked as an agronomist throughout his career. He retired from Applied Agricultural Resources Sdn. Bhd. (AARSB) in 2004 as Principal Research Officer and Head of Oil palm and Rubber Advisory Divisions and was on job extension as Agronomist/Consultant Agronomist until March 2015 when he fully retired from AARSB. He is well versed in both rubber and oil palm and continues to work as a freelance Consultant Agronomist. He has presented or published numerous papers on rubber at national and international conferences.

Mr Chan has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.



**CHEANG KWAN CHOW**

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**Cheang Kwan Chow**, Male, aged 65, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 20 October 2011. He is a member of the Audit Committee of KLR with effect from 20 October 2011. He also sits as a member of both the Nominating and Remuneration Committees with effect from 20 October 2011. He has a Diploma in Marketing from Redditch College, Worcestershire, England and a Postgraduate Diploma in Export Marketing and Diploma in Export from Buckinghamshire College, Buckinghamshire, England. He graduated with a Master of Arts Communications Management from University of South Australia. He joined the Kuok Group of companies in 1980 and had over the years, held various senior management positions in various companies within the Kuok Group. He was appointed as Deputy Managing Director of PGEO Group Sdn. Bhd. and PGEO Marketing Sdn. Bhd. in July 2002, the position which he held until December 2007. He also sat on the board of PPB Group Berhad until May 2011. He is currently a Member of the Chartered Institute of Arbitrators, London, United Kingdom and sits on the Panel of Arbitrators of the Palm Oil Refiners Association of Malaysia.

Mr Cheang has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018. He attended all the six (6) Board meetings held during the financial year 2018.



**GOOI KHAI CHIEN**

ALTERNATIVE DIRECTOR TO  
MR. GOOI SEONG LIM

**Gooi Khai Chien**, Male, aged 26, a Malaysian, was appointed to the Board of KLR as Alternate Director to Mr. Gooi Seong Lim on 31 March 2016. He graduated with a Bachelor's Degree in Chemical Engineering in 2014 and a Master's Degree in Investments and Wealth Management in 2015. Since 2016, he has been involved in the business operations of KLR Group.

Mr Gooi has no personal interest in any business arrangement involving KLR except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of being a person connected to Mr. Gooi Seong Lim. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

## Profile of Directors (cont'd)



### GOOI CHUEN KANG

ALTERNATIVE DIRECTOR TO  
MR. GOOI SEONG HEEN

**Gooi Chuen Kang**, Male, aged 32, a Malaysian, was appointed to the Board of KLR as Alternate Director to Mr. Gooi Seong Heen on 31 March 2016. He graduated with a Bachelor of Engineering (Chemical and Biomolecular Engineering) from the University of Melbourne in 2008. He worked as an analyst attached with Accenture Kuala Lumpur from 2010 to 2014. Since then, he has been involved in the business operations of KLR Group.

Mr Gooi has no personal interest in any business arrangement involving KLR except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of being a person connected to Mr. Gooi Seong Heen. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

#### Family Relationships

Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh and Gooi Seong Gum are brothers.

Gooi Seong Lim is father of Gooi Khai Chien.

Gooi Seong Heen is father of Gooi Chuen Kang.

Save for the above, none of the other Directors are related.



# PROFILE OF KEY SENIOR MANAGEMENT

The executive function in the Group is spearheaded by the Executive Chairman and Managing Director, namely Mr. Gooi Seong Lim and Mr. Gooi Seong Heen, whose profiles are included under the section on Directors' profile on pages 12 of this Annual Report. The following Directors assist them with day to day running of the various operations of the Group.

Mr. Gooi Seong Chneh - Executive Director  
(Profile on Page 13 of this Annual Report)

Mr. Gooi Seong Gum - Executive Director  
(Profile on Page 13 of this Annual Report)

Mr. Gooi Chuen Kang - Plantation Director  
(Profile on Page 16 of this Annual Report)

The profiles of the other Key Senior Management members are set out below:



## CHOW KOK HIANG FINANCE DIRECTOR

**Chow Kok Hiang**, Male, aged 51, a Malaysian, is currently the Finance Director of KLR and has vast experience in the Audit and Business Advisory Services, having served as Assistant Manager of Price Waterhouse (Currently known as PricewaterhouseCoopers) before joining Crescendo Corporation Berhad in 1997 as Group Accountant. He was transferred to KLR in 1999 to head the Finance Department of KLR Group. Mr Chow is a Chartered Accountant with the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He also sits on the board of several private companies involved in property development, construction, educational services, trading and manufacturing.

Mr. Chow has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.

## CHANG CHEE CHIONG GENERAL MANAGER

**Chang Chee Chiong**, Male, aged 56, a Malaysian, is currently the General Manager of KLR in charge of the Group's estates in Sabah and Sarawak. He obtained the Licentiate Diploma from the Incorporated Society of Planters and with more than 30 years of working experience, he has vast experience in oil palm cultivation and plantation management. He was in the position of Deputy General Manager since 2010 before being promoted to the position of General Manager in 2014.

Mr. Chang has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.

## Profile of Key Senior Management (cont'd)



**CHANG CHOW SWAN**  
GENERAL MANAGER

**Chang Chow Swan**, Male, aged 64, a Malaysian, is currently the General Manager of Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPO"), a subsidiary of KLR. He graduated with a Bachelor degree in Chemical Engineering from National Taiwan University in 1978. A First Grade Steam Engineer with more than 38 years of hands-on experience for multiple breakthroughs in palm oil milling waste, biogas, biomass and downstream treatment. He is currently leading a group of engineers to initiate ideas to convert mill waste into higher value products, bring up KLPO Complex as a pioneer of waste minimization in palm oil industry in Malaysia, and benefiting the milling operation of KLR Group. He is currently a member of PAC under Malaysia Palm Oil Board ("MPOB") and Committee Member of Malaysia Palm Oil Millers Association ("POMA"). He also sits on the board of two subsidiary company of KLR Group involved in palm oil milling business.

Mr. Chang has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.

**GAN LIONG HOE**  
DEPUTY GENERAL MANAGER

**Gan Liong Hoe**, Male, aged 44, a Malaysian, is currently the Deputy General Manager of KLR. He graduated with a Bachelor of Engineering (Mechanical) from Queensland University of Technology in 1997. Mr. Gan started his career as an engineer in IOI Corporation Berhad in 1998 and later joined TSH Resources Berhad in 2001 as engineer until 2007 before joining Desa Kim Loong Palm Oil Sdn. Bhd. ("DKLPO"), a subsidiary of KLR as a Senior Mill Manager, in November 2007. He was transferred to KLR and promoted to the position of Deputy General Manager in 2013 for Group's milling operations in Sabah. Mr Gan is a First Grade Steam Engineer and Second Grade Internal Combustion Engine Engineer with the Department of Occupational Safety and Health. He also sits on the board of two subsidiary companies of KLR Group involved in palm oil milling business.

Mr. Gan has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.

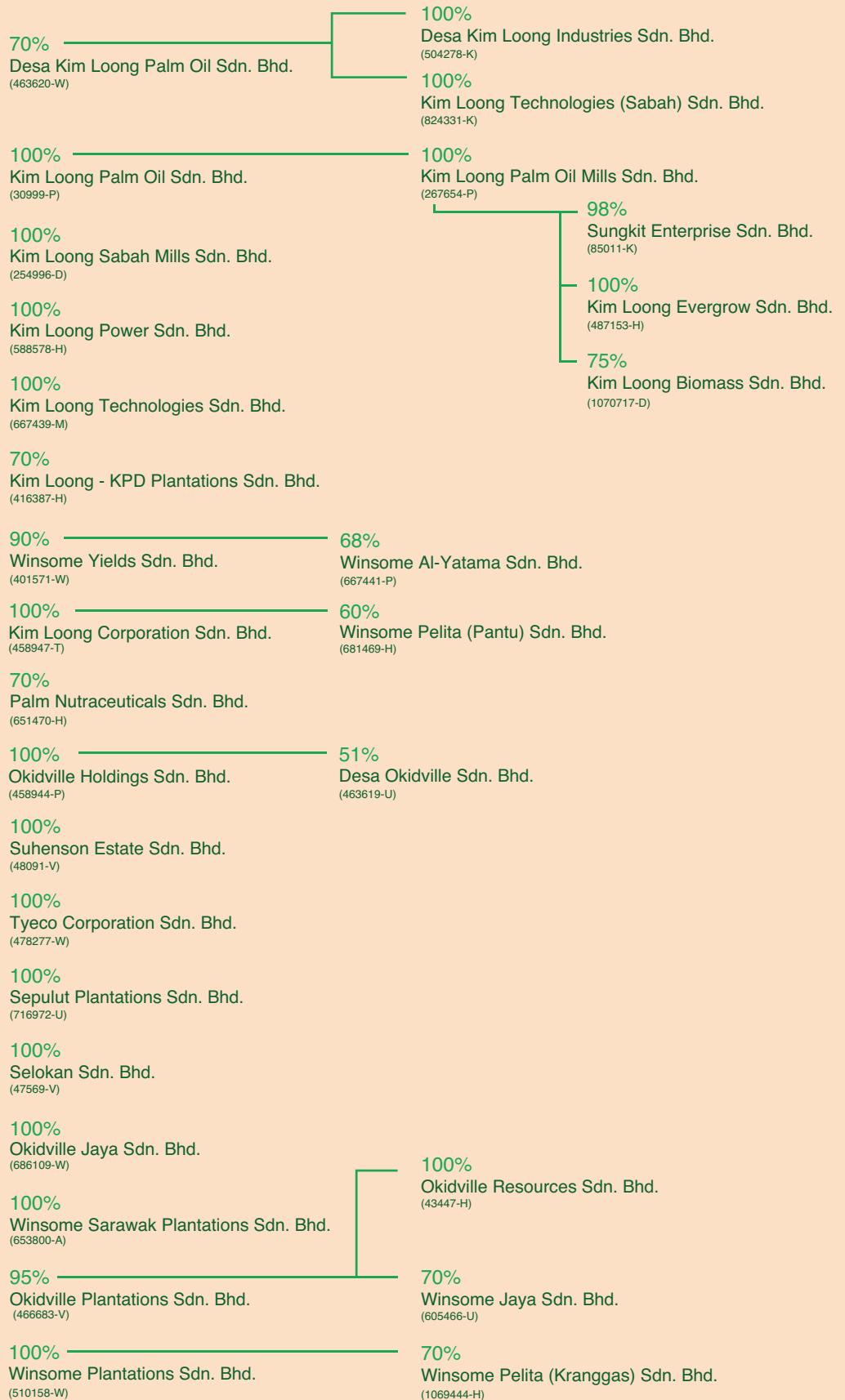
# GROUP STRUCTURE

AS AT 31 JANUARY 2018



**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

錦隆資源有限公司

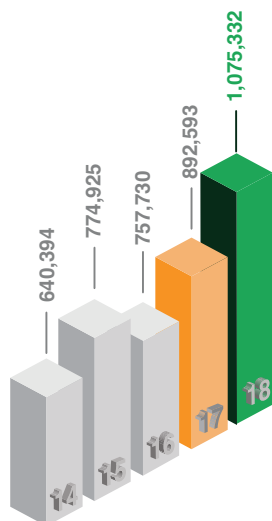




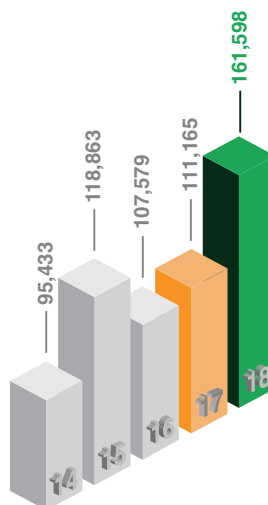
# GROUP FINANCIAL HIGHLIGHTS

## STATEMENT OF COMPREHENSIVE INCOME (RM'000)

### Revenue

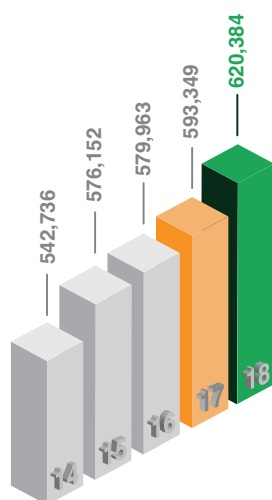


### Profit Before Tax

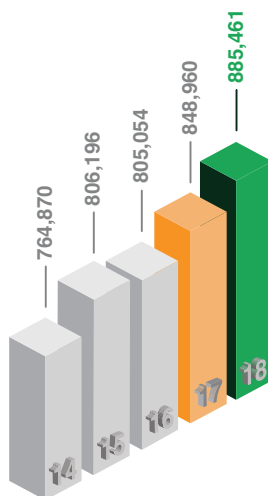


## STATEMENT OF FINANCIAL POSITION (RM'000)

### Equity Attributable To Owners Of The Company

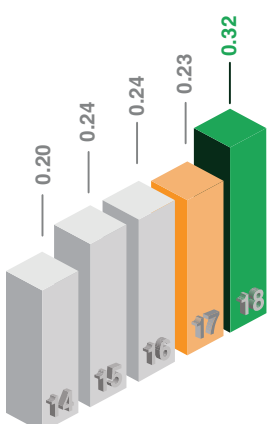


### Total Assets

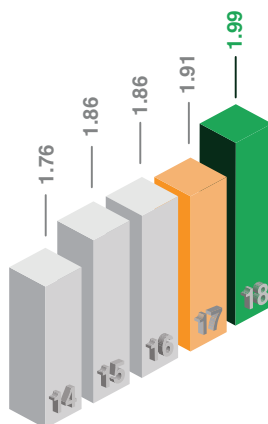


## PER SHARE (RM)

### Earnings



### Net Assets



## Group Financial Highlights (cont'd)

	2014	2015	2016	2017	2018
<b>STATEMENT OF COMPREHENSIVE INCOME (RM'000)</b>					
Revenue	640,394	774,925	757,730	892,593	1,075,332
EBITDA	122,815	149,031	137,778	143,431	194,767
Profit before tax	95,433	118,863	107,579	111,165	161,598
Profit after tax	73,359	89,689	85,664	85,688	124,288
Net profit attributable to owners of the Company	61,059	75,279	73,783	71,118	98,752

### STATEMENT OF FINANCIAL POSITION (RM'000)

Paid-up share capital	308,958	311,109	311,804	311,804	318,430
Total shareholders' equity	618,271	650,021	654,213	673,446	709,297
Equity attributable to owners of the Company	542,736	576,152	579,963	593,349	620,384
Total assets	764,870	806,196	805,054	848,960	885,461

### PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)

Earnings	0.20	0.24	0.24	0.23	0.32
Net Assets	1.76	1.86	1.86	1.91	1.99
Gross Dividend	0.13	0.13	0.23	0.20	0.24
Share Price at Year End	2.58	2.76	3.04	3.43	4.18
Weighted Average Number of Share in Issue ('000)	308,577	309,688	311,161	311,202	311,202

### FINANCIAL INDICATORS

Return on Equity (%)	11.87	13.80	13.09	12.72	17.52
Return on Total Assets (%)	9.59	11.12	10.64	10.09	14.04
Gearing Ratio (times)	0.08	0.08	0.07	0.05	0.04
Price-Earnings Ratio (times)	12.90	11.50	12.67	14.91	13.06
Interest Coverage Ratio (times)	42.96	51.63	47.88	60.75	115.85
Gross Dividend Yield (%)	5.04	4.71	7.57	5.83	5.74

### STATISTICS

	2014	2015	2016	2017	2018
<b>PLANTATIONS</b>					
Plantation Area (Ha)					
Oil palm					
Mature	13,012	13,581	13,794	14,256	14,255
Immature	1,874	1,320	1,172	700	691
Unplanted land	468	461	411	408	448
Total plantable area	15,354	15,362	15,377	15,364	15,394
Infrastructure and unplanted land	574	548	528	555	552
Total land area	15,928	15,910	15,905	15,919	15,946
Production and Yield (MT)					
Fresh fruit bunches ("FFB")	287,188	304,732	299,455	251,926	340,410
Yield per mature hectare	22.07	22.49	21.56	17.66	23.88

### MILLS

Production and Extraction Rate					
Crude palm oil ("CPO") (MT)	225,224	264,983	297,231	250,197	322,407
Oil extraction rate (% of FFB)	22.19	22.39	22.28	21.67	21.32
Palm kernel ("PK") (MT)	52,101	60,245	66,931	56,689	73,382
Kernel extraction rate (% of FFB)	5.13	5.09	5.02	4.91	4.85

### AVERAGE SELLING PRICE (RM/MT)

CPO	2,345	2,352	2,139	2,682	2,718
PK	1,376	1,673	1,587	2,638	2,398

# CHAIRMAN'S STATEMENT



“ On behalf of the Board of Directors of Kim Loong Resources Berhad (“KLR”), I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 January 2018. ”

**GOOI SEONG LIM**  
EXECUTIVE CHAIRMAN

## FINANCIAL HIGHLIGHTS

### RESULTS

The Group achieved its record revenue of RM1.075 billion for the financial year 2018 (“FY2018”), representing 20% increase compared to RM892.59 million recorded in the preceding year (“FY2017”). In terms of profit before tax (“PBT”), the Group has achieved a remarkable result at RM161.60 million which was 45% higher than RM111.16 million achieved in FY2017.

The good performances in revenue and PBT were mainly driven by higher production in both plantation and palm oil milling operations.

The production of FFB increased by 35% or 88,500 MT to 340,410 MT in FY2018. The increase in FFB was substantially contributed by the estates in Keningau region which have shown a significant recovery from its low yield in last year likely caused by El Nino phenomenon. In term of profits, the plantation operation has performed very well with an impressive 69% increase in profit and contributed 68% of profit for the Group in FY2018.

The milling operations has also performed better than FY2017 mainly on the account of higher production throughput achieved and better processing margin due to some easement on competition for crops from surrounding mills. During the year, the Group’s mills processed a total FFB quantity of 1.5 million MT which is record high for the Group. As a result, the profit from operations recorded a 17% increase in profit.



## **DIVIDEND**

The Board has recommended a final single tier dividend of 9 sen per share (FY2017: 8 sen per share) for the FY2018 making a total single tier dividend of 24 sen per share (FY2017: 20 sen per share).

In view of the Company has completed its corporate exercise on share split at the ratio of 1 existing ordinary share into 3 Subdivided Shares on 5 April 2018, the rate of the proposed final single tier dividend will be 3 sen per Subdivided Share subject to shareholders' approval at the forthcoming 43rd Annual General Meeting.

The dividend payout represents approximately 76% of the annual profit attributable to owners of the Company.

The Group has achieved a Return on Equity (after tax) of 17.5% compared to 12.7% in FY2017.

## **CORPORATE EXERCISES**

On 22 December 2017, Mercury Securities Sdn Bhd, on behalf of the Company, announced that KLR proposes to undertake the following:

- (I) Proposed share split involving the subdivision of every 1 existing ordinary share in KLR into 3 ordinary shares in KLR ("Subdivided Share(s)"), held on an entitlement date to be determined later ("Proposed Share Split"); and
- (II) Proposed bonus issue of up to 46,770,535 free warrants in KLR ("Warrant(s)") on the basis of 1 warrant for every 20 Subdivided Shares held after the Proposed Share Split ("Proposed Bonus Issue of Warrants").

(Collectively, referred to as the "Corporate Exercises")

The Proposed Share Split will result in an adjustment to the market price of KLR Shares to a more affordable entry price without having any direct impact on the market capitalisation of the Company. It is also expected to appeal to a wider group of shareholders and/or investors to participate in the growth of the Company and subsequently improving the marketability and trading liquidity of KLR Shares on the Main Market of Bursa Securities.

The Board is of the view that the Proposed Bonus Issue of Warrants is an appropriate avenue of rewarding the existing shareholders of the Company while enhancing the Company's equity base. It will also provide the Company with additional working capital as and when the Warrants are exercised.

The Corporate Exercises have been completed following the listing of and quotation for 935,410,707 Subdivided Shares and 46,680,235 Warrants on 5 April 2018 and 16 April 2018 respectively, on the Main Market of Bursa Securities.

## **DEVELOPMENT AND PROSPECTS**

On the project to supply power to the grid from biogas engine, we have secured Sustainable Energy Development Authority ("SEDA") approval for 1.8 megawatt for Kota Tinggi mill and 2.0 megawatt for Keningau mill. We have completed the installation for the Kota Tinggi biogas plant and expected to commence operation in the second half of 2018.

The Group will continue its replanting programme to replant the old palms which are unable to meet the expectation of high FFB yield. We expect to replant about 1,200 Ha in financial year 2019.

The Group has also been sourcing for additional plantation land in Johor, Pahang, Sabah and Sarawak. However, Roundtable on Sustainable Palm Oil ("RSPO") restrictions is a major constraint. To support our plantation operation in Sarawak, we have been actively looking into the possibility of setting up a palm oil mill in Sarawak.

For the financial year ending 31 January 2019, we foresee the FFB production to be in region of 90% of FY2018 mainly due to upcoming replanting programme for old palm areas but with expectation of increasing yield from young mature areas to cushion the impact.

For milling operations, the Group has achieved a record high processing quantity of 1.5 million MT of FFB in FY2018, the management is optimistic that the 3 mills in the Group can continue to maintain high utilisation rate of processing capacity in the next financial year.

We are uncertain on the direction of CPO price in view of the susceptibility of CPO price to fluctuation of currency exchange rate, demand and supply of commodity and import policies of major importing countries as well as weather in major oil seed purchasing countries.

Nevertheless, we hope the CPO price could maintain above RM2,400 per MT level. Based on the above, we foresee the Group to perform satisfactorily for the financial year 2019.

## **APPRECIATION**

I would like to take this opportunity to express my appreciation to the management and staff for their loyal and dedicated services to the Group, and to various government authorities and agencies, bankers, valued customers, suppliers and business associates for their co-operation and continued support.

Finally, I wish to thank my fellow Board members for their support and the shareholders for their confidence in the Board and Management of the Group.

Gooi Seong Lim  
Executive Chairman  
Johor Bahru, Johor  
Date: 17 May 2018

# MANAGEMENT DISCUSSION & ANALYSIS

## DESCRIPTION OF OUR GROUP'S BUSINESS AND STRATEGIES

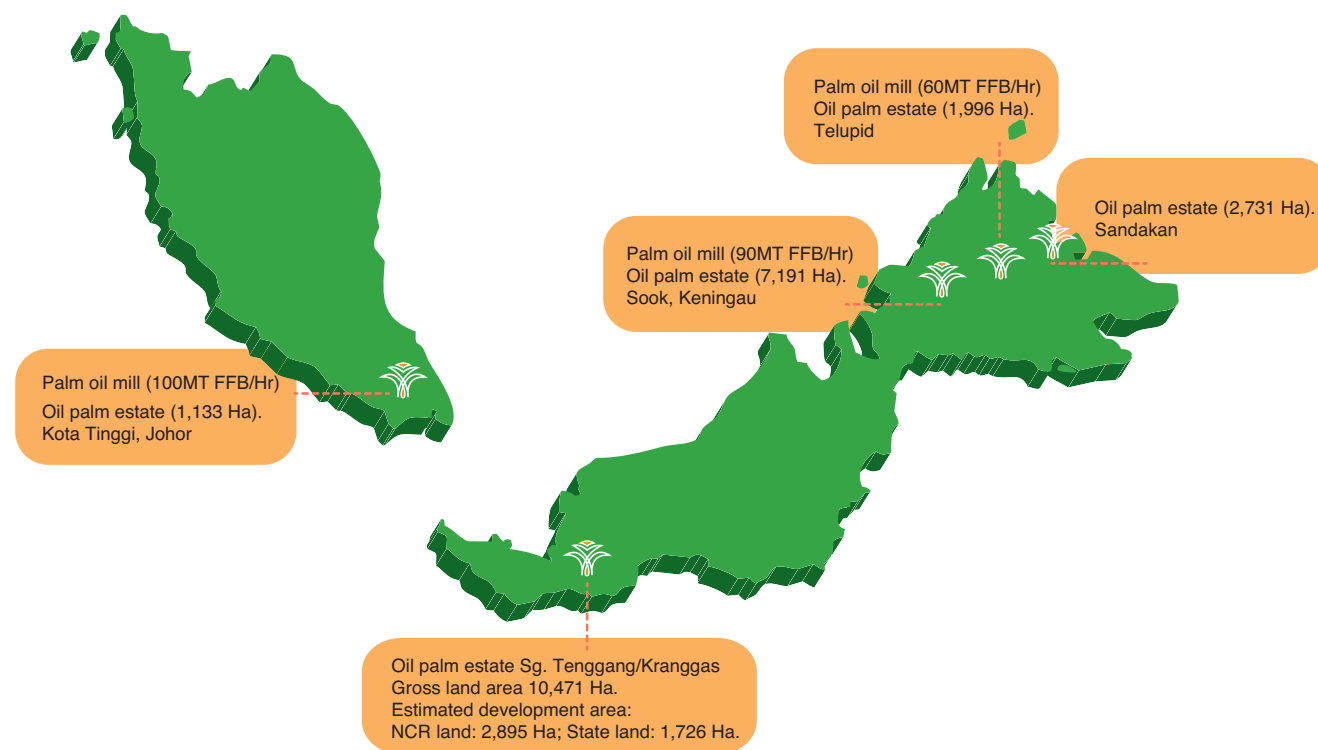
Kim Loong Resources Berhad and its subsidiaries (the “Group” or “KLRB Group”) are principally involved in investment holding, cultivation of oil palm, processing of oil palm fresh fruit bunches and marketing of oil palm products, processing of oil palm fibre and biogas and power generation.

The principal activities of the Group can be divided into two main segments, namely plantation operations and palm oil milling operations.

As at 31 January 2018, the Group's total plantation land holdings stood at 15,946 hectares (“Ha”) of which 94% are fully planted with oil palms. Out of the total planted area, approximately 86% are mature above 6 years old, 9% are young mature below 6 years old while the remaining 5% are at immature stage. The plantations are located in the states of Johor, Sabah and Sarawak.

On the other hand, the Group owns and operates three (3) palm oil mills which are strategically located within the vicinity of our plantations in Kota Tinggi, Johor and in Keningau and Telupid, Sabah. The palm oil mills have a total FFB processing capacity of 1.5 million MT per annum.

## LOCATIONS OF OPERATIONS



In order to facilitate the Group's progress and development in Sarawak, the Group has been looking into the possibility of setting up a palm oil mill in Sarawak and will continue to source for additional plantation land in Johor, Pahang, Sabah and Sarawak for expansion.

The Group remains committed in its effort to improve efficiency and at the same time generating income from palm oil mill wastes through new innovation and technology.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group were RM1.075 billion for the financial year 2018 ("FY2018") compared to RM892.59 million recorded for the financial year 2017 ("FY2017").

Current year's higher revenue was primarily attributable to higher production in both plantation and palm oil milling operations compared to the last financial year. Before inter-segments adjustments and eliminations, revenue from plantation operations has improved by 33% whilst the milling operation achieved 20% additional revenue compared to the last financial year, as a result of higher CPO and Fresh Fruit Bunches ("FFB") production.

The average selling price and production for CPO, PK and FFB for FY2018 and FY 2017 of the Group are as follows:

Average selling price per metric ton ("MT"):-

	FY2018 (RM)	FY2017 (RM)	Change (%)
CPO	2,718	2,682	1.34%
PK	2,398	2,638	(9.10%)
FFB	562	569	(1.23%)

Sales quantity:-

Main palm oil milling products:	FY2018 (MT)	FY2017 (MT)	Change (%)
CPO	313,486	263,699	18.88%
PK	70,170	52,846	32.78%

### Plantation produce:

FFB :

to own mills	283,116	205,040	38.08%
to external parties	57,294	46,886	22.20%
<b>Total</b>	<b>340,410</b>	<b>251,926</b>	<b>35.12%</b>

### Other Income

Other income for the year increased by RM1.61 million to RM14.16 million as compared to FY2017 and consist mainly of interest income which was 68% (2017 : 71%). The current year's other income also includes the reversal of impairment loss on property, plant and equipment and biological assets amounting to RM2.92 million previously recognised, because the Federal Court had allowed a subsidiary of the Group, Winsome Pelita (Pantu) Sdn. Bhd.'s appeal on legal claims and set aside the judgments of the High Court and the Court of Appeal.

### Cost of Sales

Generally, the production of major products by the Group during the year has increased between 29% to 35% as tabulated below:-

	FY2018 (RM)	FY2017 (RM)	Change (%)
CPO	322,407	250,197	28.86%
PK	73,382	56,689	29.45%
FFB	340,410	251,926	35.12%

In order to meet sales contracts committed, the Group has purchased 3,300 MT of CPO from external parties at prevailing market price during the year.

In view of higher production from both plantation and milling operations, the cost of sales increased by 16% or RM123.53 million to RM878.75 million, mainly due to:

- higher purchase cost for FFB arising from 30% increase in quantity of FFB purchased;
- competition from other mills for supply of FFB; and
- general increase in cost of doing business.

### Unit Cost of Production of CPO

The cost of production (excluding raw materials) of CPO has dropped by 17% to RM190 per MT of CPO. The total cost of production of CPO has also dropped by 19% to RM1,180 per MT of CPO. The drop in costs was mainly driven by higher production of FFB and palm oil milling products.

### Finance Cost

Finance cost recognised in profit or loss has marginally decreased by 4% or RM65,000 to RM1.41 million as compared to FY2017.

### Profit before Tax ("PBT")

The Group's PBT of RM161.60 million for the FY2018 was higher than RM111.16 million for the FY2017.

As a result of higher production of FFB, CPO and PK, the Group achieved an impressive year-on-year 45% increase in PBT. The plantation operations has performed very well with a 69% increase in profit and is the major (68%) profit contributor to the Group in FY2018. As for the milling operations, the increase in profit by 17% was mainly on the account of higher production throughput achieved and better processing margin due to some easement on competition for crops from surrounding mills.



## Management Discussion & Analysis (cont'd)

### Taxation

The effective tax rate for FY2018 of 23.29% was lower than statutory tax rate. This was mainly due to utilisation of tax incentive and certain income not being subject to tax.

### Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group significantly increased by 39% year-on-year to RM98.75 million and 31.73 sen respectively as compared to RM71.12 million and 22.85 sen recorded for the preceding financial year.

### Cash Flows

Overall, the Group's cash and cash equivalents increased by 5% or RM12.45 million to RM250.35 million mainly due to less cash used in investing activities but offset by the following:

- (i) less cash generated from operating activities due to higher inventories; and
- (ii) more dividends paid to shareholders of the Company and non-controlling interests.

### Share Price Performance

Our Company's share price performance for the period from January 2017 till 4 May 2018:



Source: Bursa Malaysia

During the period, the share price has continued its uptrend steadily till its historical highest share price at RM4.90 on 2 November 2017. Subsequently, the share price faced some adjustments and then traded within narrow range.

Overall, share price has recorded a remarkable 22% increase from RM3.43 since beginning of the current financial year till its closing at RM4.18 at end the financial year.

In April 2018, the share price was adjusted as a result of completion of the corporate exercise involving the subdivision of every 1 existing ordinary share into 3 ordinary shares ("Share Split").

## Dividend

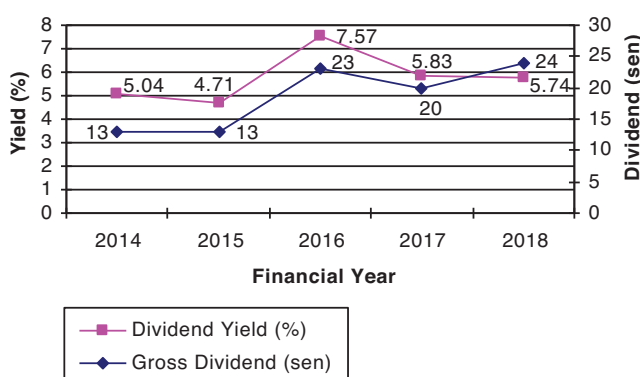
The Board has recommended a final single tier dividend of 9 sen per share (FY2017: 8 sen per share) for the FY2018 making a total single tier dividend of 24 sen per share (FY2017: 20 sen per share).

The payout represents approximately 76% of the annual profit attributable to owners of the Company.

Out of the 24 sen dividend declared for the FY2018, the first interim and special dividends of 9 sen and 6 sen respectively have been paid on 21 November 2017 and 7 February 2018 respectively.

In view of the Company has completed its corporate exercise on Share Split on 5 April 2018, the rate of the proposed final single tier dividend will be 3 sen per Subdivided Share subject to shareholders' approval at the forthcoming 43rd Annual General Meeting.

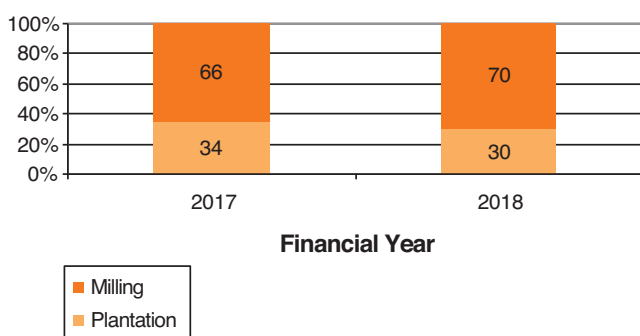
In the past five (5) years, the Group has achieved gross dividend yields that are more attractive than return from conventional deposits with bank.



## CAPITAL EXPENDITURE

The Group spent RM27.68 million for capital expenditure for FY2018 as compared to RM23.21 million for FY2017. The increase of in spending on capital expenditure was mainly due to more capital expenditure requirements from the milling operations during the current financial year.

### Allocation of Capital Expenditure



## REVIEW OF OPERATING ACTIVITIES

### PALM OIL MILLING OPERATIONS

The profit from the palm oil milling operations increased by 17% or RM7.45 million to RM51.22 million as compared to RM43.78 million recorded for the last financial year. The higher profit was due to higher processing quantity and margin as compared to the last financial year.

Despite a marginal drop in the CPO extraction rate to 21.32%, the operations still achieved higher processing margin which was mainly contributed by higher FFB intake and some easement on competition for crops from surrounding mills. During the year, the Group's mills processed a total FFB quantity of 1.5 million MT which is record high for the Group.

Total CPO production for the year under review was 322,407 MT, which was about 29% higher than 250,197 MT recorded in the last financial year. Even with high production, the market condition and demand for the Group's main milling products has been good and steady for the financial year. Although production had increased by 29%, the sale of CPO, the main product, increased by only 19% to 313,486 MT compared to 263,699 MT in the last financial year mainly due to higher inventory level. As at 31 January 2018, the CPO inventory level stood at 21,000 MT which was higher than normal level, partly due to marginal quality caused by excessive rainfalls in the region in the 4th quarter. Once the weather back to normal, we expect the inventory level will gradually drop to normal level.

The average selling price of CPO of the Group for the current financial year was RM2,718 per MT which was slightly higher than RM2,682 per MT in the last financial year.

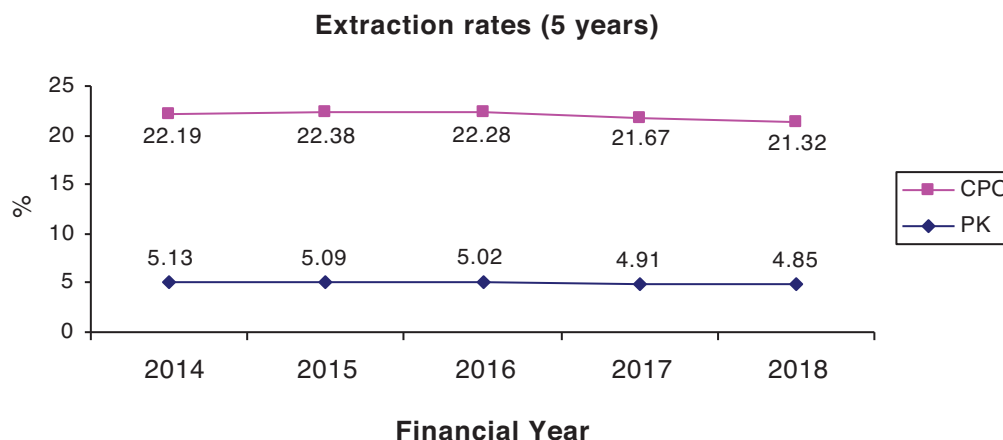
The extraction rate for CPO and PK for FY2018 and FY 2017 can be analysed as follow:

	FY2018	FY2017	Change (%)
<b>CPO:</b>			
KLRB Group CPO extraction rate (%)	21.32	21.67	(1.62%)
Malaysia National CPO extraction rate (%)	19.72	20.18	(2.28%)
<b>PK:</b>			
KLRB Group PK extraction rate (%)	4.85	4.91	(1.22%)
Malaysia National PK extraction rate* (%)	4.90	4.88	(0.41%)

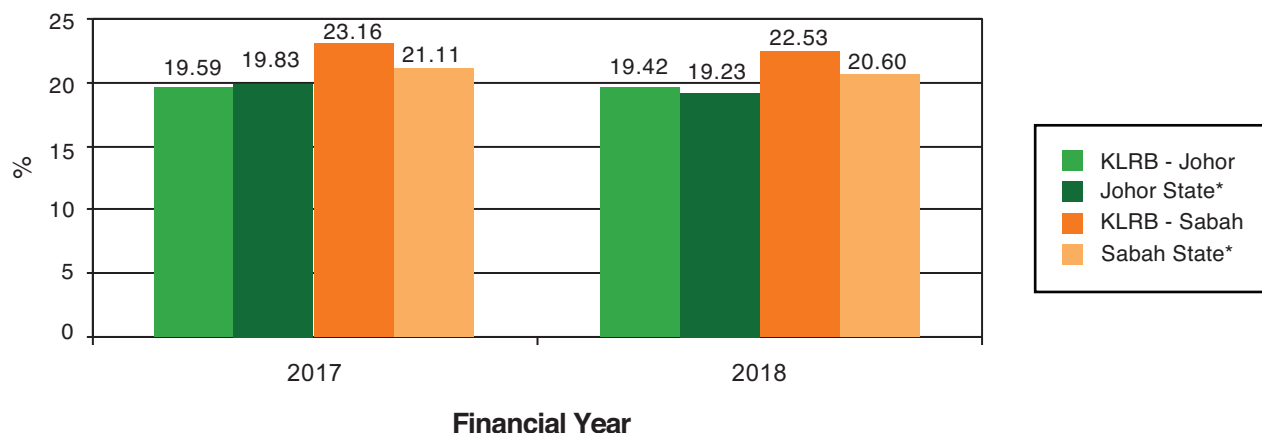
\* The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2017 and 2016 whilst the figures from KLRB Group are based on its financial year (Feb – Jan).

## Management Discussion & Analysis (cont'd)

The Group's performance in terms of extraction rates is broadly in line with the Malaysia National trend that showed a marginal drop comparing to the previous year except for the Malaysia National PK extraction rate which showed a year-on-year improvement from 4.88% to 4.90%. The extraction rates performance of the Group's milling operations have not varied significantly for the past five (5) years as shown below:



To further zoom in operations by State, the CPO extraction rate performance of mills within our Group has outperformed Sabah State average while it is very close to Johor State for the past two years as tabulated below:



\* The statistics for Johor and Sabah State CPO extraction rates are extracted from MPOB web-site based on calendar year 2017 and 2016 whilst the figures from KLRB Group are based on its financial year (Feb – Jan).

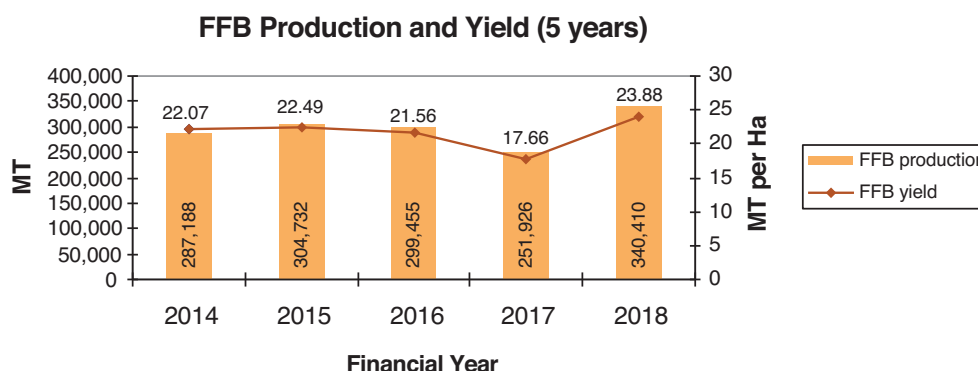
Currently, all our three (3) palm oil mills have methane capturing facilities to reduce greenhouse gas emission into atmosphere. With the project of capturing methane gas implemented, the Group has successfully commissioned the utilisation of the biogas in gas engines with total installed capacity of 3.5 megawatts which has supplemented the power needs by operations and together with better efficiency boiler/turbine, we managed to reduce usage of diesel consumed by gen-set at mills by at least 60% and also reduce the burning of palm kernel shell.

Furthermore, we have obtained approval from the Sustainable Energy Development Authority (“SEDA”) to supply a total of 3.8 megawatts to the grid from our mills at Kota Tinggi, Johor and Keningau, Sabah. Currently, the projects are in the process of being implemented and expected to bring in additional revenue to the Group upon successful implementation. The first biogas plant located at Kota Tinggi is expected to commence operation in the second half of 2018.

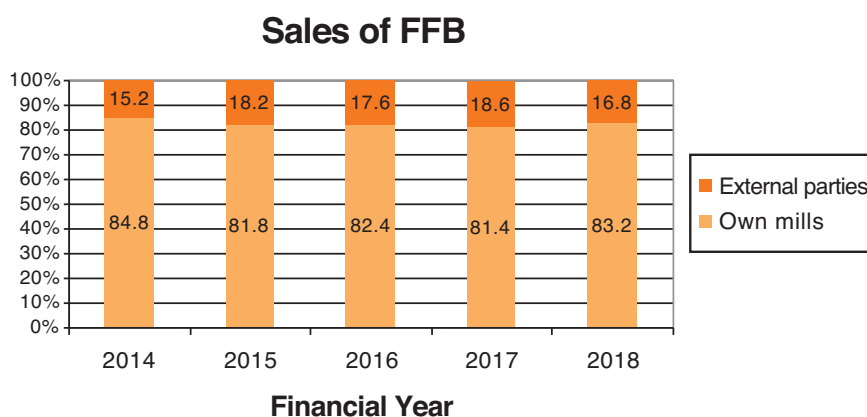
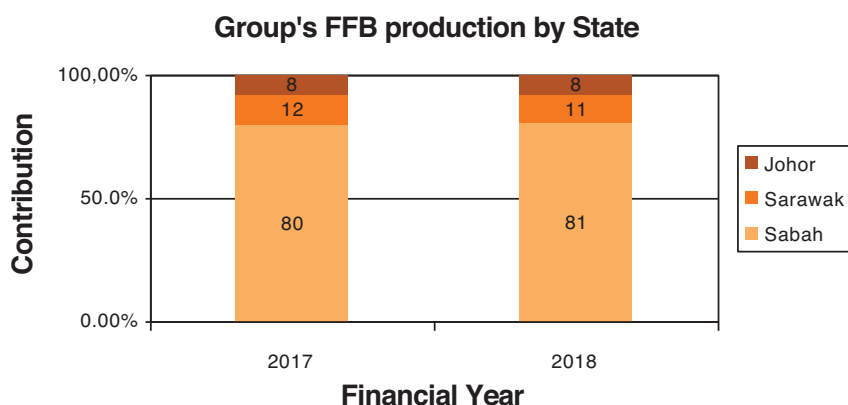


## PLANTATION OPERATIONS

The profit from the plantation operations increased by 69% or RM45.33 million to RM111.30 million as compared to RM65.97 million recorded for the last financial year. The increase in profit was mainly due to higher FFB production. The FFB production for the year under review was 340,410 MT which was 35% higher than 251,926 MT achieved in the last financial year. The 35% increase in the FFB production was substantially contributed by the estates in Keningau region which had shown a significant increase over the production in last year. In last year, the low production was likely caused by the El Nino phenomenon. The plantation operations did not face problems in selling its FFB production as most of the produce was supplied to mills within the Group. Average FFB selling price was only 1% lower compared to the last financial year. Tabulated below is the Group's FFB production and yield per Ha for the past five (5) years:



Most of the FFB produce is supplied to our own mills located nearby the estates while the FFB produce from our estates in Sarawak has to be sold to third party mill as we do not have palm oil mill in Sarawak at the moment. Analysis of production and sales of FFB is tabulated below:



## Management Discussion & Analysis (cont'd)

Our average oil yield per Ha for Sabah estates has increased to 5.74 MT per Ha in FY2018 compared to 4.24 MT per Ha in FY2017 mainly due to the estates in Keningau region which had shown a significant increase over the production in last year. Our overall Group average oil yield has increased to 5.26 MT per Ha compared to 3.98 MT per Ha in FY2017.

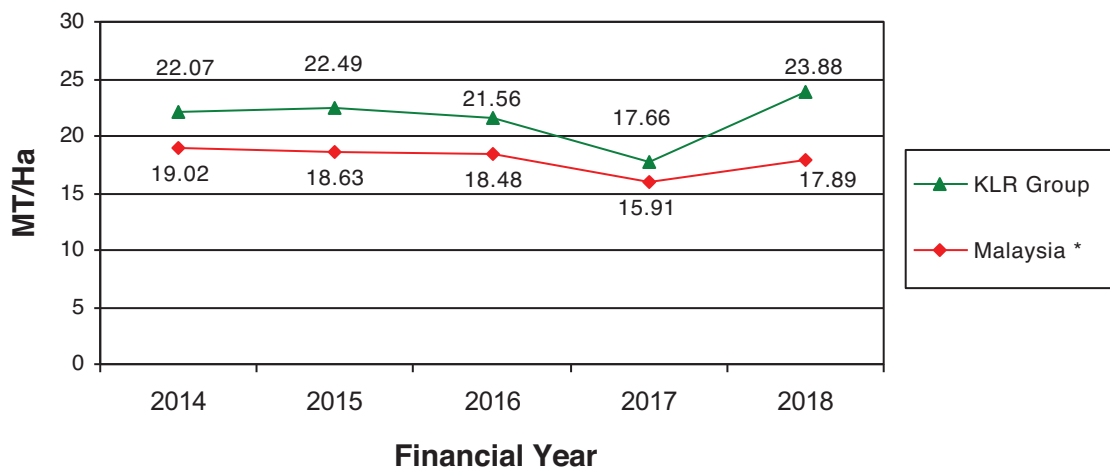
With current outlook of CPO price, we expect the plantation operations will be the main profit contributor to the Group in the financial year 2019.

The yield per Ha analysis for FY2018 and FY 2017 can be analysed as follow:

	FY2018	FY2017	Change (%)
<b>FFB Yield:</b>			
KLRB Group FFB Yield (MT per Ha)	23.88	17.66	35.22%
Malaysia National FFB Yield* (MT per Ha)	17.89	15.91	12.45%
<b>CPO Yield:</b>			
KLRB Group Oil Yield (MT per Ha)	5.26	3.98	32.16%
Malaysia National Oil Yield* (MT per Ha)	3.53	3.21	9.97%

\* The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2017 and 2016 whilst the figures from KLRB Group are based on its financial year (Feb – Jan).

The Group's five (5) year FFB yield performance comparison with the Malaysia National performance is tabulated below:

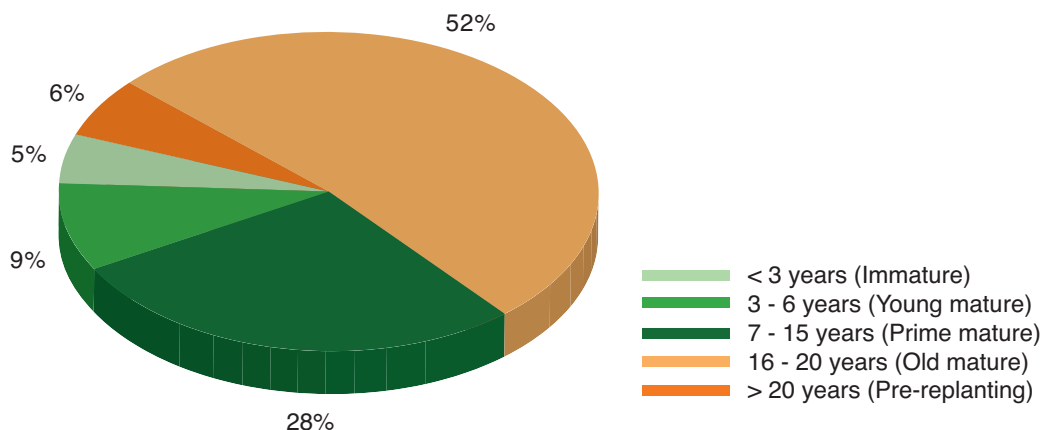


\* The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2013 to 2017 whilst the figures from KLRB Group are based on its financial year (Feb – Jan).

The increases in the Group's FFB and CPO yield per Ha are about 22% more than the Malaysia National yield performance because the Group's estates in Keningau, Sabah, where 50% of the Group's planted mature area is located, has recorded significant increase over the production in FY2018.

As at 31 January 2018, the Group's total planted area is 14,946 hectares. In terms of age profiles of the Group's oil palm plantations, most of the planted areas are with palm age between 7 to 20 years old.

### AGE PROFILE OF PALMS (AS AT 31 January 2018)



### RISKS EXPOSURE AND MITIGATION

The Group's business operations are within the plantation industry that is generally subject to the following major risks that may have a material effect on the Group's operations, performance, financial condition and liquidity:

- Volatility in palm oil commodity prices as well as foreign currency exchange rate;
- Fluctuation in production of FFB due to seasonal cyclical as well as weather factors such as El Nino phenomenon.
- Demand in palm oil products that may be adversely affected by alternative supply of oils and fats worldwide;
- Import policies of major importing countries;
- Shortage in skilled labour in plantation sector; and
- Increase in operation cost partly caused by up-going trend of minimum wages as well as increased recruitment cost for foreign workers.

There has been no significant changes in the above-mentioned risks since previous financial year.

The Management constantly monitors the movements in palm oil commodity prices and may take steps to mitigate unfavourable movement in commodity prices, where necessary, to reduce impact on the Group's financial performance. To achieve this, the Group may use derivatives such as Futures and Swap contract to hedge against cash flow risks faced by the Group arising from its forecasted probable production.

Considering plantation is still a labour intensive industry, it is unlikely to operate without manual labour, therefore the Group has been putting its best efforts to manage its operations with limited labour force and where possible, to invest in mechanization and automation in its plantations as well as palm oil milling operations to reduce dependency on labour.

The Group also observes best practices in managing its plantation and milling operations such as adhering to manuring programmes recommended by Agronomists, strict control to minimize oil loss, so as to achieve optimal operation efficiency in terms of both production quantity and quality.

### PROSPECTS

For the financial year ending 31 January 2019, we forecast the FFB production to be in region of 90% of financial year 2018 mainly due to upcoming replanting programs for old palm areas but with expectation of increasing yield from young mature areas to cushion the impact.

For the milling operations, the Group has achieved a record high processing quantity of 1.5 million MT of FFB in the financial year 2018, the management is optimistic that the 3 mills in the Group could continue to maintain high utilization rate of processing capacity in the next financial year.

We are uncertain on the direction of CPO price in view of CPO price is susceptible to fluctuation of currency exchange rate, demand and supply of commodity and import policies of major importing countries. Nevertheless, we hope the CPO price could maintain above RM2,400 per MT level.

Based on the above, we foresee the Group to perform satisfactorily for the financial year 2019.



# SUSTAINABILITY AND CORPORATE RESPONSIBILITIES

## SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 31 JANUARY 2018

The Group's principal activities, which remained largely unchanged during the financial year ended 31 January 2018, comprise investment holding, cultivation of oil palm, processing of oil palm fresh fruit bunches and marketing of oil palm products, processing of oil palm fibre and biogas and power generation. These businesses are streamlined into two (2) main segments, namely plantation operations and palm oil milling operations. As a responsible corporate citizen, the Company, via its Board of Directors ("Board"), is mindful of the need to have, and supports, a growth strategy that incorporates sustainable development and management of economic, environmental and social risks and opportunities, based on a foundation of considering the impact of the Group's business endeavours on the economic conditions of its stakeholders ("Economic"), on living and non-living natural systems ("Environmental") and on the social system ("Social"), taking into consideration the salient concerns of the Group's key stakeholders.

This Sustainability Statement ("Statement"), which is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters ("MSMs"), that impact the way the Group's operations are carried out as well as how such MSMs are managed to achieve the strategic objectives of the Group. This Statement also explains the governance structure of the Group in overseeing sustainability matters and how measures are being deployed to achieve their desired results. The contents of this Statement encompass the entire Group's operations. In preparing this Statement, the Board has considered the Sustainability Reporting Guide and its accompanying Toolkits, issued by Bursa Securities.

### Our Sustainability Governance Structure

The Group has established a Risk Management and Sustainability Committee ("RMSC"), helmed by the Board Chairman with the Managing Director and other Executive Directors of the Company as well as Heads of Business Unit of the Group as Committee members. The RMSC, which assists and reports directly to the Board on risk management and sustainability matters faced by the Group, is supported by a working group comprising the Managing Director and other Executive Directors, Heads of Business Unit and key Management staff. The working group is involved in the identification of MSMs, including how MSMs are managed, which are deliberated at the RMSC, monitored and the outcome thereof disseminated to the Board for notification and comments, as the case may be.

### Our Stakeholder Engagement and Prioritisation

The Group's stakeholder identification process is based on an exercise of identifying key external and internal groups which have a substantial impact on the Group or upon which the Group has a substantial impact. The Group's businesses have a relatively wide reach and affect not only commercial stakeholders but also communities and other entities who have non-financial interest in the impact of the Group's activities. As this is the inaugural Statement by the Group, the stakeholder identification and prioritisation process was carried out by the RMSC and key Management personnel via a workshop facilitated by an external consultant during the financial year. Although it is the Group's aim to enhance stakeholder identification processes going forward, the Board believes that the present list of stakeholders provides a fair and representative assessment of groups that affect or are affected by our business activities. These stakeholders which are prioritised in importance to the Group, i.e. categorised as critical, high and moderate, are set out below, the findings of which were subsequently raised to the Board of Directors who endorsed both the process and the outcome:

Stakeholder group and prioritization	Stakeholder description	Method of engagement
Employees (Critical)	Our employees are key enablers of all our business activities and are involved in all parts of our value chain	<ul style="list-style-type: none"> <li>• Roll call/daily muster</li> <li>• Annual appraisal</li> <li>• Internal portal</li> <li>• Circular of internal policies</li> <li>• Sports and recreation activities</li> <li>• Meetings</li> <li>• Informal gathering to enhance bonding</li> </ul>

## Sustainability and Corporate Responsibilities (cont'd)

Stakeholder group and prioritization	Stakeholder description	Method of engagement
Customers (Critical)	Our customers comprise local buyers	<ul style="list-style-type: none"> <li>• Meetings with the management</li> <li>• Site visits</li> <li>• Contract negotiation</li> </ul>
Suppliers and contractors (Critical)	Our vendors of fresh fruit bunches and other materials which are crucial in the supply chain	<ul style="list-style-type: none"> <li>• Meeting with the management</li> <li>• Visits to estates and mills</li> <li>• Contract negotiation</li> </ul>
Shareholders (High)	Shareholders are the owners of the Company	<ul style="list-style-type: none"> <li>• Meetings with shareholders (Annual General Meetings and Extraordinary General Meetings)</li> <li>• Announcements to Bursa Securities, details of which may be accessed by shareholders</li> <li>• Company's corporate website</li> </ul>
Government agencies and regulatory bodies (High)	Governance agencies and regulatory bodies stipulate and enforce the laws and regulations in the markets where the Group operates	<ul style="list-style-type: none"> <li>• Inspections by the agencies</li> <li>• Attends workshops and trainings</li> <li>• Meeting with the regulators</li> <li>• Correspondences with regulators on requirements</li> </ul>
Local communities (High)	Local communities include the people who reside in the areas where the Group operates and Non-Government Organizations	<ul style="list-style-type: none"> <li>• Awareness briefing</li> <li>• Meetings</li> <li>• Circulars/Notices</li> <li>• Dialogue session</li> </ul>
Media & Investor Analyst (Moderate)	Media stakeholders include news editors and reporters who are responsible for the public dissemination of information related to our Company whilst analysts comprise those who write reports on the Group's results, performance and plans moving forward	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Analyst briefing</li> </ul>

The feedback from engagement with stakeholders is considered in evaluating whether a sustainability risk and opportunity is considered material to enable pertinent responses to be factored in the Group's strategies.

### Our Materiality Assessment Process

Materiality, in sustainability terms, is not limited to matters that may have a significant financial impact on our Group but also includes matters that may impinge on our ability to meet present and future needs. Our definition of materiality is drawn from the Sustainability Reporting Guide provided by Bursa Securities, where material issues are defined as such if they:

- reflect an organisation's significant Economic, Environmental and Social impacts; or
- substantively influence the assessment and decisions of stakeholders.

For the purposes of this Statement, the following MSMs of the Group, categorised according to the themes of Economic, Environmental and Social, were identified by the RMSC and key Management personnel via a workshop facilitated by an external consultant during the financial year.

## Sustainability and Corporate Responsibilities (cont'd)

### Economic

#### *Performance and achievement*

On the back of a revenue amounting to RM1.075 billion for the financial year 2018 ("FY2018") as compared to RM892.59 million recorded in the preceding financial year, the Group chalked a pre-tax profit of RM161.60 million for FY2018, which was significantly higher than RM111.16 million for FY2017.

The Group recognises the importance of, and is committed to provide, quality products and services in meeting prevailing standards and expectations of the market and our customers through our available resources. Accordingly, we believe that the commendable set of results for FY2018 stemmed largely from, inter-alia, the Group's continuing emphasis on human capital development and retention, sustainable environmental practices and focus on community development, which have been identified as the Group's Material Sustainability Matters.

#### *Human capital development and retention, including safety and health at workplace*

The Group is aware that the quality of its people is crucial to deliver its strategy and ensure its future success and, therefore, aims to create a positive work culture in the workplace where employees are able to constantly learn new skills and improve their efficiency in carrying out their tasks, with the intent of improving their quality of living as an individual. The Group has a total workforce of 1,600 as at 31 January 2018 (2017: 1,500) of which about 46% (2017: 47%) is Malaysian.

The Group continues to place high emphasis on developing its human capital, the organisation's most valuable asset as it is a significant resource in the labour-intensive agriculture sector. All the more so as the sector has over recent years been experiencing severe labour shortages.

In view of this, the Group has invested heavily on employee housing, provision of free/subsidised electricity and free water supplies to the employees in the estates and mills with the objective of alleviating the living conditions of residents. In addition, the Board has emphasised on talent development, motivation and retention measures, including safety and health imperatives. The measures undertaken by the Group for FY2018 comprise the following:

- *Human capital development - equipping and learning culture*

The Group inculcates a learning culture in the organization so that employees at all levels are equipped with the necessary knowledge, skills and exposure, and that not only could they be fully effective in their current jobs but also prepared for their career progression and future assignments in support of the Group's objectives and business plan. With this in mind, we have established our own Plantation Training Centre in Keningau, Sabah to provide different levels and areas of training to our plantation staff and workers to boost their

productivity and to improve their efficiency and work performance.

The Group also engaged experts to share knowledge on a variety of issues that could benefit the employees on a personal and professional level, as well as conducted in-house training for staff on human capital, safety, accounting, technical issues and management skills. Where specialist training was required, the staff were sent for external training;

- *Human capital retention*

The Group has carried out the following activities to improve the quality of life and foster a sense of belonging in the Group:

- Various staff activities, including festival celebrations and sporting events through the In-House Sports Club;
- Subsidised company trips were organised annually to bring the Group's employees and their family together to strengthen the bonds of friendship and instil a sense of belonging among the staff and to promote a caring work culture;
- Employees were encouraged to cultivate their own vegetables for food production in designated areas within the estate/mill to enhance food sufficiency by providing seeds and young plants, including fruit tree planting within the housing compound. These initiatives were supported through the provision of planting materials, agro-fertilisers and bio-mass inputs. The produce was then distributed among employees;
- Retail prices for essential food items at the grocery shops in the estates were monitored to ensure that those items were reasonably priced; and





## Sustainability and Corporate Responsibilities (cont'd)



- At the estate/mill level, family day, sports day, annual 'kenduri' and dinners were conducted to foster better relations between the staff and workers and promote healthy lifestyle;
- *Safety and health at the workplace*

The safety and health of our employees is of utmost important to us. The Group is committed to create a culture of safety and health within the organisation in which employees are trained to be aware of and adopt safe practices and healthy lifestyle.

The following measures were carried out by the Group to address health and safety at the workplace:

- Equipped and replenished appropriate Personal Protective Equipment for workers;
- Conducted safety programmes that included fire prevention, fire-fighting and rescue training;
- Safety Operations;
- Occupational First Aid and Cardio-Pulmonary Resuscitation (CPR);
- In line with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations 2000, the Group has appointed a certified assessor to conduct Chemical Health Risk Assessment (CHRA), for all chemicals utilized in the respective plantations and oil mills. This is reviewed every 5 years by the appointed assessor as stipulated in the Regulations and annual medical health surveillance is conducted on all employees engaged in handling pesticide and other chemicals. In this context, training programmes in the use of personal protective equipment for workers exposed to hazardous compounds are regularly conducted;
- Audiometric tests for employees working at high risk areas are also conducted annually;

- Provided medical supplies for the Group's medical clinic at the mills and employs Hospital Assistants. In addition to the regular duties, the Hospital Assistant carries out regular inspections of the employees' housing to ensure that sanitation, health and drainage standards are properly maintained according to the Company's policies; and
- 'Gotong-royong' and cleaning up activities were conducted to step up the hygiene condition and eradication of mosquitoes at housing areas of the Group's estates/mills;

Whilst no fatality was suffered by the Group during the FY2018, there were 20 cases of minor injuries to employees at the workplace.

### Environmental

Being cognizant of the impact its operations may have on the environment, the Group has undertaken the following salient sustainable practices throughout the financial year under review:

#### • *Zero burning in land clearing*

The Group adheres strictly to the policy of zero burning in both new planting and replanting of oil palm. Zero burning not only keeps the air smoke-free but yields several benefits as well. The remnant debris, comprising bushes or small trees which are felled, are shredded and spread in the field to biodegrade, releasing nutrients slowly, adds valuable organic matter to the soils, reducing the use of fertilisers during the immature period. This policy is incorporated in the land clearing contract in which external contractors are engaged;

#### • *Water and soil conservation*

To minimise soil erosion, the Group plants leguminous cover crops in new planting and replanted areas. The fast-growing plants provide cover to protect the soil and build up nutrients in the topsoil. In-house produced bio-compost and empty fruit bunches are applied in fields, especially at marginal soil areas;

#### • *Fertilizer and pest management program*

The Group's fertilizer programs are based on the leaf nutrient levels, yield performance profile of the palm tree and recommendation from Planting Advisor in line with Good Agricultural Practices to improve soil fertility and productivity. To reduce environmental impact, the Group adopts an integrated pest management approach which emphasises on cultural control, biological control, and monitoring and census system. The use of safe and approved pesticides is kept to a minimum. Treatment is only carried out when the damage exceeds established critical thresholds. Prior to this, the census gangs are deployed to survey the extent of pest infestation;

## Sustainability and Corporate Responsibilities (cont'd)

- *Soil enrichment and conservation*

The Group routinely carries out mulching with recycled organic materials, such as empty fruit bunches, oil palm fronds and palm oil mill wastes, the process of which replenishes organic matter to the soil and improves soil properties.

Other soil conservation initiatives include the planting of leguminous cover crops to reduce soil erosion and improve soil physical properties, terracing and construction of silt pits and bunds, maintenance of soft grasses in palm avenues and prohibiting cultivation or development at slope sites with a gradient of 25 degrees or more for new developments;

- *Encourage use of renewables*

By-products such as palm kernel shells and palm fibres are used as feedstock for cogeneration plants to produce steam and electricity;

- *Efficient water use*

This includes incorporating an efficient land application of palm oil mill effluent system, minimising the use of water in mills and harvesting fresh water and rainfall;

- *Waste treatment*

All processing plants have waste treatment equipment and system in place. Internal environmental personnel monitor compliance with environmental standards and identify opportunities for continuous improvement;

- *Reduction of greenhouse gas emission*

The Group has successfully implemented three (3) methane capture and power generation projects at its three (3) mills which reduce greenhouse gas emissions as well as supply low cost steam and electricity for milling operations and other downstream activities of the Group.



The project implemented in our Kota Tinggi mill was the first project on biogas generated from palm oil mill effluent that is registered with the Clean Development Mechanism ("CDM") Executive Board of United Nations Framework Convention on Climate Change.

As a result, better utilisation of energy from waste material and biomass contributes towards reducing the environmental impact and improve sustainability of the palm oil industry;

- *Recycle paper usage at workplace*

The Group encourages its employees to play a part in protecting the environment by promoting recycle paper usage in workplace and to promote recycling habits to shape the mindset to go green and make recycling as an integral part of our everyday life.

Electronic reporting via internet and emails from the estates/mills are acceptable forms of reporting; and

- *Electronic publications*

To reduce the consumption of paper, the Annual Report of the Company is published in CD-ROM format and posted on the Company's website for access by shareholders and investors.



## Sustainability and Corporate Responsibilities (cont'd)

### **Social**

#### *Community development*

The Company strongly believes that in playing its role as a socially responsible corporate citizen, it creates business sustainability and enhances value for all its stakeholders. We strive to make a positive difference to the communities in which we live and operate.

The Group has over the years placed great emphasis on enhancing living conditions of the communities where we operate. This is evidenced by the Group's contributions in areas of education, infrastructure, cultural and social development initiatives. It is the Group's practice to create and offer priority in job opportunities to local villagers, either by way of direct employment, internship or through the award of contract works. This approach has proven effective in improving their living standards.

The Group is involved in the development of land belonging to an orphanage into an oil palm estate under a joint venture agreement, providing good long-term income and development fund to Al-Yatama Berhad, an organisation involved in charity work (running an orphanage).

The Group has undertaken the development of oil palm plantations on Native Customary Rights ("NCR") land in Sarawak. The aim of this project is to bring social and economic benefits to landowners who are from the indigenous community of Malaysia. The Group now manages 2,895 Ha as at 31 January 2018 (2017: 2,868 Ha) under this NCR project of which 2,444 Ha. (2017: 2,419 Ha) have been planted. The Group's involvement in developing NCR land has enabled sustainable income to be provided for about 700 (2017: 700) local land owners, a major effort contributing to poverty alleviation in the rural areas.

During the year, the Group has assisted trainees from various universities, institutes of higher learning and training centres to undergo their practical training. Suitable candidates have been identified for employment after they have completed their training.

The Group also made several contributions and donations amounting to approximately RM30,800 to governmental and non-governmental organisations to support their sports, cultural and welfare activities. Donations were also made to schools for their building funds, sports day and Parents and Teachers Associations in Johor, Sabah and Sarawak.

#### **Performance Indicators to monitor Sustainability Management**

As this is the Group's inaugural Sustainability Statement, relevant performance indicators to monitor the management of material sustainability matters are being collated by Management and, going forward, such indicators will be furnished in the Statement to enhance the Group's sustainability reporting.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 17 May 2018.

# STATEMENT ON CORPORATE GOVERNANCE

**“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders”**

**“Corporate Governance as defined in the Malaysian Code of Corporate Governance (2017) and High Level Finance Committee Report (1999)”**

This statement is prepared in compliance with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and it is to be read together with the Corporate Governance Report 2018 of the Company (“CG Report”) which is available on the Company’s website: [www.kimloong.com.my](http://www.kimloong.com.my). The explanation for departure is further disclosed in the CG Report.

The Board of Directors of Kim Loong Resources Berhad acknowledges the importance of good corporate governance (“CG”) in protecting and enhancing the interest of shareholders. As such the Board is committed towards adherence to the principles, intended outcomes and best practices set out in the Malaysian Code on Corporate Governance (“MCCG” or the “Code”) issued by the Securities Commission Malaysia.

The Board recognises the importance of CG and conscientiously strives to attain high business ethics and governance in conducting the day-to-day business affairs of the Company and its Group of Companies (“Group”), so as to safeguard and enhance shareholder’s value, which includes protecting the interests of all stakeholders.

The Board believes that good CG adds value to the business of the Group and will ensure that this practice continues. The Board of Directors believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group’s business direction and strategy.

The Board is pleased to disclose the manner and the extent in which the principles and practices set out in the MCCG and governance standards in accordance with the MMLR of Bursa Securities that have been adopted by the Company and the Group for all its business dealings and affairs throughout the financial year ended 31 January 2018 which are set out in the CG Code.

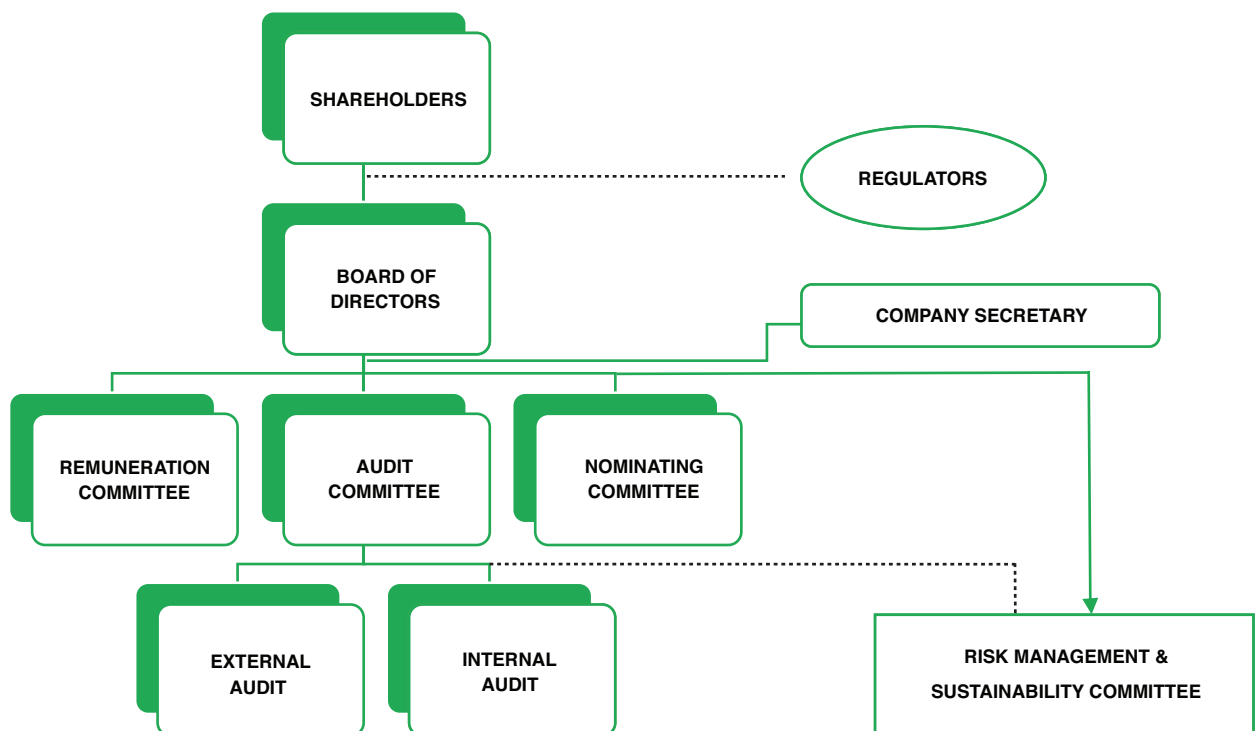
Principle A	Principle B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
<ul style="list-style-type: none"> <li>Roles of the Board, Board Committees, the Chairman, Managing Director, Separation of Roles between the Chairman and the Managing Director and the role of Company Secretary</li> <li>Timely dissemination of information to Directors</li> <li>Board Charter</li> <li>Code of Conduct and Ethics</li> <li>Whistleblowing Policy</li> <li>Board Composition</li> <li>Board Independence</li> <li>Tenure of Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>Audit and Risk Management Committee</li> <li>Chairmanship of Audit and Risk Management Sustainability Committee</li> <li>Suitability and Independence of External Auditors</li> <li>Independence of Audit and Risk Management Sustainability Committee</li> <li>Financial literacy of members</li> <li>Risk Management and Internal Control Framework</li> <li>Risk Management Sustainability Committee</li> </ul>	<ul style="list-style-type: none"> <li>Communication and engagement between the Company and Stakeholders</li> <li>Integrated Reporting</li> <li>Timely dissemination of Notice of Annual General Meeting</li> <li>Attendance of Directors at general meetings</li> <li>Technology to facilitate greater participation of shareholders at general meetings</li> </ul>



## Statement on Corporate Governance (cont'd)

Principle A	Principle B	Principle C
<ul style="list-style-type: none"> <li>• Board Diversity</li> <li>• Sourcing and nomination of board members</li> <li>• Chairmanship of Nominating Committee</li> <li>• Board Evaluation</li> <li>• Remuneration Policy</li> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Function</li> </ul>	

Our Corporate Governance Framework, which is set out below, is vital in contributing towards our growth and long term-sustainability



## Statement on Corporate Governance (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

##### 1.1 Roles of the Board

The Board's pivotal role is to lead and establish the Group's vision, strategic direction, key policies and framework, including the management of the succession planning process of the Group and the appointment of key senior management. In view thereof, the Board's roles and responsibilities include but are not limited to the following:

- Reviewing and approving the strategic business plan developed by Management for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal and reputational risks of the Group's business activities and ensure the implementation of appropriate systems to manage these risks;
- Serving as the ultimate approving authority for all significant financial expenditure;
- Developing and implementing a shareholder communications policy for the Company;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Approving the remuneration package of both Executive and Non-Executive Directors; and
- Ensuring that the Group adheres to high standards of conducts, ethics and corporate professional behaviour.

The Board has delegated specific responsibilities to the following committees: -

- (i) Audit Committee
- (ii) Nominating Committee
- (iii) Remuneration Committee

These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good CG.

##### 1.2 Board Corporate Governance Manual

All Board members are expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

The Board has formalised and adopted a Board Corporate Governance Manual ("Board CG Manual") which provides guidance to the Board in fulfilment of its roles, functions duties and responsibilities. The Board will review the Board CG Manual as and when required to ensure relevance and compliance with the regulations. Extracts of the Board CG Manual is now available at the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my). The Board CG Manual is the primary document that elucidates on the governance of the Board, Board Committees and individual Directors.

The Board CG Manual sets out the role, functions, composition, operation and processes of the Board to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board CG Manual also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.

## Statement on Corporate Governance (cont'd)

The Board CG Manual covers amongst others, the following matters:

- Policies on Corporate Social Responsibilities, Gender Equality and Sustainable
- Board Charter
- Role, Responsibilities and Power of the Board, Individual Directors, Chairman and Managing Director
- Role of Board Committees
- Role of Company Secretary
- Board and General Meetings
- Corporate Disclosure Policy
- Whistle-blowing Policy
- Code of Ethics and Conduct
- Corporate Integrity Policy - Anti Fraud Policy
- Risk Management Policy
- Investors Relations Policy

This Board CG Manual will be regularly reviewed and updated in accordance with the needs of the Company and any new regulations. Any amendments to the Board CG Manual shall be approved by the Board. The Board CG Manual was adopted on 17 May 2018. Extracts of the Board CG Manual is available on the Company's website at <http://www.kimloong.com.my>.

### 1.3 Roles and Responsibilities of the Executive Chairman, Managing Director, Executive Directors, Senior Independent Non-Executive Director and Independent Non-Executive Directors.

EXECUTIVE CHAIRMAN	MANAGING DIRECTOR
<ul style="list-style-type: none"> <li>• Ensure that the Board functions effectively, cohesively and independently of Management</li> <li>• Promotes the highest standards of corporate governance</li> <li>• Leads the Board, including presiding over Board meetings and Company meetings and directs Board discussions to effectively use the time available to address the critical issues facing the Company</li> <li>• Promotes constructive and respectful relationship among Board members and between Board members and Management</li> <li>• Ensures that there is effective communication between the Company and/or Group and its shareholders and relevant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Develops the strategic direction of the Group</li> <li>• Ensures that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees</li> <li>• Ensures that the objectives and standards of performance are understood by the Management and employees</li> <li>• Ensures that the operational planning and control systems are in place</li> <li>• Monitors performance results against plans</li> <li>• Take remedial action, where necessary</li> </ul>
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR	EXECUTIVE DIRECTOR
<ul style="list-style-type: none"> <li>• Acts as a sounding board for the Chairman and Executive Directors</li> <li>• Acts as a conduit for the views of other Non-Executive Directors</li> <li>• Conducts the Chairman's annual performance appraisal</li> <li>• Helps to resolve shareholders' concerns</li> </ul>	<ul style="list-style-type: none"> <li>• Under the leadership of the Group Managing Director, makes and implements decisions in all matters affecting the operations, performance and strategy of the Group's business</li> <li>• Provides specialist knowledge and experience to the Board</li> <li>• Charts the overall business direction of the Group</li> <li>• Design, develops and implements strategic plans</li> <li>• Deals with day-to-day operations of the Group</li> </ul>

## Statement on Corporate Governance (cont'd)

INDEPENDENT NON-EXECUTIVE DIRECTOR	COMPANY SECRETARY
<ul style="list-style-type: none"> <li>• Challenge constructively</li> <li>• Help to develop and set the Group strategy</li> <li>• Actively participate in Board decision making</li> <li>• Scrutinise management performance</li> <li>• Satisfy themselves on the integrity of financial information</li> <li>• Review the Group's risk exposures and controls</li> <li>• Provide independent judgement, experience and objectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Advises the Board</li> <li>• Ensure accurate and timely information and required support are provided to Directors</li> <li>• Organise Directors' induction and training</li> <li>• Communicates with shareholders as appropriate and ensures due regard is paid to their interests</li> </ul>

### Office of Executive Chairman

The old Code recommended that if the Chairman of the Board is not an independent director, the Board must comprise a majority of Independent Directors. The Company's Chairman is an Executive Director and there are three (3) Independent Non-Executive Directors out of seven (7) board members (excluding the two (2) Alternate Directors). The Independent Directors do not form majority of the Board.

The Nominating Committee has assessed, reviewed and determined that the chairmanship of Mr. Gooi Seong Lim remains based on the following justifications/aspects contributed by him, as a member of the Board -

- He has been sanctioned by the shareholders and will act in the best interest of shareholders as a whole. Since the Chairman represents shareholders with a substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.
- His vast experience in managing the operations of the Group's business activities would enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group;
- He has exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company;
- He has provided objectivity in decision making and ensured effective check and balance in the proceedings of the Board, and
- He has shown tremendous commitment and played an integral role in stewardship

Under the new Code, it recommends that at least half of the Board of Directors comprises independent directors. As of now, the Board is of the opinion that it should not urgently increase independent directors to form at least half of the Board composition because the current number of independent directors is sufficient to ensure effective check and balance in the Board.

### Segregation of Role and Responsibilities of Executive Chairman and Managing Director

The roles and responsibilities of the Executive Chairman and the Managing Director are held by two different individuals to exercise clearly separated to enable a balance of power and authority. This is in line with the recommendation of the Code, which requires the Board to establish clear functions reserved for the Board and those delegated to the management.

The Board is led by Mr Gooi Seong Lim, as the Executive Chairman, whilst the executive management is helmed by Mr Gooi Seong Heen, the Managing Director of the Group. Both have many years of experience in managing the Group's core businesses.



## Statement on Corporate Governance (cont'd)

The Executive Chairman is responsible for ensuring Board effectiveness and conduct. He ensures the integrity and effectiveness of the governance process of the Board and acts as a facilitator at Board meetings. Every Board resolution is put to a vote, if necessary, which would reflect the collective decision of the Board and not individuals or an interest group. He also maintains regular dialogues/meetings with the Managing Director/Head of business units on all operational matters.

The Managing Director has the overall responsibility for the profitability and development of the Group. He is responsible for the stewardship of all the Group's assets, day-to-day running of the business and effective implementation of Board decisions, annual operating plan, budget, policies decisions as approved by the Board. The Managing Director's in-depth and intimate knowledge of the Group's affairs contribute significantly towards the ability of the Group to achieve its goals and objectives.

The segregation of duties between the Executive Chairman and the Managing Director facilitates an appropriate balance of role, responsibility and accountability and promotes appropriate supervision of the management.

### 1.4 Qualified and Competent Company Secretaries

The Board is supported by three (3) qualified Companies Secretaries who are members of professional bodies such as the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) or the Malaysian Association of Company Secretaries (MACS) and are qualified to act as company secretary under Section 235(2)(a) of the Companies Act, 2016.

The Company Secretaries are external Company Secretary from Tacs Corporate Services Sdn. Bhd. with vast knowledge and experience from being in public practice and is supported by a dedicated team of company secretarial personnel.

The Company Secretaries are entrusted to record the Board's and their Committees deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board meeting are distributed to the Directors prior to the Board meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation and signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

All Directors have direct access to the advice and services of the Company Secretaries whether as a full Board or in their individual capacity, in discharging their duties.

The Board is regularly updated and advised by the Company Secretaries on new changes to the legislations and Listing Requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

The appointment and removal of the Company Secretaries is a matter for the Board as a whole. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of their functions.

### 1.5 Access to Information and advice

The Executive Chairman and the Managing Director have the primary responsibility for organising information necessary for the Board to deal with the agenda and ensuring all Directors have full and timely access to the information relevant to matters that will be deliberated at Board meetings.

In exercising their duties, all Directors have the same right of access to all information within the Group and they have a duty to make further enquiries which they may require in discharging their duties. The Directors also have access to advice and services of the Company Secretaries, who are available to provide them with appropriate advice and services to ensure that Board meeting procedures are followed and all applicable rules and regulations are complied with. If necessary, the services of other senior management will be arranged to brief and help the Directors to clear any doubt or concern to further facilitate the decision-making process.

All Directors are provided with an agenda and a set of comprehensive Board papers, issued within sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated on, and where necessary, to obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group. Board papers are also presented with details on other issues that may require the Board's deliberation or decisions, policies, strategic issues which may affect the Group's businesses and factors imposing potential risks affecting the performance of the Group. Senior management staff and external advisors may be invited to attend Board meetings, to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled.

## Statement on Corporate Governance (cont'd)

### 1.5 Access to Information and advice (cont'd)

The Board papers prepared for the quarterly scheduled meetings include, among others, the following:

- Minutes of previous Board meeting
- Minutes of the Board Committee's meeting
- Reports on matters arising
- Quarterly financial report
- Report on operations

Other matters highlighted for the Board's decision include the approval of corporate plans, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

### 1.6 Independent Professional Advice

The Directors, whether acting as a full Board member or in their individual capacity, in the furtherance of their duties, may obtain independent professional advice at the Company's expense, in the event that circumstances warrant the same. The Company has placed internal procedures for the application and appointment process for the services.

### 1.7 Conflict of Interest and Related Party Transactions

The Directors are responsible at all times to determine whether they have a potential or actual conflict of interest in relation to any matter, which comes before the Board. All Directors are required to make declarations on whether they have any interest in transactions tabled at Board meetings. The Directors acknowledged that they have to declare any interest they have in the Company and its subsidiaries and abstained from the deliberation and voting on the related resolutions at the Board or any general meetings convened to consider the matter. In the event that a corporate proposal is required to be approved by shareholders, interested directors will abstain from voting in respect of their shareholdings in Kim Loong Resources Berhad on the resolution related to the corporate proposal, and will further ensure that persons related to them also refrain from voting on the resolution.

## II. Board Composition

**2.1** The Board composition is in compliance with Paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two Directors or  $\frac{1}{3}$  of the Board, whichever is higher, must be Independent Directors and also the recommendation by the MCCG to have at least half of the Board comprises independent directors.

As of now, the Board does not believe that it should urgently increase independent directors to form at least half of the Board composition because the current number of independent directors is sufficient to ensure effective check and balance in the Board. However, the Board will continuously review and evaluate such recommendation.

Details of the current individual director's qualifications and experiences are presented in the Board of Directors' Profile from page 12 to 16 of this Annual Report.

### 2.2 Independent Non-Executive Directors

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

#### (i) Annual Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in its decisionmaking process. The Independent Directors who are professionals of high calibre and integrity and possess in-depth knowledge of the Group's business, bring their independent and objective views and judgement to Board deliberations.

### 2.2 Independent Non-Executive Directors (cont'd)

#### (i) Annual Assessment of Independent Directors (cont'd)

During the financial year, the Board through the Nominating Committee performs an evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

#### (ii) Tenure of Independent Director

The Board noted the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the Board intends of retaining an individual as independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after twelve (12) years, the board should seek annual shareholders' approval through a two-tier voting process.

The Nominating Committee and the Board have deliberated on the recommendation and hold the view that the ability of an Independent Director to exercise independent judgement is not affected by the length of his service as an Independent Director. The suitability and ability of Independent Director to carry out his roles and responsibilities effectively are very much a function of his calibre, experience and personal qualities. Restriction on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board.

Both the Nominating Committee and the Board have assessed the independence of Mr Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, and recommended him to be retained as the Independent Non-Executive Director of the Company based on the following justifications:-

- (a) He has fulfilled the criteria under the definition of an Independent Director as stated in the MMLR of Bursa Securities, and thus, he would be able to provide independent judgement, objectivity and check and balance to the Board;
- (b) He performs his duties and responsibilities diligently and in the best interest of the Company without being subject to influence of the management;
- (c) His in-depth knowledge of the Group's businesses and his extensive knowledge, commitment and expertise continue to provide invaluable contributions to the Board;
- (d) He, having been with the Company for more than twelve (12) years, is familiar with the Group's business operations and has devoted sufficient time and attention to his professional obligations and attended the Board and Committee meetings for an informed and balanced decision making;
- (e) He is independent as he has shown great integrity and he has not entered into any related party transaction with the Group; and
- (f) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group.

Both the Nominating Committee and the Board also recognise the benefits of the experience, valuable insights, expertise and stability brought by Mr Gan Kim Guan and his continued service will serve the interest of the Company and its shareholders.

The Board is unanimous in its opinion that Mr Gan Kim Guan, who has served on the Board as an Independent Director, exceeding a cumulative term of twelve (12) years, continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the MMLR of Bursa Securities.

In this respect, the Board has approved the continuation of Mr Gan Kim Guan as an Independent Director of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and bringing independent and professional judgement to board deliberations. Accordingly the Board strongly recommends retaining Mr Gan Kim Guan as Independent Non-Executive Director and will be tabling an Ordinary Resolution to shareholders at the 43<sup>rd</sup> AGM for the said purpose. Shareholders' approval for the Ordinary Resolution will be sought on a single tier voting process.

## Statement on Corporate Governance (cont'd)

### 2.2 Independent Non-Executive Directors (cont'd)

#### (iii) Shareholders approval for retention of Independent Director

The Board takes cognizance of the recommendation of the Code regarding tenure of Independent Directors but will seek approval of the shareholders through a single tier voting process for retention of Independent Director who has served for a cumulative term of more than twelve (12) years. This is in line with the general rule on voting as provided in the Companies Act, 2016 which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions through a single tier voting process.

#### (iv) Independent Directors and balance of power

The Code recommends that at least half of the Board comprises Independent Directors. The Board is of the opinion that current number of Independent Directors is sufficient to ensure balance of power and authority on the Board.

The Board is also satisfied with the Board's composition in respect of representation of minority shareholders by the Independent Non-Executive Directors.

### 2.3 Board Diversity

The Board acknowledges the importance of boardroom diversity policy and target by the Code. When appointing a Director, the Nominating Committee and the Board will always evaluate and match the criteria of the candidate to the Board based on individual merits, experience, skill, competency, knowledge and potential contribution, whilst the Code will also be given due consideration for boardroom diversity.

The Company does not set any specific target for boardroom diversity and female representation will be considered when suitable candidates are identified.

### 2.4 Foster Commitment of the Director

#### Board Meetings

The Board normally meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be taken between scheduled meetings. Due notice of issue to be discussed, deliberated and conclusions arrived are recorded in discharging its duties and responsibilities.

During the financial year, the Board met on six (6) occasions where it deliberated upon and considered a variety of matters including approving the Group's financial results, strategic and investment decisions as well as financial and operating performance of its subsidiary companies.

The agenda for each Board meeting and papers relating to the agenda are sent to all Directors at least seven (7) days before the meeting, in order to provide sufficient time for the Directors to review the Board papers and seek clarifications, if any.

All proceedings at the Board meetings are recorded by way of minutes and signed by the Chairman of the respective meeting.

#### Time Commitment and Protocol for Accepting New Directorships

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. Meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.



## Statement on Corporate Governance (cont'd)

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings set out below:

Name of Director	Status of Directorship	Number Meetings Attended	Percentage (%)
Gooi Seong Lim	Executive Chairman	5	83
Gooi Seong Heen	Managing Director	6	100
Gooi Seong Chneh	Executive Director	6	100
Gooi Seong Gum	Executive Director	6	100
Gan Kim Guan	Senior Independent Non-Executive Director	6	100
Chan Weng Hoong	Independent Non-Executive Director	6	100
Cheang Kwan Chow	Independent Non-Executive Director	6	100

All Directors have complied with the minimum 50% attendance requirements in respect of board meeting as stipulated by the MMLR.

Under the existing practice, the Directors shall inform the Board before accepting new directorships in other companies and ensure that their number of directorships in public listed companies is in compliance with the MMLR of Bursa Securities.

### 2.5 Overall Board Effectiveness

The Board reviews its performance and that of the Board Committees and individual Directors on an annual basis based on a set of predetermined criteria on a process that is facilitated by the Nominating Committee. The Nominating Committee will assess the overall Board and Board Committees' performance and effectiveness as a whole.

The Nominating Committee is satisfied that the Board and Board Committees' composition has fulfilled the criteria required, possess a right blend of knowledge, experience and mix of skill as below:

Board Skills and Experience	Core Business
Accounting & Finance	Cultivation of oil palm, palm oil milling and investment holding
Agronomist	
Business Administration	
Chemical Engineering	
Civil Engineering	
Construction Site Management	
Investment and wealth management	
Management	
Marketing	
Palm Oil Mill Management	
Rubber / Oil Palm Estate management	
Plantation and Milling operations	
Property Development	
Mechanical Engineering	

### 2.6 Directors Training

All Directors including the Alternate Directors have completed the "Mandatory Accreditation Programme for Directors of Public Listed Companies" pursuant to Paragraph 15.08 of the MMLR of Bursa Securities.

During the financial year under review, the Board has discussed training programmes proposed for the Directors' attendance. Directors are also encouraged to participate in seminars and/or conferences organised by relevant regulatory authorities, professional bodies and commercial entities providing training. This is part of their Continuous Education Programme to keep abreast with relevant new developments on a continuous basis on the general regulatory, economic, industry and technical developments to further enhance their skills, knowledge and experience as well as update themselves on new developments in the business environment in order to fulfil their duties as Directors.

## Statement on Corporate Governance (cont'd)

### 2.6 Directors Training (cont'd)

Directors also receive briefing from Internal and External Auditors on updates in financial reporting and new accounting standards affecting the Group, bankers on available financial instruments and suppliers/contractors on their products. The Executive Directors represent the Group at the Committee of East Malaysia Planters' Association and Malaysian Estate Owners' Association and they are kept informed on new developments affecting the plantation industry.

During the financial year under review, the Directors have attended the following training programmes/courses and/or conferences listed below:

	Gooi Seong Lim	Gooi Seong Heen	Gooi Seong Chneh	Gooi Seong Gum	Gan Kim Guan	Chan Weng Hoong	Cheang Kwan Chow	Gooi Chuen Kang	Gooi Khai Chien
POC 2017 Palm & Lauric Oils Price Outlook Conference and Exhibition organised by Bursa Malaysia. 6-8 March 2017							•		
JP Morgan Technical Exchange, Introducing to leading technological innovations and networking 7-9 June 2017								•	
OCBC Treasury Advisory - Market Outlook, Global, China & Malaysia			•						
Guidelines for Group Management - Overview of the Group Management Structure for Promoting Sustainability by Wild Asia on 11 Aug 2017	•	•	•	•			•		
In House Training Series - The Code of Corporate Governance, Key changes & impact to the Board and Management by Mr Lee Min On 29 September 2017	•	•	•	•	•	•	•	•	
In House Training Series - Sustainability Report by Mr Lee Min On 4 January 2018	•	•	•	•	•	•	•	•	
SIRIM-STS MSPO MS2530:2013, Awareness & Documentation 8-10 January 2018							•		
SIRIM-STS MSPO MS2530:2013, Internal Auditing 11 & 12 January 2018							•		

### 2.7 BOARD COMMITTEES

In order to assist in the execution of Board's responsibilities for the Group, certain functions have been delegated by the Board to Board Committees. Clearly defined terms of reference have been given to these Committees to enable them to operate effectively. However, these Committees do not have any executive powers. The Chairman of the respective Committees reports to the Board the outcome of the Committee meetings and such reports are incorporated in the Board papers (except the power of the Audit Committee to report to Bursa Securities in circumstances described in the Audit Committee Report).

The Board periodically reviews the Committees' Terms of Reference.

#### a. Audit Committee

The Audit Committee serves as a focal point of communication between Directors, External Auditors, Internal Auditors and the Senior Management on matters pertaining to financial accounting, reporting and controls. The Committee also assists the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing of the Group. It is also the Board's principal agent in ensuring independence of the Company's External Auditors and the adequacy of disclosures to shareholders.

The Committee has full access to the auditors both internal and external, who in turn, have access at all times to the Chairman of the Audit Committee.

In line with good corporate governance practices, none of the Executive Directors are members of the Audit Committee. The Terms of Reference of the Audit Committee is available on the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my) and the Report of the Audit Committee is disclosed on pages 66 to 69 of this Annual Report. The works of the Audit Committee during the financial year ended 31 January 2018 are also set out in the Report of the Audit Committee.

#### b. Remuneration Committee

The Remuneration Committee is responsible for recommending the remuneration framework and the remuneration packages of the Executive Chairman, Managing Director, Executive Directors and senior management, so as to ensure that rewards are linked to their performance and contributions to the Group's growth and profitability in order to align the interest of the Directors and senior management with those of shareholders. The Committee also ensures that the level of remunerations for Executive Directors and senior management are linked to their level of responsibilities and contribution to the effective functioning of the Company. None of the Executive Directors participated in any way in determining their individual remuneration.

The Board as a whole determines the remuneration packages of Independent Non- Executive Directors with the Directors concerned abstaining from discussions in respect of their individual remuneration. In deciding on an appropriate level of fees for each Independent Non-Executive Director, the Board has considered the responsibility level and time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers, as well as the number of Board Committees involved.

The Terms of Reference of the Remuneration Committee is available on the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my) and the Report of the Remuneration Committee on page 70 of this Annual Report.

## Statement on Corporate Governance (cont'd)

### 2.7 BOARD COMMITTEES (cont'd)

The Board periodically reviews the Committees' terms of reference. (cont'd)

#### c. Nominating Committee

The Nominating Committee is empowered by the Board through clearly defined terms of reference to ensure that there are appropriate procedures in place for the nomination, selection and evaluation of Directors. The Nominating Committee assesses the effectiveness of the Board as a whole and each of the Board Committees as well as the contribution of each individual Director, including the Independent Non-Executive Directors, Executive Chairman and Managing Director on an annual basis. All assessments and evaluations carried out by the Nominating Committee in discharging its duties are documented in the minutes of meetings.

The objective of the assessment of the effectiveness of the Board as a whole, the Board Committee and the contribution of each Director was to improve the Board and the Committee's effectiveness and to enhance the Director's awareness on the key areas that need to be addressed. The evaluation result was tabled for consideration of the Nominating Committee and its recommendations to the Board.

The Board, through the Nominating Committee's annual appraisal process, believes that it possesses the required mix of skills, experience and other qualities including core competencies brought by Independent Non-Executive Directors which enables it to discharge its duties in an effective manner in light of the challenging economic and operating environment in which the Group operates. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Board appoints its members through a selection process. All new appointees will be considered and evaluated by the Nominating Committee for the candidates' ability to discharge responsibilities as expected from them. The Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made and that legal and regulatory obligations are met.

The Terms of Reference of the Nominating Committee is available on the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my) and the Report of the Nominating Committee on page 71 of this Annual Report.

### III. Remuneration

**3.1** The remuneration policy of the Company is based on the philosophy to enable the Company to attract and retain Directors and senior management of calibre and relevant experience and expertise to manage the Group successfully. For an Executive Director and senior management, the remuneration will depend on the achievement of goals including targets and personal achievement and is linked to Group and individual performance. In the case of a Non-Executive Director, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. All Independent Non-Executive Directors are paid Director's fees for serving as Directors on the Board and its Committees. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. All Directors are paid a meeting allowance of RM500 per meeting day for attendance at each Board and its Committees' meeting.

#### a. The level and make up of Remuneration

The remuneration package of the Executive Directors and senior management is reviewed by the Remuneration Committee for consideration of the Board.

The remuneration of all Non-Executive Directors is reviewed by the Board, based on their experience and expertise and the level of responsibilities of the Directors concerned as well as the condition of the industry.

#### b. Procedure

The Remuneration Committee recommends to the Board the remuneration package of the Executive Directors and senior management. The Executive Directors do not participate in decisions regarding their own remuneration packages. The Board as a whole determines the remunerations of Non-Executive Directors with individual Directors abstaining from making decisions in respect of their individual remunerations. The Directors' fees and meeting allowance are approved at the AGM by shareholders.



## Statement on Corporate Governance (cont'd)

### III. Remuneration (cont'd)

#### c. Disclosure

A summary of the remuneration of the Directors of the Company and the Group for the year ended 31 January 2018, distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components is set out as below:

#### Group

#### Aggregate Remuneration

	Directors' Fees	Basic Salary	Bonus	Benefit -in-kind	Other Benefits	Meeting Attendance Allowance	Total
	RM	RM	RM	RM	RM	RM	RM
Mr Gooi Seong Lim (Executive Chairman)	80,500	840,000	738,000	7,000	208,697	8,250	1,882,447
Mr Gooi Seong Heen (Managing Director)	80,500	936,000	834,000	32,030	233,656	12,500	2,128,686
Mr Gooi Seong Chneh (Executive Director)	80,500	840,000	738,000	7,000	208,697	11,250	1,885,447
Mr Gooi Seong Gum (Executive Director)	80,500	840,000	738,000	7,000	208,697	12,500	1,886,697
Mr Gan Kim Guan (Senior Independent Non-Executive Director)	100,000	-	-	-	-	3,000	103,000
Mr Chan Weng Hoong (Independent Non-Executive Director)	94,000	-	-	-	-	3,000	97,000
Mr Cheang Kwan Chow (Independent Non-Executive Director)	94,000	-	-	-	-	3,000	97,000
<b>Total</b>	<b>610,000</b>	<b>3,456,000</b>	<b>3,048,000</b>	<b>53,030</b>	<b>859,747</b>	<b>53,500</b>	<b>8,080,277</b>

## Statement on Corporate Governance (cont'd)

### III. Remuneration (cont'd)

#### c. Disclosure (cont'd)

##### Company

##### Aggregate Remuneration

	Directors' Fees	Basic Salary	Bonus	Benefit -in -kind	Other Benefits	Meeting Attendance Allowance	Total
	RM	RM	RM	RM	RM	RM	RM
Mr Gooi Seong Lim (Executive Chairman)	-	480,000	480,000	7,000	125,393	2,500	1,094,893
Mr Gooi Seong Heen (Managing Director)	-	576,000	576,000	32,030	150,352	3,000	1,337,382
Mr Gooi Seong Chneh (Executive Director)	-	480,000	480,000	7,000	125,393	3,000	1,095,393
Mr Gooi Seong Gum (Executive Director)	-	480,000	480,000	7,000	125,393	3,000	1,095,393
Mr Gan Kim Guan (Senior Independent Non-Executive Director)	100,000	-	-	-	-	3,000	103,000
Mr Chan Weng Hoong (Independent Non-Executive Director)	94,000	-	-	-	-	3,000	97,000
Mr Cheang Kwan Chow (Independent Non-Executive Director)	94,000	-	-	-	-	3,000	97,000
<b>Total</b>	<b>288,000</b>	<b>2,016,000</b>	<b>2,016,000</b>	<b>53,030</b>	<b>526,531</b>	<b>20,500</b>	<b>4,920,061</b>

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 4.1 Compliance of Financial Statements with Applicable Financial Reporting Standards

The Audit Committee is tasked with assisting the Board in maintaining a sound system of internal control across the Group. Accurate and reliable financial statements are a key outcome of a sound system of internal control and towards this end, the Audit Committee considers the following on a regular basis:

- Changes in accounting policies, practices and implementation thereof
- Significant adjustment arising from external audit process
- Qualification of the External Auditors' report (if any)
- Going concern assumption
- Adequacy and appropriateness of disclosures

The Audit Committee also meets with the External Auditors without the presence of Management, and this is a forum at which the External Auditors may raise, among other matters, any concern they may have on the compliance aspect of the financial statements.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

The Finance Director updates the Audit Committee regularly on the Group's financial performance and highlights key issues in connection with the preparation of the results, including the adoption of new accounting standards/policies. The Finance Director is responsible for ensuring that the Group is aware of impending changes to the accounting standards and also the relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

The Company's financial statements are prepared in accordance with the requirements of the Companies Act, 2016 and Financial Reporting Standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Audit Committee assists the Board to ensure accuracy and adequacy of all information for disclosure and compliance with accounting standards.

The Board presents a balanced and meaningful assessment of the Group's financial performance and prospects to the shareholders, investors and regulatory authorities, primarily through the quarterly and annual financial statements, Chairman's Statement and Management Discussion & Analysis in the Annual Report.

#### 4.2 External Auditors

The Board through the establishment of the Audit Committee, has established a good working relationship with its External Auditors i.e., Messrs Ernst & Young. The Group also maintains a transparent and professional relationship with its External Auditors in seeking professional advice and ensuring compliance with the applicable Financial Reporting Standards in Malaysia. Messrs Ernst & Young report to the shareholders of the Company on their opinion which are included as part of the Group's Annual Report with respect to their audit on each year's statutory financial statements. The Company's External Auditors are appointed every year during the AGM.

The External Auditors are invited to attend the Audit Committee meetings and AGM and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Board has adopted a procedure in relation to the provision of non-audit services by the Company's External Auditors to ensure that it is not in conflict with the role of the External Auditors or their independence. The External Auditors are required to declare their independence annually.

The Audit Committee is responsible to review all the non-audit services provided by the External Auditors and the aggregate amount of fees paid to them. Details of the amounts paid to the External Auditors for non-audit services performed during the year are set out in the Additional Compliance Information of this Annual Report.

## Statement on Corporate Governance (cont'd)

### 4.2 External Auditors (cont'd)

The Audit Committee is also aware of the recommendation of the Code to have policies and procedures in place to assess the suitability and independence of External Auditors. Considering the expertise and existing business knowledge of the current External Auditors and the location of the Company and its subsidiaries, the Audit Committee is of the opinion that the current External Auditors are still suitable for re-appointment. While assessing the independence of the External Auditors, the Audit Committee is satisfied and agreed with the representation by the External Auditors in their Audit Planning Memorandum for the audit of the financial year ended 31 January 2018, that they are independent in accordance with the By-laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants. Furthermore, during the financial year ended 31 January 2018, the External Auditors were not engaged for any significant services other than the statutory audit.

The Board is satisfied based on advice from the Audit Committee that the provision of the non-audit services does not in any way compromise on their independence. In addition, the Audit Committee has obtained a written assurance from the External Auditors confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

### 4.3 Internal Audit Function

The Group's internal audit function adopts a co-sourcing model whereby risk management and specialised audits are performed by the Group's holding company, Sharikat Kim Loong Sendirian Berhad which acts independently from the activities and operations of the Group. The internal audit team reports to the Group Head of Internal Audit and the Audit Committee. KPMG Management & Risk Consulting Sdn. Bhd., a professional service firm has been appointed to performed risk based internal audit where results are directly reported to the Audit Committee.

The main purpose of the Internal Auditors are:

- To review effectiveness of the Group's systems of internal controls;
- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement of Risk Management and Internal Control in the Annual Report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- Identify the key business processes within the Group and Company that Internal Audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

The Internal Auditors adopts a risk based auditing approach by focusing on identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls and statutory requirements based on an internal audit plan agreed annually with the Audit Committee and report on the systems of financials and operations control to the Audit Committee. Submission of the audit results to the Management and the Audit Committee would ensure that the Management is compliant with the internal control systems and implementing continuous improvement.

### 4.4 Related Party Transactions

Directors recognise that they have to declare their respective interests in transactions with the Company and with the Group and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. The Company has an internal framework to ensure it complies with the related party transactions as prescribed in the Listing Requirements. The related party transactions are recorded and presented to the Audit Committee on a quarterly basis for review and discussion should any concern arise. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that causes questions of management integrity to arise.

### 4.5 Risk Management Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management and Sustainability Committee ("RMSC") that is chaired by the Managing Director and its members comprise the Executive Directors, Heads of Divisions & Departments ("HODS") and staff from key operations. They have also been trained to identify the risks relating to their areas; the likelihood of these risks occurring; the consequences if they do occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register.



### 4.5 Risk Management Framework (cont'd)

The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMSC and the Audit Committee.

Ongoing risk management education and training is provided at Management and staff level by members of the RMSC.

### 4.6 Internal Control

The Board acknowledges that it is responsible for the Group's system of internal controls which is to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. It involves key management of each business unit to meet the Group's particular needs, manage risks to which it is exposed, the effective and efficient conduct of operations, financial controls and compliance with laws and regulations as well as with internal procedures and guidelines to provide reasonable but not absolute assurance against misstatement or loss.

The review on the systems of internal control is set out under the Statement on Risk Management & Internal Control as set out in pages 59 to 65 of this Annual Report.

The Statement on Risk Management & Internal Control provides an overview of the risk management framework and state of internal control within the Group.

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

### 5.1 Corporate Disclosure Policy

The Company's Corporate Disclosure Policy provides a framework for the Board, management and relevant staff to communicate effectively with shareholders, investors, other stakeholders and the public generally. The policy encompasses the following objectives:

- to raise awareness and provide guidance to the Board and employees of the Group on the Company's disclosure obligations and practices;
- to provide policies and guidelines in disseminating information to, and in dealing with shareholders, financial analysts, media, regulators, the investing community and other stakeholders;
- to ensure compliance with applicable legal and regulatory requirements on disclosure of material information; and
- to build good relations with the investing community to foster trust and confidence.

The Corporate Disclosure policy regulates the review and release of information to the stock exchange as well as through the Company's website, facilitating timely and accurate disclosure of the Company's affairs.

### 5.2 Leveraging on Information Technology for Effective Dissemination of Information

The Board recognises the importance of information technology for effective dissemination of information.

The Company's website has become a key communication channel for the Company to reach its shareholders and general public. The website has a number of sections which provide up-to-date information on Group activities, Board Charter, financial results, announcements released to Bursa Securities, annual reports and company profile, corporate presentations and other information on the Company and can be found on the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my) to further enhance investors and shareholders communication.

### 5.3 Insider Trading

Directors and senior management are prohibited from dealing in securities if they have knowledge of any price-sensitive information which has not been publicly disclosed in accordance with the Listing Requirements and the relevant regulatory provisions.

### 5.4 Dialogue between the Group and Investors

The Board adheres to the disclosure requirements of Bursa Securities and ensures timely release of the financial results on a quarterly basis in order to provide its shareholders with an overview of the Group's financial and operational performance. In addition, it communicates with its shareholders, institutional and potential investors through various announcements made during the year.

This Annual Report is also an important channel of communication to reach shareholders and investors as it provides comprehensive information pertaining to the Group.

## Statement on Corporate Governance (cont'd)

### 5.4 Dialogue between the Group and Investors (cont'd)

A press conference is normally held after the AGM and/or Extraordinary General Meeting ('EGM') of the Company to provide the media the opportunity of receiving an update from the Board and to address any queries or areas of interest by the media.

In addition, the Group recognises the need for independent third party assessment of itself. In this regard, the Executive Chairman, Managing Director and key senior management of the Group also conduct dialogue sessions or briefings with Investment/Financial Analysts and the Press on the results, performance and the potential of new developments of the Group. These briefings enable a direct and frank dialogue on the affairs of the Group.

Other avenues whereby shareholders and interested stakeholders have access to company data are through quarterly filing of financial data at Bursa Securities and via the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my) which they can access for information about the Group.

### 5.5 AGM

The AGM is the principal forum of dialogue with shareholders. In accordance with the Company's Articles of Association (Constitution), Notice of AGM together with a copy of the Company's Annual Report is sent to shareholders at least twenty-one (21) days prior to the meeting.

Each item of special business included in the notice of meeting is accompanied by an explanation for the proposed resolution.

All Directors had attended the AGM held during the financial year. At the AGM, the Board presents the progress and performance of the Group as contained in the Annual Report and shareholders are encouraged to participate and are given every opportunity to raise questions or seek more information during the meeting. The Executive Chairman, Managing Director and Board members are available to respond to all shareholders' queries.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also leave written questions for the Board to respond. The Shares Registrar is available to attend to matters relating to shareholders' interests.

Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity.

### 5.6 Poll Voting

The Company has always made the necessary preparation for poll voting for all resolutions tabled at the AGM and EGM. The Company will explore the suitability and feasibility of employing electronic means for poll voting.

The Company conducted poll voting in respect of all resolutions put before the shareholders at the last AGM and EGM as required by the Listing Requirements. The poll results of each resolution were announced to Bursa Securities after the AGM and EGM via Bursa Link on the same day.

### 5.7 Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on the business activities, the Group strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company's Annual Report can be accessed at the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my). Bursa Securities also provides facilities for the Company to electronically publish all its announcements, including full version of its quarterly results announcements and Annual Report at its website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## Compliance Statement

The Company has committed to achieving high standard of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 17 May 2018.

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Board is required under paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 2016 (the Act) to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual financial statements in accordance with Financial Reporting Standard in Malaysia, the requirements of the Act and the Listing Requirements.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of each company and which enable them to ensure that the financial statements comply with the requirements of the Act.

The Directors consider that, in preparing the financial statements of KIM LOONG RESOURCES BERHAD for the financial year ended 31 January 2018, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis. The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 17 May 2018.

# ADDITIONAL COMPLIANCE INFORMATION

To comply with the Listing Requirements, the following information is provided:

## Utilisation of Proceeds from Corporate Proposals

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

## Audit and Non-audit fees

The audit fees paid or payable to the External Auditors, Messrs Ernst & Young, by the Company and the Group during the financial year 2018 were as follows:

Audit Fees	
Group (RM)	Company (RM)
290,00	59,000

The non-audit fees paid or payable to the External Auditors, Messrs Ernst & Young, by the Company and the Group during the financial year 2018 were as follows:

Non-audit Fees	
Group (RM)	Company (RM)
6,000	6,000

## Material Contracts Involving Directors and Major Shareholders' Interest

There were no material contracts for the Company and its subsidiaries involving Directors and major shareholders' interest either subsisting at the end of the financial year or entered into since the end of the previous year.

## Recurrent Related Party Transactions

The details of the recurrent related party transactions of a revenue in nature entered by the Company and /or its subsidiaries with the Related Party, namely Kim Loong Plantations Sdn. Bhd. ("KLP"), during the financial year ended 31 Jan 2018 pursuant to the shareholders mandate were as follows :

Nature of Transactions	Related Party	Relationship between Related Party and the Company	Value of Transactions during the financial year (RM)
Purchase of oil palm fresh fruit bunches by the Company and/or its subsidiaries from KLP	KLP	<p>KLP is a wholly-owned subsidiary of Sharikat Kim Loong Sendirian Berhad ("SKL"), the holding company of the Company.</p> <p>Gooi Seong Lim, the Executive Chairman and a Major shareholder of the Company, is a director of KLP and SKL and a substantial shareholder of SKL.</p> <p>Gooi Seong Heen, the Managing Director and a Major shareholder of the Company, is a director of KLP and SKL and a substantial shareholder of SKL.</p> <p>Gooi Seong Chneh and Gooi Seong Gum, both are Executive Directors and a Major shareholder of the Company, are directors of KLP and SKL and a substantial shareholder of SKL.</p> <p>Gooi Khai Chien is an Alternate Director to Gooi Seong Lim of the Company.</p> <p>Gooi Chuen Kang is an Alternate Director to Gooi Seong Heen of the Company.</p>	9,628,794

The Company is seeking a shareholders' mandate for recurrent related party transactions of a revenue in nature or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities at the forthcoming AGM.

This Statement is made in accordance with a resolution of the Board dated 17 May 2018.



# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement on Risk Management & Internal Control is made pursuant to the Code and Paragraph 15.26 (b) of the Listing Requirements with regards to the Group's state of internal control.

The Board of Directors ("the Board") of KIM LOONG RESOURCES BERHAD ("KLR" or "the Company") is pleased to present below its Statement on Risk Management & Internal Control as a Group for the financial year under review, prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Companies' ("the Guidelines") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities and taking into consideration the recommendations underlying Principle 6 of the Code.

## BOARD RESPONSIBILITIES

The Board affirms its overall responsibilities for the Group's system of risk management and internal control, and for reviewing the adequacy and integrity of the Group's risk management and internal control system. The Board's responsibility in relation to the system of risk management & internal control is embedded in all aspects of the Group's activities and encompasses all subsidiaries of the Company.

The Board has received assurance from the Managing Director and Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

However, as there are inherent limitation in any system of risk management and internal control, such system put into effect by Management can only manage but not eliminate all risk that may impede the achievement of the Group's business objectives.

Therefore, the risk management and internal control system can only provide reasonable assurance and not absolute assurance against material misstatement or loss. The process to identify, evaluate and manage the significant risks is a concerted and continuing effort throughout the financial year under review.

The Board sets the policy on internal controls after conducting a proper assessment of operational and financial risks by considering the overall control environment of the organisation and an effective monitoring mechanism. The Managing Director and his management carried out the process of implementation and maintenance of the control systems. Except for insurable risks where insurance covers are purchased, other risks are reported on a general reporting basis and managed by the respective Committees within the Group.

## KEY FEATURE OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee. On a periodic basis, the Audit Committee assesses the adequacy and integrity of the risk management and internal control system through independent reviews conducted and reports it received from the Internal Auditors, the External Auditors and Management. Significant risk management and internal control matters were brought to the attention of the Audit Committee.

The Audit Committee then in turn reports such matters to the Board, if the Audit Committee deems such matters warrant the Board's attention.

## Statement on Risk Management & Internal Control (cont'd)

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

### i. Control Environment

#### • Policies & Procedures

Clearly defined policies and procedures are in place and are undergoing constant improvements to ensure that they continue to support the Group's business activities as the Group continues to grow.

#### • Operations Review and Monitoring

Operations of the Group are constantly monitored with up-to-date reports being presented by the Management, which reviews the performance of the Group against budget and prior year performance on a quarterly basis. Variances are carefully analysed and corrective actions are taken where necessary. Detailed reports on performance review with steps to be taken are presented to Executive Directors periodically.

General Manager and Executive Directors regularly visit the Group's estates. During the visits, Estate Managers report on the progress and performance, discuss and resolve the estates' operational and key management issues.

Executive Directors also monitor the performance of the business units through reports produced by external Planting Advisors. The roles of the Planting Advisors and Agronomist are to ensure that the technical aspects of all estates under the Group are based on current best practices in plantation management.

The milling operations are regularly visited by the Managing Director, Executive Directors and General Manager. During the visits, they discuss and resolve all operational and key management issues faced by the mill managers.

#### • Organisation Structure and Authorisation Procedures

The Group maintains a formal organisational structure with clear lines of reporting to the Board, Committees and Senior Management with defined roles and responsibilities, authority limits, review and approval procedures and proper segregation of duties which supports the maintenance of a strong control environment.

Specific responsibilities have been delegated to relevant Committees, all of which have formalised terms of reference.

These Committees have the authority to examine all matters within their scope and report to the Executive Chairman, Managing Director and Executive Directors with their recommendations.

#### • Human Capital Policy

Guidelines on employment, performance appraisal, training and retention of employees are in place, to ensure that the Group has a team of employees who are well-trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

Emphasis is being placed on enhancing the quality and ability of employees through training and development.

Employees' competencies are assessed annually through the annual appraisal system and subsequently, further development and training requirements are highlighted for Heads of Departments and business units for follow up.

#### • Management Style

The Board relies on the experience of the Executive Chairman, Managing Director, Executive Directors and the respective business units' management teams to run and manage the operations and businesses of the Group in an effective and efficient manner.

The Executive Chairman, Managing Director and management adopt a "hands on" approach in managing the businesses of the Group. This enables timely identification and resolution of any significant issues arising.

#### • Quality Control

Strong emphasis is placed on ensuring that the Group adheres to health, safety and environmental regulations as required by the various authorities.

## Statement on Risk Management & Internal Control (cont'd)

### • Other Key Elements of Internal Control

Other key elements of procedures established by the Board which provide effective internal control include:

- Centralised functions of finance, treasury administration, human resource, agronomic, marketing and bulk purchases to ensure that uniform policies and procedures are implemented throughout the Group.
- Regular site visits to the operations within the Group by the Executive Chairman, Managing Director and Executive Directors and Senior Management.
- The Finance Department monitors the activities and performance of the subsidiaries through the monthly management accounts and ensures control accounts are reconciled with the subsidiaries records.
- Adequate insurance and physical safeguarding of major assets are in place to ensure these assets are sufficiently covered against any mishap that may result in material losses to the Group.
- The documented policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are regularly revised and updated to meet operational needs.
- Proposals for major capital expenditures of the Group are reviewed and approved by the Executive Directors.
- Regular Board and management meetings to assess performance of business units.
- All recurrent related party transactions are dealt with in accordance with the Listing Requirements of Bursa Securities. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.
- Reporting mechanism whereby Executive Directors receive monthly performance and plantation statistic with explanation and justification.

### • Code of Business Conduct and other related Policies

In addition, the following Internal Control component have been embedded and defined in the CG Manual to assist the Board in maintaining sound internal control system:

- Code of Ethics and Conduct defines acceptable behaviour for staff in dealing with key stakeholders. The Code is made available to all staff through their respective Head of Department.
- Corporate Integrity Policy – Anti Fraud Policy have been developed to define consistent and clear process focussed on the prevention, detection and management of fraud and applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, external parties doing business with employees with the Group.
- Whistle Blowing Policy had been formulated to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which had been reported via the whistle blowing channel are appropriately followed up upon and the outcome(s) reported at the Audit Committee meetings.

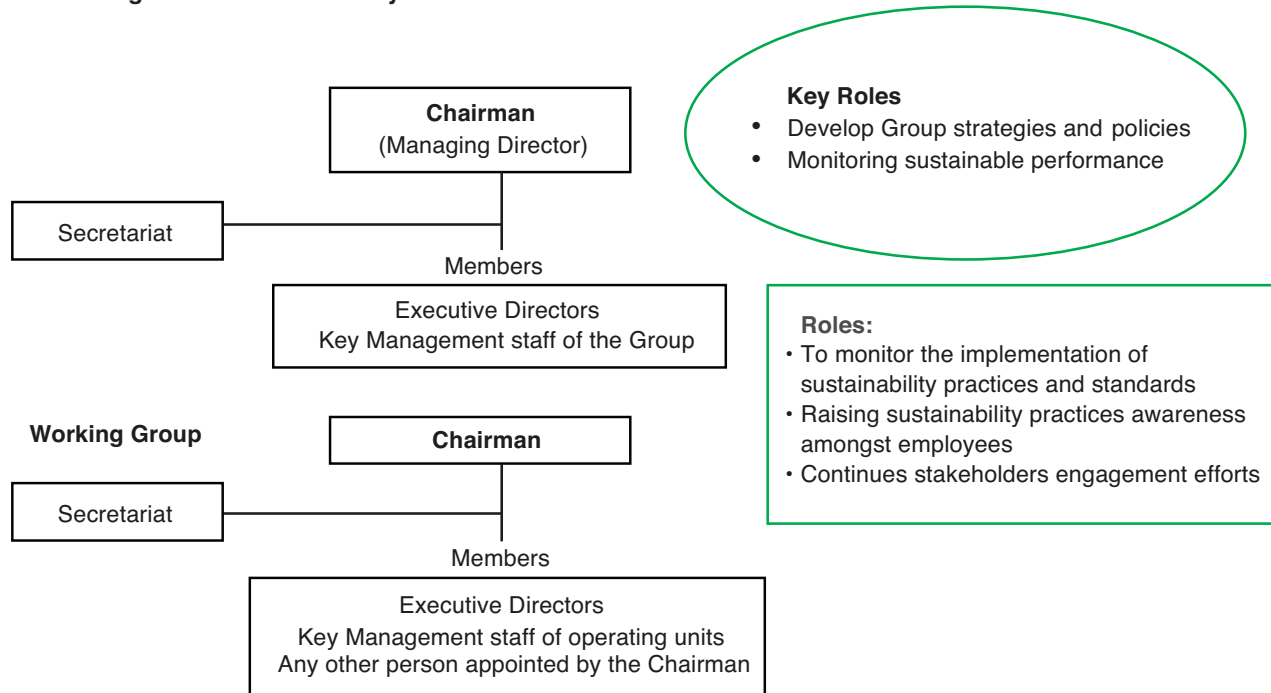
## ii. Risk Management Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management and Sustainability Committee ("RMSC") that is chaired by the Managing Director and its members comprising the Executive Directors, Heads of Divisions & Departments ("HODS") and staff from key operations. They have also been trained to identify the risks relating to their areas, the likelihood of these risks occurring, the consequences if they do occur, and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMSC and the Audit Committee.

Ongoing risk management education and training is provided at management and staff level by members of RMSC.

## Statement on Risk Management & Internal Control (cont'd)

### Risk Management & Sustainability Committee



Note: The Chairman of the Working Group can be a member of the Risk Management & Sustainability Committee or appointed by the Risk Management & Sustainability Committee

### Our key risk and action taken are summarised below

Risk Category	Description & Impact	Mitigation Measures
<b>Operational Risk:</b> Escalating operational costs	Escalating operational costs due to external factors e.g. weak Ringgit, increase in inflation and interest rates and also due to increase in the size of the Group and commercial undertakings.	We apply close monitoring and adherence to the approved budget to keep our costs in check.
<b>Operational Risk:</b> Inability to achieve optimum oil yield per hectare due to ageing palm tree profile affecting overall palm oil yield	<p>The factors that influence the yield of Fresh Fruit Bunch (FFB) include the age and maturity of oil palms. Their prime productive period is at year 10 through 20 after planting. Thus, it is advisable for plantation companies to undertake replanting approximately every 25 years to ensure continuous long term efficient production and sustainable yields.</p> <p>However, newly planted oil palms do not yield FFB until they reach harvestable age, which is about two and half years after planting, and the yield of young trees are significantly lower than the yield of mature trees. Our replanting programme has a short to medium term impact on the FFB production which in turn may affect our revenue and margins.</p>	We structured our replanting programme on a rolling basis to minimize the effect on FFB production in any given year. We have embarked on the programme since year 2009 and will continue until the age profile of our plantation is fully optimized.



## Statement on Risk Management & Internal Control (cont'd)

Risk Category	Description & Impact	Mitigation Measures
<b>Foreign Currency and Commodity Price Risks:</b> Fluctuation of local and international commodity prices affecting prices of FFB, CPO and other palm oil milling products	<p>Fluctuation in exchange rate between USD and Ringgit Malaysia could have adverse effect on palm oil prices.</p> <p>Our profit may be impacted by the fluctuation of palm oil prices which may result in a lower profit. A prolonged low palm oil prices would have a material adverse effect on the Group's cash flows and profits.</p>	<p>The Management constantly monitor the movement in palm oil commodity prices and may take steps to mitigate unfavourable movement in commodity prices, where necessary, to reduce the impact on the Group's financial performance. To achieve this, the Group may use derivatives such as Futures and Swap contract to hedge against cash flow risks faced by the Group arising from its forecasted probable production.</p>
<b>Environmental Risk:</b> Erratic weather conditions impacting operation	<p>Unfavourable weather such as prolonged dry weather and excessive rainfalls may affect FFB production and evacuation.</p> <p>Dry weather may also affect water supply to employees' quarters.</p>	<p>The Plantation General Manager will specifically look into and address the issue. We have also provided sufficient budget for the maintenance of infrastructure within our estates. Our estates continuously explore new methods and innovation e.g., tube-well systems were introduced to mitigate drought conditions.</p>
<b>Human Resource Risk:</b> High dependency on foreign labour	<p>Our plantation is highly dependent on foreign workers especially from Indonesia and Philippines for its operations. Additionally, policy changes, increased competition and intensified scrutiny of labour may impact our operations, which in turn leads to decrease in revenue and profit.</p>	<p>We have taken several initiatives to improve the relationship with our existing workers so that they can assist in recruitment.</p> <p>Relationship with the local authorities and recruiting agents has been improved to assist in the recruitment process.</p>
<b>Organisation Capability Risk:</b> Ensuring Group has a talent pool with right competency and skill-sets	<p>Pool of talent with right skill-sets and competency is necessary to ensure continuous growth of the Group.</p>	<p>Apart from external trainings, in-house training programmes are developed for our employees to bridge the competency gap.</p>
<b>Market Risk:</b> Change in import policy of major palm oil importing countries	<p>Change in import tariff on palm oil by major importing countries may affect palm oil prices which could impact the Group's revenue and profits.</p>	<p>There is no direct impact on the Group as we only sell our palm oil milling products to local customers.</p>

## Statement on Risk Management & Internal Control (cont'd)

Risk Category	Description & Impact	Mitigation Measures
<b>Compliance &amp; Reputational Risk:</b> Risks related to meeting global sustainability standards and certifications	KLRB is committed to achieving compliance to MSPO Guidelines, labour laws and other quality standards to achieve excellence in quality management of our businesses. Compliance to these standards will ensure wider market reach with the current demand for sustainable palm oil. However, challenges to keep up with certification requirements for a wide range of businesses and increased allegations on non-conformity may lead to reputational issues that need to be managed.	KLRB is in the process of obtaining MSPO certification and hope to have the first mill to be certified by early 2019. Plan, policies and procedures are to be drafted to ensure corporate, environmental and other sustainability requirements are determined, structurally implemented and managed.
<b>Competition Risk:</b> Competition for FFB Supply	<p>The palm oil industry is highly competitive. KLRB faces competition for the supply of Fresh Fruit Bunches locally.</p> <p>Globally the palm oil competes with other edible oils, such as soya.</p>	KLRB has progressively reviewed and strengthened our marketing strategy and approach.

### iii. Internal Audit Function

The roles, responsibilities and activities of the Internal Audit functions are described and detailed on pages 66 to 69 under Audit Committee Report of this Annual Report.

There were neither major weaknesses in the system identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the Internal Auditors during the period are being addressed.

### iv. Information and Communication

Information critical to meeting Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and resolution on a timely basis.

### v. Review and Monitoring Process

The Group's management teams carry out monthly monitoring and review of the Group's operations and performance, including financial results and forecasts for all business operations within the Group.

In addition to the above, scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues as and when necessary. The Board monitors the Group's performance by reviewing its quarterly results and operations, and examines the announcement to Bursa Securities. These are usually reviewed by the Audit Committee before they are tabled to the Board for approval.

## Statement on Risk Management & Internal Control (cont'd)

### CONFIDENTIAL REPORTING

The Group's whistleblowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal. Details of the policy are set out in the Company's Code of Ethics. The Audit Committee receives reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in financial year 2018 (major issues being defined for this purpose as matters having a financial impact greater than RM10,000).

### ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND FINANCE DIRECTOR

In line with the Guidelines, the Managing Director and Finance Director have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

The Managing Director and Finance Director have in turn obtained relevant assurance from the business heads in the Group.

### REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 January 2018. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants.

The External Auditors have opined to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

RPG 5 does not require the External Auditors to and they did not consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Group's risk management and internal control system.

### CONCLUSION

The Board is of the view that the system of internal control in place throughout the year under review is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators, employees of the Group and to facilitate the expansion of its operations. Additionally, the Board regards the risks faced by the Group are within acceptable levels to the business environment within which the Group operates.

There were no material losses or fraud during the current financial year as a result of internal control failures and the Board and Management are continuously taking measures to improve and strengthen the internal control framework and environment of the Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 17 May 2018.

# REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Kim Loong Resources Berhad is pleased to present the Report of the Audit Committee which lays out the activities held throughout the financial year ended 31 January 2018 and in compliance with Paragraph 15.15 (1) of the Listing Requirements of Bursa Securities.

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises three (3) Directors of the Board, all of whom are Independent Non-Executive Directors.

The members are:

Chairman	:	Gan Kim Guan
Members	:	Chan Weng Hoong Cheang Kwan Chow
Secretaries	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

## MEMBERSHIP

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of three (3) members, all of whom are Independent Non-Executive Directors.

The Chairman of the Audit Committee, Mr. Gan Kim Guan, is a member of the Malaysian Institute of Accountants (MIA) and has therefore complied with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

## MEETINGS

During the financial year 2018, the Audit Committee held a total of five (5) meetings with the attendance of the Finance Director, Financial Controller, Head of Internal Audit, senior representative of the External Auditors and the Company Secretaries.

A quorum consists of two (2) members present and both of whom must be Independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the Internal and External Auditors, too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged on a continuous basis with Senior Management, Head of Internal Audit and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

Details of the Audit Committee members' attendance are tabled below:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	5	5
Chan Weng Hoong	5	5
Cheang Kwan Chow	5	5

## TERMS OF REFERENCE

The details of the Terms of Reference of the Audit Committee are available at [www.kimloong.com.my](http://www.kimloong.com.my)

## SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The Audit Committee met at scheduled times with due notices of meetings issued, and with agenda planned and itemised so that issues raised were deliberated and discussed in a focussed and detailed manner.

During the financial year 2018, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

The Chairman of the Committee reported on each meeting to the Board. Detailed audit reports by the External Auditors, Internal Auditors and the respective Management response were circulated to members of the Committee before each meeting.



## Report of The Audit Committee (cont'd)

The main works undertaken by the Audit Committee were as follows:

### Financial and Operations Review

- Reviewed and recommended for the Board's approval the quarterly reports for announcement to Bursa Securities in compliance with the Financial Reporting Standards and adhered to other legal and regulatory requirements;
- Reviewed the annual audited financial statements of the Group and of the Company. The Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements;
- Reviewed the impact of new or proposed changes in accounting standards and regulatory requirements of the Company; and
- Reviewed the application of the corporate governance principles and the extent of the Group's compliance with the Code in conjunction with the preparation of the Statement on the Corporate Governance and Statement on Risk Management & Internal Control.

### External Audit

- Reviewed the External Auditors' annual audit plan and audit strategy for the financial year ended 31 January 2018 to ensure their scope of work adequately covered the activities of the Group and the Company;
- Discussed with the management and the External Auditors the Financial Reporting Standards applicable to the financial statements of the Group and of the Company that were applied and their judgement of the items that may affect the financial statements;
- Reviewed with the External Auditors, the result of the audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of the audit that required appropriate actions and the Management's responses thereon;
- Inquired of the External Auditors whether they have become aware of any items relating to the detection of material illegal acts or material related party transactions during the course of their procedures;
- Reviewed and evaluated the External Auditors' performance, objectivity and independence during the year before recommending to the Board for reappointment and remuneration;
- Held independent meeting (without the presence of Management) with the External Auditors; and
- Reviewed and approved the provision of non-audit services by the external auditors that were agreed to prior to their commencement of such work and confirmed as permissible for them to undertake, as provided under the By-Laws of the Malaysian Institute of Accountants. The amount of audit and non-audit fee incurred for the financial year ended 31 January 2018 were as follows:

<b>Fees Incurred</b>	<b>Audit Fees RM</b>	<b>Non-Audit Fees RM</b>
The Company	59,000	6,000
The Group	290,000	6,000

### Internal Audit

- Reviewed and approved the Internal Auditors' plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries;
- Reviewed the internal audit reports presented by the Internal Auditors on findings, recommendations and management responses thereto and ensured that material findings were adequately addressed by Management and reported relevant issues to the Board;
- Held independent meeting (without the presence of Management) with the Internal Auditors;
- Reviewed whistleblowing activities to monitor the actions taken by the Group in respect of whistleblowing reports received; and
- Monitored the implementation of the audit recommendation to ensure all the key risks and controls have been addressed.

### Risk Management

- Reviewed the outcome of the risk management programme, including key risks identified, the potential impacts and the likelihood of the risks occurring, existing controls which can mitigate the risks and action plans; and
- Reviewed the Risk Management and Sustainability Committee's reports and assessment.

## Report of The Audit Committee (cont'd)

### Related Party Transactions

- The Audit Committee reviewed all significant related party transactions and recurrent related party transaction entered by the Group and the Company to ensure that such transactions are undertaken at arm's length basis on normal commercial terms which are not detrimental to the interests of the minority shareholders of the Company and the internal control procedures employed are both sufficient and effective before recommending to the Board for approval.

### Reporting Responsibilities

- Regularly reports to the Board of Directors about the Committee's activities, issues and related recommendations.
- Provides an open avenue of communication between the Internal Auditors, the External Auditors and the Board of Directors.
- Reports annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by Listing Requirements, including approval of non-audit services.
- Reviewed any other reports the Company issues that relate to the Committee's responsibilities.

### Site Visits

The Audit Committee members visited the Winsome Pelita (Pantu) Sdn Bhd in Sarawak to have a better understanding of the Group's business operations.

### TRAINING

During the year, Audit Committee members attended various seminars, training programmes and conferences. Kindly refer to the CG overview statement on page 48 for the training.

### INTERNAL AUDIT FUNCTION

The Group's internal audit function adopts a co-sourcing model whereby risk management, and specialised audits are performed by the Internal Audit Department of the Company's holding company, Sharikat Kim Loong Sendirian Berhad which acts independently from the activities and operations of the Group. KPMG Management & Risk Consulting Sdn. Bhd., a professional services firm has been appointed to perform risk based internal audit where the results were directly reported to the Audit Committee.

The main purposes of the Internal Auditors are:

- To review effectiveness of the Group's systems of internal controls.
- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement on Risk Management & Internal Control in the Annual Report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- Identify the key business processes within the Group and Company that Internal Audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

The Internal Auditors adopt a risk based auditing approach by focusing on identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls and statutory requirements. Submission of the audit results to the Management and the Audit Committee would ensure that the Management is compliant with the internal control systems and implementing continuous improvement.

During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control. The results of these reviews have been presented to the Audit Committee at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.

### INTERNAL AUDIT FUNCTION (cont'd)

The Internal Auditors communicate regularly and report directly to the Audit Committee on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group. The Internal Auditors are also invited to attend all meetings of the Audit Committee. The total cost incurred in respect of the internal audit function during the financial year was approximately RM204,000.

The Internal Auditors assisted the Audit Committee in discharging its duties and responsibilities with respect to adequacy and integrity of internal control within the Group. The Internal Auditors undertook the following works in accordance with the approved Audit Plan:

- i. Carrying out the internal auditing of the Group subsidiaries.
- ii. Facilitating the improvement of business processes within the Group.
- iii. Establishing a follow up process in monitoring the implementation of audit recommendation by Management.
- iv. Monitoring the effectiveness of the Group's risk management systems by reviewing the implementation of the risk assessment action plans by Management.
- v. Conducting investigation audits or special assignment from time to time as requested by Management.

### CONCLUSION

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.

# REPORT OF THE REMUNERATION COMMITTEE

## COMPOSITION OF MEMBERS

### Members

The Committee comprises the following members:

<b>Chairman</b>	:	Gan Kim Guan
<b>Members</b>	:	Gooi Seong Lim (resigned on 30.01.2018) Chan Weng Hoong Cheang Kwan Chow
<b>Secretaries</b>	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

## TERMS OF REFERENCE

### (1) Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist exclusively of Non-Executive Directors, minimum three (3), a majority of whom are Independent Directors.

The members of the Committee shall elect the Chairman from amongst their members who shall be an Independent Director.

The quorum shall be two (2) members, a majority of whom shall be Independent Directors.

The Company Secretaries shall be the Secretaries of the Committee.

### (2) Frequency of Meetings

Meetings shall be held not less than once a year.

### (3) Authority

The Committee is authorised to draw advice from outside as and when necessary in forming its recommendation to the Board on the remuneration of the Executive Directors and Senior Management in all its forms. Executive Directors should play no part in deciding their own remuneration and should abstain from discussion of their own remuneration.

### (4) Duty

The duty of the Committee is to recommend to the Board the structure and level of remuneration of Executive Directors and Senior Management.

### (5) Reporting Procedures

The Company Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

## SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2018. The attendance of the members of the Committee of the meetings is as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	1	1
Gooi Seong Lim	1	1
Chan Weng Hoong	1	1
Cheang Kwan Chow	1	1

The main activities undertaken by the Committee during the year under review were as follows:

- Reviewed the structure of the remuneration package for each of the Executive Directors; and
- Reviewed the performance bonuses for each of the Executive Directors.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.

# REPORT OF THE NOMINATING COMMITTEE

## COMPOSITION OF MEMBERS

### Members

The Committee comprises the following members:

<b>Chairman</b>	:	Gan Kim Guan
<b>Members</b>	:	Chan Weng Hoong Cheang Kwan Chow
<b>Secretaries</b>	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

## TERMS OF REFERENCE

The details of the Terms of Reference of the Nominating Committee are available on the Company's website at [www.kimloong.com.my](http://www.kimloong.com.my)

## SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2018.

The attendance of the members of the Committee of the meetings is as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	1	1
Chan Weng Hoong	1	1
Cheang Kwan Chow	1	1

The main activities undertaken by the Committee during the year under review were as follows:

- Reviewed the re-election of Directors retiring at the AGM under Articles 77 of the Article of Association (Constitution) of the Company and re-appointment of Director;
- Assessed the independence of Independent Directors;
- Reviewed the composition and the required mix of skills, experience and other qualities of the Board and gender diversity;
- Reviewed the effectiveness of the Board as a whole and the Board Committees and performance of each of the Board members and the Audit Committee members; and
- Reviewed and recommended retention of Independent Director.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.



A black and white photograph of a tropical landscape. In the foreground, there are several palm trees with long, feathery fronds. The middle ground shows a dense field of palm trees stretching towards the horizon. In the background, there are rolling hills or mountains under a sky filled with soft, white clouds. The overall scene is bright and airy, with a high-contrast, slightly desaturated aesthetic.

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# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2018.

## Principal activities

The principal activities of the Company are those of cultivation of oil palm and investment holding.

The principal activities and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

## Results

	Group RM	Company RM
Profit net of tax	124,288,176	81,424,396
Profit net of tax attributable to:		
Owners of the Company	98,752,491	81,424,396
Non-controlling interests	25,535,685	-
	124,288,176	81,424,396

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 during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Dividends

The amounts of dividends paid by the Company since 31 January 2017 were as follows:

	RM
In respect of the financial year ended 31 January 2017 as reported in the directors' report of that year:	
- Final single-tier dividend of 8 sen per share on 311,201,569 ordinary shares, approved on 25 July 2017 and paid on 29 August 2017	24,896,126
In respect of the financial year ended 31 January 2018:	
- Interim single-tier dividend of 9 sen per share on 311,201,569 ordinary shares, declared on 28 September 2017 and paid on 21 November 2017	28,008,141
- Special single-tier dividend of 6 sen per share on 311,201,569 ordinary shares, declared on 22 December 2017 and paid on 7 February 2018	18,672,094
	71,576,361

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 January 2018 of 3 sen per ordinary share, amounting to a dividend payable of RM28,008,141 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2019.

# Directors' Report

(cont'd)

## Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Gooi Seong Lim\*  
Gooi Seong Heen\*  
Gooi Seong Chneh\*  
Gooi Seong Gum\*  
Gan Kim Guan  
Chan Weng Hoong  
Cheang Kwan Chow  
Gooi Khai Chien (Alternate Director to Gooi Seong Lim)  
Gooi Chuen Kang (Alternate Director to Gooi Seong Heen)

\* These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Dato' Tan Sui Hou  
Razali Bin Zainudin  
Gan Liong Hoe @ Zephyrinus  
Atan Bin Ibrahim  
Ahmad Khaizurin Bin Shario  
Soh Geok Toh (f)  
Datuk Yusoff @ Hunter Bin Mohamed Kasim  
Zainah Binte Ibrahim (f)  
Quek Sai Luang (f)  
Chang Chow Swan  
Subramaniam A/L V.V. Chellam  
Rizal Shah Bin Abdullah @ Mahadevan A/L Chellam  
Goh Kee Seng  
Yeo Jon Tian @ Eeyo Jon Thiam  
Dato' Hj Mohd Salleh Bin Hj Tahir  
Datuk Tuan Hj Mohamed Bin Mahmood  
Ahmad Bin Abu Bakar  
Gee Ping Tou  
Lim Chor Lan (f)  
Yap Chee Chin  
Datu Sajeli Bin Kipli (Appointed on 30 June 2017)  
Y. Bhg. Datuk Saddi Bin Abdu Rahman (Appointed on 26 December 2017)  
Hajjah Musliati Binti Moslimin (f) (Appointed on 26 December 2017)  
Kalimin Bin Sahadi (Appointed on 26 December 2017)  
Datu Dr Haji Sulaiman Bin Haji Husaini (Resigned on 30 June 2017)  
Datuk Datu Basrun Bin Datu Mansor (Resigned on 30 October 2017)  
A Sallih Bin A Labai (Resigned on 10 February 2017)  
Ma Eng Yau (Resigned on 17 April 2018)

## 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 below) 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 31 to the financial statements.

# Directors' Report

(cont'd)

## Directors' benefits (cont'd)

The Directors' benefits are as follows:

	Group RM	Company RM
Salaries and other emoluments	6,557,500	4,052,500
Fees	610,000	288,000
Defined contribution plan	845,520	524,160
Social security costs	14,227	2,371
Estimated money value of benefit-in-kind	53,030	53,030
	8,080,277	4,920,061

## Indemnifying Directors or Officers

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

## Directors' interests

The following Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings, interests in shares in the Company and its related corporations as stated below:

The Company	1.2.2017	Number of ordinary shares		31.1.2018
		Acquired	Sold	
Gooi Seong Lim				
- direct interest	683,552	-	-	683,552
- indirect interest	199,442,101	-	-	199,442,101
Gooi Seong Heen				
- direct interest	1,767,912	-	-	1,767,912
- indirect interest	198,106,102	-	-	198,106,102
Gooi Seong Chneh				
- direct interest	1,627,912	-	-	1,627,912
- indirect interest	198,106,102	-	-	198,106,102
Gooi Seong Gum				
- direct interest	132,600	-	-	132,600
- indirect interest	198,162,102	-	-	198,162,102
Gooi Khai Chien				
- indirect interest	999,999	-	-	999,999



# Directors' Report

(cont'd)

## Directors' interests (cont'd)

Holding company	1.2.2017	Number of ordinary shares		31.1.2018
		Acquired	Sold	
<b>Sharikat Kim Loong Sendirian Berhad</b>				
Gooi Seong Lim				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Heen				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Chneh				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Gum				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250

## Related corporation

### Crescendo Corporation Berhad

Gooi Seong Lim				
- direct interest	1,130,452	-	-	1,130,452
- indirect interest	196,063,786	-	-	196,063,786
Gooi Seong Heen				
- direct interest	4,559,121	-	-	4,559,121
- indirect interest	192,216,114	-	-	192,216,114
Gooi Seong Chneh				
- direct interest	4,144,124	-	-	4,144,124
- indirect interest	192,148,114	-	-	192,148,114
Gooi Seong Gum				
- indirect interest	192,148,114	-	-	192,148,114
Gooi Khai Chien				
- indirect interest	3,775,672	-	-	3,775,672

## Related corporation

### Crescendo Overseas Corporation Sdn. Bhd.

Gooi Seong Lim				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Heen				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Chneh				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Gum				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000

# Directors' Report

(cont'd)

## Directors' interests (cont'd)

Related corporation	1.2.2017	Number of ordinary shares		31.1.2018
		Acquired	Sold	
<b>Panoramic Housing Development Sdn. Bhd.</b>				
Gooi Seong Lim				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Heen				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Chneh				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Gum				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200

By virtue of their interests in the shares in the holding company, Sharikat Kim Loong Sendirian Berhad, Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh and Gooi Seong Gum are also deemed to have interests in the shares in the Company and its related corporations to the extent that the holding company has interests.

The other Directors in the office at the end of the financial year had no interest in shares in the Company and its related corporations during the financial year.

## Issue of shares, share options and debentures

The Company did not issue any new shares or debentures or grant any share options during the financial year and there were no unissued shares under option at the end of the year.

## Treasury shares

During the financial year, the Company did not repurchase any ordinary shares from the open market. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

At 31 January 2018, the Company held as treasury shares a total of 602,000 of its 311,803,569 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,625,853 and further relevant details are disclosed in Note 24(b) to the financial statements.

## Holding and ultimate holding company

The Directors regard Sharikat Kim Loong Sendirian Berhad, a company incorporated in Malaysia, as the Company's holding and ultimate holding company.

## Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps :
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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.

# Directors' Report

(cont'd)

## Other statutory information (cont'd)

- (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 the provision 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 its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## Significant event

Details of significant event are disclosed in Note 39 to the financial statements.

## Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young		
- Statutory audit	290,000	59,000
- Other services	6,000	6,000
	296,000	65,000

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 January 2018.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 May 2018.

Gooi Seong Lim

Gooi Seong Chneh

# STATEMENT BY DIRECTORS

## Pursuant to Section 251(2) of the Companies Act 2016

We, Gooi Seong Lim and Gooi Seong Chneh, being two of the Directors of Kim Loong Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 84 to 153 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 May 2018.

Gooi Seong Lim

Gooi Seong Chneh

# STATUTORY DECLARATION

## Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chow Kok Hiang, being the Officer primarily responsible for the financial management of Kim Loong Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 84 to 153 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed Chow Kok Hiang at )  
Johor Bahru in the State of )  
Johor Darul Ta'zim on 17 May 2018 )

Chow Kok Hiang

Before me,

LIM JIT NGOH  
No. J 265  
Commissioner for Oaths  
Johor Bahru

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KIM LOONG RESOURCES BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of Kim Loong Resources Berhad, which comprise the statements of financial position as at 31 January 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 84 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *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 audit 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.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

#### **(a) Revenue Recognition**

(Refer to Notes 2.21 and 4 to the financial statements).

Revenue from sale of finished goods from palm oil milling recognised by the Group during the year amounted to RM1,045.3 million. Given the nature of the business operations of the Group, we identified revenue recognition in respect of sale of crude palm oil to be an area of audit focus as we consider the high volume of transactions to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

#### How our audit addressed the matter

Our audit procedures for revenue recognition included testing the Group's internal controls over timing and amount of revenue recognised. We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards. We inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.



# Independent Auditors' Report

to the members of Kim Loong Resources Berhad (Incorporated in Malaysia) (cont'd)

## *Key audit matters (cont'd)*

### (b) Biological Assets

(Refer to Notes 2.9 and 15 to the financial statements).

During the current financial year, the Group and the Company incurred plantation expenditure amounting to RM33.4 million and RM13.4 million respectively for operations with mature and immature oil palm plantations. Out of these amounts, the Group and the Company capitalised a total of pre-cropping (i.e. new planting and replanting) expenditure of RM4.5 million and RM4.1 million, respectively, as part of their biological assets. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the income statement.

#### How our audit addressed the matter

Our audit procedures to address this area of focus included amongst others:

- (a) testing the effectiveness of the internal controls at estate level in respect of recording and categorisation of pre-cropping expenditure. We inspected documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;
- (b) testing the allocation of expenditure by fields categorised by matured and immature fields;
- (c) testing whether the expenditure incurred on matured fields were appropriately expensed to the income statement; and
- (d) testing whether the expenditure incurred on immature fields were appropriately capitalised as biological assets.

## *Information other than the financial statements and auditors' report thereon*

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

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

## *Responsibilities of the directors for the financial statements*

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

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

## *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company

# Independent Auditors' Report

## to the members of Kim Loong Resources Berhad (Incorporated in Malaysia) (cont'd)

### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the 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 the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### *Other matters*

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

Ernst & Young  
AF 0039  
Chartered Accountants

Lee Ming Li  
02983 / 03 / 2020 J  
Chartered Accountant

Johor Bahru, Malaysia  
Date: 17 May 2018

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Revenue	4	1,075,331,846	892,593,186	24,369,241	22,329,132
Cost of sales	5	(878,750,261)	(755,215,114)	(9,247,493)	(9,518,252)
<b>Gross profit</b>		196,581,585	137,378,072	15,121,748	12,810,880
<b>Other items of income</b>	6	14,155,068	12,554,565	86,843,315	61,279,209
<b>Other items of expense</b>					
Distribution cost		(21,364,304)	(14,883,037)	(1,247,956)	(1,185,796)
Administrative expenses		(23,794,520)	(20,396,740)	(13,492,645)	(12,272,953)
Finance costs	7	(1,406,664)	(1,471,605)	-	-
Other expenses		(2,572,856)	(2,016,543)	(1,203,618)	(198,124)
<b>Profit before tax</b>	8	161,598,309	111,164,712	86,020,844	60,433,216
Tax	11	(37,310,133)	(25,477,159)	(4,596,448)	(4,625,527)
<b>Profit net of tax</b>		124,288,176	85,687,553	81,424,396	55,807,689
<b>Other comprehensive income</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Net movement on cash flow hedge		(184,554)	184,554	-	-
Tax relating to cash flow hedge		44,293	(44,293)	-	-
<b>Other comprehensive income for the year, net of tax</b>		(140,261)	140,261	-	-
<b>Total comprehensive income for the year</b>		124,147,915	85,827,814	81,424,396	55,807,689
<b>Profit net of tax attributable to:</b>					
Owners of the Company		98,752,491	71,118,296	81,424,396	55,807,689
Non-controlling interests		25,535,685	14,569,257	-	-
		124,288,176	85,687,553	81,424,396	55,807,689
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		98,612,230	71,258,557	81,424,396	55,807,689
Non-controlling interests		25,535,685	14,569,257	-	-
		124,147,915	85,827,814	81,424,396	55,807,689
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
- Basic	12	31.73	22.85		
- Diluted	12	N/A	N/A		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 JANUARY 2018

	Note	2018 RM	2017 RM Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	388,818,968	389,460,490
Land use rights	14	1,994,029	2,108,149
Biological assets	15	79,956,011	81,357,241
Deferred tax assets	23	11,240,000	13,300,000
Prepayments for acquisition of property, plant and equipment		2,060,897	1,676,623
		484,069,905	487,902,503
<b>Current assets</b>			
Inventories	17	57,226,618	39,578,904
Trade and other receivables	18	37,893,530	28,555,925
Prepayments		3,489,756	4,509,052
Tax recoverable		2,740,530	2,707,565
Derivatives	19	-	184,554
Cash and bank balances	20	300,040,567	285,520,889
		401,391,001	361,056,889
<b>Total assets</b>		885,460,906	848,959,392
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	71,662,291	67,283,673
Loans and borrowings	22	17,564,199	17,559,508
Derivatives	19	217,075	-
Dividend payable		18,672,094	15,560,079
Tax payable		5,197,074	4,545,755
		113,312,733	104,949,015
<b>Net current assets</b>		288,078,268	256,107,874
<b>Non-current liabilities</b>			
Other payables	21	97,507	187,898
Loans and borrowings	22	9,515,000	17,555,000
Deferred tax liabilities	23	53,238,375	52,821,742
		62,850,882	70,564,640
<b>Total liabilities</b>		176,163,615	175,513,655
<b>Net assets</b>		709,297,291	673,445,737
<b>Equity attributable to owners of the Company</b>			
Share capital	24	318,429,583	311,803,569
Share premium	25	-	6,626,014
Treasury shares	24(b)	(1,625,853)	(1,625,853)
Other reserves	26	37,504,668	38,477,473
Retained earnings		266,076,179	238,067,505
		620,384,577	593,348,708
<b>Non-controlling interests</b>		88,912,714	80,097,029
<b>Total equity</b>		709,297,291	673,445,737
<b>Total equity and liabilities</b>		885,460,906	848,959,392

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

## AS AT 31 JANUARY 2018

	Note	2018 RM	2017 RM
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	68,996,090	70,322,206
Biological assets	15	20,050,261	16,591,474
Investment in subsidiaries	16	46,169,213	46,169,213
Other receivables	18	121,479,003	121,532,899
		256,694,567	254,615,792
<b>Current assets</b>			
Inventories	17	331,814	316,894
Trade and other receivables	18	18,734,922	8,742,000
Prepayments		633,171	527,488
Cash and bank balances	20	120,758,530	118,265,012
		140,458,437	127,851,394
<b>Total assets</b>		397,153,004	382,467,186
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	4,876,341	3,676,645
Dividend payable		18,672,094	15,560,079
Tax payable		383,550	703,550
		23,931,985	19,940,274
<b>Net current assets</b>		116,526,452	107,911,120
<b>Non-current liability</b>			
Deferred tax liabilities	23	14,530,498	13,684,426
<b>Total liabilities</b>		38,462,483	33,624,700
<b>Net assets</b>		358,690,521	348,842,486
<b>Equity attributable to owners of the Company</b>			
Share capital	24	318,429,583	311,803,569
Share premium	25	-	6,626,014
Treasury shares	24(b)	(1,625,853)	(1,625,853)
Other reserves	26	13,035,581	13,242,305
Retained earnings	29	28,851,210	18,796,451
<b>Total equity</b>		358,690,521	348,842,486
<b>Total equity and liabilities</b>		397,153,004	382,467,186

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

Attributable to owners of the Company																		
Non-Distributable						Distributable												
Note	Total equity		Share capital (Note 24)		Share premium (Note 25)		Other reserves, total		Revaluation reserve (Note 27)		Hedging reserve (Note 28)		Retained earnings		Treasury shares		Non-controlling interests	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 February 2017																		
	673,445,737	593,348,708	311,803,569	6,626,014	38,477,473	38,337,212	140,261	238,067,505	(1,625,853)	80,097,029								
Changes in equity for the year:																		
Realisation of revaluation surplus on leasehold land, net of tax																		
30	-	-	-	-	(832,544)	(832,544)	-	832,544	-	-								
Profit net of tax																		
	124,288,176	98,752,491	-	-	-	-	-	98,752,491	-	25,535,685								
Other comprehensive income																		
	(140,261)	(140,261)	-	-	(140,261)	-	(140,261)	-	-	-								
Total comprehensive income																		
	124,147,915	98,612,230	-	-	(140,261)	-	(140,261)	98,752,491	-	25,535,685								
Transactions with owners																		
Transition to no-par value regime																		
	-	-	6,626,014	(6,626,014)	-	-	-	-	-	-								
Dividends paid to non-controlling interests																		
	(16,720,000)	-	-	-	-	-	-	-	-	(16,720,000)								
Dividends for the year ended																		
38	(24,896,126)	(24,896,126)	-	-	-	-	-	(24,896,126)	-	-								
38	(46,680,235)	(46,680,235)	-	-	-	-	-	(46,680,235)	-	-								
Total transactions with owners																		
	(88,296,361)	(71,576,361)	6,626,014	(6,626,014)	-	-	-	(71,576,361)	-	(16,720,000)								
At 31 January 2018																		
	709,297,291	620,384,577	318,429,583	-	37,504,668	37,504,668	-	266,076,179	(1,625,853)	88,912,714								

# Consolidated Statement of Changes in Equity

For the financial year ended 31 January 2018 (cont'd)

Attributable to owners of the Company									
Note	Non-Distributable			Distributable			Non-Distributable		
	Total equity	Total	Share capital (Note 24)	Share premium (Note 25)	Other reserves, total	Revaluation reserve (Note 27)	Hedging reserve (Note 28)	Retained earnings	Treasury shares
	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>At 1 February 2016</b>	654,213,497	579,962,904	311,803,569	6,626,014	39,169,756	39,169,756	-	223,921,427	(1,557,862)
<b>Changes in equity for the year:</b>									
Realisation of revaluation surplus on leasehold land, net of tax	-	-	-	-	(832,544)	(832,544)	-	832,544	-
Profit net of tax	85,687,553	71,118,296	-	-	-	-	-	71,118,296	-
Other comprehensive income	140,261	140,261	-	-	140,261	-	140,261	-	-
<b>Total comprehensive income</b>	85,827,814	71,258,557	-	-	140,261	-	140,261	71,118,296	-
<b>Transactions with owners</b>									
Acquisition from non-controlling interests	-	(1,787,179)	-	-	-	-	-	(1,787,179)	-
Buy-back of shares	(67,991)	(67,991)	-	-	-	-	-	-	(67,991)
Dividends paid to non-controlling interests	(10,510,000)	-	-	-	-	-	-	-	(10,510,000)
Dividends for the year ended	-	-	-	-	-	-	-	-	-
- 31 January 2016	(18,672,694)	(18,672,694)	-	-	-	-	-	(18,672,694)	-
- 31 January 2017	(37,344,889)	(37,344,889)	-	-	-	-	-	(37,344,889)	-
<b>Total transactions with owners</b>	(66,595,574)	(57,872,753)	-	-	-	-	-	(57,804,762)	(8,722,821)
<b>At 31 January 2017</b>	673,445,737	593,348,708	311,803,569	6,626,014	38,477,473	38,337,212	140,261	238,067,505	(1,625,853)
								80,097,029	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

		← Non-distributable →			← Distributable →	
	Total equity	Share capital (Note 24)	Share premium (Note 25)	Revaluation reserve (Note 27)	Retained earnings (Note 29)	Treasury shares
Note	RM	RM	RM	RM	RM	RM
At 1 February 2017	348,842,486	311,803,569	6,626,014	13,242,305	18,796,451	(1,625,853)
Changes in equity for the year:						
Realisation of revaluation surplus on leasehold land, net of tax	-	-	-	(206,724)	206,724	-
30	81,424,396	-	-	-	81,424,396	-
Total comprehensive income						
Transactions with owners						
Transition to no-par value regime	-	6,626,014	(6,626,014)	-	-	-
Dividends for the year ended						
- 31 January 2017	(24,896,126)	-	-	-	(24,896,126)	-
- 31 January 2018	(46,680,235)	-	-	-	(46,680,235)	-
38	(71,576,361)	6,626,014	(6,626,014)	-	(71,576,361)	-
Total transactions with owners						
At 31 January 2018	358,690,521	318,429,583	-	13,035,581	28,851,210	(1,625,853)

# Company Statement of Changes in Equity

For the financial year ended 31 January 2018 (cont'd)

			Non-distributable			Distributable	
			Share capital (Note 24)	Share premium (Note 25)	Revaluation reserve (Note 27)	Retained earnings (Note 29)	Treasury shares
			RM	RM	RM	RM	RM
<b>At 1 February 2016</b>			311,803,569	6,626,014	13,449,029	18,799,621	(1,557,862)
<b>Changes in equity for the year:</b>							
Realisation of revaluation surplus on leasehold land, net of tax	30	-	-	-	(206,724)	206,724	-
<b>Total comprehensive income</b>		55,807,689	-	-	-	55,807,689	-
<b>Transactions with owners</b>							
Buy-back of shares	24(b)	(67,991)	-	-	-	-	(67,991)
Dividends for the year ended							
- 31 January 2016	38	(18,672,694)	-	-	-	(18,672,694)	-
- 31 January 2017	38	(37,344,889)	-	-	-	(37,344,889)	-
<b>Total transactions with owners</b>		(56,085,574)	-	-	-	(56,017,583)	(67,991)
<b>At 31 January 2017</b>		348,842,486	311,803,569	6,626,014	13,242,305	18,796,451	(1,625,853)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Operating activities</b>				
Cash receipts from customers	1,068,801,481	893,406,086	31,326,592	28,094,242
Rental received	139,020	167,880	36,000	36,000
Interest received	9,472,859	8,351,784	10,778,276	11,292,362
Dividends received	-	-	65,000,000	43,790,000
Cash paid to suppliers and employees	(910,246,562)	(738,328,666)	(20,129,205)	(18,971,945)
Cash generated from operations	168,166,798	163,597,084	87,011,663	64,240,659
Interest paid	(1,422,194)	(1,396,129)	-	-
Net tax paid	(34,170,853)	(25,714,217)	(4,070,376)	(3,931,955)
<b>Net cash generated from operating activities</b>	132,573,751	136,486,738	82,941,287	60,308,704
<b>Investing activities</b>				
Acquisition of biological assets, land use rights and property, plant and equipment (Note a)	(25,690,905)	(25,241,588)	(4,263,860)	(2,997,891)
Advances to subsidiaries	-	-	(14,894,701)	(14,252,328)
Repayments from subsidiaries	-	-	8,202,509	19,383,069
Additional investment in existing subsidiaries	-	-	-	(250,000)
Interest paid	(11,738)	(460,823)	-	-
Net proceeds from compulsory acquisition	267,566	1,316,900	-	-
Placement of deposits with other financial institutions	(1,093,499)	(30,000,000)	(524,665)	(12,000,000)
Proceeds from disposal of property, plant and equipment	241,920	564,516	83,000	13,019
<b>Net cash used in investing activities</b>	(26,286,656)	(53,820,995)	(11,397,717)	(10,104,131)
<b>Financing activities</b>				
Dividends paid	(68,464,346)	(40,457,504)	(68,464,346)	(40,457,504)
Dividends paid to non-controlling interests	(15,220,000)	(10,510,000)	-	-
Repayments of bank borrowings	(9,040,000)	(7,370,000)	-	-
Purchase of treasury shares	-	(67,991)	-	(67,991)
<b>Net cash used in financing activities</b>	(92,724,346)	(58,405,495)	(68,464,346)	(40,525,495)
<b>Net increase in cash and cash equivalents</b>	13,562,749	24,260,248	3,079,224	9,679,078
<b>Cash and cash equivalents at beginning of the year</b>	237,901,014	213,640,766	100,925,828	91,246,750
<b>Effect of exchange rates changes on cash and cash equivalents</b>	(1,110,371)	-	(1,110,371)	-
<b>Cash and cash equivalents at the end of the year (Note 20)</b>	250,353,392	237,901,014	102,894,681	100,925,828



# Statements of Cash Flows

For the financial year ended 31 January 2018 (cont'd)

## Note a : Acquisition of biological assets, land use rights and property, plant and equipment

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Biological assets, land use rights and property, plant and equipment acquired	27,680,363	23,213,607	4,605,522	3,221,366
Less expenses capitalised :				
- depreciation and amortisation	(341,662)	(278,515)	(341,662)	(223,475)
- interest	-	(382,267)	-	-
Cash paid for prior year's acquisition	975,250	3,127,379	-	-
Unpaid balances of current year's acquisition included under payables	(1,868,780)	(928,324)	-	-
Prepayment/deposits paid in prior years	(1,184,650)	(504,942)	-	-
Prepayment/deposits paid in current year	430,384	994,650	-	-
Cash paid	25,690,905	25,241,588	4,263,860	2,997,891

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 18.01, 18th Floor, Public Bank Tower, 19, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor. The registered office of the Company is located at Unit No. 203, 2nd Floor, Block C, Damansara Intan, No.1, Jalan SS 20/27, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are those of cultivation of oil palm and investment holding. The principal activities and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

The Directors regard Sharikat Kim Loong Sendirian Berhad, a company incorporated in Malaysia, as the Company's holding and ultimate holding company.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted amended FRS which are mandatory for financial periods beginning on or after 1 February 2017 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM").

#### 2.2 Changes in accounting policies

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

On 1 February 2017, the Group and the Company adopted the following amended FRSs and Annual Improvements which are relevant to the operations of the Group and of the Company for the financial year ended 31 January 2018:

Amendments to FRS 107	<i>Statement of Cash Flows - Disclosure Initiative</i>
Amendments to FRS 112	<i>Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to FRS 12	<i>Disclosure of Interest in Other Entities</i>
	<i>Annual Improvements to FRSs 2014-2016 Cycle</i>

The adoption of the above amended FRSs and Annual Improvements did not have any effect on the financial performance or position of the Group and the Company.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Malaysian Financial Reporting Standards ("MFRS")

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2019. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company has formed a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

- (i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
- (ii) Evaluation of any training requirements; and
- (iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:

- (i) develop training programs for the staff;
- (ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
- (iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
- (iv) develop disclosures required by the MFRS Framework.

The Group and the Company have not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 January 2018 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 January 2019.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Basis of consolidation (cont'd)

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Group, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

#### 2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### 2.6 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.7 Foreign currency

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Long term leasehold land	60 - 770
Buildings	20 - 50
Plant and machinery	4 - 17
Equipment, furniture and fittings	10 - 17
Motor vehicles	10

Assets under construction in progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.



# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.9 Biological assets

New planting and replanting expenditure incurred on land clearing, development and upkeep of immature oil palms (including interest incurred) during the pre-maturity period (pre-cropping costs) is capitalised under biological assets and is not amortised. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss and the capitalised pre-cropping cost is amortised on a straight line basis over 20 years.

All replanting expenditure is also capitalised in biological assets and amortised on the above-mentioned basis.

#### 2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms of 30 - 60 years.

#### 2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

#### 2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include the following:

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives and excluding those that are hedge accounted for) or financial assets acquired principally for the purpose of selling in the near term.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial assets (cont'd)

#### (i) Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

#### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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.

### 2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.14 Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group and of the Company's cash management.

#### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, consumables and spare parts: purchase costs on a first-in first-out basis.
- Nursery stocks: includes cost of seedlings, labour, materials and attributable overheads in bringing the nursery stocks to their present location and condition.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of production overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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.

#### 2.16 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Financial liabilities (cont'd)

#### (ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.18 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 directly to the management of the Company who regularly review 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

The Group does not identify segments by geographical location as it operates only in Malaysia.

The accounting policies adopted in segment reporting are identical to the accounting policies of the Group.

### 2.19 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### **Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Other income items of the Group, presented separately from revenue, are recognised using the following bases:

##### **(i) Interest income**

Interest is recognised on an accrual basis using the effective interest method.

##### **(ii) Management fees**

Management fee income is recognised on the accrual basis.

##### **(iii) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

##### **(iv) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### 2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

#### 2.23 Taxes

##### **(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### **(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.



# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.23 Taxes (cont'd)

##### (b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unutilised tax allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unutilised tax allowances and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in 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 as part of the expense item as applicable; and
- 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 statements of financial position.

#### 2.24 Employee benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.25 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

#### 2.26 Leases

##### (i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

##### (ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(iv).

#### 2.27 Hedge accounting

The Group and the Company use derivatives to manage its exposure to commodity price risk. These derivatives comprise commodity swap and futures contracts. The Group and the Company apply hedge accounting for those commodity swap and futures contracts which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationships are classified as cash flow hedges as the Group and the Company are hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group and the Company formally designate and document the hedge relationship to which the Group and the Company wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as a cash flow hedge.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.27 Hedge accounting (cont'd)

Under a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm.

#### 2.28 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 the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- |         |   |  |
|---------|---|--|
| Level 1 | - | Quoted (unadjusted) market prices in active markets for identical assets or liabilities  |
| Level 2 | - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | - | Inputs for the asset or liability that are not based on observable market data (unobservable inputs)   |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

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

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.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.29 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### 3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Useful lives of property, plant and equipment

FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group and the Company reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

##### (ii) Biological assets

Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives of the Group's and Company's oil palms to be 20 years.

##### (iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unutilised tax allowances to the extent that it is probable that taxable profit will be available against which the losses and allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 3. Significant accounting estimates and judgements (cont'd)

### 3.1 Key sources of estimation uncertainty (cont'd)

#### (iii) Deferred tax assets (cont'd)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

#### (iv) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flow are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 18.

#### (v) Impairment of non-financial assets

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

##### Property, plant and equipment

The carrying amount of property, plant and equipment of the Group as at 31 January 2018 was RM388,818,968 (2017: RM389,460,490). The Group has recognised impairment losses in respect of property, plant and equipment and the accumulated impairment loss amounted to RM7,124,158 (2017: RM8,853,215). In current financial year, the Group carried out the impairment test based on the cash generating unit's ("CGU") fair value less cost to sell. Further details of the impairment loss for property, plant and equipment are disclosed in Note 13.

##### Investment in subsidiaries

The carrying amount of investment in subsidiaries of the Company as at 31 January 2018 was RM46,169,213 (2017: RM46,169,213). The Company has recognised impairment losses in respect of cost of investment and the accumulated impairment loss amounted to RM6,079,086 (2017: RM6,079,086). In current financial year, the Company carried out the impairment test based on the cash generating unit's ("CGU") fair value less cost to sell. Further details of the impairment loss for the investment in subsidiaries are disclosed in Note 16.

## 4. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sales of :				
Fresh fruit bunches	30,053,348	24,947,527	24,369,241	22,329,132
Palm oil milling products	1,045,278,498	867,645,659	-	-
	1,075,331,846	892,593,186	24,369,241	22,329,132



# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 5. Cost of sales

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Fresh fruit bunches	17,408,797	16,951,051	9,247,493	9,518,252
Palm oil milling products	861,341,464	738,264,063	-	-
	878,750,261	755,215,114	9,247,493	9,518,252

### 6. Other items of income

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Interest income	9,576,869	8,894,282	11,256,944	11,565,352
Rental income	139,020	167,880	36,000	36,000
Sundry income	1,365,803	1,623,908	121,238	189,707
Commission received	-	-	1,607,013	1,318,117
Management fee income	124,165	124,165	5,322,120	4,367,015
Fair value gain on derivatives	-	1,232,775	-	-
Gain on compulsory acquisition of land	9,455	318,428	-	-
Gain on disposal of property, plant and equipment	22,078	193,127	-	13,018
Reversal of impairment losses on:				
- property, plant and equipment (Note 13)	1,729,057	-	-	-
- biological assets (Note 15)	1,188,621	-	-	-
Dividend income from subsidiaries	-	-	68,500,000	43,790,000
	14,155,068	12,554,565	86,843,315	61,279,209

### 7. Finance costs

	2018 RM	Group 2017 RM
Interest expense on:		
- bank borrowings	1,397,055	1,837,667
- other payables	9,609	16,205
	1,406,664	1,853,872
Less: Interest capitalised in biological assets (Note 15)	-	(382,267)
	1,406,664	1,471,605

The interest expense on other payables arose as a result of the remeasurement of the outstanding amount to its amortised cost.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 8. Profit before tax

The following items have been included in arriving at profit before tax :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- Statutory audit	290,000	275,500	59,000	57,000
- Other services	6,000	6,000	6,000	6,000
Employee benefit expenses (Note 9)	55,030,282	49,592,723	12,287,256	10,634,570
Depreciation and amortisation:				
- property, plant and equipment (Note 13)	24,547,984	23,617,636	1,377,781	1,462,273
- land use rights (Note 14)	114,120	114,480	-	-
- biological assets (Note 15)	7,099,606	6,575,938	660,913	660,911
Write off of:				
- property, plant and equipment (Note 33 A)	309,728	613,965	6,005	69,491
- biological assets (Note 33 A)	2	2	2	2
- bad debts (Note 33 A)	58,921	30,772	11,553	13,640
- inventories (Note 33 A)	65,045	11,607	1,283	8,714
Write down of inventories (Note 17 and Note 33 A)	216,507	719,428	-	-
Allowance for impairment losses on:				
- biological assets (Note 15)	-	486,009	-	-
- other receivables (Note 18)	-	-	734,000	1,931,000
Reversal of impairment losses on:				
- property, plant and equipment (Note 13)	(1,729,057)	-	-	-
- biological assets (Note 15)	(1,188,621)	-	-	-
Fair value loss/(gain) on derivatives				
- realised	1,200	(1,232,775)	-	-
- unrealised (Note 33A)	217,075	-	-	-
Rental of premises	286,492	299,817	209,431	209,431
Gain on disposal of property, plant and equipment	(22,078)	(193,127)	-	(13,018)
Loss on disposal of property, plant and equipment (Note 33 A)	113,850	112,683	3,489	-
Loss on foreign exchange				
- unrealised (Note 33 A)	1,110,371	-	1,110,371	-
Rental income	(139,020)	(167,880)	(36,000)	(36,000)
Gross dividend income from:				
- subsidiaries	-	-	(68,500,000)	(43,790,000)
Interest income from:				
- deposits	(9,509,893)	(8,827,322)	(3,322,619)	(3,731,861)
- subsidiaries	-	-	(7,867,349)	(7,766,531)
- others	(66,976)	(66,960)	(66,976)	(66,960)

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 9. Employee benefit expenses

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonuses	51,083,459	46,354,142	11,640,416	10,233,418
Defined contribution plan	4,203,504	3,802,157	1,280,901	1,057,011
Social security costs	331,097	291,982	34,679	29,836
Human Resources Development ("HRD") fund	80,962	67,963	-	-
Provision for unutilised leave (Note 21(c) and 33 A)	53,867	14,411	53,867	14,411
Total employee benefit expenses	55,752,889	50,530,655	13,009,863	11,334,676
Amount capitalised in biological assets (Note 15)	(722,607)	(937,932)	(722,607)	(700,106)
Total employee benefit expenses recognised in profit or loss	55,030,282	49,592,723	12,287,256	10,634,570

Included in employee benefit expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM7,730,247 (2017: RM6,776,599) and RM4,570,031 (2017: RM3,618,633) respectively as further disclosed in Note 10.

### 10. Directors' remuneration

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Directors of the Company</b>				
Executive:				
Fees	322,000	318,000	-	-
Salaries and other emoluments	6,548,500	5,709,250	4,043,500	3,201,500
Defined contribution plan	845,520	736,322	524,160	414,962
Social security costs	14,227	13,027	2,371	2,171
	7,730,247	6,776,599	4,570,031	3,618,633
Estimated monetary value of benefits-in-kind	53,030	31,112	53,030	31,112
	7,783,277	6,807,711	4,623,061	3,649,745
Non-Executive :				
Fees	288,000	264,000	288,000	264,000
Other emoluments	9,000	7,500	9,000	7,500
	297,000	271,500	297,000	271,500
	8,080,277	7,079,211	4,920,061	3,921,245

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 10. Directors' remuneration (cont'd)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2018	2017
Executive Directors:		
RM700,001 - RM750,000	-	1
RM900,001 - RM950,000	-	2
RM1,050,001 - RM1,100,000	3	1
RM1,300,001 - RM1,350,000	1	-
Non-executive Directors:		
RM50,001 - RM100,000	2	3
RM100,001 - RM150,000	1	-

## 11. Tax

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax :				
- Current year	35,125,311	24,903,383	3,877,000	4,067,000
- (Over)/underprovision in prior years	(336,104)	(538,248)	(126,624)	61,455
	34,789,207	24,365,135	3,750,376	4,128,455
Deferred tax (Note 23) :				
- Relating to origination and reversal of temporary differences	2,516,926	1,113,024	863,072	478,072
- Under/(over)provision of assets in prior years	36,000	(2,000)	-	-
- (Over)/underprovision of liabilities in prior years	(32,000)	1,000	(17,000)	19,000
	2,520,926	1,112,024	846,072	497,072
Tax expense for the year	37,310,133	25,477,159	4,596,448	4,625,527

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. On 21 October 2016, the Government of Malaysia announced a reduction of income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment effective years of assessment 2017 and 2018 which has been reflected in the income tax expense for the current financial year.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 11. Tax (cont'd)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense of the Group and of the Company is as follows :

	2018 RM	2017 RM
<b>Group</b>		
Profit before tax	161,598,309	111,164,712
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	38,783,594	26,679,531
Tax effects of:		
- Expenses not deductible for tax purposes	1,539,642	1,381,238
- Income not subject to tax	(551,798)	(498,928)
- Reduction of tax rate for incremental chargeable income	(1,359,856)	-
- Deferred tax assets not recognised during the year on deductible temporary differences	200,627	50,505
- Double deductions	(42,166)	(39,721)
- Reinvestment allowance	(927,806)	(1,556,218)
Overprovision of income tax expense in prior years	(336,104)	(538,248)
Under/(over)provision of deferred tax assets in prior years	36,000	(2,000)
(Over)/underprovision of deferred tax liabilities in prior years	(32,000)	1,000
<b>Tax expense for the year</b>	<b>37,310,133</b>	<b>25,477,159</b>
<b>Company</b>		
Profit before tax	86,020,844	60,433,216
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	20,645,003	14,503,972
Tax effects of:		
- Expenses not deductible for tax purposes	687,550	684,277
- Income not subject to tax	(16,592,481)	(10,643,177)
(Over)/underprovision of income tax expense in prior years	(126,624)	61,455
(Over)/underprovision of deferred tax liabilities in prior years	(17,000)	19,000
<b>Tax expense for the year</b>	<b>4,596,448</b>	<b>4,625,527</b>

### 12. Earnings per share

#### (a) Basic

Basic earnings per share is calculated by dividing the profit net of tax for the year, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018	Group 2017
Profit net of tax attributable to owners of the Company (RM)	98,752,491	71,118,296
Weighted average number of ordinary shares in issue	311,201,569	311,201,569
Basic earnings per share (sen)	31.73	22.85

#### (b) Diluted

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding at reporting date.



# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 13. Property, plant and equipment

Group	Land <sup>a</sup> RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
<b>Cost</b>							
<b>At 1 February 2016</b>							
Additions	205,155,975	91,320,055	262,746,916	13,984,460	14,739,761	8,008,794	595,955,961
Disposals	18,108	2,708,792	6,847,779	555,479	1,527,848	8,113,656	19,771,662
Written off	-	-	(755,171)	(2,000)	(856,777)	-	(1,613,948)
Expensed off	-	(781,730)	(1,318,850)	(123,250)	(11,500)	(52,278)	(2,287,608)
Reclassifications	-	1,552,959	7,503,218	-	-	(41,498)	(41,498)
	-	-	-	(916,909)	-	(8,139,268)	-
<b>At 31 January 2017 and 1 February 2017</b>							
Additions	205,174,083	94,800,076	275,023,892	13,497,780	15,399,332	7,889,406	611,784,569
Disposals	32,046	1,466,558	4,314,785	343,918	1,501,858	15,511,441	23,170,606
Written off	-	-	(278,853)	-	(683,501)	-	(962,354)
Expensed off	-	(179,225)	(771,196)	(245,317)	(4,175)	-	(1,199,913)
Reclassifications	13,822	2,476,287	5,602,161	223,200	-	(8,119)	(8,119)
	-	-	-	-	-	(8,315,470)	-
<b>At 31 January 2018</b>	205,219,951	98,563,696	283,890,789	13,819,581	16,213,514	15,077,258	632,784,789
<b>Accumulated depreciation</b>							
<b>At 1 February 2016</b>							
Charge for the year	28,885,218	29,140,151	119,174,211	8,524,994	6,653,658	-	192,378,232
Disposals	2,584,263	3,890,606	15,794,277	697,857	929,148	-	23,896,151
Written off	-	-	(452,242)	(1,770)	(675,864)	-	(1,129,876)
Reclassifications	-	(514,237)	(1,068,385)	(85,401)	(5,620)	-	(1,673,643)
	-	-	174,887	(174,887)	-	-	-
<b>At 31 January 2017 and 1 February 2017</b>							
Charge for the year	31,469,481	32,516,520	133,622,748	8,960,793	6,901,322	-	213,470,864
Disposals	2,585,543	4,204,406	16,367,497	718,797	1,013,403	-	24,889,646
Written off	-	-	(233,609)	-	(395,053)	-	(628,662)
	-	(137,384)	(526,263)	(222,364)	(4,174)	-	(890,185)
<b>At 31 January 2018</b>	34,055,024	36,583,542	149,230,373	9,457,226	7,515,498	-	236,841,663

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 13. Property, plant and equipment (cont'd)

Group	Land <sup>^</sup> RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
<b>Accumulated impairment losses</b>							
<b>At 1 February 2016, 31 January 2017 and 1 February 2017</b>							
Reversal for the year	266,303	913,532	7,562,801	110,579	-	-	8,853,215
(Note 6 and Note 8)	(266,303)	(913,532)	(549,222)	-	-	-	(1,729,057)
<b>At 31 January 2018</b>	-	-	7,013,579	110,579	-	-	7,124,158
<b>Net carrying amount</b>							
<b>At 31 January 2017</b>	173,438,299	61,370,024	133,838,343	4,426,408	8,498,010	7,889,406	389,460,490
<b>At 31 January 2018</b>	171,164,927	61,980,154	127,646,837	4,251,776	8,698,016	15,077,258	388,818,968
<b><sup>^</sup> Land consists of:</b>							
			<b>2018</b>		<b>2017</b>		
			<b>Net carrying</b>		<b>Net carrying</b>		
			<b>amount</b>		<b>amount</b>		
			<b>Cost</b>		<b>Cost</b>		
			<b>RM</b>		<b>RM</b>		
Freehold land			13,586,469		13,586,469		13,586,469
Long term leasehold land			191,633,482		191,587,614		159,851,830
			205,219,951		205,174,083		173,438,299

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 13. Property, plant and equipment (cont'd)

Company	Long term leasehold Land RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
<b>Cost</b>							
<b>At 1 February 2016</b>							
Additions	67,856,221	12,025,529	3,756,352	2,528,171	2,295,531	-	88,461,804
Disposals	-	240,102	259,096	32,339	387,596	-	919,133
Written off	-	-	(80,682)	-	-	-	(80,682)
	-	(191,448)	(8,360)	(30,761)	-	-	(230,569)
<b>At 31 January 2017 and 1 February 2017</b>							
Additions	67,856,221	12,074,183	3,926,406	2,529,749	2,683,127	-	89,069,686
Disposals	-	6,619	21,848	50,291	368,062	39,000	485,820
Written off	-	-	(85,000)	-	(133,248)	-	(218,248)
	-	-	-	(77,188)	-	-	(77,188)
<b>At 31 January 2018</b>	67,856,221	12,080,802	3,863,254	2,502,852	2,917,941	39,000	89,260,070
<b>Accumulated depreciation</b>							
<b>At 1 February 2016</b>							
Charge for the year	10,549,743	2,016,096	2,508,012	1,309,203	920,437	-	17,303,491
Disposals	884,076	235,734	198,974	205,479	161,485	-	1,685,748
Written off	-	-	(80,681)	-	-	-	(80,681)
	-	(126,506)	(7,772)	(26,800)	-	-	(161,078)
<b>At 31 January 2017 and 1 February 2017</b>							
Charge for the year	11,433,819	2,125,324	2,618,533	1,487,882	1,081,922	-	18,747,480
Disposals	884,076	238,779	206,917	204,549	185,122	-	1,719,443
Written off	-	-	(84,999)	-	(46,761)	-	(131,760)
	-	-	-	(71,183)	-	-	(71,183)
<b>At 31 January 2018</b>	12,317,895	2,364,103	2,740,451	1,621,248	1,220,283	-	20,263,980
<b>Net carrying amount</b>							
<b>At 31 January 2017</b>	56,422,402	9,948,859	1,307,873	1,041,867	1,601,205	-	70,322,206
<b>At 31 January 2018</b>	55,538,326	9,716,699	1,122,803	881,604	1,697,658	39,000	68,996,090

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 13. Property, plant and equipment (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Depreciation charge for the year:</b>				
Amount capitalised in biological assets (Note 15)	341,662	278,515	341,662	223,475
Amount recognised in profit or loss (Note 8)	24,547,984	23,617,636	1,377,781	1,462,273
	24,889,646	23,896,151	1,719,443	1,685,748

Certain long term leasehold land of the Group was revalued in 2003, and the Group has retained the unamortised revalued amount as the surrogate cost of those long term leasehold land in accordance with the transitional provisions of FRS 117.

#### Impairment of assets:

During the financial year, the Federal Court allowed a subsidiary of the Company, Winsome Pelita (Pantu) Sdn. Bhd.'s appeal on the legal claims as disclosed in Note 34. Accordingly, the Group has reversed the impairment loss on the property, plant and equipment previously recognised amounting to RM1,729,057 during the financial year.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 14. Land use rights

	2018 RM	Group 2017 RM
<b>Cost</b>		
At beginning of the financial year	3,591,181	3,623,413
Compulsory acquisition	-	(32,232)
At end of the financial year	3,591,181	3,591,181
<b>Accumulated amortisation</b>		
At beginning of the financial year	1,483,032	1,374,955
Amortisation (Note 8)	114,120	114,480
Compulsory acquisition	-	(6,403)
At end of the financial year	1,597,152	1,483,032
<b>Net carrying amount</b>		
At end of the financial year	1,994,029	2,108,149
<b>Analysed as:</b>		
Long term leasehold land	508,417	519,457
Short term leasehold land	1,485,612	1,588,692
	1,994,029	2,108,149
<b>Amount to be amortised:</b>		
- Not later than one year	114,120	114,120
- Later than one year but not later than five years	456,480	456,480
- Later than five years	1,423,429	1,537,549
	1,994,029	2,108,149



# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 15. Biological assets

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Cost</b>				
At beginning of the financial year	148,686,344	146,370,599	22,763,669	21,559,506
Additions	4,509,757	3,441,945	4,119,702	2,302,233
Written off	(602,435)	(1,098,070)	(602,435)	(1,098,070)
Compulsory acquisition	-	(28,130)	-	-
At end of the financial year	152,593,666	148,686,344	26,280,936	22,763,669
<b>Accumulated amortisation</b>				
At beginning of the financial year	65,654,473	60,193,460	6,172,195	6,609,352
Amortisation for the year (Note 8)	7,099,606	6,575,938	660,913	660,911
Written off	(602,433)	(1,098,068)	(602,433)	(1,098,068)
Compulsory acquisition	-	(16,857)	-	-
At end of the financial year	72,151,646	65,654,473	6,230,675	6,172,195
<b>Accumulated impairment losses</b>				
At beginning of the financial year	1,674,630	1,188,621	-	-
Impairment loss for the year (Note 8)	-	486,009	-	-
Reversal during the year (Note 6 and Note 8)	(1,188,621)	-	-	-
At end of the financial year	486,009	1,674,630	-	-
<b>Net carrying amount</b>				
At end of the financial year	79,956,011	81,357,241	20,050,261	16,591,474
Included in the additions to biological assets during the financial year are :				
Depreciation of property, plant and equipment (Note 13)	341,662	278,515	341,662	223,475
Interest (Note 7)	-	382,267	-	-
Employee benefit expenses (Note 9)	722,607	937,932	722,607	700,106

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 15. Biological assets (cont'd)

### Impairment of biological assets

During the financial year, the Federal Court allowed a subsidiary of the Company, Winsome Pelita (Pantu) Sdn. Bhd.'s appeal on the legal claims as disclosed in Note 34. Accordingly, the Group has reversed the impairment loss of biological assets previously recognised amounting to RM1,188,621 during the financial year.

During the previous financial year, a subsidiary of the Company, Winsome Jaya Sdn. Bhd., recognised an impairment loss of RM486,009 in respect of its biological assets due to palm damages caused by elephants.

## 16. Investment in subsidiaries

	2018 RM	Company 2017 RM
Unquoted shares, at cost	52,248,299	52,248,299
Less: Accumulated impairment losses	(6,079,086)	(6,079,086)
	46,169,213	46,169,213

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2018	2017
<i>Held by the Company:</i>				
Suhenson Estate Sdn. Bhd.	Malaysia	Dormant	100	100
Selokan Sdn. Bhd.	Malaysia	Dormant	100	100
Kim Loong - KPD Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	70	70
Tyeco Corporation Sdn. Bhd.	Malaysia	Dormant	100	100
Winsome Plantations Sdn. Bhd.	Malaysia	Investment holding	100	100
Kim Loong Sabah Mills Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	100	100
Kim Loong Power Sdn. Bhd.	Malaysia	Bio-gas and power generation activities	100	100
Okidville Plantations Sdn. Bhd.	Malaysia	Investment holding	95	95
Winsome Sarawak Plantations Sdn. Bhd.	Malaysia	Dormant	100	100
Palm Nutraceuticals Sdn. Bhd.	Malaysia	Manufacturing of health supplements and food ingredients	70	70

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 16. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2018	2017
Held by the Company (cont'd):				
Kim Loong Technologies Sdn. Bhd.	Malaysia	Extracting residual oil from wet palm fibre and converting palm fibre into better quality fibre	100	100
Kim Loong Corporation Sdn. Bhd.	Malaysia	Investment holding	100	100
Okidville Holdings Sdn. Bhd.	Malaysia	Cultivation of oil palm and investment holding	100	100
Kim Loong Palm Oil Sdn. Bhd.	Malaysia	Trading of fresh fruit bunches and investment holding	100	100
Desa Kim Loong Palm Oil Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	70	70
Winsome Yields Sdn. Bhd.	Malaysia	Investment holding	90	90
Okidville Jaya Sdn. Bhd.	Malaysia	Dormant	100	100
Sepulut Plantations Sdn. Bhd.	Malaysia	Dormant	100	100
Held by Kim Loong Corporation Sdn. Bhd.				
Winsome Pelita (Pantu) Sdn. Bhd.	Malaysia	Cultivation of oil palm	60	60
Held by Okidville Holdings Sdn. Bhd.				
Desa Okidville Sdn. Bhd.	Malaysia	Cultivation of oil palm	51	51
Held by Desa Kim Loong Palm Oil Sdn. Bhd.				
Kim Loong Technologies (Sabah) Sdn. Bhd.	Malaysia	Extracting residual oil from wet palm fibre and converting palm fibre into better quality fibre	70	70
Desa Kim Loong Industries Sdn. Bhd.	Malaysia	Dormant	70	70

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 16. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2018	2017
<i>Held by Kim Loong Palm Oil Sdn. Bhd.</i>				
Kim Loong Palm Oil Mills Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	100	100
<i>Held by Kim Loong Palm Oil Mills Sdn. Bhd.</i>				
Sungkit Enterprise Sdn. Bhd.	Malaysia	Processing and trading of palm kernel products	98	98
Kim Loong Evergrow Sdn. Bhd.	Malaysia	Dormant	100	100
Kim Loong Biomass Sdn. Bhd.	Malaysia	Processing of oil palm fibre	75	75
<i>Held by Winsome Yields Sdn. Bhd.</i>				
Winsome Al-Yatama Sdn. Bhd.	Malaysia	Cultivation of oil palm	61	61
<i>Held by Okidville Plantations Sdn. Bhd.</i>				
Winsome Jaya Sdn. Bhd.	Malaysia	Cultivation of oil palm	67	67
Okidville Resources Sdn. Bhd.	Malaysia	Dormant	95	95
<i>Held by Winsome Plantations Sdn. Bhd.</i>				
Winsome Pelita (Kranggas) Sdn. Bhd.	Malaysia	Cultivation of oil palm	70	70

In the previous financial year,

- (a) An indirect wholly-owned subsidiary of the Company, Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPO"), has been allotted with a total of 2,800,000 new ordinary shares in Sungkit Enterprise Sdn. Bhd. ("SESB") which were subscribed by KLPO for a total cash consideration of RM2,800,000 ("Transaction") pursuant to a Renounceable Rights Issue undertaken by SESB.

As a result of the Transaction, KLPO has increased its equity interest from 70% to 98% in SESB.

- (b) The Company acquired additional ordinary shares in Kim Loong Power Sdn. Bhd. for a total consideration of RM250,000, satisfied by cash. The acquisition did not change the percentage of shareholdings effectively held by the Company.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 16. Investment in subsidiaries (cont'd)

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of comprehensive income

2018	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
Revenue	97,443,766	33,850,194	364,576,279	495,870,239
Profit before tax	63,518,851	25,163,120	17,576,612	106,258,583
Profit net of tax	49,580,764	19,651,277	13,515,634	82,747,675
Other comprehensive income	(140,261)	-	-	(140,261)
Total comprehensive income	49,440,503	19,651,277	13,515,634	82,607,414
<hr/>				
Profit net of tax attributable to:				
- owners of the Company	36,234,839	13,755,894	9,460,944	59,451,677
- non-controlling interests	13,345,925	5,895,383	4,054,690	23,295,998
	49,580,764	19,651,277	13,515,634	82,747,675
<hr/>				
Total comprehensive income attributable to:				
- owners of the Company	36,094,578	13,755,894	9,460,944	59,311,416
- non-controlling interests	13,345,925	5,895,383	4,054,690	23,295,998
	49,440,503	19,651,277	13,515,634	82,607,414
<hr/>				
<b>2017</b>				
Revenue	65,575,884	27,551,115	239,747,935	332,874,934
Profit before tax	35,345,384	18,662,337	10,103,887	64,111,608
Profit net of tax	26,942,726	14,238,382	8,011,467	49,192,575
Other comprehensive income	140,261	-	-	140,261
Total comprehensive income	27,082,987	14,238,382	8,011,467	49,332,836
<hr/>				
Profit net of tax attributable to:				
- owners of the Company	18,785,070	9,966,867	5,608,027	34,359,964
- non-controlling interests	8,157,656	4,271,515	2,403,440	14,832,611
	26,942,726	14,238,382	8,011,467	49,192,575
<hr/>				
Total comprehensive income attributable to:				
- owners of the Company	18,925,331	9,966,867	5,608,027	34,500,225
- non-controlling interests	8,157,656	4,271,515	2,403,440	14,832,611
	27,082,987	14,238,382	8,011,467	49,332,836
<hr/>				



# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 16. Investment in subsidiaries (cont'd)

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (cont'd)

### (ii) Summarised statements of financial position

2018	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
Non-current assets	92,875,103	32,289,436	50,640,870	175,805,409
Current assets	55,919,129	67,831,152	77,612,509	201,362,790
Total assets	148,794,232	100,120,588	128,253,379	377,168,199
Current liabilities	5,904,200	7,428,489	29,215,203	42,547,892
Non-current liabilities	13,215,153	8,100,108	5,352,000	26,667,261
Total liabilities	19,119,353	15,528,597	34,567,203	69,215,153
Net assets	129,674,879	84,591,991	93,686,176	307,953,046
Equity attributable to owners of the Company	83,664,501	59,214,393	65,580,323	208,459,217
Non-controlling interests	46,010,378	25,377,598	28,105,853	99,493,829
	129,674,879	84,591,991	93,686,176	307,953,046
<b>2017</b>				
Non-current assets	97,216,040	34,027,374	54,000,186	185,243,600
Current assets	44,457,252	56,076,245	62,527,052	163,060,549
Total assets	141,673,292	90,103,619	116,527,238	348,304,149
Current liabilities	5,304,110	1,948,960	23,870,696	31,123,766
Non-current liabilities	14,134,806	8,213,945	5,486,000	27,834,751
Total liabilities	19,438,916	10,162,905	29,356,696	58,958,517
Net assets	122,234,376	79,940,714	87,170,542	289,345,632
Equity attributable to owners of the Company	79,769,923	55,958,499	61,019,380	196,747,802
Non-controlling interests	42,464,453	23,982,215	26,151,162	92,597,830
	122,234,376	79,940,714	87,170,542	289,345,632

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 16. Investment in subsidiaries (cont'd)

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (cont'd)

#### (iii) Summarised statements of cash flows

	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
<b>2018</b>				
Net cash generated from operating activities	55,001,599	21,375,135	17,418,343	93,795,077
Net cash used in investing activities	(1,845,946)	(371,705)	(3,455,299)	(5,672,950)
Net cash used in financing activities	(42,000,000)	(10,000,000)	(7,000,000)	(59,000,000)
Net increase in cash and cash equivalents	11,155,653	11,003,430	6,963,044	29,122,127
Cash and cash equivalents at beginning of the year	28,243,993	39,181,213	30,511,847	97,937,053
Cash and cash equivalents at end of the year	39,399,646	50,184,643	37,474,891	127,059,180
<b>2017</b>				
Net cash generated from operating activities	28,688,940	16,078,897	16,280,922	61,048,759
Net cash used in investing activities	(8,309,603)	(6,052,094)	(9,557,643)	(23,919,340)
Net cash used in financing activities	(20,100,000)	(10,000,000)	(8,700,000)	(38,800,000)
Net increase/(decrease) in cash equivalents	279,337	26,803	(1,976,721)	(1,670,581)
Cash and cash equivalents at beginning of the year	27,964,656	39,154,410	32,488,568	99,607,634
Cash and cash equivalents at end of the year	28,243,993	39,181,213	30,511,847	97,937,053

#### (iv) Dividends paid to non-controlling interests

	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
<b>2018</b>	9,800,000	3,000,000	2,100,000	14,900,000
<b>2017</b>	4,900,000	3,000,000	2,610,000	10,510,000

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 17. Inventories

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Cost</b>				
Raw materials	328,910	562,730	-	-
Finished goods	46,230,012	17,480,417	-	-
Building materials, supplies, spare parts and consumables	10,001,856	9,839,676	331,814	316,894
	56,560,778	27,882,823	331,814	316,894
<b>Net realisable value</b>				
Work-in-progress	7,118	12,979	-	-
Oil palm seedlings	119,526	-	-	-
Finished goods	539,196	11,683,102	-	-
	665,840	11,696,081	-	-
	57,226,618	39,578,904	331,814	316,894
<u>Recognised in profit or loss:</u>				
Inventories recognised as cost of sales	878,750,261	755,215,114	9,247,493	9,518,252
Write-down to net realisable value (Note 8)	216,507	719,428	-	-

## 18. Trade and other receivables

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	32,236,121	24,195,486	675,080	778,194
Amount owing from subsidiary companies	-	-	782,893	681,731
	32,236,121	24,195,486	1,457,973	1,459,925
<b>Other receivables</b>				
Third parties	5,144,781	3,900,926	2,577,738	2,550,954
Refundable deposits	493,044	418,138	167,905	119,105
Dividend receivable	-	-	3,500,000	-
Amount owing from holding companies	1,908	3,397	-	-
Amount owing from subsidiary company	-	-	11,031,306	4,604,569
Amount owing from related companies	17,676	37,978	-	7,447
	5,657,409	4,360,439	17,276,949	7,282,075
Total trade and other receivables (current)	37,893,530	28,555,925	18,734,922	8,742,000

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 18. Trade and other receivables (cont'd)

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Non-current</b>				
<b>Other receivables</b>				
Amount owing from subsidiary companies	-	-	129,962,521	129,282,417
Less: Allowance for impairment losses	-	-	(8,483,518)	(7,749,518)
	-	-	121,479,003	121,532,899
<b>Total trade and other receivables (current and non-current)</b>	37,893,530	28,555,925	140,213,925	130,274,899

#### (a) Trade receivables

The Group's normal trade credit terms are less than 60 days (2017: less than 60 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables 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 of the Company's trade receivables is as follows:

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Neither past due nor impaired	32,236,121	24,195,486	1,457,973	1,459,925

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of these balances have been renegotiated during the financial year.

#### (b) Amount owing from subsidiary company (trade)

These amounts are generally within 60 days terms (2017: within 60 days terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition. These amounts are neither past due nor impaired.

#### (c) Amount owing from holding and related companies (non-trade)

These amounts are unsecured, non-interest bearing and repayable on demand.

#### (d) Amount owing from subsidiary companies (current and non-current non-trade)

Included in the amount owing from subsidiary companies is an amount of RM131,110,000 (2017: RM125,182,446) which is interest bearing and unsecured.

All other balances are unsecured, non-interest bearing and repayable on demand. These balances are considered quasi-equity in nature, which represents an extension of investment in the subsidiaries and are expected to be settled in cash. As at the end of the financial year, the Company has provided an impairment allowance of RM8,483,518 (2017: RM7,749,518) on amounts owing by certain subsidiaries.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 18. Trade and other receivables (cont'd)

### (e) Other receivables that are impaired

#### 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 Individually impaired		Company Individually impaired	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivable-nominal amounts	-	-	11,378,881	10,215,765
Less: Allowance for impairment	-	-	(8,483,518)	(7,749,518)
	-	-	2,895,363	2,466,247

Movement in allowance accounts:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>At beginning of the financial year</b>	-	-	7,749,518	5,818,518
Change for the year (Note 8)	-	-	734,000	1,931,000
<b>At end of the financial year</b>	-	-	8,483,518	7,749,518

## 19. Derivatives

Group	2018		2017	
	Contract/ Nominal Amount RM	Fair Value Liabilities RM	Contract/ Nominal Amount RM	Fair Value Assets RM
Derivatives that are designated as effective hedging instruments carried at fair value				
- Commodity swap	-	-	13,050,000	184,554
Derivatives carried at fair value through profit or loss				
- Commodity futures	5,211,075	217,075	-	-

### **Crude palm oil - commodity futures**

One of the Group's principal activities is processing and marketing of oil palm products. The Group purchases FFB as raw material on an ongoing basis. Due to the volatility in CPO price over the past 12 months, the Group entered into CPO - commodity futures contracts to hedge against the volatility of the purchase price of FFB for specific period. Changes in fair value of these instruments are recognised in the profit or loss.

The net loss of RM218,275 arising from the CPO - commodity futures contracts during the financial year has been recognised in profit or loss as other expense.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 19. Derivatives (cont'd)

#### Crude palm oil - commodity swap

One of the Group's principal activities is cultivation of oil palm which produces fresh fruits bunches ("FFB"). The sales value of FFB is mainly determined by the price of Crude Palm Oil ("CPO"). Due to the volatility in CPO price over the past 12 months, the Group entered into CPO Vanilla Swap contract designated as hedges of highly probable forecast of FFB production.

The contract is intended to hedge the price risk affecting cash flows that is attributable to volatility in CPO price for a period of 10 months. The Group considers the CPO Vanilla Swap contract as an effective hedging instrument. Changes in fair value of this instrument are recognised in the hedging reserve.

As at 31 January 2017, the fair value assets of the Group was RM184,554 with a related deferred tax liabilities of RM44,293 and were included in other comprehensive income of the Group in respect of this contract.

### 20. Cash and bank balances

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand and cash at bank	84,006,499	57,381,886	38,696,789	8,312,373
Time deposits with licensed banks	153,548,570	167,267,405	61,500,000	90,000,000
Short term deposits with other financial institutions	62,485,498	60,871,598	20,561,741	19,952,639
Cash and bank balances	300,040,567	285,520,889	120,758,530	118,265,012
Less: Bank overdraft (Note 22)	(3,024,199)	(2,019,508)	-	-
Less: Deposits with other financial institutions	(46,662,976)	(45,600,367)	(17,863,849)	(17,339,184)
Cash and cash equivalents	250,353,392	237,901,014	102,894,681	100,925,828

Arrangements have been made with certain licensed banks whereby certain bank balances can earn interest on a daily rest basis. As at the reporting date, bank balances of the Group and the Company placed under such arrangements amounted to RM48,024,869 (2017: RM50,598,559) and RM8,430,929 (2017: RM6,930,360) respectively. The average interest rate as at the end of the financial year for such deposits was 2.47% (2017: 2.46%) per annum and 2.48% (2017: 2.51%) per annum for the Group and the Company respectively.

Included in deposits with license banks of the Group is an amount of RM548,570 (2017: RM529,253) pledged to a licensed bank as security for credit facilities granted to a subsidiary.

Deposits with other financial institutions of the Group and of the Company amounting to RM46,662,976 (2017: RM45,600,367) and RM17,863,849 (2017: RM17,339,184) respectively are deposits as investment of fund.

Deposits are normally made for varying periods of between 1 day to 3 months depending on the immediate cash requirements of the Group and of the Company, and earn interest at the respective short-term deposit rates. The average interest rates as at the end of the financial years are as follows:

	Group		Company	
	2018 % per annum	2017 % per annum	2018 % per annum	2017 % per annum
Time deposits with licensed banks	3.50	3.37	3.32	3.29
Short term deposits with other financial institutions	3.40	3.01	3.43	3.19



# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 21. Trade and other payables

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Current</b>				
<b>Trade payables</b>				
Third parties	46,171,621	42,452,703	1,017,475	741,149
Amount owing to holding company	153,942	101,000	99,942	83,000
Amount owing to related companies	470,953	358,554	-	-
	46,796,516	42,912,257	1,117,417	824,149
<b>Other payables</b>				
Sundry payables	5,566,414	6,178,678	280,400	236,331
Deposits	345,684	315,970	-	-
Provisions	375,022	503,067	329,577	275,710
Accruals	18,578,655	17,371,971	3,141,605	2,338,725
Amount owing to holding company	-	380	-	380
Amount owing to subsidiary company	-	-	7,342	-
Amount owing to related companies	-	1,350	-	1,350
	24,865,775	24,371,416	3,758,924	2,852,496
Total trade and other payables (current)	71,662,291	67,283,673	4,876,341	3,676,645
<b>Non-current</b>				
<b>Other payables</b>				
Sundry payables	97,507	187,898	-	-
Total trade and other payables (current and non-current)	71,759,798	67,471,571	4,876,341	3,676,645

### (a) Trade payables

These amounts are non-interest bearing and normally settled on 60 days (2017 : 60 days) terms.

### (b) Amount owing to holding and related companies (trade)

Credit terms granted by holding and related companies are less than 60 days (2017 : less than 60 days).

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 21. Trade and other payables (cont'd)

#### (c) Provisions

Group	Legal expense RM	Unutilised annual leave RM	Total RM
<b>At 1 February 2016</b>	361,433	261,299	622,732
Additions (Note 33A and 9)	-	14,411	14,411
Utilised	(134,076)	-	(134,076)
<b>At 31 January 2017 and 1 February 2017</b>	227,357	275,710	503,067
Additions (Note 33A and 9)	-	53,867	53,867
Utilised	(181,912)	-	(181,912)
<b>At 31 January 2018</b>	45,445	329,577	375,022

Company	Unutilised annual leave RM
<b>At 1 February 2016</b>	261,299
Additions (Note 9)	14,411
<b>At 31 January 2017 and 1 February 2017</b>	275,710
Additions (Note 9)	53,867
<b>At 31 January 2018</b>	329,577

#### Provision for unutilised annual leave

Being employees' benefits accrued in respect of their unutilised annual leave entitlements.

#### Provision for legal expenses

Being provision for legal expense in relation to the appeal against the Court of Appeal decision as disclosed in Note 34.

#### (d) Amount owing to holding and related companies (non-trade)

These amounts are unsecured, interest free and are repayable on demand.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 21. Trade and other payables (cont'd)

### (e) Sundry payables

Included in sundry payables are outstanding amounts for the acquisition of long term leasehold land (classified under property, plant and equipment) from non-controlling shareholder of a subsidiary. These are unsecured and have the following repayment terms :

	2018 RM	Group 2017 RM
Payable within 12 months	100,000	100,000
Payable after 12 months	97,507	187,898
	197,507	287,898

The amount payable after 12 months is bearing effective interest of 7.60% (2017 : 7.60%) per annum. This interest rate was used for the purpose of remeasurement of the outstanding amount to its amortised cost in accordance with FRS 139.

## 22. Loans and borrowings

	2018 RM	Group 2017 RM
<b>Current</b>		
Secured:		
Bank overdrafts (Note 20)	3,024,199	2,019,508
Revolving credit	6,500,000	7,500,000
Term loan 1	4,020,000	4,020,000
Term loan 2	4,020,000	4,020,000
	17,564,199	17,559,508
<b>Non-current</b>		
Secured:		
Term loan 1	905,000	4,925,000
Term loan 2	8,610,000	12,630,000
	9,515,000	17,555,000
	27,079,199	35,114,508

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 22. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	2018 RM	Group 2017 RM
On demand or within one year	17,564,199	17,559,508
More than 1 year and less than 2 years	8,040,000	8,040,000
More than 2 years and less than 5 years	1,475,000	9,515,000
	27,079,199	35,114,508

The facilities extended by financial institutions are secured by :

- (i) corporate guarantee from the Company and the details of the corporate guarantee is disclosed in Note 35(a); and
- (ii) personal guarantee of RM960,000 from a shareholder of a subsidiary.

The term loan 1 is repayable over 59 equal monthly instalments of RM335,000 each with a final instalment of RM235,000 commencing from May 2014.

The term loan 2 is repayable over 59 equal monthly instalments of RM335,000 with a final instalment of RM235,000 commencing from April 2016.

As at the reporting date, the loans and borrowings of the Group bear interest at the following rates:

	2018 % per annum	Group 2017 % per annum
<b>Interest rates</b>		
Overdrafts	BLR + 1% to 1.25%	BLR + 1% to 1.25%
Term loan 1	5.25%	5.25%
Term loan 2	COF + 1%	COF + 1%
Revolving credit	KLIBOR + 1.5% / COF + 1%	KLIBOR + 1.5% / COF + 1%

As at the end of the financial year, base lending rate ("BLR") ranges from 6.60% to 6.76% per annum (2017: 6.60% to 6.65% per annum), cost of fund ("COF") ranges from 3.60% to 3.86% per annum (2017: 3.60% to 3.79% per annum) and Kuala Lumpur Interbank Offered Rate ("KLIBOR") is 2.62% per annum (2017: 3.17% per annum).

The movements in the loans and borrowings were as follow:

	2017 RM	Repayment RM	Movement in bank overdraft RM	2018 RM
Loans and borrowings	35,114,508	(9,040,000)	1,004,691	27,079,199

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 23. Deferred tax

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
At beginning of the financial year	39,521,742	38,365,425	13,684,426	13,187,354
Recognised in other comprehensive income	(44,293)	44,293	-	-
Recognised in profit or loss (Note 11)	2,520,926	1,112,024	846,072	497,072
At end of the financial year	41,998,375	39,521,742	14,530,498	13,684,426
Presented after appropriate offsetting as follows:				
Deferred tax assets	(11,240,000)	(13,300,000)	-	-
Deferred tax liabilities	53,238,375	52,821,742	14,530,498	13,684,426
	41,998,375	39,521,742	14,530,498	13,684,426

The components and movements of deferred tax liabilities/(assets) during the financial year are as follows :

<b>Group</b>	<b>At 1 February 2017 RM</b>	<b>Recognised in other comprehensive income RM</b>	<b>Recognised in profit or loss (Note 11) RM</b>	<b>At 31 January 2018 RM</b>
<b>Deferred tax liabilities</b>				
Biological assets and property, plant and equipment	52,068,800	-	128,100	52,196,900
Accrued interest income	85,000	-	32,000	117,000
Derivatives	44,293	(44,293)	-	-
Revaluation of leasehold land	18,999,649	-	(277,076)	18,722,573
	71,197,742	(44,293)	(116,976)	71,036,473
Offsetting	(18,376,000)	-	577,902	(17,798,098)
	52,821,742	(44,293)	460,926	53,238,375
<b>Deferred tax assets</b>				
Provisions	(66,000)	-	(13,000)	(79,000)
Derivatives	-	-	(52,098)	(52,098)
Unutilised reinvestment allowances	(3,257,000)	-	1,013,000	(2,244,000)
Unutilised investment tax allowances	(6,242,000)	-	516,000	(5,726,000)
Unabsorbed capital allowances	(10,062,500)	-	813,000	(9,249,500)
Unused tax losses	(10,006,500)	-	762,000	(9,244,500)
Unrealised profits	(2,042,000)	-	(401,000)	(2,443,000)
	(31,676,000)	-	2,637,902	(29,038,098)
Offsetting	18,376,000	-	(577,902)	17,798,098
	(13,300,000)	-	2,060,000	(11,240,000)
	39,521,742	(44,293)	2,520,926	41,998,375

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 23. Deferred tax (cont'd)

Group	At 1 February 2016 RM	Recognised in other comprehensive income RM	Recognised in profit or loss (Note 11) RM	At 31 January 2017 RM
<b>Deferred tax liabilities</b>				
Biological assets and property, plant and equipment	52,232,700	-	(163,900)	52,068,800
Accrued interest income	103,000	-	(18,000)	85,000
Derivatives	-	44,293	-	44,293
Revaluation of leasehold land	19,276,725	-	(277,076)	18,999,649
	71,612,425	44,293	(458,976)	71,197,742
Offsetting	(19,725,000)	-	1,349,000	(18,376,000)
	51,887,425	44,293	890,024	52,821,742
<b>Deferred tax assets</b>				
Provisions	(63,000)	-	(3,000)	(66,000)
Unutilised reinvestment allowances	(4,312,000)	-	1,055,000	(3,257,000)
Unutilised investment tax allowances	(6,241,000)	-	(1,000)	(6,242,000)
Unabsorbed capital allowances	(9,808,500)	-	(254,000)	(10,062,500)
Unused tax losses	(10,976,500)	-	970,000	(10,006,500)
Unrealised profits	(1,846,000)	-	(196,000)	(2,042,000)
	(33,247,000)	-	1,571,000	(31,676,000)
Offsetting	19,725,000	-	(1,349,000)	18,376,000
	(13,522,000)	-	222,000	(13,300,000)
	38,365,425	44,293	1,112,024	39,521,742



# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 23. Deferred tax (cont'd)

Company	At 1 February 2017 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2018 RM
<b>Deferred tax liabilities</b>			
Biological assets and property, plant and equipment	6,187,000	966,000	7,153,000
Accrued interest income	31,000	10,000	41,000
Revaluation of leasehold land	7,532,426	(116,928)	7,415,498
	13,750,426	859,072	14,609,498
Offsetting	(66,000)	(13,000)	(79,000)
	13,684,426	846,072	14,530,498
<b>Deferred tax assets</b>			
Provisions	(66,000)	(13,000)	(79,000)
Offsetting	66,000	13,000	79,000
	-	-	-
	13,684,426	846,072	14,530,498

Company	At 1 February 2016 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2017 RM
<b>Deferred tax liabilities</b>			
Biological assets and property, plant and equipment	5,554,000	633,000	6,187,000
Accrued interest income	47,000	(16,000)	31,000
Revaluation of leasehold land	7,649,354	(116,928)	7,532,426
	13,250,354	500,072	13,750,426
Offsetting	(63,000)	(3,000)	(66,000)
	13,187,354	497,072	13,684,426
<b>Deferred tax assets</b>			
Provisions	(63,000)	(3,000)	(66,000)
Offsetting	63,000	3,000	66,000
	-	-	-
	13,187,354	497,072	13,684,426

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 23. Deferred tax (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	2018 RM	Group 2017 RM
Unused tax losses	4,857,000	4,322,000
Unutilised investment tax allowances	9,672,000	9,672,000
Unutilised reinvestment allowances	4,307,000	4,307,000
Unabsorbed capital allowances	4,694,000	4,400,000
Other temporary differences	8,844,000	8,781,000
	32,374,000	31,482,000
Deferred tax @ 24% (2017 : 24%)	7,769,760	7,555,680

The availability of unused tax losses and unutilised tax allowances for offsetting against future taxable profits is subject to the provisions of the Income Tax Act, 1967.

### 24. Share capital

	Number of ordinary shares 2018	2017	2018 RM	Amount 2017 RM
Issued and fully paid				
At beginning of the financial year	311,803,569	311,803,569	311,803,569	311,803,569
Transition to no-par value regime (Note 25)	-	-	6,626,014	-
At end of the financial year	311,803,569	311,803,569	318,429,583	311,803,569

#### (a) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

#### Implementation of Companies Act 2016

With effect from 31 January 2017, all entities shall comply with the Companies Act 2016 ("CA 2016") in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value. Section 618(2) of CA 2016 states that upon the commencement of Section 74 of CA 2016, the share premium account and capital redemption reserve shall become part of share capital.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 24. Share capital (cont'd)

### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired Nil (2017: 20,000) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM Nil (2017: RM67,991) and this was presented as a component within shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

Movements in the treasury shares are as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 February 2016	582,000	1,557,862	2.68
Repurchased during the year	20,000	67,991	3.40
At 31 January 2017, 1 February 2017 and 31 January 2018	602,000	1,625,853	2.70

## 25. Share premium (non-distributable)

	Group and Company 2018 RM	2017 RM
At beginning of the financial year	6,626,014	6,626,014
Transition to no-par value regime (Note 24)	(6,626,014)	-
At end of the financial year	-	6,626,014

## 26. Other reserves

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Non-distributable</b>				
Revaluation reserve (Note 27)	37,504,668	38,337,212	13,035,581	13,242,305
Hedging reserve (Note 28)	-	140,261	-	-
	37,504,668	38,477,473	13,035,581	13,242,305

## 27. Revaluation reserve (non-distributable)

The revaluation reserve represents the balance of revaluation surplus, net of tax, arising from the revaluation of certain leasehold lands, less amount capitalised through bonus issue.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 28. Hedging reserve (non-distributable)

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

### 29. Retained earnings

The Company may distribute dividends out of its retained earnings as at 31 January 2018 and 2017 under the single tier system.

### 30. Transfer of reserves

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Realisation of revaluation surplus on leasehold land, net of tax, arising from :				
- excess of amortisation based on revalued leasehold land over their original costs	832,544	832,544	206,724	206,724

### 31. Related party disclosures

#### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions between the Group and related parties during the financial year:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>With holding company:</b>				
Professional services	154,000	141,000	100,000	90,000
Purchase of plant and equipment	-	200,000	-	200,000
<b>With subsidiaries:</b>				
Management fee income	-	-	5,197,955	4,242,850
Commission income	-	-	1,607,013	1,318,117
Rental income	-	-	36,000	36,000
Interest income	-	-	7,867,349	7,766,531
Purchase of goods and services	-	-	42,483	17,526
Sale of goods	-	-	13,163,299	13,051,727
<b>With fellow subsidiaries of the holding company:</b>				
Management fee income	124,165	124,165	124,165	124,165
Rental expenses	-	5,000	-	-
Sales of plant and equipment	20,000	-	20,000	-
Purchase of goods and services	10,597,752	8,219,151	3,700	-
Sale of goods and services	424,322	241,215	-	-

Related companies are fellow subsidiaries of the holding company, Sharikat Kim Loong Sendirian Berhad.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 31. Related party disclosures (cont'd)

### (b) Key management compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short term employee benefits	9,975,935	8,615,191	6,114,651	5,117,422
Defined contribution plan	1,177,371	1,007,437	776,815	614,707
	11,153,306	9,622,628	6,891,466	5,732,129
Included in the total remuneration of key management personnel are remunerations of:				
- Executive Directors	7,783,277	6,807,711	4,623,061	3,649,745
- Non-executive Directors	297,000	271,500	297,000	271,500
	8,080,277	7,079,211	4,920,061	3,921,245

## 32. Commitments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) Capital expenditures :				
Approved and contracted for:				
- property, plant and equipment	5,991,000	8,647,000	-	-
Approved but not contracted for:				
- property, plant and equipment	1,182,000	-	-	-

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 32. Commitments (cont'd)

(b) Rental commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows :

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Future minimum rental payments:</b>				
Not later than 1 year	276,631	259,179	209,431	191,979
Later than 1 year and not later than 5 years	390,968	600,399	122,168	331,599
Later than 5 years	616,000	683,200	-	-
	<b>1,283,599</b>	<b>1,542,778</b>	<b>331,599</b>	<b>523,578</b>

### 33. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) Plantation - cultivation of oil palm
- (b) Milling - processing and marketing of oil palm products

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.



# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 33. Segmental information (cont'd)

### (A) Business segment

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
<b>31 January 2018</b>				
<b>Revenue and expenses</b>				
<b>Revenue</b>				
External customers	30,053,348	1,044,291,978	986,520	1,075,331,846
Inter-segment	160,900,655	1,689,079	(162,589,734)	-
Total revenue	190,954,003	1,045,981,057	(161,603,214)	1,075,331,846
<b>Results</b>				
Segment results	111,301,994	51,223,405	(1,940,000)	160,585,399
Unallocated costs				(7,157,295)
Interest income				9,576,869
Finance costs				(1,406,664)
Profit before tax				161,598,309
Tax				(37,310,133)
Profit net of tax				124,288,176
<b>Assets and liabilities</b>				
Segment assets	505,453,597	340,577,423	(89,750,384)	756,280,636
Unallocated assets				129,180,270
Total assets				885,460,906
Segment liabilities	74,192,303	160,211,037	(85,794,384)	148,608,956
Unallocated liabilities				27,554,659
Total liabilities				176,163,615
<b>Other information</b>				
Capital expenditure	8,290,095	19,390,268	-	27,680,363
Depreciation and amortisation	14,724,180	17,379,192	-	32,103,372
Other non-cash expenses (Note A)	1,573,623	571,743	-	2,145,366

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 33. Segmental information (cont'd)

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
<b>31 January 2017</b>				
<b>Revenue and expenses</b>				
<b>Revenue</b>				
External customers	24,947,527	867,539,534	106,125	892,593,186
Inter-segment	118,337,542	1,205,920	(119,543,462)	-
Total revenue	143,285,069	868,745,454	(119,437,337)	892,593,186
<b>Results</b>				
Segment results	65,969,327	43,776,324	(1,094,000)	108,651,651
Unallocated costs				(4,909,616)
Interest income				8,894,282
Finance costs				(1,471,605)
Profit before tax				111,164,712
Tax				(25,477,159)
Profit net of tax				85,687,553
<b>Assets and liabilities</b>				
Segment assets	480,588,861	322,981,462	(80,952,708)	722,617,615
Unallocated assets				126,341,777
Total assets				848,959,392
Segment liabilities	95,564,450	151,452,107	(78,469,708)	168,546,849
Unallocated liabilities				6,966,806
Total liabilities				175,513,655
<b>Other information</b>				
Capital expenditure	7,908,826	15,304,781	-	23,213,607
Depreciation and amortisation	13,803,037	16,783,532	-	30,586,569
Impairment loss on biological assets				
property, plant and equipment	486,009	-	-	486,009
Other non-cash expenses (Note A)	270,659	1,232,209	-	1,502,868

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 33. Segmental information (cont'd)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2018		2017	
	Plantation RM	Milling RM	Plantation RM	Milling RM
Bad debts (Note 8)	56,950	1,971	30,772	-
Property, plant and equipment written off (Note 8)	97,177	212,551	133,113	480,852
Biological assets written off (Note 8)	2	-	2	-
Inventories written down (Note 8)	79,102	137,405	-	719,428
Loss on derivatives				
- unrealised (Note 8)	-	217,075	-	-
Loss on foreign exchange - unrealised (Note 8)	1,110,371	-	-	-
Provision for unutilised leave (Note 9)	53,867	-	14,411	-
Loss on disposal of property, plant and equipment (Note 8)	111,109	2,741	80,754	31,929
Inventories written off (Note 8)	65,045	-	11,607	-
	1,573,623	571,743	270,659	1,232,209

B. Breakdown of the inter-segments adjustments and eliminations:

	2018	Plantation RM	Milling RM	Total RM
<b>Segment assets</b>		505,453,597	340,577,423	846,031,020
Inter-segments adjustments and eliminations:				
(a) Inventories		-	(5,207,000)	(5,207,000)
(b) Receivables		(85,794,384)	-	(85,794,384)
(c) Deferred tax assets		1,251,000	-	1,251,000
		(84,543,384)	(5,207,000)	(89,750,384)
		420,910,213	335,370,423	756,280,636
<b>Segment liabilities</b>		74,192,303	160,211,037	234,403,340
Inter-segments adjustments and eliminations:				
(a) Payables		-	(85,794,384)	(85,794,384)
		74,192,303	74,416,653	148,608,956
<b>Segments results</b>		111,301,994	51,223,405	162,525,399
Inter-segments adjustments and eliminations:				
(a) Unrealised profits		(1,940,000)	-	(1,940,000)
		109,361,994	51,223,405	160,585,399

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 33. Segmental information (cont'd)

#### B. Breakdown of the inter-segments adjustments and eliminations: (cont'd)

2017	Plantation RM	Milling RM	Total RM
<b>Segment assets</b>	480,588,861	322,981,462	803,570,323
Inter-segments adjustments and eliminations:			
(a) Inventories	-	(3,267,000)	(3,267,000)
(b) Receivables	(78,464,474)	(5,234)	(78,469,708)
(c) Deferred tax assets	784,000	-	784,000
	(77,680,474)	(3,272,234)	(80,952,708)
	402,908,387	319,709,228	722,617,615
<b>Segment liabilities</b>	95,564,450	151,452,107	247,016,557
Inter-segments adjustments and eliminations:			
(a) Payables	(5,234)	(78,464,474)	(78,469,708)
	95,559,216	72,987,633	168,546,849
<b>Segments results</b>	65,969,327	43,776,324	109,745,651
Inter-segments adjustments and eliminations:			
(a) Unrealised profits	(1,094,000)	-	(1,094,000)
	64,875,327	43,776,324	108,651,651

#### (B) Geographical segments

The Group does not identify segments by geographical location as it operates only in Malaysia.

Therefore, the Group's revenue from external customers by geographical location of customers are solely derived from Malaysia.

The Group's capital expenditure and segment assets are incurred and located in Malaysia.

#### (C) Major customers

Revenue from milling segment of approximately RM801,000,000 (2017: RM657,000,000) are derived from 2 (2017: 2) major customers in Malaysia.

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 34. Contingent liabilities (unsecured)

Prior to the acquisition of a subsidiary of the Company, Winsome Pelita (Pantu) Sdn. Bhd. ("WPPSB"), there were legal claims made by natives ("Plaintiffs") against WPPSB ("Defendants") for Native Customary Rights to the land that WPPSB has development rights over.

The Federal Court has on 14 January 2016 allowed the WPPSB's Notice of Motion for Leave to Appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has heard the Appeal on 7 February 2017, 27 March 2017 and 28 August 2017.

The Federal Court has delivered Judgment on 7 November 2017 and ruled that the Principal Deed and the Joint Venture Agreement between WPPSB and Lembaga Pembangunan dan Lindungan Tanah for the development of the Sungai Tenggang Development Area are valid. Accordingly, the Federal Court allowed WPPSB's Appeal and set aside the Judgments of the High Court and the Court of Appeal.

Accordingly, the Group reversed the impairment loss on property, plant and equipment and biological assets previously recognised of RM2,917,678 as disclosed in Note 13 and Note 15 respectively.

## 35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, commodity price risk and foreign currency exchange risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that derivatives may be undertaken for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk is controlled by careful selection of customers and setting of appropriate credit limits. The Group does not have any significant exposure to any individual customer.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 35. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

##### Exposure to credit risk

At the reporting date, the Group'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, including derivatives with positive fair values.

At the reporting date, the Company provided corporate guarantees for seven (2017: six) of its subsidiaries in respect of credit facilities totalling RM45,855,000 (2017: RM53,945,000) granted to the subsidiaries by licensed financial institutions. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities of RM27,023,712 (2017: RM34,833,825) utilised by these subsidiaries as at reporting date.

The value of corporate guarantees provided by the Company to its subsidiaries are determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank if these guarantees had not been available. The Directors have assessed the fair value of these corporate guarantees to have no material financial impact on the results and the retained profits of the Company.

##### Credit risk concentration profile

The Group's and the Company's concentration of credit risk arises from two segments and the credit risk concentration profile of the Group's and of the Company's trade receivables at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Plantation	-	-	675,080	778,194
Milling	21,595,730	20,547,720	-	-

At the reporting date, approximately 67% (2017: 85%) and 46% (2017: 53%) of the Group's and of the Company's trade receivables respectively are due from 3 (2017: 3) and 1 (2017: 2) major customers.

##### 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 derivatives that are neither past due nor impaired 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 January 2018 (cont'd)

### 35. Financial risk management objectives and policies (cont'd)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from the financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and short term deposits and borrowings as disclosed in Note 20 and Note 22.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

2018 Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Financial liabilities</b>				
Trade and other payables	71,662,291	100,000	-	71,762,291
Loans and borrowings	18,221,011	9,942,310	-	28,163,321
Total undiscounted financial liabilities	89,883,302	10,042,310	-	99,925,612

#### Company

<b>Financial liabilities</b>				
Trade and other payables	4,876,341	-	-	4,876,341

#### 2017 Group

<b>Financial liabilities</b>				
Trade and other payables	67,283,673	200,000	-	67,483,673
Loans and borrowings	18,611,089	18,629,480	-	37,240,569
Total undiscounted financial liabilities	85,894,762	18,829,480	-	104,724,242

#### Company

<b>Financial liabilities</b>				
Trade and other payables	3,676,645	-	-	3,676,645

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 35. Financial risk management objectives and policies (cont'd)

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of 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 a combination of fixed and floating rate borrowings and cash and cash equivalents. To manage this mix in a cost-efficient manner, the Group may enter into interest rate swaps to manage certain floating rate borrowings.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM497,000 (2017: RM516,000) higher/lower, arising mainly as a result of higher/lower interest income from cash and cash equivalents, offset by higher/lower interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

#### (d) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of the Group and of the Company's financial instruments will fluctuate because of changes in commodity prices.

The Group is exposed to commodity price risk arising from the commodity futures/swap contracts entered into to hedge its forecasted purchase/sale of fresh fruits bunches. Changes in the spot and forward prices of CPO will cause corresponding changes in the fair values of the commodity futures/swap contracts. The Group applies cash flow hedge accounting on its commodity futures/swap contracts which qualify for hedge accounting.

#### (e) Foreign currency exchange risk

The financial assets at the Group and Company which are not denominated in its functional currency are as follows:

#### **Financial assets held in non-functional currencies**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Cash and bank balances denominated in :		
- USD	20,954,556	-
- EUR	7,935,073	-
	<hr/>	
	28,889,629	-
	<hr/>	

# Notes to the Financial Statements

For The Financial Year Ended 31 January 2018 (cont'd)

## 35. Financial risk management objectives and policies (cont'd)

### (e) Foreign currency exchange risk (cont'd)

#### Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity of the Group and Company's profit net of tax to a reasonably possible change in the exchange rates, with all other variables held constant.

	<b>Group and Company Increase/(decrease) in profit net of tax</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
USD/RM		
- Strengthen by 3%	477,764	-
- Weaken by 3%	(477,764)	-
EUR/RM		
- Strengthen by 3%	180,920	-
- Weaken by 3%	(180,920)	-

### (f) Fair value of financial instruments

#### (i) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

<b>Company</b>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets:</b>				
Other receivables (non-current) (Note 18)				
- Amount owing from subsidiary companies	121,479,003	121,532,899	*	*

\* The amount owing from subsidiaries which have no fixed terms of repayment are treated as quasi-equity in nature, and are repayable only when the cash flows of the borrowers permit. Accordingly, the fair values of these balances are not determinable as the timing of the future cash flows arising from the balances cannot be estimated reliably.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 35. Financial risk management objectives and policies (cont'd)

#### (f) Fair value of financial instruments (cont'd)

##### (ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables (current)	18
Trade and other payables (current)	21

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their relatively short maturity periods.

##### (iii) Loans and borrowings

The fair values of borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of borrowings at the reporting date.

There is no significant difference between the interest rate on the Group's fixed rate borrowings and the market interest rate for similar types of borrowings at the reporting date. Therefore, the carrying amounts of the non-current portion of borrowings are reasonable approximations of fair value.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

##### (iv) Derivatives

Fair value of commodity futures/swap contract is calculated by reference to forward rates or prices quoted at the reporting date for contracts with similar maturity profiles.

##### (v) Fair value hierarchy

As at the financial year end, the Group held the following financial assets and liabilities measured at fair value :

Group	31 January 2018 RM	Level 1 RM	Level 2 RM	Level 3 RM
<b>Liabilities measured at fair value</b>				
Derivatives				
- Commodity futures	217,075	217,075	-	-

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 35. Financial risk management objectives and policies (cont'd)

#### (f) Fair value of financial instruments (cont'd)

##### (v) Fair value hierarchy (cont'd)

	31 January 2017 RM	Level 1 RM	Level 2 RM	Level 3 RM
<b>Assets measured at fair value</b>				
Derivatives				
- Commodity swap	184,554	-	184,554	-

There were no transfers between the various categories in the hierarchy of fair value measurement during the reporting periods ended 31 January 2018 and 2017.

### 36. Financial instruments

The financial instruments of the Group and of the Company are categorised into the following classes :

	Note	2017 RM	2016 RM
<b>Group</b>			
<b>(a) Loans and receivables</b>			
Trade and other receivables	18	37,893,530	28,555,925
Cash and bank balances	20	300,040,567	285,520,889
		337,934,097	314,076,814
<b>(b) Financial liabilities carried at amortised cost</b>			
Trade and other payables	21	71,759,798	67,471,571
Loans and borrowings	22	27,079,199	35,114,508
		98,838,997	102,586,079
<b>(c) Financial assets designated as effective hedging instruments carried at fair value</b>			
Derivatives	19	-	184,554
<b>(d) Financial liabilities carried at fair value through profit or loss</b>			
Derivatives	19	217,075	-

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 36. Financial instruments (cont'd)

	Note	2018 RM	2017 RM
<b>Company</b>			
<b>(a) Loans and receivables</b>			
Trade and other receivables	18	140,213,925	130,274,899
Cash and bank balances	20	120,758,530	118,265,012
		260,972,455	248,539,911
<b>(b) Financial liabilities carried at amortised cost</b>			
Trade and other payables	21	4,876,341	3,676,645

### 37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating 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. No changes were made in the objectives, policies or processes during the years ended 31 January 2018 and 31 January 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short term deposits, excluding discontinued operations.

	Note	2018 RM	Group 2017 RM
Loans and borrowings	22	27,079,199	35,114,508
Trade and other payables	21	71,759,798	67,471,571
Less: Cash and bank balances	20	(300,040,567)	(285,520,889)
<i>Net debt</i>		(201,201,570)	(182,934,810)
Equity attributable to the owners of the Company		620,384,577	593,348,708
Non-controlling interests		88,912,714	80,097,029
<i>Total Equity</i>		709,297,291	673,445,737
<b>Capital and net debt</b>		508,095,721	490,510,927
<b>Net gearing ratio</b>		N/A	N/A



# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 38. Dividends

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Recognised during the year:</b>		
In respect of financial year 2016:		
- Final single-tier dividend of 6 sen per share	-	18,672,694
In respect of financial year 2017:		
- Interim single-tier dividend of 7 sen per share	-	21,784,810
- Special single-tier dividend of 5 sen per share	-	15,560,079
- Final single-tier dividend of 8 sen per share	24,896,126	-
In respect of financial year 2018:		
- Interim single-tier dividend of 9 sen per share	28,008,141	-
- Special single-tier dividend of 6 sen per share	18,672,094	-
	<b>71,576,361</b>	<b>56,017,583</b>
<b>Proposed for approval at AGM (not recognised as at 31 January):</b>		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final single-tier dividend for 2018 : 9 sen*		
(2017 : 8 sen) per share	28,008,141	24,896,126

\* As a result of the Company has completed its Corporate Exercises as disclosed in Note 39 in respect of the Share Split, the rate of the proposed final single tier dividend will be 3 sen per Subdivided Share.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 January 2018 of 3 sen per ordinary share, amounting to a dividend payable of RM28,008,141 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2019.

# Notes to the Financial Statements

## For The Financial Year Ended 31 January 2018 (cont'd)

### 39. Significant event

On 22 December 2017, Mercury Securities Sdn Bhd, on behalf of the Board, announced that Kim Loong Resources Berhad ("KLRB" or the "Company") proposed to undertake the following:

- (i) Proposed share split involving the subdivision of every one (1) existing ordinary share in KLRB into three (3) ordinary shares in KLRB ("Subdivided Share(s)"), held on an entitlement date to be determined later ("Proposed Share Split"); and
- (ii) Proposed bonus issue of up to 46,770,535 free warrants in KLRB ("Warrant(s)") on the basis of one (1) Warrant for every twenty (20) Subdivided Shares held after the Proposed Share Split ("Proposed Bonus Issue of Warrants").

(Collectively, referred to as the "Corporate Exercises")

The Corporate Exercises were approved by shareholders at the Extraordinary General Meeting held on 20 March 2018.

On 21 March 2018, the Company announced the following:

- (i) the Entitlement Dates for the Share Split and the Bonus Issue of Warrants be both fixed on 4 April 2018.
- (ii) the exercise price of the Warrants be fixed at RM1.40 per Warrant, representing the theoretical ex-price after the Share Split.

The Corporate Exercises have been completed after the listing and quotation for 935,410,707 Subdivided Shares and 46,680,235 Warrants on the Main Market of Bursa Securities on 5 April 2018 and 16 April 2018 respectively.

### 40. Restatement

The following comparative amounts as at 31 January 2017 have been reclassified to conform with current year's presentation:

#### Consolidated statement of financial position as at 31 January 2017

	Previously stated	Reclassification	Restated
<b>Non-current assets</b>			
Prepayments for acquisition of property, plant and equipment	-	1,676,623	1,676,623
<b>Current assets</b>			
Prepayments	6,185,675	(1,676,623)	4,509,052

### 41. Authorisation of financial statements for issue

The financial statements for the year ended 31 January 2018 were authorised for issue in accordance with a resolution of the Directors on 17 May 2018.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 23 APRIL 2018

Issued and Fully Paid Up Capital : RM318,429,583 consisting of 935,410,707 ordinary shares  
 Class of Shares : Ordinary shares  
 Voting Rights : 1 vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS (As per Record of Depositors)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Total Number of Issued Shares
Less than 100 shares	48	1.18	1,410	0.00
100 to 1,000 shares	165	4.05	82,460	0.01
1,001 to 10,000 shares	1,836	45.01	9,641,349	1.03
10,001 to 100,000 shares	1,667	40.87	51,318,089	5.50
100,001 to less than 5% of shares	362	8.87	283,684,949	30.38
5% and above of shares	1	0.02	588,876,450	63.08
Total	4,079	100.00	933,604,707 <sup>Ω</sup>	100.00

Ω is equivalent to 935,410,707 less 1,806,000 shares bought back and retained as treasury shares

### THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares held	% of Total Number of Issued Shares
1. Sharikat Kim Loong Sendirian Berhad	588,876,450	63.08
2. Teo Chuan Keng Sdn. Bhd.	19,659,600	2.11
3. Morisem Consolidated Sdn. Bhd.	18,263,400	1.96
4. Krishnan Chellam	16,027,200	1.72
5. Amanahraya Trustees Berhad – PB Smallcap Growth Fund	8,070,300	0.86
6. Koperasi Polis DiRaja Malaysia Berhad	7,500,000	0.80
7. Timbas Helmi Bin Oesman Joesoef Helmi	6,000,000	0.64
8. Neoh Choo Ee & Company, Sdn. Berhad	5,094,594	0.55
9. Amanahraya Trustees Berhad – Public Strategic Smallcap Fund	4,699,500	0.50
10. Gan Teng Siew Realty Sdn. Berhad	4,500,000	0.48
11. Golden Fresh Sdn. Bhd.	4,500,000	0.48
12. Key Development Sdn. Berhad	4,500,000	0.48
13. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt an for Bank of Singapore Limited	4,257,000	0.46
14. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB for Prudent Strength Sdn. Bhd. (PB)	3,845,100	0.41
15. Gooi Seow Mee	3,610,656	0.39
16. Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gooi Seong Heen (E-JBU)	3,457,080	0.37
17. Heng Yuen Sdn. Bhd.	3,259,200	0.35
18. Ang Chai Eng	3,237,000	0.35
19. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	3,222,997	0.34
20. Khoo Heng Suan	3,101,280	0.33

# Analysis of Shareholdings

As at 23 April 2018 (cont'd)

Name of Shareholders	No. of Shares held	% of Total Number of Issued Shares
21. HSBC Nominees (Tempatan) Sdn. Bhd. – HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	3,067,200	0.33
22. Gooi Seong Chneh	3,037,080	0.33
23. Lim Weng Ho	2,932,800	0.31
24. Radeshah binti Ridzwani	2,507,400	0.27
25. Loh Boon Hong	2,460,000	0.26
26. Lim Khuan Eng	2,400,000	0.26
27. Maybank Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Gan Tee Jin	2,394,000	0.26
28. Teo Tian Chai Sdn. Bhd.	2,368,800	0.25
29. Loh Boon Siong	2,364,000	0.25
30. Loh Boon Fan	2,229,600	0.24
<b>TOTAL</b>	<b>741,442,237</b>	<b>79.42</b>

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

## SUBSTANTIAL SHAREHOLDERS (excluding bare trustees) (As per Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares held or beneficially interested in		% of Total Number Issued Shares	
	Direct	Indirect	Direct	Indirect
Sharikat Kim Loong Sendirian Berhad	590,723,106	-	63.27	-
Gooi Seong Lim	2,050,656 <sup>(a)</sup>	598,326,303 <sup>(b)</sup>	0.22	64.09
Gooi Seong Heen	5,303,736 <sup>(c)</sup>	594,318,306 <sup>(d)</sup>	0.57	63.66
Gooi Seong Chneh	4,883,736	594,318,306 <sup>(e)</sup>	0.52	63.66
Gooi Seong Gum	397,800	594,486,306 <sup>(f)</sup>	0.04	63.68

# Analysis of Shareholdings

As at 23 April 2018 (cont'd)

## DIRECTORS' SHAREHOLDINGS (As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest	% Shareholdings	Indirect Interest	% Shareholdings
	Shareholdings		Shareholdings	
Gooi Seong Lim	2,050,656 <sup>(a)</sup>	0.22	598,326,303 <sup>(b)</sup>	64.09
Gooi Seong Heen	5,303,736 <sup>(c)</sup>	0.57	594,318,306 <sup>(d)</sup>	63.66
Gooi Seong Chneh	4,883,736	0.52	594,318,306 <sup>(e)</sup>	63.66
Gooi Seong Gum	397,800	0.04	594,486,306 <sup>(f)</sup>	63.68
Gan Kim Guan	-	-	-	-
Chan Weng Hoong	-	-	-	-
Cheang Kwan Chow	-	-	-	-
Gooi Khai Chien	-	-	2,999,997 <sup>(g)</sup>	0.32
Gooi Chuen Kang	-	-	-	-

Notes:-

(a) 2,050,656 shares held in bare trust by UOB Kay Hian Nominees (Tempatan) Sdn. Bhd.

(b) Deemed interest by virtue of his interest in Sharikat Kim Loong Sendirian Berhad ("SKL") which holds 590,723,106 shares, Heng Yuen Sdn. Bhd. ("HY") which holds 3,259,200 shares, 2,999,997 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Seong Lim is a director and major shareholder and his spouse, Lim Phaik Ean, who holds 1,344,000 shares.

(c) 1,846,656 and 3,457,080 shares held in bare trust by CIMB Group Nominees (Tempatan) Sdn. Bhd. and Public Nominees (Tempatan) Bhd. respectively.

(d) Deemed interest by virtue of his interest in SKL which holds 590,723,106 shares, HY which holds 3,259,200 shares and his spouse, Looi Kok Yean, who holds 336,000 shares.

(e) Deemed interest by virtue of his interest in SKL which holds 590,723,106 shares, HY which holds 3,259,200 shares and his spouse, Lee T'ian C'ean, who holds 336,000 shares.

(f) Deemed interest by virtue of his interest in SKL which holds 590,723,106 shares, HY which holds 3,259,200 shares and his spouse, Teo Ai Mei, who holds 504,000 shares.

(g) Deemed interest by virtue of his interest in 2,999,997 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Khai Chien is a major shareholder.

# ANALYSIS OF WARRANT HOLDINGS

## AS AT 23 APRIL 2018

No. of Warrants 2018/2025 issued	:	46,680,235
Exercise Price	:	RM1.40 for one ordinary share
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share
Exercise Period	:	11 April 2018 to 10 April 2025
No. of Warrants exercised	:	Nil
No. of Warrants unexercised	:	46,680,235

### DISTRIBUTION OF WARRANT HOLDINGS (As per Record of Depositors)

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrant	% of Warrant
Less than 100 shares	238	6.23	8,860	0.02
100 to 1,000 shares	2,242	58.69	885,051	1.89
1,001 to 10,000 shares	1,132	29.63	3,071,503	6.58
10,001 to 100,000 shares	173	4.53	5,111,474	10.95
100,001 to less than 5% of shares	34	0.89	8,159,469	17.48
5% and above of shares	1	0.03	29,443,878	63.08
Total	3,820	100.00	46,680,235	100.00

### THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors)

Name of Warrant Holders	No. of Warrants held	% of Warrants
1. Sharikat Kim Loong Sendirian Berhad	29,443,878	63.08
2. Teo Chuan Keng Sdn. Bhd.	982,980	2.11
3. Morisem Consolidated Sdn. Bhd.	913,170	1.96
4. Krishnan Chellam	801,360	1.72
5. Amanahraya Trustees Berhad – PB Smallcap Growth Fund	403,515	0.86
6. Koperasi Polis DiRaja Malaysia Berhad	375,000	0.80
7. Timbas Helmi Bin Oesman Joesoef Helmi	300,000	0.64
8. Neoh Choo Ee & Company, Sdn. Berhad	254,729	0.55
9. Amanahraya Trustees Berhad – Public Strategic Smallcap Fund	234,975	0.50
10. Gan Teng Siew Realty Sdn. Berhad	225,000	0.48
11. Golden Fresh Sdn. Bhd.	225,000	0.48
12. Key Development Sdn. Berhad	225,000	0.48
13. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt an for Bank of Singapore Limited	212,850	0.46
14. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB for Prudent Strength Sdn. Bhd. (PB)	192,255	0.41
15. Gooi Seow Mee	180,532	0.39
16. Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gooi Seong Heen (E-JBU)	172,854	0.37
17. Heng Yuen Sdn. Bhd.	162,960	0.35
18. Ang Chai Eng	161,850	0.35
19. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	160,499	0.34
20. Khoo Heng Suan	155,064	0.33



# Analysis of Warrant Holdings

As at 23 April 2018 (cont'd)

Name of Warrant Holders	No. of Warrants held	% of Warrants
21. HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	153,360	0.33
22. Gooi Seong Chneh	151,854	0.33
23. Lim Weng Ho	146,640	0.31
24. Radeshah binti Ridzwani	125,370	0.27
25. Loh Boon Hong	123,000	0.26
26. Lim Khuan Eng	120,000	0.26
27. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gan Tee Jin	119,700	0.26
28. Teo Tian Chai Sdn. Bhd.	118,440	0.25
29. Loh Boon Siong	118,200	0.25
30. Loh Boon Fan	111,480	0.24
<b>TOTAL</b>	<b>37,071,515</b>	<b>79.42</b>

The thirty largest warrant holders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the warrants from different securities accounts belonging to the same depositor).

## DIRECTORS' INTEREST IN WARRANTS 2018/2025 (As per Register of Directors' Warrant Holdings)

Name of Directors	Direct Interest		Indirect Interest	
	Warrant Holdings	%	Warrant Holdings	%
Gooi Seong Lim	102,532 <sup>(a)</sup>	0.22	29,916,369 <sup>(b)</sup>	64.09
Gooi Seong Heen	265,186 <sup>(c)</sup>	0.57	29,715,970 <sup>(d)</sup>	63.66
Gooi Seong Chneh	244,186	0.52	29,715,970 <sup>(e)</sup>	63.66
Gooi Seong Gum	19,890	0.04	29,724,370 <sup>(f)</sup>	63.68
Gan Kim Guan	-	-	-	-
Chan Weng Hoong	-	-	-	-
Cheang Kwan Chow	-	-	-	-
Gooi Khai Chien	-	-	149,999 <sup>(g)</sup>	0.32
Gooi Chuen Kang	-	-	-	-

Notes:-

(a) 102,532 warrants held in bare trust by UOB Kay Hian Nominees (Tempatan) Sdn. Bhd.

(b) Deemed interest by virtue of his interest in Sharikat Kim Loong Sendirian Berhad ("SKL") which holds 29,536,210 warrants, Heng Yuen Sdn. Bhd. ("HY") which holds 162,960 warrants, 149,999 warrants held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Seong Lim is a director and major shareholder and his spouse, Lim Phaik Ean, who holds 67,200 warrants.

(c) 92,332 and 172,854 warrants held in bare trust by CIMB Group Nominees (Tempatan) Sdn. Bhd. and Public Nominees (Tempatan) Bhd. respectively.

(d) Deemed interest by virtue of his interest in SKL which holds 29,536,210 warrants, HY which holds 162,960 warrants and his spouse, Looi Kok Yean, who holds 16,800 warrants.

(e) Deemed interest by virtue of his interest in SKL which holds 29,536,210 warrants, HY which holds 162,960 warrants and his spouse, Lee T'ian C'ean, who holds 16,800 warrants.

(f) Deemed interest by virtue of his interest in SKL which holds 29,536,210 warrants, HY which holds 162,960 warrants and his spouse, Teo Ai Mei, who holds 25,200 warrants.

(g) Deemed interest by virtue of his interest in 149,999 warrants held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Khai Chien is a major shareholder.

# LIST OF THE PROPERTIES HELD BY THE GROUP

Beneficial owner/ Location	Tenure- leasehold interest expiring on	Description and existing use	Land area (Ha)	Date of revaluation/ (acquisition)	Approx. age of building	Net carrying amount as at 31 January 2018 RM'000
<b>Kim Loong Resources Berhad</b>						
- CL 085311253	31/12/2077	Oil palm plantation	80.86	31 Jan 2004	Not applicable	1,563
- CL 085313079	31/12/2078	Oil palm plantation	384.25	31 Jan 2004	Not applicable	16,218
- CL 085311306	31/12/2077	Oil palm plantation	121.45	31 Jan 2004	Not applicable	3,342
- CL 085311315	31/12/2077	Oil palm plantation	102.51	31 Jan 2004	Not applicable	3,144
- CL 085311244	31/12/2077	Oil palm plantation	166.53	31 Jan 2004	Not applicable	6,868
District of Labuk/ Sugut, Sabah						
- CL 095317552	31/12/2085	Oil palm plantation	6.07	31 Jan 2004	Not applicable	120
- CL 095317561	31/12/2085	Oil palm plantation	5.93	31 Jan 2004	Not applicable	117
- CL 095315058	31/12/2085	Oil palm plantation	303.39	31 Jan 2004	Not applicable	6,000
- CL 095317436	31/12/2087	Oil palm plantation	14.25	31 Jan 2004	Not applicable	526
- CL 095310777	31/12/2078	Oil palm plantation	395.78	31 Jan 2004	Not applicable	10,346
- CL 095315049	31/12/2085	Oil palm plantation	343.90	31 Jan 2004	Not applicable	10,282
- CL 095316957	31/12/2086	Oil palm plantation	80.82	31 Jan 2004	Not applicable	2,975
- CL 095310428	31/12/2077	Oil palm plantation	81.06	31 Jan 2004	Not applicable	1,567
- CL 095310982	31/12/2078	Oil palm plantation	400.56	31 Jan 2004	Not applicable	13,371
- CL 095310526	31/12/2077	Oil palm plantation	243.74	31 Jan 2004	Not applicable	7,646
District of Kinabatangan, Sabah						
- Lot 7052, Section 64 Jalan Sekama Kuching, Sarawak	31/12/2779	Shoplot office	-	(01 Feb 2010)	34 years	1,220
<b>Kim Loong - KPD Plantations Sdn. Bhd.</b>						
- CL 255332631	31/12/2086	Oil palm plantation	1,610.00	31 Jan 2004	Not applicable	26,125
- CL 255340160	30/06/2032	Oil palm plantation	385.60 <sup>(1)</sup>	31 Jan 2004	Not applicable	4,722
District of Tongod, Sabah						
<b>Okidville Holdings Sdn. Bhd.</b>						
- CL 135328782	31/12/2083	Oil palm plantation	2,755.50	31 Jan 2004	Not applicable	38,440
Sook, District of Keningau, Sabah						
<b>Desa Okidville Sdn. Bhd.</b>						
- CL 135367930	31/12/2080	Oil palm plantation	4,355.55	31 Jan 2004	Not applicable	48,408
Sook, District of Keningau, Sabah						
<b>Desa Kim Loong Palm Oil Sdn. Bhd.</b>						
- CL 135367912	31/12/2080	Palm oil mill	12.14	31 Jan 2004	15 years	6,632
- CL 135367921	31/12/2080	Oil palm plantation	27.51	31 Jan 2004	Not applicable	1,850
- Part of CL 135367903	29/2/2064	Housing area, water reservoir and POME area	77.13 <sup>(1)</sup>	(01 Mar 2004)	Not applicable	4,122
Sook, District of Keningau, Sabah						

# List of The Properties

Held by The Group (cont'd)

Beneficial owner/ Location	Tenure- leasehold interest expiring on	Description and existing use	Land area (Ha)	Date of revaluation/ (acquisition)	Approx. age of building	Net carrying amount as at 31 January 2018 RM'000
<b>Kim Loong Palm Oil Mills Sdn. Bhd.</b>						
- GRN 60265, Lot 2420	Freehold	Palm oil mill	24.18	31 Jan 2004	21 years	12,074
- H.S.(D) 32061, PTD 3878 & H.S.(D) 32062, PTD 3879	Freehold	Vacant land	8.22	(10 Mar 2003)	Not applicable	5,586
Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor						
<b>Winsome AI-Yatama Sdn. Bhd.</b>						
- H.S.(D) 34747, PTD 828	08/11/2064	Oil palm plantation	1,085.63 <sup>(1)</sup>	(09 Nov 2004)	Not applicable	20,091
Mukim Hulu Sg Sedeli Besar, Kota Tinggi, Johor						
<b>Palm Nutraceuticals Sdn. Bhd.</b>						
- GRN 60265, Lot 2420	Freehold	Factory/office <sup>(2)</sup>	-	Not applicable	13 years	1,019
Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor						
<b>Kim Loong Technologies Sdn. Bhd.</b>						
- GRN 60265, Lot 2420	Freehold	Factory <sup>(2)</sup>	-	Not applicable	12 years	856
Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor						
<b>Kim Loong Sabah Mills Sdn. Bhd.</b>						
- CL 255340179	31/12/2086	Palm oil mill	13.80	(2 August 2007)	10 years	7,317
District of Tongod, Sabah						
<b>Kim Loong Technologies (Sabah) Sdn. Bhd.</b>						
- CL 135367912	31/12/2080	Factory <sup>(2)</sup>	-	Not applicable	8 years	942
Sook, District of Keningau, Sabah						

## Held by The Group (cont'd)

(1) These lands were subleased from third parties.  
(2) These buildings are sited on rented land held by related companies.

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**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

錦隆資源有限公司

## FORM OF PROXY

CDS Account No.	
Contact No.	

I/We, \_\_\_\_\_  
 Company No./NRIC No. (new) \_\_\_\_\_ (old) \_\_\_\_\_  
 of \_\_\_\_\_  
 being (a) member(s) of Kim Loong Resources Berhad do hereby appoint: \_\_\_\_\_  
 NRIC No. (new) \_\_\_\_\_ (old) \_\_\_\_\_  
 of \_\_\_\_\_  
 and/or failing whom \_\_\_\_\_ NRIC No. (new) \_\_\_\_\_  
 (old) \_\_\_\_\_ of \_\_\_\_\_

or failing whom the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Forty-third Annual General Meeting of the Company to be held at the Lido Room, Level 6, Amari Johor Bahru, No. 82C, Jalan Trus, 80000 Johor Bahru, Johor Darul Takzim on Wednesday, 25 July 2018 at 11.00 a.m. and at any adjournment thereof in the manner as indicated below:-

No.	Ordinary Resolution	For	Against
1.	Adoption of Reports and Audited Financial Statements		
2.	Declaration of final dividend		
3.	Payment of Directors' fees		
4.	Payment of Directors' meeting allowance		
5.	Re-election of Director : Mr. Gooi Seong Chneh		
6.	Re-election of Director : Mr. Cheang Kwan Chow		
7.	Re-appointment of Auditors		
8.	Authority to allot and issue shares		
9.	Proposed Renewal of Authority for Share Buy-Back		
10.	Retention of Independent Non-Executive Director : Mr. Gan Kim Guan		
11.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(Please indicate with an 'X' in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Number of shares held

Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by proxies:		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

### NOTES:

A member whose name appear in the Record of Depositors as at 18 July 2018 shall be regarded as a member entitled to attend, speak and vote at the meeting.

A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

To be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof. If the appointor is a corporation, this Form must be executed under its common seal or under the hand of its attorney.

Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.



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The Secretary

**KIM LOONG RESOURCES BERHAD**

Unit No. 203, 2<sup>nd</sup> Floor, Block C,  
Damansara Intan,  
No. 1, Jalan SS 20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan.

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**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

錦隆資源有限公司

**KIM LOONG RESOURCES BERHAD** (22703-K)

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