



KIM LOONG
RESOURCES BERHAD

錦隆資源有限公司
197501000991 (22703-K)

Optimising Output
& **Efficiency**

Annual Report **2020**

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.





CONTENTS

02

Corporate
Milestones

04

Notice of
Annual General Meeting

08

Statement Accompanying
Notice of AGM

09

Corporate
Information

10

Board of
Directors

12

Profile of
Directors

17

Profile of
Key Senior Management

19

Group
Structure

20

Group
Financial Highlights

22

Chairman's
Statement

25

Management Discussion
and Analysis

35

Sustainability
Statement

46

Corporate Governance
Overview Statement

66

Statement on Directors'
Responsibilities

66

Additional Compliance
Information

68

Statement on Risk Management
& Internal Control

75

Report of the
Audit Committee

79

Report of the
Remuneration Committee

80

Report of the
Nominating Committee

81

Financial
Statements

174

Analysis of
Shareholdings

177

Analysis of Warrant
Holdings

179

List of Properties held by
the Group

Form of
Proxy

CORPORATE MILESTONES



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).

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.

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.



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.



1967

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 to extract tocotrienol concentrates from CPO under Kim Loong Technologies Sdn. Bhd. and Palm Nutraceuticals Sdn. Bhd. respectively.

1977

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.



1981

2005

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

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").

1997

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.

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.

CORPORATE MILESTONES

(cont'd)

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.

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.

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



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

1998

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 Akrab 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.

1999

2013/2014

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



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).

2000

2018

Kim Loong Resources Berhad was awarded by The Edge in year 2018 as the highest returns to shareholders over three years in Malaysia (Plantation).

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.

Keningau mill was awarded by MPOB as the best palm oil mill (External FFB source in Sabah/Sarawak).

2002

2019

Biogas plant at Kota Tinggi mill commenced supplying power up to 1.8 MW per hour to grid.

All the plantations and mills under the Group have passed the Malaysian Sustainable Palm Oil ("MSPO") audit and have obtained MSPO certification.

2020

The Company entered into Sale and Purchase Agreements to acquire oil palm plantation land in Sabah with a total gross land area of approximately 2,862 acres.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-fifth 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 Tuesday, 28 July 2020 at 11.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 January 2020 together with the Auditors' Report thereon.
2. To approve the following payment to Directors:-
 - (a) Fees totalling RM288,000 for the financial year ended 31 January 2020. **(Ordinary Resolution 1)**
 - (b) Benefits of up to RM40,000 from this Annual General Meeting until the next annual general meeting of the Company. **(Ordinary Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Clause 88 of the Constitution of the Company:-
 - (a) Mr. Gooi Seong Heen **(Ordinary Resolution 3)**
 - (b) Mr. Gan Kim Guan **(Ordinary Resolution 4)**
 - (c) Mr. Chan Weng Hoong **(Ordinary Resolution 5)**
4. To re-appoint M/s. Ernst & Young PLT (converted from a conventional partnership, M/s. Ernst & Young) as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

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

5. **AUTHORITY TO ALLOT AND ISSUE SHARES**

"THAT subject always to the Companies Act, 2016, the Constitution of the Company and the approval of the relevant governmental/regulatory bodies, the Directors be and are hereby authorised pursuant to Sections 75 and 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 7)

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

6. 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 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 93,541,333 representing 10% of the total number of issued shares of the Company as at 22 May 2020;
- (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 2020 of RM107,838,682;
- (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 8)

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

7. 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 9)

8. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“THAT Mr. Chan Weng Hoong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 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 29 June 2020 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
- (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)

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

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

By Order of the Board

CHONG FOOK SIN (CCM PC No. 202008000484) (MACS 00681)
KAN CHEE JING (CCM PC No. 202008000596) (MAICSA 7019764)
CHUA YOKE BEE (CCM PC No. 202008000604) (MAICSA 7014578)
Company Secretaries

Petaling Jaya
29 June 2020

IMPORTANT NOTICE

Due to the COVID-19 pandemic, the Company has put in place the rules and controls for this Annual General Meeting in order to safeguard the health of attendees at the meeting. Shareholder is requested to read and adhere to the Administrative Guide which can be downloaded from the Company's website or via announcement in Bursa Malaysia's website.

NOTES:

(1) A member whose name appears in the Record of Depositors as at 21 July 2020 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) Audited Financial Statements for the financial year ended 31 January, 2020 -

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

(4) Ordinary Resolution 2 -

The Directors' benefits comprise the following -

- (a) Meeting allowance of RM500 per meeting day; and
- (b) Training benefits.

(5) Ordinary Resolution 7 -

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 2019 and which will lapse at the conclusion of the Forty-fifth 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.

(6) Ordinary Resolution 8 -

The detailed text on this resolution on the Proposed Renewal of Authority for Share Buy-Back is included in the Statement to Shareholders dated 29 June 2020 which is enclosed together with this Annual Report.

(7) Ordinary Resolutions 9 & 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 Mr. Chan Weng Hoong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended them to be retained as Independent Non-Executive Directors of the Company based on the following justifications:-

- (a) They have fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, they would be able to provide independent judgement, objectivity and check and balance to the Board.
- (b) They perform their duties and responsibilities diligently and in the best interests of the Company without being subject to influence of the management.
- (c) Their in-depth knowledge of the Group's businesses and their extensive knowledge, commitment and expertise continue to provide invaluable contributions to the Board.
- (d) They, having been with the Company for more than 12 and 9 years respectively, are familiar with the Group's business operations and have devoted sufficient time and attention to their professional obligations and attended the Board and Committee meetings for an informed and balanced decision making.
- (e) They are independent as they have shown great integrity and have not entered into any related party transaction with the Group.
- (f) They are 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 9 will be sought on a single tier voting basis.

(8) 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 29 June 2020 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 Clause 88 of the Constitution of the Company at the Forty-fifth Annual General Meeting:-

- (a) Mr. Gooi Seong Heen
- (b) Mr. Gan Kim Guan
- (c) Mr. Chan Weng Hoong

The profiles of the Directors standing for re-election as mentioned in paragraph above at the Forty-fifth Annual General Meeting are set out on pages 12 and 14 of this Annual Report.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

- 1 **Gooi Seong Lim**
Executive Chairman
- 2 **Gooi Khai Chien**
*Alternate Director to
Mr Gooi Seong Lim*
- 3 **Gooi Seong Heen**
Managing Director
- 4 **Gooi Chuen Kang**
*Alternate Director to
Mr Gooi Seong Heen*
- 5 **Gooi Seong Chneh**
Executive Director
- 6 **Gooi Seong Gum**
Executive Director
- 7 **Gan Kim Guan**
*Senior Independent
Non-Executive Director*
- 8 **Chan Weng Hoong**
*Independent
Non-Executive Director*
- 9 **Cheang Kwan Chow**
*Independent
Non-Executive Director*

AUDIT COMMITTEE

Gan Kim Guan
Chairman
Chan Weng Hoong
Cheang Kwan Chow

COMPANY SECRETARIES

Chong Fook Sin
(CCM PC No. 202008000484)
(MACS 00681)
Kan Chee Jing
(CCM PC No. 202008000596)
(MAICSA 7019764)
Chua Yoke Bee
(CCM PC No. 202008000604)
(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.
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 PLT
B-15, Medini 9,
Persiaran Medini Sentral 1,
Bandar Medini Iskandar,
79250 Iskandar Puteri,
Johor.

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
Malayan Banking Berhad
Public Bank Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

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

BOARD OF DIRECTORS

Gooi Seong Heen
Managing Director

Gooi Seong Chneh
Executive Director

Chan Weng Hoong
Independent
Non-Executive Director



Gooi Seong Lim
Executive Chairman

Gooi Seong Gum
Executive Director

Gan Kim Guan
Senior Independent
Non-Executive Director

BOARD OF DIRECTORS

(cont'd)

Cheang Kwan Chow
Independent
Non-Executive Director

Gooi Chuen Kang
Alternate Director to
Mr Gooi Seong Heen

Chong Fook Sin
Company Secretary

Kan Chee Jing
Company Secretary



Gooi Khai Chien
Alternate Director to
Mr Gooi Seong Lim

Chua Yoke Bee
Company Secretary

PROFILE OF DIRECTORS



GOOI SEONG LIM

GOOI SEONG HEEN



Executive Chairman



71



Male



Malaysian



Managing Director



69



Male



Malaysian

Gooi Seong Lim, Male, aged 71, 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 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

Gooi Seong Heen, Male, aged 69, 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

PROFILE OF DIRECTORS

(cont'd)



Executive Director



65



Male



Malaysian



Executive Director



64



Male



Malaysian

Gooi Seong Chneh, Male, aged 65, 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

Gooi Seong Gum, Male, aged 64, 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

PROFILE OF DIRECTORS

(cont'd)



GAN KIM GUAN

CHAN WENG HOONG



Senior Independent Non-Executive Director



57



Male



Malaysian



Independent Non-Executive Director



71



Male



Malaysian

Gan Kim Guan, Male, aged 57, 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 2020. He attended four (4) out of five (5) Board meetings held during the financial year 2020.

Chan Weng Hoong, Male, aged 71, 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 and also some papers on oil palm at local 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

PROFILE OF DIRECTORS

(cont'd)



CHEANG KWAN CHOW

GOOI KHAI CHIEN



Independent Non-Executive Director



67



Male



Malaysian



Alternate Director to Mr Gooi Seong Lim



28



Male



Malaysian

Cheang Kwan Chow, Male, aged 67, 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 and a Master of Leadership in Organisational Learning from Monash University. 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 2020. He attended all the five (5) Board meetings held during the financial year 2020.

Gooi Khai Chien, Male, aged 28, 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 2020.

PROFILE OF DIRECTORS

(cont'd)



GOOI CHUEN KANG



Alternate Director to Mr. Gooi Seong Heen



34



Male



Malaysian

Gooi Chuen Kang, Male, aged 34, 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 2020.

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.

- | | | |
|---|---|---|
| <p>1 Mr Gooi Seong Chneh
Executive Director
<i>(Profile on Page 13 of this Annual Report)</i></p> | <p>2 Mr Gooi Seong Gum
Executive Director
<i>(Profile on Page 13 of this Annual Report)</i></p> | <p>3 Mr Gooi Chuen Kang
Plantation Director
<i>(Profile on Page 16 of this Annual Report)</i></p> |
|---|---|---|

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



Chow Kok Hiang, male, aged 53, 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 does not hold any directorship in public companies. 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 2020.

Gooi Chuen Howe, male, aged 36, a Malaysian, was appointed as Marketing Director in March 2019 and is currently the Marketing & Mill Director of KLR. He holds a Master of Business Administration from London Business School and a Master of Science degree in Applied Finance from the Singapore Management University. He started his career as an investment analyst in asset management companies from 2008 to 2009. Subsequently, he worked as an investment manager in Primevest Holdings Private Limited from 2010 to 2015. He has been the alternate director to Mr Gooi Seong Heen in CCB since 31 March 2016.

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 2020.

PROFILE OF KEY SENIOR MANAGEMENT

(cont'd)



CHANG CHEE CHIONG

General Manager



CHANG CHOW SWAN

General Manager



GAN LIONG HOE

Deputy General Manager

Chang Chee Chiong, male, aged 58, 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 does not hold any directorship in public companies. 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 2020.

Chang Chow Swan, male, aged 66, a Malaysian, is currently the General Manager of Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPOM"), 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 40 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 KLPOM 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 one subsidiary company of KLR Group involved in palm oil milling business.

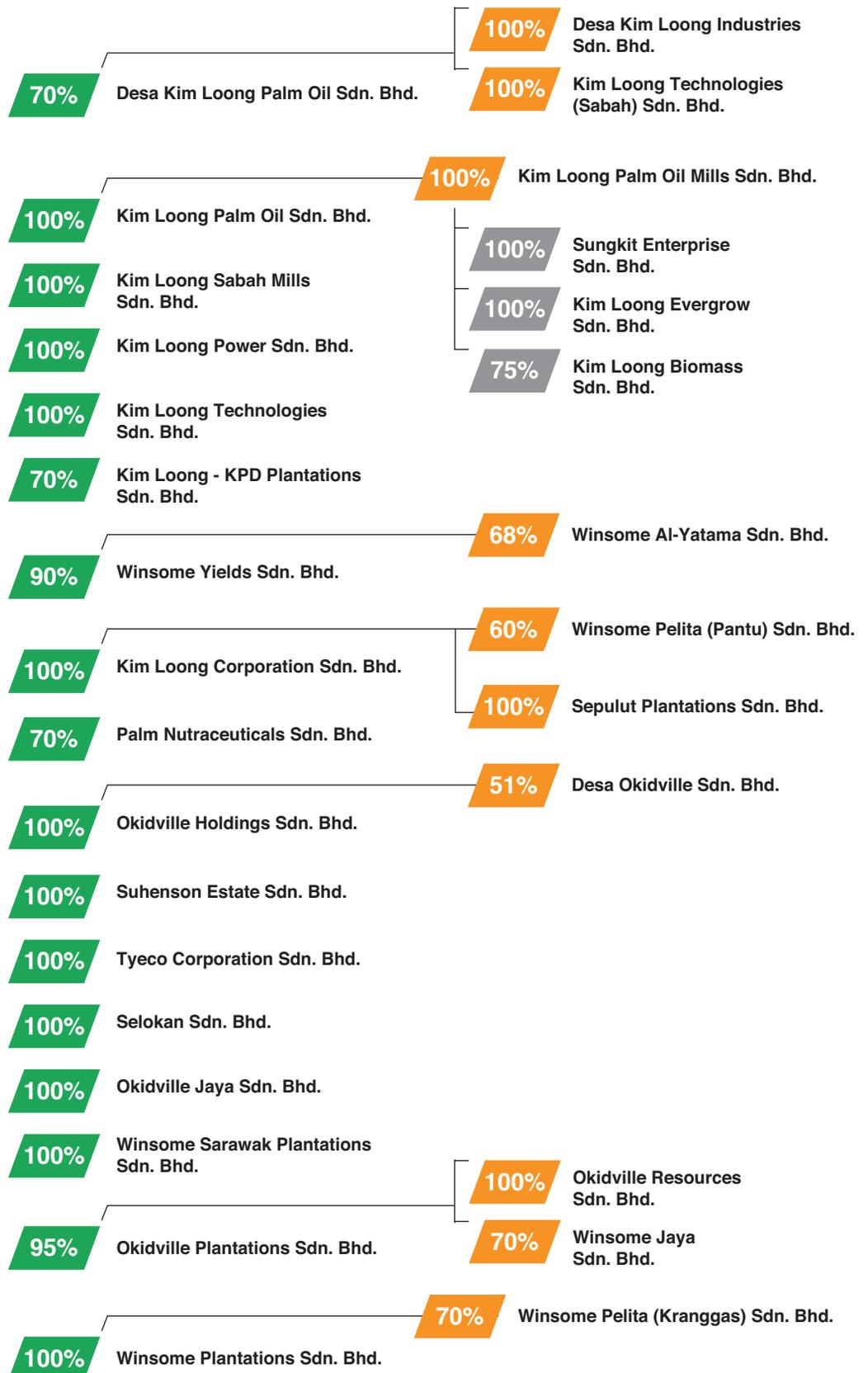
Mr Chang has no family relationship with any Director and/or major shareholder of the Company. He does not hold any directorship in public companies. He has no conflict of interest with the Company. He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2020.

Gan Liong Hoe, male, aged 46, 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 does not hold any directorship in public companies. 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 2020.

GROUP STRUCTURE

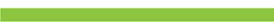
AS AT 31 JANUARY 2020



GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME (RM'000)

Revenue

2020		679,625
2019		872,937
2018		1,075,332
2017		892,593
2016		757,730

Profit Before Tax

2020		60,389
2019		88,234
2018		158,221 ~
2017		111,165
2016		107,579

STATEMENT OF FINANCIAL POSITION (RM'000)

Equity attributable to owners of the Company

2020		719,732
2019		734,789
2018		738,679 ~
2017		593,349
2016		579,963

Total Assets

2020		975,006
2019		983,984
2018		1,039,548 ~
2017		848,960
2016		805,054

PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)

Earnings

2020		0.04
2019		0.06
2018		0.10 * ~
2017		0.08 *
2016		0.08 *

Net Assets

2020		0.77
2019		0.79
2018		0.79 * ~
2017		0.64 *
2016		0.62 *

GROUP FINANCIAL HIGHLIGHTS

(cont'd)

	2016	2017	2018	2019	2020
STATEMENT OF COMPREHENSIVE INCOME (RM'000)					
Revenue	757,730	892,593	1,075,332	872,937	679,625
EBITDA	137,778	143,431	193,270 ~	123,495	95,249
Profit before tax	107,579	111,165	158,221 ~	88,234	60,389
Profit after tax	85,664	85,688	121,785 ~	59,690	44,989
Net profit attributable to owners of the Company	73,783	71,118	96,545 ~	52,123	41,061
STATEMENT OF FINANCIAL POSITION (RM'000)					
Paid-up share capital	311,804	311,804	318,430	318,433	318,433
Total shareholders' equity	654,213	673,446	829,975 ~	825,852	807,026
Equity attributable to owners of the Company	579,963	593,349	738,679 ~	734,789	719,732
Total Assets	805,054	848,960	1,039,548 ~	983,984	975,006
PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)					
Earnings	0.08 *	0.08 *	0.10 * ~	0.06	0.04
Net Assets	0.62 *	0.64 *	0.79 * ~	0.79	0.77
Gross Dividend	0.08 *	0.07 *	0.08 *	0.06	0.03
Share Price at Year End	1.01 *	1.14 *	1.39 *	1.25	1.26
Weighted Average Number of Share in Issue ('000)	933,482 *	933,605 *	933,605 *	933,606	933,607
FINANCIAL INDICATORS					
Return on Equity (%)	13.09	12.72	14.67 ~	7.23	5.57
Return on Total Assets (%)	10.64	10.09	11.72 ~	6.07	4.61
Gearing Ratio (times)	0.07	0.05	0.03 ~	0.02	0.02
Price-Earnings Ratio (times)	12.67	14.91	13.48 ~	22.40	28.64
Interest Coverage Ratio (times)	47.88	60.75	113.45 ~	83.00	86.17
Gross Dividend Yield (%)	7.57	5.83	5.74	4.80	2.38
* Adjusted for subdivision of every 1 existing ordinary share into 3 ordinary shares ("Share Split") completed in April 2018.					
~ Adjusted for effects of transition to MFRS.					
STATISTICS					
PLANTATIONS					
Plantation Area (Ha)					
Oil palm					
Mature	13,794	14,256	14,255	13,943	12,874
Immature	1,172	700	691	1,003	1,635
Under development	-	-	-	-	438
Unplanted land	411	408	448	328	328
Total plantable area	15,377	15,364	15,394	15,274	15,275
Infrastructure and unplanted land	528	555	552	552	551
Total land area	15,905	15,919	15,946	15,826	15,826
Production and Yield					
Fresh fruit bunches ("FFB") (MT)	299,455	251,926	340,410	310,082	260,512
Yield per mature hectare (RM/Ha)	21.56	17.66	23.88	21.78	19.20
MILLS					
Production and Extraction/Recovery Rates					
Crude palm oil ("CPO") (MT)	297,231	250,197	322,407	316,268	247,659
Oil extraction rate (% of FFB)	22.28	21.67	21.32	21.35	21.72
Palm kernel ("PK") (MT)	66,931	56,689	73,382	75,336	60,119
Kernel recovery rate (% of FFB)	5.02	4.91	4.85	5.08	5.27
AVERAGE SELLING PRICE [RM/MT]					
CPO	2,139	2,682	2,718	2,169	2,118
PK	1,587	2,638	2,398	1,656	1,228

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 2020.

GOOI SEONG LIM

Executive Chairman

FINANCIAL HIGHLIGHTS

RESULTS

The revenue and profit before tax (“PBT”) of the Group were RM679.63 million and RM60.39 million respectively for the financial year 2020 (“FY2020”) compared to RM872.94 million and RM88.23 million respectively for the financial year 2019 (“FY2019”).

The drop in performance was mainly due to lower FFB and CPO production. The average selling prices for FFB and CPO for the current financial year have recorded a marginal drop of 6% and 2% respectively.

The production of FFB had further dropped by 16% or 49,600 MT to 260,500 MT in FY2020. The lower FFB production for the current financial year was mainly attributable to the Group’s estates in Sabah which suffered severe drop in

production, especially in the fourth quarter. The drop was partly due to our replanting programme in the Keningau region and was also likely due to the consequential effects on cropping trend after the strong recovery and high yield performance in the period from November 2018 to April 2019. Nevertheless, the Group’s average FFB yield performance was still better than the average National FFB yield as published by Malaysian Palm Oil Board (“MPOB”).

During the FY2020, the Group has carried out replanting of about 1,400 hectares.

As a result of significant drop in production, the revenue from plantation dropped by 21% to RM101.9 million whilst the profit dropped by 39% to RM26.5 million.

CHAIRMAN'S STATEMENT

(cont'd)

The performance of milling operations was also affected by the lower FFB production of the oil palm plantations in the vicinity of the operations of the Group's mills. During the year, the processing capacity utilisation was below expectation and the Group's mills processed only 1.14 million MT of FFB which was 23% lower than 1.48 million MT in FY2019. As a result, total CPO production for FY2020 recorded a drop of 22% to 247,700 MT. On the positive side, the Group's average CPO extraction rate has improved from 21.35% to 21.72%.

The performance of milling operations was also affected by the fire incident at our mill at Kota Tinggi, Johor in June 2019 causing disruption to operations for about 1 month. The mill had resumed its full processing capacity in August 2019.

As a result of the unexpected low CPO production at the two mills in Sabah, the Group had faced challenges in meeting contracted schedule for delivery of committed sales to customers.

Lower production and sales quantity of palm oil milling products had resulted a 22% drop in revenue to RM662.9 million.

The profit from milling operations for the current financial year dropped by 26% or RM11.2 million to RM32.2 million. The performance was adversely affected by lower FFB intake as a result of low FFB production suffered by plantations. Shortage of crop supply had led to stiff competitive and more aggressive pricing strategy which had caused impact on processing margin.

On the other hand, our Kota Tinggi milling operations had commenced supply of power to grid since June 2019 and had contributed revenue of approximately RM1.8 million for the FY 2020.

Overall, the Group's Return on Equity (after tax) has dropped to 5.6% compared to 7.2% in FY2019.

DIVIDEND

With the recent volatile movements in crude oil commodity price and global outbreak of the COVID-19 health crisis, the Board has adopted a prudent and strategic approach to conserve the cash reserve of the Group for the upcoming replanting programme as well as any potential financial turbulence in near future, therefore the Board has not recommended any final dividend for the FY2020 (FY2019: 3 sen per share). Consequentially, the total single tier dividend for FY2020 is 3 sen per share (FY2019: 6 sen per share).

Nevertheless, the dividend payout represents approximately 68% of the annual profit attributable to owners of the Company.

DEVELOPMENT AND PROSPECTS

All the plantations and mills under the Group have passed the Malaysian Sustainable Palm Oil ("MSPO") audit and have obtained MSPO certification.

On 19 February 2020, the Company announced that it entered into four (4) separate conditional Sale and Purchase Agreements with (1) Greenfingers Sdn. Bhd.; (2) R & H Sdn. Bhd.; (3) Bakti Perusahaan Sdn. Bhd.; and (4) Sri Handal Sdn. Bhd. (collectively referred to as "the Vendors") to acquire oil palm plantation lands in Sabah with a total gross land area of approximately 2,862 acres ("the Acquisitions"). The total cash purchase consideration is RM92,538,290 which is approximately RM32,500 per acre.

The Acquisitions are not subject to the shareholders' approval. However, the Acquisitions are subject to the relevant authorities' approvals such as the Sabah's Ministry of Agriculture and Fisheries. Barring any unforeseen circumstances, the Acquisitions are expected to be completed by the third quarter of the year 2020.

The Acquisitions will increase the supply of FFB produce to the Group's palm oil mill at Telupid, Sabah so as to contribute towards optimising utilisation of the mill's processing capacity as well as to reduce dependence on FFB supply from third parties especially during a seasonal low crop period. The Acquisitions will increase the land bank of the KLR Group for oil palm plantations and will contribute positively towards the Group's long-term growth in profitability.

The Group will continue its replanting programme to replant the old palms which are unable to meet the expectation of FFB yield. We expect to replant about 1,000 Ha in the financial year 2021.

Moving forward, the Group will continue its prudent approach in sourcing for additional suitable plantation land in Johor, Pahang, Sabah and Sarawak. However, Roundtable on Sustainable Palm Oil ("RSPO") restriction is a major constraint. To support our plantation operations in Sarawak, we have been actively looking into the possibility of setting up a palm oil mill in Sarawak.

For the financial year 2021, we forecast the FFB production to be about 10% higher than the quantity achieved in the financial year 2020 after taking into consideration of the impending completion of the recent acquisition of landbank and the impact of on-going replanting programme.

For the palm oil milling operations, the management expects to achieve a similar processing quantity in the financial year 2021 as compared with the FY2020.

CHAIRMAN'S STATEMENT

(cont'd)

On the projects to supply power to the grid using biogas engine, the plant at Kota Tinggi mill has commenced supplying power up to 1.8 megawatt per hour to grid since June 2019 and has contributed revenue of approximately RM1.8 million for the current financial year. We expect the annual revenue contribution would be about RM6 million from the financial year 2021 onwards.

We have also started implementation and installation of the plant at our Keningau mill for supplying power up to 2.0 megawatt per hour to grid and expect to commence operation in the first half of year 2021.

As for our mill at Telupid, Sabah, we have obtained approval for net export capacity of 1.5 megawatt per hour from Sustainable Energy Development Authority ("SEDA") in September 2019 and now pending finalisation of Renewable Energy Power Purchase Agreement ("REPPA") with Sabah Electricity Sdn. Bhd. ("SESB").

We foresee the CPO inventory level to remain at low level amid higher usage from implementation of biodiesel mandates in Indonesia and Malaysia. This would cushion the decline from exports across other countries, particularly India and China, stemmed from the COVID-19 outbreak. At the same time, we see the FFB and palm oil production has not been significantly impacted under the Movement Control Order implemented by the Malaysia government since 18 March 2020.

In view of the CPO price is generally perceived to be correlated with crude oil price, we reckon that the CPO price may trade in a volatile manner following OPEC and its allies disagreement to curb their crude oil production and the unprecedented abnormality and large scale volatility in crude oil commodity markets recently. Nevertheless, the prospects of demand for biodiesel may provide some cushion to the CPO price.

In near terms, with the uncertainties resulting from the recent unprecedented volatile movements in crude oil commodity price and global outbreak of the COVID-19 health crisis, the management remains cautious but positive that the average CPO price could remain above RM2,000 per MT level in the second half of 2020 considering production trend and current low inventory. However, CPO price is generally susceptible 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 producing countries.

Based on the above, we foresee the Group would still be able to perform satisfactorily for the financial year 2021.

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: 5 June 2020

MANAGEMENT DISCUSSION & ANALYSIS

DESCRIPTION OF OUR GROUP'S BUSINESS AND STRATEGIES

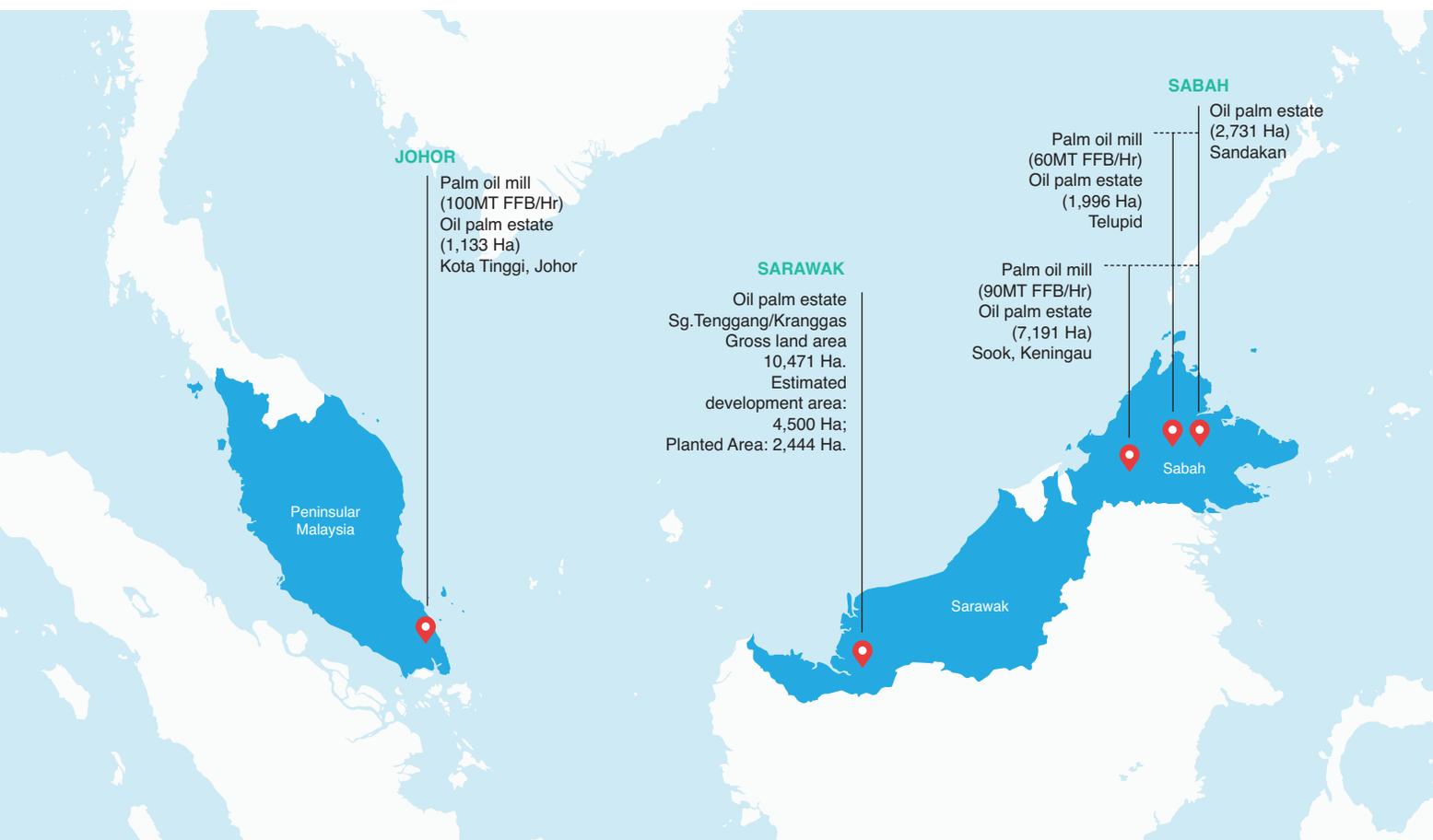
Kim Loong Resources Berhad and its subsidiaries (the "Group" or "KLR Group") are principally involved in investment holding, cultivation of oil palm, processing of oil palm fresh fruit bunches and marketing of oil palm products, processing of oil palm fibre and biogas and power generation.

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 2020, the Group's total plantation land holdings stood at 15,826 hectares ("Ha") of which 92% are fully planted with oil palms. Out of the total planted area, approximately 83% are mature above 6 years old, 6% are young mature below 6 years old while the remaining 11% are at immature stage. Our plantations are located in the states of Johor, Sabah and Sarawak.

The Group also 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. Our 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 suitable 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.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

FINANCIAL REVIEW

Revenue

The revenue of the Group was RM679.63 million for the financial year 2020 ("FY2020") compared to RM872.94 million recorded for the financial year 2019 ("FY2019").

The drop of 22% in revenue was primarily attributable to lower FFB and CPO production as compared to the last financial year. Before inter-segments adjustments and eliminations, revenue from plantation operations has dropped by 21% whilst the revenue from milling operations also dropped by 22% compared to the last financial year.

The average selling prices and production of Crude Palm Oil ("CPO"), Palm Kernel ("PK") and Fresh Fruit Bunches ("FFB") for FY2020 and FY2019 of the Group are as follows:

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

	FY2020 (RM)	FY2019 (RM)	Change (%)
CPO	2,118	2,169	(2.35%)
PK	1,228	1,656	(25.85%)
FFB	391	416	(6.01%)

Sales quantity:-	FY2020 (MT)	FY2019 (MT)	Change (%)
Main palm oil milling products:			
CPO	268,070	329,489	(18.64%)
PK	60,704	74,257	(18.25%)
Plantation produce:			
FFB : to own mills	215,765	259,690	(16.91%)
to external parties	44,747	50,392	(11.20%)
Total	260,512	310,082	(15.99%)

Other Income

Other income for the year was RM16.54 million which was RM4.34 million higher as compared to FY2019. It consisted mainly of interest income which was 51% (2019: 72%). In the current financial year, the other income also included recognition of net gain on compulsory acquisition and derivatives of RM2.98 million (2019: Nil) and RM1.24 million (2019: Nil) respectively. The net gain on compulsory recognition was arising from compulsory land acquisition in year 2013 and has been recognised pursuant to the judgment of the Court of Appeal in May 2019.

Cost of Sales

Generally, the production of CPO and PK, the major palm oil milling products, by the Group during the year has decreased by more than 20%. The summary of production of major products by the Group is tabulated below:-

	FY2020 (MT)	FY2019 (MT)	Change (%)
CPO	247,659	316,268	(21.69%)
PK	60,119	75,336	(20.20%)
FFB	260,512	310,082	(15.99%)

In order to meet sales contracts committed, the Group has purchased 3,600 MT (2019: 14,400 MT) of CPO from external parties at prevailing market price during the year.

In view of lower production from both plantation and milling operations, the cost of sales decreased by 21% or RM156.69 million to RM585.63 million, mainly due to lower cost of FFB purchased in milling operations resulted from lower volume of FFB intake.

Unit Cost of Production of CPO

The unit cost of production (excluding raw materials) of CPO has increased by 29% to RM270 per MT of CPO. The total unit cost of production of CPO has also increased by 16% to RM1,540 per MT of CPO. The increase in unit cost of production was mainly caused by:

- lower production throughput of mills as well as lower FFB production yield at plantations;
- increase in upkeep and maintenance for buildings and machineries, especially substantial repair cost resulted from the fire incident at Kota Tinggi mill; and
- increase in labour cost partly caused by shortage of workers in plantation industry.

Finance Cost

Finance cost recognised in profit or loss has decreased by 34% or RM0.37 million to RM0.71 million as compared to FY2019 due to repayment of bank borrowings.

Profit before Tax ("PBT")

The Group's PBT of RM60.39 million for the FY2020 was lower than RM88.23 million for the FY2019.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Out of the drop in the Group's PBT by nearly RM28 million or 32%, approximately RM17 million was attributable to the plantation operations. The drop in PBT was mainly due to lower FFB and CPO production. On the other hand, the average selling prices for FFB and CPO for the current financial year have recorded marginal drop of 6% and 2% respectively.

Taxation

The effective tax rate for FY2020 of 24.56% was slightly higher than statutory tax rate. This was mainly due to certain expenses were not deductible for tax purpose and deferred tax assets for unabsorbed losses brought forward were partially derecognised in view of the uncertainty that sufficient taxable profit will be generated within the maximum 7-year period for utilisation.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group decreased significantly by 21% year-on-year to RM41.06 million and 4.40 sen respectively as compared to RM52.12 million and 5.58 sen recorded for the preceding financial year.

Share Price Performance

Our Company's share price performance for the period from February 2019 till 13 May 2020:



Source: Bursa Malaysia

During the financial year, the share price was traded between the range of RM1.08 to RM1.64 and closed at RM1.26 at end of the financial year.

Cash Flows

The Group's cash and cash equivalents (excluding short term funds) decreased by 24% or RM45.96 million to RM145.88 million mainly due to the following:

- (i) more capital expenditure incurred in respect of acquisition of land, replanting programme, purchase of biogas engines and upgrading plant and machinery of milling operations; and
- (ii) more investment in short term funds with expectation of higher tax-exempt return as compared to conventional deposits with bank.

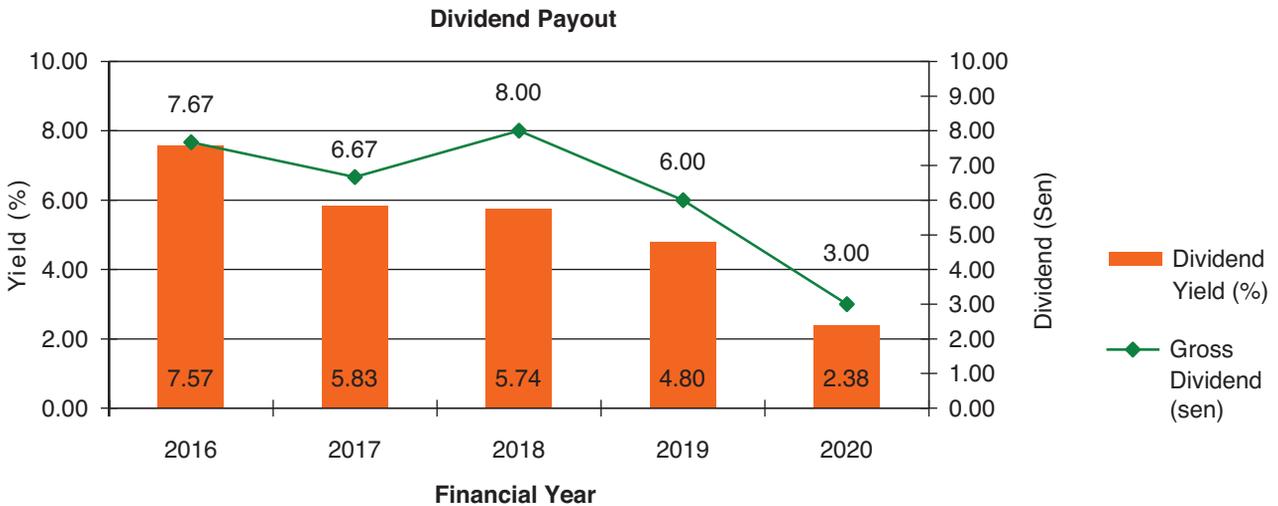
Despite the drop in revenue, the Group's cash flows from operating activities has increased by over RM10 million which was benefited from realisation of inventories.

The Group's investment in short term funds has increased by 20% or RM16.04 million to RM94.48 million as compared to FY2019.

It is the Group's practice to include short term funds as an important instrument in its cash flows and liquidity management. As at the end of the financial year, total short term funds and cash and cash equivalents was RM240.36 million.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)



Dividend

With the recent volatile movements in crude oil commodity price and global outbreak of the COVID-19 health crisis, the Board has adopted a prudent and strategic approach to conserve the cash reserve of the Group for the upcoming replanting programme as well as any potential financial turbulence in near future, therefore the Board has not recommended any final dividend for the FY2020 (FY2019: 3 sen per share). Consequentially, the total single tier dividend for FY2020 is 3 sen per share (FY2019: 6 sen per share).

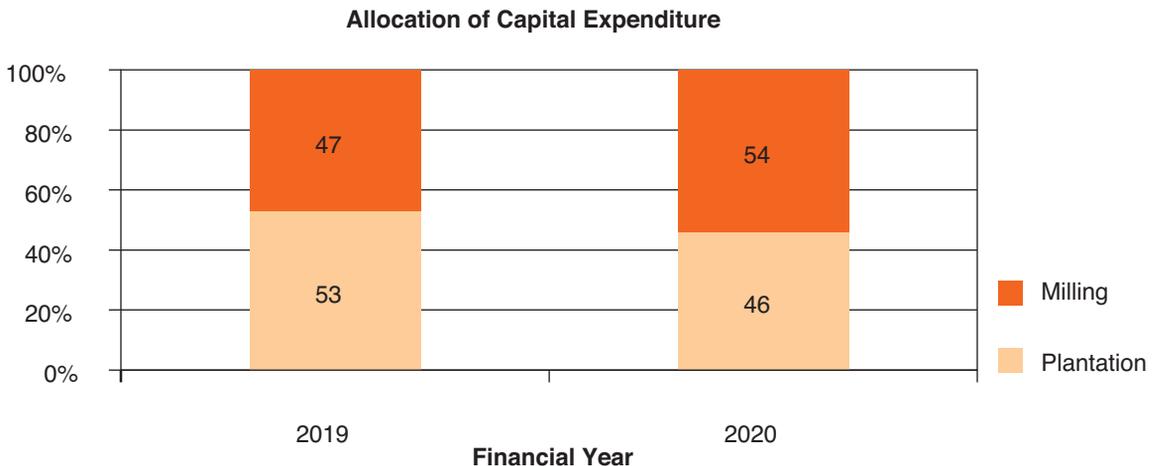
Nevertheless, the dividend payout represents approximately 68% of the annual profit attributable to owners of the Company.

The 3 sen dividend declared for the FY2020 is an interim dividend and has been paid on 21 November 2019.

In the past four out of five years, the Group has recorded gross dividend yields that are more attractive than return from conventional deposits with bank save for the FY2020.

CAPITAL EXPENDITURE

The Group spent RM63.57 million for capital expenditure in FY2020 which was more than double of RM26.65 million for FY2019. The capital expenditure spent for the plantation operations has increased from RM15.25 million to RM29.42 million mainly due to replanting activities and more immature area during the current financial year. On the other hand, milling operations have incurred RM34.15 million during the year mainly for the acquisition of new biogas engines, upgrading of boilers and replacing plant and machineries damaged in the fire incident in June 2019.



MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

REVIEW OF OPERATING ACTIVITIES

PALM OIL MILLING OPERATIONS

The profit from the palm oil milling operations recorded a drop of 26% or RM11.16 million to RM32.21 million as compared to RM43.37 million recorded for the last financial year. The lower profit was due to substantial drop in CPO production.

Despite a marginal increase in the CPO extraction rate to 21.72%, the operations have achieved lower processing margin which was due to lower processing volume as well as competitions for crops in Sandakan region resulting a squeeze in processing margin. During the year, the Group's mills processed a total FFB quantity of 1.14 million MT, representing a 23% drop as compared with last financial of 1.48 million MT.

In addition, the performance of milling operations was also affected by the fire incident at our mill at Kota Tinggi, Johor in June 2019 causing disruption to operations for about 1 month. The mill resumed its full processing capacity in August 2019. Cost of repair and write-off of assets of nearly RM3.5 million had been recognised accordingly in the income statement but the relevant insurance compensation had not been accrued for at the reporting date pending confirmation from insurance company. Nevertheless, we expect the loss would be substantially covered by insurance.

Total CPO production for the year under review was 247,659 MT, which was about 22% lower than 316,268 MT recorded in the last financial year. The market condition and demand for the Group's main milling products has been good and steady during the financial year.

As a result of unexpected low CPO production at the two mills in Sabah, the Group had faced challenges in meeting contracted schedule for delivery of committed sales to customers. The Group also purchased 3,600 MT of CPO from external parties in order to meet sales contracts committed. Consequentially, the sale of CPO, the main product, dropped

by 19% to 268,070 MT compared to 329,489 MT in the last financial year. As of the year end, the CPO inventory level has reduced significantly to 5,500 MT as compared to the 22,000 MT at preceding financial year end.

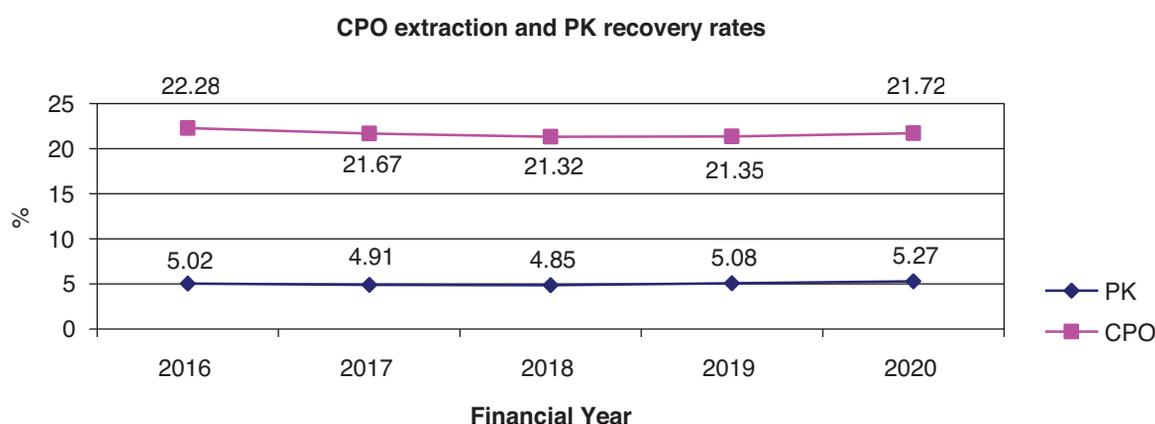
The average selling price of CPO of the Group for the current financial year was RM2,118 per MT which was marginally lower than RM2,169 per MT in the last financial year.

The extraction rate for CPO and recovery rate for PK for FY2020 and FY2019 can be analysed as follows:

	FY2020	FY2019	Change (%)
CPO:			
KLR Group CPO extraction rate (%)	21.72	21.35	1.73%
Malaysia National CPO extraction rate* (%)	20.21	19.95	1.30%
PK:			
KLR Group PK recovery rate (%)	5.27	5.08	3.74%
Malaysia National PK recovery rate* (%)	4.98	4.97	0.20%

* The statistics for Malaysia National CPO extraction and PK recovery rates are extracted from MPOB web-site based on calendar year 2019 and 2018 whilst the figures from KLR Group are based on its financial year (Feb - Jan).

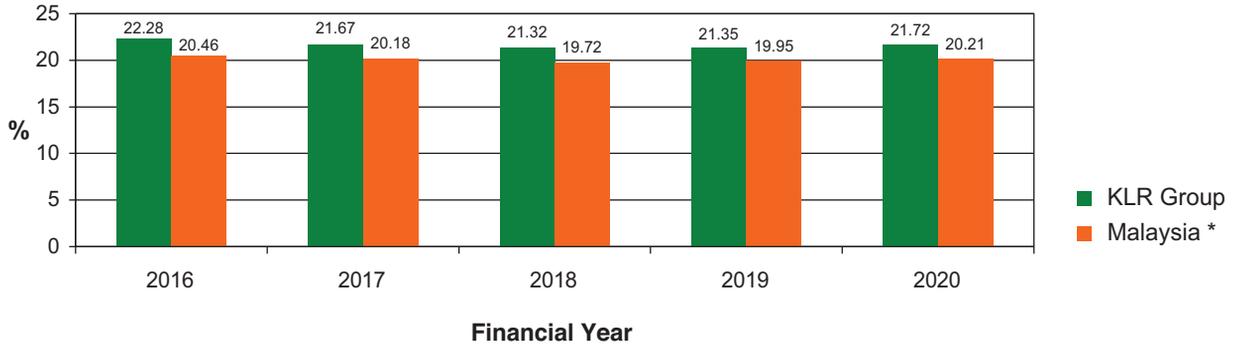
The Group's performance in terms of extraction/recovery rates are broadly consistent with the previous year except for the increase in PK recovery rate which might have adversely affected the performance of CPO extraction rate. The extraction/recovery rates performance of the Group's milling operations have remained largely steady for the past five (5) years as shown below:



MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

The Group's average CPO extraction rates have outperformed Malaysia National average extraction rates for the past five (5) years as tabulated below:



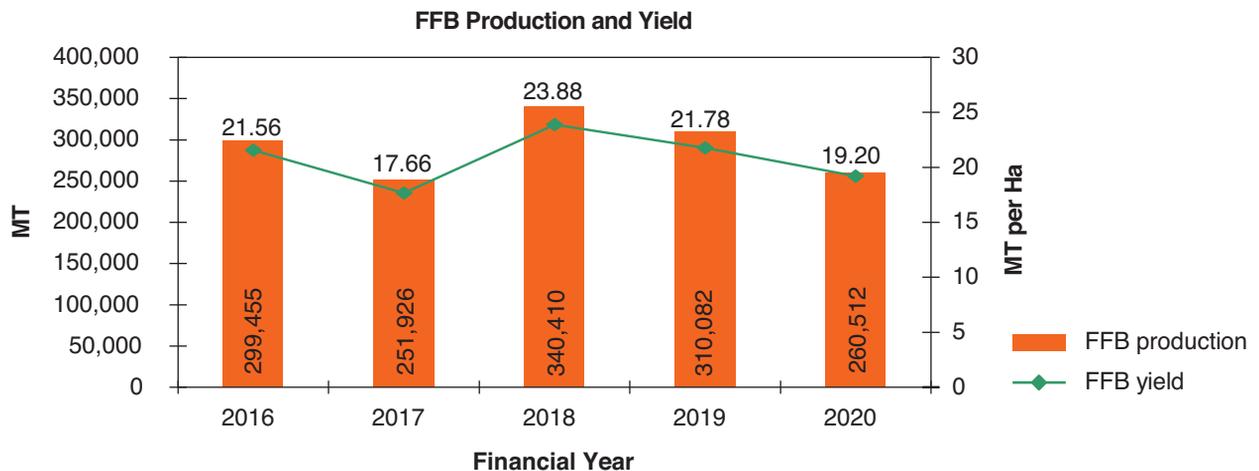
* The statistics for Malaysia National CPO extraction rates are extracted from MPOB web-site based on calendar year 2015 - 2019 whilst the figures from KLR Group are based on its financial year (Feb - Jan).

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 and also reduce the burning of palm kernel shell which can be made available for sales.

On the projects to supply power to the grid using biogas engine, the plant at Kota Tinggi mill has commenced supplying power up to 1.8 megawatt per hour to grid since June 2019 and has contributed revenue of approximately RM1.8 million for the current financial year.

PLANTATION OPERATIONS

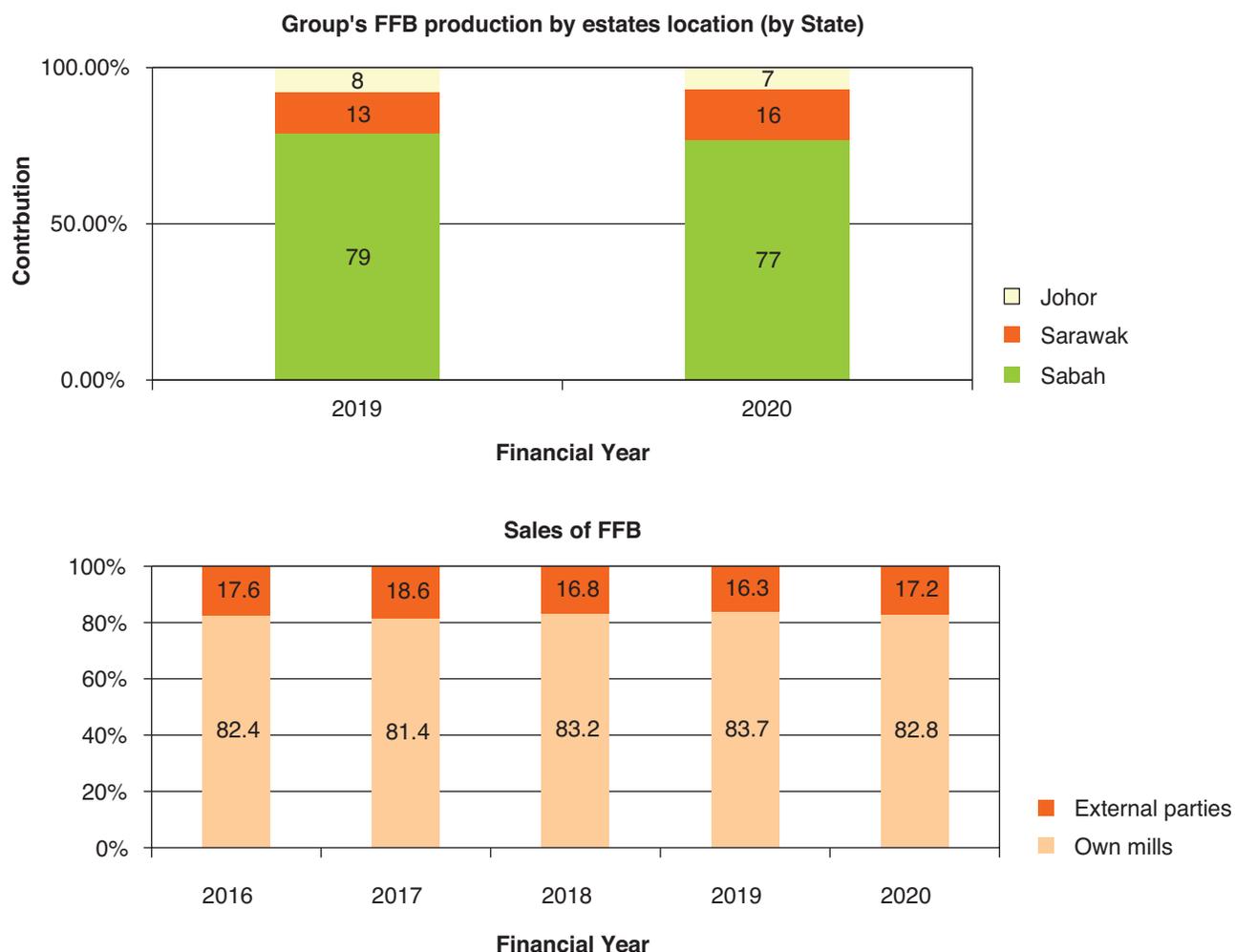
The profit from the plantation operations decreased by 39% or RM16.65 million to RM26.50 million as compared to RM43.15 million recorded for the last financial year. The decrease in profit was mainly due to lower FFB production and average selling price for FFB. The FFB production for the year under review was 260,512 MT which was 16% lower than 310,082 MT achieved in the last financial year. The lower FFB production for the current year was partly due to our continued replanting programme in the Keningau region and was also likely due to the consequential effects on cropping trend after the strong recovery and high yield performance in the period from November 2018 to April 2019. Nevertheless, the Group's average FFB yield performance was still better than the average National FFB yield as published by Malaysian Palm Oil Board ("MPOB"). The plantation operations did not face problems in selling its FFB produce as most of the produce was supplied to mills within the Group. Average FFB selling price was 6% 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:



MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

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:



Our average oil yield per Ha for Sabah estates has decreased to 4.53 MT per Ha in FY2020 compared to 5.13 MT per Ha in FY2019 mainly due to the estates in Sabah had recorded a lower production over the relatively high production records in the preceding year. Our overall Group average oil yield has also decreased to 4.23 MT per Ha as compared to 4.77 MT per Ha in FY2019.

The yield per Ha analysis for FY2020 and FY 2019 can be analysed as follows:

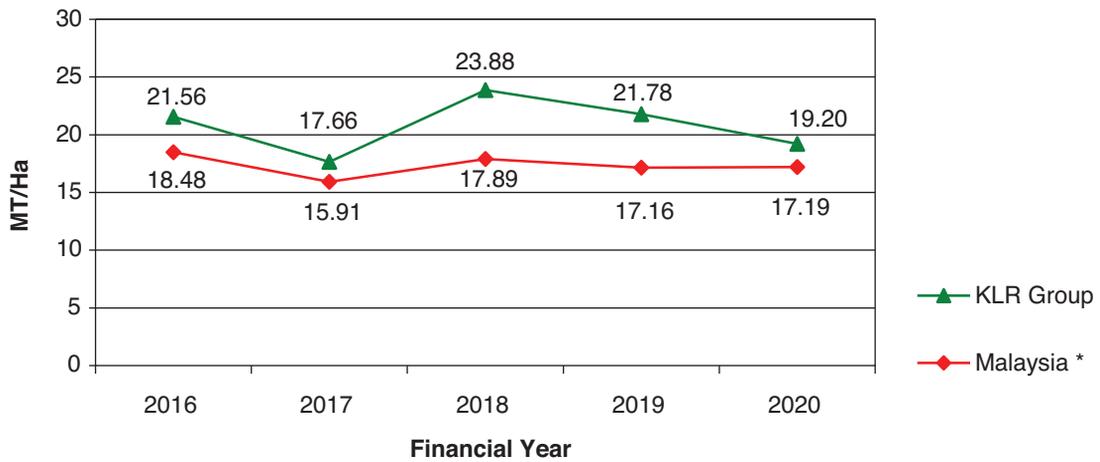
	FY2020	FY2019	Change (%)
FFB Yield:			
KLR Group FFB Yield (MT per Ha)	19.20	21.78	(11.85%)
Malaysia National FFB Yield* (MT per Ha)	17.19	17.16	0.17%
CPO Yield:			
KLR Group Oil Yield (MT per Ha)	4.23	4.77	(11.32%)
Malaysia National Oil Yield* (MT per Ha)	3.47	3.42	1.46%

* The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2019 and 2018 whilst the figures from KLR Group are based on its financial year (Feb - Jan).

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

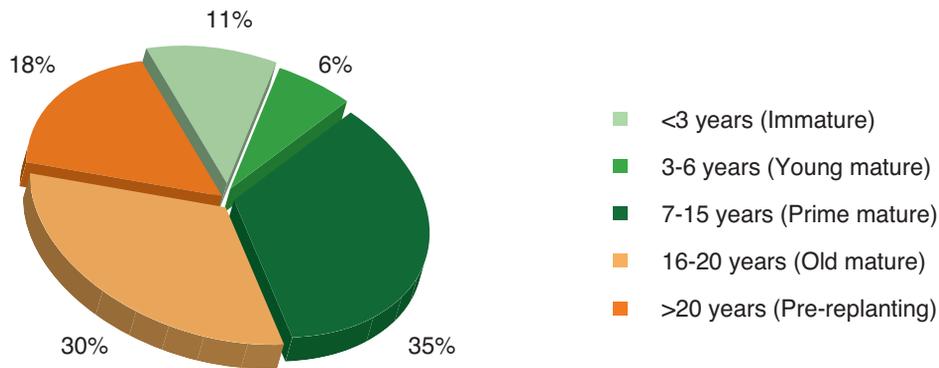
The Group's five (5) year FFB yield performance comparison with the Malaysia National performance is tabulated below:



* The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2019 to 2018 whilst the figures from KLR Group are based on its financial year (Feb - Jan).

As at 31 January 2020, the Group's total planted area (excluding land for infrastructure, area under development and unplanted land) is 14,509 hectares. In terms of age profiles of the Group's oil palm plantations, 65% of the planted areas are with palm age between 7 to 20 years old.

AGE PROFILE OF PALMS (AS AT 31 January 2020)



During the current financial year, the Group has carried out replanting of about 1,400 hectares.

Moving forward, the Group has continual replanting programme of approximately 1,000 hectares per year for old palms from 2020 to 2026.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

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:

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

There have been no significant changes in the above-mentioned risks since the 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.

DEVELOPMENT AND PROSPECTS

Plantation operations:

On 19 February 2020, the Company announced that it entered into four (4) separate conditional Sale and Purchase Agreements with (1) Greenfingers Sdn. Bhd.; (2) R & H Sdn. Bhd.; (3) Bakti Perusahaan Sdn. Bhd.; and (4) Sri Handal Sdn. Bhd. (collectively referred to as "the Vendors") to acquire oil palm plantation lands in Sabah with a total gross land area of approximately 2,862 acres ("the Acquisitions"). The total cash purchase consideration is RM92,538,290 which is approximately RM32,500 per acre.

The Acquisitions are not subject to the shareholders' approval. However, the Acquisitions are subject to the relevant authorities' approvals such as the Sabah's Ministry of Agriculture and Fisheries. Barring any unforeseen circumstances, the Acquisitions are expected to be completed by the third quarter of the year 2020.

The Acquisitions will increase the supply of FFB produce to the Group's palm oil mill at Telupid, Sabah so as to contribute towards optimising utilisation of the mill's processing capacity as well as to reduce dependence on FFB supply from third parties especially during a seasonal low crop period. The Acquisitions will increase the land bank of the KLR Group for oil palm plantations and will contribute positively towards the Group's long-term growth in profitability.

The Group will continue its replanting programme to replant the old palms which are unable to meet the expectation of FFB yield. We expect to replant about 1,000 Ha in the financial year 2021.

Moving forward, the Group will continue its prudent approach in sourcing for additional suitable plantation land in Johor, Pahang, Sabah and Sarawak. However, Roundtable on Sustainable Palm Oil ("RSPO") restriction is a major constraint. To support our plantation operations 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 2021, we forecast the FFB production to be about 10% higher than the quantity achieved in the financial year 2020 after taking into consideration of the impending completion of the recent acquisition of landbank and the impact of on-going replanting programme.

Milling operations:

The management expects the milling operations to achieve similar processing quantity as recorded in the financial year 2020.

On the projects to supply power to the grid using biogas engine, the plant at Kota Tinggi mill has commenced supplying power up to 1.8 megawatt per hour to grid since June 2019. We expect the annual revenue contribution would be about RM6 million from the financial year 2021 onwards.

We have also started implementation and installation of the plant at our Keningau mill for supplying power up to 2.0 megawatt per hour to grid and expect to commence operation in the first half of year 2021.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

As for our mill at Telupid, Sabah, we have obtained approval for net export capacity of 1.5 megawatt per hour from Sustainable Energy Development Authority (“SEDA”) in September 2019 and now pending finalisation of Renewable Energy Power Purchase Agreement (“REPPA”) with Sabah Electricity Sdn. Bhd. (“SESB”).

Despite the volatile palm oil prices recently, the management expects the milling operations to perform satisfactorily on the ground of good production efficiency as well as competitive pricing for sourcing FFB supply. In general, palm oil milling has been less sensitive to volatility of palm oil prices.

General:

All the plantations and mills under the Group have passed the Malaysian Sustainable Palm Oil (“MSPO”) audit and have obtained MSPO certification.

Due to the global outbreak of COVID-19 health crisis, the Malaysia government has implemented the Movement Control Order (“MCO”) since 18 March 2020. Furthermore, the Sabah State government has also imposed closure of plantation industry in six (6) districts within the State to curb the spread of COVID-19.

The ban by the Sabah State government on operations of plantation industry has been conditionally lifted on 10 April 2020 and the restrictions under the MCO have also been eased from 4 May 2020 onwards where most of the industries are allowed to resume operations subject to adherence to the Standard Operating Procedure (“SOP”) imposed.

The ban on plantation activities in one of the districts in Sabah, namely Kinabatangan, has caused minor disruption to the Group’s estates located within the district but no material financial impact expected as the closure period was not prolonged.

As palm oil industry is considered as essential services, the Group’s plantation and milling activities are largely running as normal during the MCO period. Therefore, the management expects no material financial impact on the Group’s performance caused by the MCO.

On the other hand, we foresee the CPO inventory level to remain at low level amid higher usage from implementation of biodiesel mandates in Indonesia and Malaysia. This would cushion the decline from exports across other countries, particularly India and China, stemmed from the COVID-19 outbreak. At the same time, we see the FFB and palm oil production has not been significantly impacted under the MCO implemented by the Malaysia government since 18 March 2020.

In view of the CPO price is generally perceived to be correlated with crude oil price, we reckon that the CPO price may trade in a volatile manner following OPEC and its allies disagreement to curb their crude oil production and the unprecedented abnormality and large scale volatility in crude oil commodity markets recently. Nevertheless, the prospects of demand for biodiesel may provide some cushion to the CPO price.

In near terms, with the uncertainties resulting from the recent unprecedented volatile movements in crude oil commodity price and global outbreak of the COVID-19 health crisis, the management remains cautious but positive that the average CPO price could remain above RM2,000 per MT level in the second half of 2020 considering production trend and current low inventory. However, CPO price is generally susceptible 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 producing countries.

Based on the above, we foresee the Group would still be able to perform satisfactorily for the financial year 2021.

SUSTAINABILITY STATEMENT

The Group's principal activities, which remained largely unchanged during the financial year ended 31 January 2020, 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 ("MMLR"), 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.



The roles of each team in the Sustainability Governance Structure are as follows:

Board of Directors	<ul style="list-style-type: none"> Approves the overall strategies, direction of Kim Loong Resources Berhad and agenda for implementation towards sustainability. Assesses the sustainability performance of Kim Loong Resources Berhad's operations.
Executive Chairman	<ul style="list-style-type: none"> Monitor to ensure the strategies, direction of Kim Loong Resources and agenda for implementation towards sustainability. Drives the Group's sustainability agendas. Approves the sustainability strategy and framework.

SUSTAINABILITY STATEMENT

(cont'd)

<p>Risk Management & Sustainability Committee (“RMSC”)</p>	<ul style="list-style-type: none"> • Evaluates overall sustainability risks and opportunities and develops the sustainability strategies with agenda for implementation and submits to the Board for approval. • Monitors sustainability implementation to ensure compliance from all departments at operational level. • Resolves critical or major sustainability issues that may impact Kim Loong Resources Berhad. • Periodically reviews the progress of sustainability implementation and reports to the Board. • Reports to the Board of any unresolved critical sustainability issues.
<p>Working Groups (Plantation)</p>	<ul style="list-style-type: none"> • Promotes effective implementation of the sustainability strategies through regular monitoring, reviewing and improving sustainability practices in all plantations. • Ensuring resources and procedures are in place to achieve its sustainability commitments and targets. • Continuously improves the management system to meet Malaysian Sustainable Palm Oil (“MSPO”) Standard. • Periodically reports to RMSC on the progress of sustainability implementation in plantation. • Reports to RMSC of any critical or major sustainability issues in plantation.
<p>Working Groups (Milling)</p>	<ul style="list-style-type: none"> • Promotes effective implementation of the sustainability strategies through regular monitoring, reviewing and improving sustainability practices in mills. • Ensuring resources and procedures are in place to achieve its sustainability commitments and targets. • Continuously improves the management system to meet MSPO and other Quality Management Systems requirements. • Periodically reports to RMSC on the progress of sustainability implementation in mills. • Reports to RMSC of any critical or major sustainability issues in mills.

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.

Continuous and meaningful engagement with our key stakeholders is integral towards understanding and fulfilling their expectation. This ensure the Group’s business continuity and sustainability. The stakeholder identification and prioritisation process were carried out by the RMSC and key Management personnel.

The Group utilises different approaches to engage with our key stakeholders. Outlined below is an overview of the Group’s engagement with key stakeholders as well as concerns raised throughout FY2020 and our response to these concerns.

SUSTAINABILITY STATEMENT

(cont'd)

Stakeholder group	Method of engagement	Key topics and concerns raised	Group's response
Employees (including field workers)	<ul style="list-style-type: none"> • Roll call/daily muster • Annual appraisal • Circular of internal policies • Sports and recreation activities • Committee meetings (Gender, Occupational, Safety and Health ("OSH") etc) • Informal gathering to enhance bonding • Internal training • Stakeholder meetings 	<ul style="list-style-type: none"> • Operational concerns • OSH issues • Other organisation wide issues 	<ul style="list-style-type: none"> • Enhance better understanding and awareness among employees on Group Policies, sustainability requirements and compliance • Improve mechanism for complaints and grievances • Stricter enforcement on Safety Policy and more OSH and relevant Safe Operating Procedures training
Board of Directors	<ul style="list-style-type: none"> • Board meetings • Site visits 	<ul style="list-style-type: none"> • Progress of sustainability matters • Group's performance • Strategic planning 	<ul style="list-style-type: none"> • Better understanding of Group's sustainability progress and initiatives
Customers	<ul style="list-style-type: none"> • Meetings with the management • Site visits • One-to-one meeting • Contract negotiation 	<ul style="list-style-type: none"> • Greenhouse gas ("GHG") emissions, discharges and waste management, high carbon stock, peat development • Human and workers rights, social welfare, and OSH • Sustainability certifications 	<ul style="list-style-type: none"> • Create awareness of the Group's commitment to sustainability and better understanding of our policies, cultures and values.
Suppliers and Contractors	<ul style="list-style-type: none"> • Meeting with the management • Visits to estates and mills • Contract negotiation • One-to-one meeting • Stakeholders meeting 	<ul style="list-style-type: none"> • Biodiversity & conservation, GHG emissions, discharges and waste management • Deforestation, high carbon stock, peat development • Workers rights, social welfare and OSH • Product quality 	<ul style="list-style-type: none"> • Raised awareness of the Group's commitment to sustainability • Better understanding of the Group's business activities • Payment terms and timeliness • Work ethics
Shareholders and Investors	<ul style="list-style-type: none"> • Meetings with shareholders (Annual General Meetings) • Announcements to Bursa Securities, details of which may be accessed by shareholders • Company's corporate website 	<ul style="list-style-type: none"> • Free, Prior Informed Consent ("FPIC") • Product quality 	<ul style="list-style-type: none"> • Maintain good relationship and positive reputation amongst investors constructive feedback

SUSTAINABILITY STATEMENT

(cont'd)

Stakeholder group	Method of engagement	Key topics and concerns raised	Group's response
Government agencies, regulatory / bodies and certification bodies	<ul style="list-style-type: none"> • Inspections by the agencies • Attends workshops and trainings • Meeting with the regulators • Correspondences with regulators on requirements • Stakeholders meeting 	<ul style="list-style-type: none"> • Compliance with legal requirements • Human and workers' rights, social welfare, OSH, equal treatment, code of ethics and governance • Product quality, supply chain and evaluation of supplier / contractors' sustainability commitment 	<ul style="list-style-type: none"> • Support and contribute to the development of national sustainability standards
Small holders and local communities	<ul style="list-style-type: none"> • Awareness briefing • Meetings • Circulars/Notices • Dialogue session • One-to-one communications • Stakeholders meeting • Community out-reach activities and development program 	<ul style="list-style-type: none"> • Job opportunities in KLR for the locals • Donations to local schools • Road maintenance for local accessibility 	<ul style="list-style-type: none"> • Conduct social impact assessment • Established human rights policy • Amicable solutions on conflicts and grievances • Give priority to employing qualified and eligible local • Contribute to community development • Improved road access

The feedback from engagement with key 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.

Accordingly, we believe that the results for FY2020 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.

ECONOMIC

Performance and achievement

On the back of a revenue amounting to RM679.63 million for the financial year 2020 as compared to RM872.94 million recorded in the preceding financial year, the Group recorded a pre-tax profit of RM60.39 million for FY2020, which was 32% lower than RM88.23 million for FY2019.

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.

SUSTAINABILITY STATEMENT

(cont'd)



Malaysian Sustainable Palm Oil (“MSPO”) Certification

MSPO is a mandatory national sustainability certification scheme for the oil palm industry in Malaysia, covering the whole supply chain from oil palm plantations to downstream facilities. All oil palm industry players in Malaysia are mandated to be certified under the MSPO certification scheme by the end of 2019.

The MSPO Standards contains seven principles which form the general requirements of a management system framework, based on the three pillars of sustainability: economically viable, socially acceptable, and environmentally sound. The seven principles are:

- Principle 1 - Management commitment and responsibility
- Principle 2 - Transparency
- Principle 3 - Compliance to legal requirements
- Principle 4 - Social responsibility, health, safety and employment conditions
- Principle 5 - Environment, natural resources, biodiversity and ecosystem services
- Principle 6 - Best practices
- Principle 7 - Development of new plantings

The new addition to the MSPO scheme is the MSPO Supply Chain Certification Standard (“MSPO SCCS”), which was launched on the 1 October 2018. The standard which is applicable to the oil palm downstream industry covers management requirements and traceability of the production throughout the supply chain from the raw materials to processing and manufacturing of palm and palm oil-based products. The mandatory timeline is by 1 January 2020. All the three mills in the Group have successfully passed the audit under this scheme.

All our operations (estates and mills) are certified by leading local certification bodies such as SIRIM QAS International and NIOSH Certification Sdn Bhd.

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.

Water Management

Water management centered on the optimisation on water usage and reduction on water wastage. The Group recognises that maintaining good water quality is vital for safeguarding the health of our employees as well as of the local communities.

Measures taken included setting up water treatment plant to process and supplying clean water safe for human consumption. Collection of water sample is carried out at least once a year for testing of water quality to ensure that it is safe for drinking and other daily usage.

The milling operations reduce water consumption by using technology as well as recycling of water to reduce the amount of effluent discharge.

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.

SUSTAINABILITY STATEMENT

(cont'd)



Soil enrichment and conservation program

The Group has implemented some of the Good Agricultural Practices ("GAP") and recognises the importance of managing various types of soil in plantations as it is a key contributor to crop productivity. A healthy soil can sustain healthy and productive palms and provide viable environment for beneficial animals and soil microbes. Some of the GAP carried out are as follows:

- Planting of leguminous cover crop new planting and replanted areas. The fast-growing plants provide cover to protect the soil and build up nutrients in the topsoil.
- Solid organic waste material generated from the milling operations such as decanter cake and empty fruit bunches ("EFB") are applied in fields, especially at marginal soil areas.
- Maintaining of soft grasses in palm avenues.
- Field application of oil mill processing co-products such as treated palm oil mill effluent ("POME") and decanter cake.
- Conservation of soil and water by building conservation pits and bunds, terracing, roadside drainage and sumps and water catchment ponds.

Fertiliser management program

The management of fertiliser application processes in our Group is documented in our standard operating procedures. Monitoring practices are also put in place to ensure optimum dosage and uptake of nutrients by the palms. Oil palm nutrient requirements are determined through yield performance profile of the palm trees, soil and leaf analysis conducted by an independent Agronomist team. Recommendations for type and dosage of fertilisers are given to the respective estate based on these analyses. This prescriptive practice allows a more precise and efficient application of fertilisers with minimum wastage. Fertiliser

application is timed during months where rainfall is at moderate levels to prevent runoff losses and potential volatilisation losses during dry months. In addition, the quality of fertiliser to be applied is also periodically assessed by taking samples and sending to independent labs for testing of nutrient contents.

Integrated Pest Management ("IPM")

IPM is a component of GAP which incorporates use of cultural, biological, mechanical and physical methods to minimise use of chemicals and pesticides. Implementation of IPM, wherein responsible use of chemicals and pesticides is paramount to ensure safety of our workforce, local communities and the environment where we operate. This is achieved through due diligence and justification process prior to use of chemicals and pesticides, thus limiting introduction of hazardous agents to the open environment.

IPM also enforces the requirement for the Group to proactively work towards reducing the usage of chemicals and pesticides by applying alternative non-hazardous means of pest management like using native biological controls. This approach requires surveillance and monitoring of pests and diseases, and ensures no prophylactic use of chemicals and pesticides unless in exceptional circumstances as identified within the local legal requirements.

Some of the IPM techniques carried out by the Group includes:

- Propagation of beneficial plants such as *Cassia Cobanensis*, *Antigonon leptopus* and *Turnera subulata* to increase population of predators of pests that could control the population of bagworms and nettle caterpillars on our Group's estates.
- Use of pheromone traps to minimise damage to young palms rhinoceros beetles.

SUSTAINABILITY STATEMENT

(cont'd)

To enhance the effectiveness of IPM and safe use of chemicals and pesticides, training and field demonstrations are regularly conducted by the chemical suppliers for estate personnel from our management to our workers. This training encompasses identification of various pests and diseases in oil palm, safe procedures to apply chemicals and pesticides, and the proper procedures to adhere to in managing the pests and diseases of oil palm.

Monitoring with Geographic Information System (“GIS”) / Global Positioning System (“GPS”) Data

With drones becoming more affordable and widely available, we have started to perform census of our Group’s palm tree with this technology. This project will provide a realistic overview of our plantation assets and landbank status incorporating GIS and GPS information. This will enable more accurate data collection of our Group’s total palm stand to facilitate more effective management planning, utilisation of resources and the correct dosage of fertiliser application.

Improving oil mill operations

The Group’s palm oil mills are progressively upgraded to optimise operations and to achieve maximum economic performance through the use of automation and mechanical innovations, as well as chemical and biological technologies.

Waste and effluent management

The Group applies the best management practices in the handling of wastes at our sites by minimising waste generation and proper segregation, storage, transport and disposal of scheduled waste and domestic waste in adherence to standards set by the Department of Environment (“DOE”) and local municipal councils.

All scheduled wastes are handled in accordance with the Environmental Quality (Scheduled Wastes) Regulation 2005 requirements. Assigned competent person for all operation sites will periodically submit reports through DOE online reporting system (Electronic Scheduled Waste Information System).

POME is properly treated and monitored by assigned competent person to ensure full compliance with the Environmental Quality (Industrial Effluent) Regulations 2009 requirements. DOE will come for regular site inspection and collect effluent sample at final discharge point for analysis.

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 POME 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 on the Company’s website for access by shareholders and investors.

SUSTAINABILITY STATEMENT

(cont'd)

High Conservation Value (“HCV”) Assessment in estates of Kim Loong Resources Berhad Group

High Conservation Value (“HCV”) assessment was conducted in the estates of the Group this year as part of the MSPO requirements. This assessment reports on the status of biodiversity of the Group’s estate sites. It also provides recommendations on reducing or avoiding negative effect to biodiversity and HCV areas. In response, the Group has carried out action plans as summarised below:

No	Area	Possible threats	Action Plan
1.	Pond / water bodies	<ul style="list-style-type: none"> • Vegetation clearing • Riverbank erosion • Sedimentation • Eutrophication of aquatic environments and vegetation overgrowth due to fertiliser application • Interruption of aquatic biological health • Degraded of catchment areas 	<ul style="list-style-type: none"> • Marking of water catchment (erosion prone areas) on the map and in the fields; • Conducting regular observation / patrolling / monitoring of area; • Demarcation of area to prevent unintended spraying; • Putting up signboards in the estates for buffer zone area; • Avoiding construction of skid trails in steep areas; • Policy briefing (Steep Slope & Riparian Reserve Protection Policy) and buffer zone training; and • Monitoring by drone photos (with date) terracing in the fields.
2.	Forest border / isolated remnant forest	<ul style="list-style-type: none"> • Forest encroachment • Illegal poaching / wildlife hunting • Illegal logging • Forest product exploitation • Human - wildlife conflict 	<ul style="list-style-type: none"> • To maintain signboards to create awareness such as “No trespassing”, “No hunting”, “No open burning”, etc; • To maintain boundary stones along the borders; • To include forestry department in the stakeholder list; • Competency training on how to manage biodiversity and HCV at all estates; and • Muster briefing to include biodiversity to discourage illegal poaching / logging.

SOCIAL

Human Capital Management

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 1,480 at 31 January 2020 (2019: 1,450) of which about 52% (2019: 54%) 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.

SUSTAINABILITY STATEMENT

(cont'd)

In view of above, 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.

Due to the intense competition amongst plantation companies in recruiting estate employees and workers, our Group offers attractive and fair recruitment packages.

Human and Workers Rights

The Group is committed to ensure the dignity and rights of our workers are respected in line with legal regulations and the United Nations' guiding principles on human rights.

Our commitments include the following:

- Providing, for all employees, a safe environment free from discrimination and violence on any ground, and from harassment at work including sexual harassment.
- Ensuring employees are paid based on legal requirement on minimum wage.
- Prohibiting child labour and forced labour within our organisation.
- To resolve all complaints and grievances of employees through a standard procedure.
- The passports of workers are made available at any time.

Freedom of Association & Collective Bargaining

The management respects the rights of employees and workers to form and join trade unions of their choice and recognises their rights to bargain collectively for their mutual benefit. We believe that building harmonious relationship between employees enhances our organisational productivity and performance.

Working Hours

Working hours for our workforce are compliant to national laws and industry standards. Overtime is voluntary and shall not exceed the limitations provided in the national laws, collective agreements or industry standards. The Company ensures appropriate safeguards are in place to protect workers' health and safety when overtime work is practiced by the workers.

Diversity & Inclusion

In respect to diversity and inclusivity, the Group is committed to ensure equal opportunities to all employees irrespective of their gender, racial, religious or socioeconomic background. We consistently nurture the development of our human assets within conducive workplace by fostering an inclusive culture and promoting cultural diversity as well as having active employee engagements.

The plantation industry is traditionally dominated by men as the nature of work is often arduous and entails manual labour. We are actively encouraging women to join all aspects of our ever-growing operations. The Group establishes gender committees at all our operating units to safeguard the interest of our female workforce.

Sexual Harassment Policy

Kim Loong Resources Berhad has a sexual harassment policy in place which must be observed by all our workforce, contractors and suppliers. This policy prohibits all form of harassment and behaviour that may create an atmosphere of hostility and intimidation of any kind at the workplace. No one should be subjected to any form of sexual harassment while carrying out their duties.

For the financial year 2020, no sexual harassment or sexual related cases was reported for the entire Group.

Improving the quality of life

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/Welfare Club;
- 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;
- Retail prices for essential food items at the grocery shops in the estates were monitored to ensure that those items were reasonably priced; and
- 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.

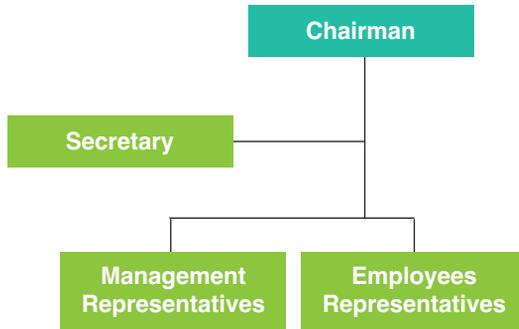
Safety and health at the workplace

The safety and health of our employees is of utmost importance 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.

A safety and health committee is established at each business unit in line with the requirements of the Occupational Safety and Health Act, 1994.

SUSTAINABILITY STATEMENT

(cont'd)



Safety and Health Committee Responsibilities:

- Assist in the development of health and safety rules and a safe working system;
- Review the effectiveness of safety and health programmes;
- Analysis trends of accidents, near-miss incidents, dangerous occurrences, occupational poisoning and occupational disease occurring at the workplace;
- Report any unsafe or unhealthy work conditions or practices at the workplace to the management together with recommendations for corrective actions;
- Conduct workplace inspections at least once every three months;
- Conduct investigations on accident occurring at the workplace; and
- Promote and conduct OSH activities such as healthy and safety campaigns, competitions, and promotions.

In addition, 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;
- Maintaining Safe Operations Procedures;
- Provided medical supplies for the Group's medical clinics at the mills and employs Hospital Assistants. In addition to the regular duties, the Hospital Assistants carry out regular inspections of the employees' housing to ensure that sanitation, health and drainage standards are properly maintained according to the Group'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.

There was no fatality suffered by the Group during the FY2020.

Chemical Health Risks Assessment ("CHRA")

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 utilised 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 on the use of personal protective equipment for workers exposed to hazardous compounds are regularly conducted.

Competent Assessor registered with Department of Occupational Safety and Health ("DOSH") has been appointed to carry out CHRA for all estates and palm oil mills to identify health risks arising from the use of hazardous chemical at work place and recommend control measures to mitigate the severity of the effects of hazardous chemical used.

Based on CHRA recommendation, competent Hygiene Technician 1 registered with DOSH are appointed to conduct Employee Personal Exposure Monitoring for staff handling hazardous chemical to monitor their degree of exposure once a year. The said staff will be required to go for medical surveillance once a year to ensure their good health and wellbeing in maintaining a safe workplace. CHRA will be conducted once every 5 years by competent assessor in accordance with Occupational Safety and Health Act (Use and Standard of Exposure Chemical Hazardous to Health Regulation 2000).

Hazards Identification Risks Assessment and Risks Control ("HIRARC")

HIRARC has been conducted on all estates and mills to identify all potential hazards related to work activities. Risk assessments shall be conducted to prioritize the risks and control measures to be implemented to mitigate the risks.

HIRARC shall be reviewed whenever there are any changes in process, work activities, new equipment, findings from any accidents or near miss incidents and finding from workplace inspection reported by the Occupational Safety Committee member.

SUSTAINABILITY STATEMENT

(cont'd)

Noise Exposure Monitoring According to Factory and Machinery (Noise Exposure) Regulations 1989

The Group has appointed Noise Competent Person registered with DOSH to conduct Area Noise Mapping and Employee Noise Exposure Monitoring to ascertain whether any employee is exposed to noise level above Permissible Exposure Limit at mills.

Hearing Protection Devices (“HPD”) shall be provided by company and training conducted to staff to ensure proper usage of HPD and care of the HPD. Noise mapping and noise exposure monitoring have been conducted at all mills. Staff working in high noise area has been sent for audiometric testing program by registered Occupational Health Doctor on an annual basis. Briefing on the results of the audiometric test and also the provisions of the regulations and effects of noise on hearing has been conducted to relevant staffs.

Human capital development - equipping and learning culture

The Group inculcates a learning culture in the organisation 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 inhouse 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.

Annual Dinner

As a token of appreciation, the Group had organised the annual dinner 2019 to show our recognition for the contribution of our employees. Besides employees, we also invited our business associates to participate in the Annual Dinner.

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 2,774 Ha as at 31 January 2020 under this NCR project of which 2,444 Ha have been planted. The Group’s involvement in developing NCR land has enabled sustainable income to be provided for about 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.

Education for our Community

The Group has initiated an education program with Humana Child Aid Society to support its mission to provide education for children in plantations and mills in Sabah. We have invested in various CSR initiatives, including capacity building programmes and building funds for schools. We have also conducted outreach to other plantation companies in the area to raise awareness about the right to basic education and to encourage them to adopt similar initiatives.

The Group also made several contributions and donations amounting to approximately RM72,000 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.

This Statement has been reviewed and approved by the Board of Directors on 5 June 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2020 of the Company (“CG Report”) which is available on the Company’s website: 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.

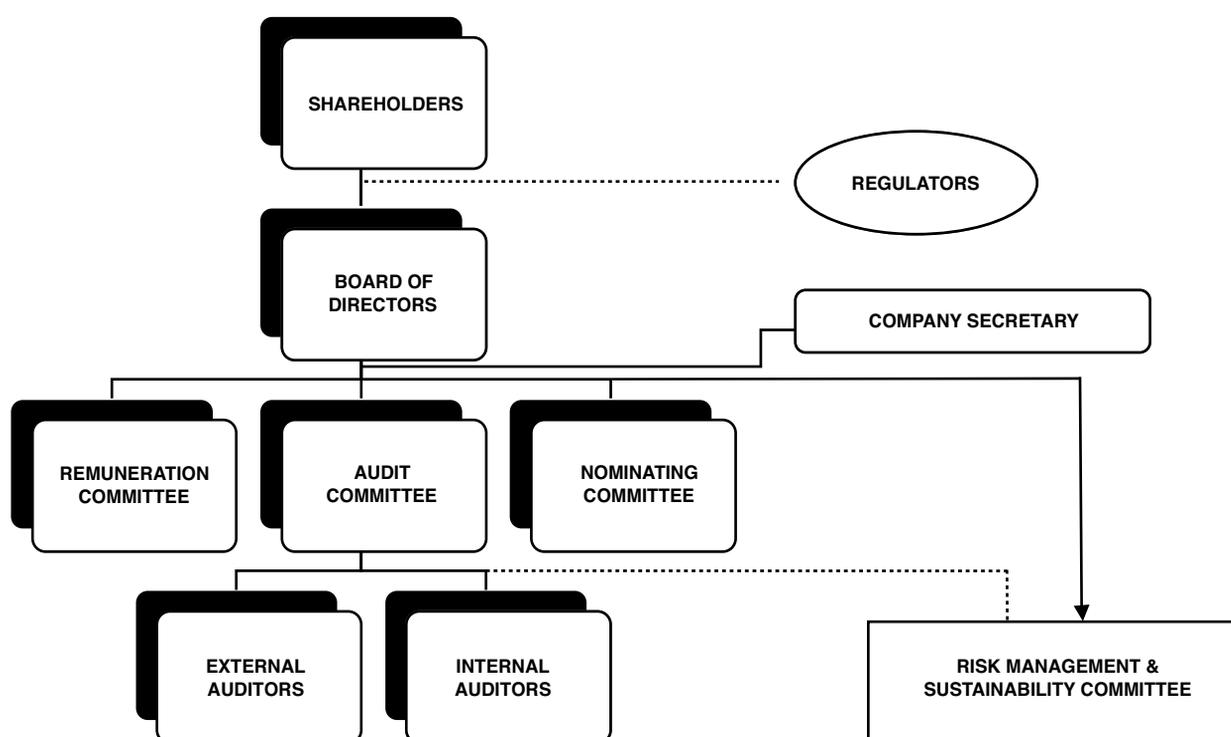
The Board believes that good CG adds value to the business of the Group and will ensure that this practice continues. The Board of Directors believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group’s business direction and strategy.

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 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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



The Board is pleased to provide an overview of the CG practices, which made reference to the three (3) key CG principles as set out in the MCCG throughout FY 2020, which are as follows:

- Principle A : Board Leadership and Effectiveness.
 Principle B : Effective Audit and Risk Management.
 Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

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 principal 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 investment and acquisition & disposal of assets;
- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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. 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.

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
- Investor 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 www.kimloong.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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"> Ensures that the Board functions effectively, cohesively and independently of Management Promotes the highest standards of corporate governance Leads the Board, including presiding over Board meetings and Company meetings and direct Board discussions to effectively use the time available to address the critical issues facing the Company Promotes constructive and respectful relationship among Board members and between Board members and Management Ensures that there is effective communication between the Company and/or Group and its shareholders and relevant stakeholders 	<ul style="list-style-type: none"> Develops the strategic direction of the Group 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 Ensures that the objectives and standards of performance are understood by the Management and employees Ensures that the operational planning and control systems are in place Monitors performance results against plans Takes remedial action, where necessary
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR	EXECUTIVE DIRECTORS
<ul style="list-style-type: none"> Acts as a sounding board for the Chairman and Executive Directors Acts as a conduit for the views of other Non-Executive Directors Conducts the Chairman's annual performance appraisal Helps to resolve shareholders' concerns 	<ul style="list-style-type: none"> Under the leadership of the Group Managing Director, make and implement decisions in all matters affecting the operations, performance and strategy of the Group's business Provide specialist knowledge and experience to the Board Chart the overall business direction of the Group Design, develop and implements strategic plans Deal with day-to-day operations of the Group
INDEPENDENT NON-EXECUTIVE DIRECTORS	COMPANY SECRETARIES
<ul style="list-style-type: none"> Challenge constructively Actively participate in Board decision making Scrutinise management performance Satisfy themselves on the integrity of financial information Provide independent judgement, experience and objectivity 	<ul style="list-style-type: none"> Advise the Board Ensure accurate and timely information and required support are provided to Directors Organise Directors' induction and training Communicate with shareholders as appropriate and ensure due regard is paid to their interests

Office of Executive Chairman

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).

Under the 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 of power and authority on 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 and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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.

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 Company 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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.

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 Board Composition

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 1/3 of the Board, whichever is higher, must be 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 to comply with the recommendation by the MCCG 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 decision-making 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.

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 (9) 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 is 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 Mr Chan Weng Hoong for a cumulative term of more than nine (9) years and recommended them be retained as Independent Non-Executive Directors of the Company based on the following justifications:

- a. They have fulfilled the criteria under the definition of an Independent Director as stated in the MMLR, and thus, they would be able to provide independent judgement, objectivity and check and balance to the Board;
- b. They perform their duties and responsibilities diligently and in the best interests of the Company without being subject to influence of the management;
- c. Their in-depth knowledge of the Group's businesses and their extensive knowledge, commitment and expertise continue to provide invaluable contributions to the Board;
- d. They, having been with the Company for more than twelve (12) and nine (9) years respectively, are familiar with the Group's business operations and have devoted sufficient time and attention to their professional obligations and attended the Board and Committee meetings for an informed and balanced decision making;
- e. They are independent as they have shown great integrity and they have not entered into any related party transaction with the Group; and
- f. They currently do not sit on the board of any other public and/or private companies having the same nature of business as that of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 Mr Chan Weng Hoong and their 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, and Mr Chan Weng Hoong for a cumulative of more than nine (9) years, continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the MMLR.

In this respect, the Board has approved the continuation of Mr Gan Kim Guan and Mr Chan Weng Hoong as Independent Directors 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 and Mr Chan Weng Hoong as Independent Non-Executive Directors and will be tabling an Ordinary Resolutions 9 and 10 to shareholders at the 45th AGM for the said purpose. Shareholders' approval for the Ordinary Resolutions will be sought on a single tier voting process.

iii. Shareholder 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 its composition in respect of representation of minority shareholders by the Independent Non-Executive Directors.

2.3 Board Diversity

Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 five (5) 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.

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	100
Gooi Seong Heen	Managing Director	5	100
Gooi Seong Chneh	Executive Director	5	100
Gooi Seong Gum	Executive Director	5	100
Gan Kim Guan	Senior Independent Non-Executive Director	4	80
Chan Weng Hoong	Independent Non-Executive Director	5	100
Cheang Kwan Chow	Independent Non-Executive Director	5	100

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.

A comprehensive and independent assessment of the candidate will be conducted by the Nominating Committee without any influence from the major controlling shareholders, Group Managing Director or Executive Directors.

In evaluation of Directors, the Nominating Committee takes into account the following criteria:

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nominating Committee which would contribute to the Board's collective skills,

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

whilst taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Directors.

There is no change to the composition of the Board during the financial year.

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.

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
4 March 2019 MS2530-3:2013 Malaysian Sustainable Palm Oil (MSPO) Awareness Course facilitated by Think Big Management Consultants Sdn Bhd	●	●	●	●			●	●	●
20 March 2019 Market Outlook 1H2019 - How to ride out market cycles in 2019	●	●							
5 & 6 August 2019 Lembaga Hasil Dalam Negeri and Chartered Tax Institute of Malaysia, National Tax Conference 2019					●				
24 October 2019 Chartered Tax Institute of Malaysia, 2020 Budget Seminar					●				

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

	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
30 & 31 October 2019 Rubber Re-visited - Update on clones, latest nursery disease control, nutrition and exploitation practices for rubber, ISP Management (M) Sdn Bhd						●			
13 November 2019 Fintech and JP Morgan's journey in digital transformation.									●
19 - 21 November 2019 MPOB International Palm Oil Congress and Exhibition (PIPOC) 2019 - Balancing Sustainability Pillar								●	
19 November 2019 The ABC's of Venture Capital Investing in Southeast Asia by J.P. Morgan									●
11 & 12 December 2019 11 th World Chinese Economic Forum - Realising the vision of shared development for a better world.								●	
16 January 2020 Review & Outlook Seminar 2020 - Maximising Palm Oil Opportunity and Sustainability Amidst Challenges by MPOB									●

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).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 and the Report of the Audit Committee is disclosed on pages 75 to 78 of this Annual Report. The works of the Audit Committee during the financial year ended 31 January 2020 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 and the Group. 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 and the Report of the Remuneration Committee on page 79 of this Annual Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 and the Report of the Nominating Committee on page 80 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

c. Disclosure

A summary of the remuneration of the Directors of the Group and of the Company for the year ended 31 January 2020, distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components is set out as below:

Group

	Directors' Fees (RM)	Basic Salary (RM)	Bonus (RM)	Benefit -in -kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
Gooi Seong Lim (Executive Chairman)	80,500	840,000	717,000	6,219	270,707	11,500	1,925,926
Gooi Seong Heen (Managing Director)	80,500	936,000	813,000	31,210	304,546	12,000	2,177,256
Gooi Seong Chneh (Executive Director)	80,500	840,000	717,000	6,219	270,707	12,000	1,926,426
Gooi Seong Gum (Executive Director)	80,500	840,000	717,000	23,618	270,707	12,000	1,943,825
Gan Kim Guan (Senior Independent Non-Executive Director)	100,000	-	-	-	-	2,000	102,000
Chan Weng Hoong (Independent Non-Executive Director)	94,000	-	-	-	-	2,500	96,500
Cheang Kwan Chow (Independent Non-Executive Director)	94,000	-	-	-	-	2,500	96,500
Total	610,000	3,456,000	2,964,000	67,266	1,116,667	54,500	8,268,433

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Company

	Directors' Fees (RM)	Basic Salary (RM)	Bonus (RM)	Benefit -in -kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
Gooi Seong Lim (Executive Chairman)	-	480,000	480,000	6,219	169,793	2,500	1,138,512
Gooi Seong Heen (Managing Director)	-	576,000	576,000	31,210	203,632	2,500	1,389,342
Gooi Seong Chneh (Executive Director)	-	480,000	480,000	6,219	169,793	2,500	1,138,512
Gooi Seong Gum (Executive Director)	-	480,000	480,000	23,618	169,793	2,500	1,155,911
Gan Kim Guan (Senior Independent Non-Executive Director)	100,000	-	-	-	-	2,000	102,000
Chan Weng Hoong (Independent Non-Executive Director)	94,000	-	-	-	-	2,500	96,500
Cheang Kwan Chow (Independent Non-Executive Director)	94,000	-	-	-	-	2,500	96,500
Total	288,000	2,016,000	2,016,000	67,266	713,011	17,000	5,117,277

d. Senior Management

The Company has an existing policy whereby the remuneration of employees is classified as confidential. The remuneration details for senior management are not disclosed as the Board is of the view that it would not be in the best interest of the Company to disclose the details given the competitiveness in the market for good senior management. It could also possibly give rise to unnecessary staff rivalry and disillusionment.

The performance of senior management is evaluated on an annual basis and measured against pre-determined targets including responsibilities. The Board will ensure that the remuneration for senior management is appropriately commensurate with their performance, in order to attract, retain and motivate them to contribute positively towards the Group's performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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. True and fair 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 on a quarterly basis 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 Malaysian 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 PLT (converted from a conventional partnership 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 Malaysian Financial Reporting Standards in Malaysia. Messrs Ernst & Young PLT 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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.

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 2020, 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 2020, 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 Internal Audit Department of Company which acts independently from the activities and operations of the Group. The internal audit team reports to the Head of Internal Audit and the Audit Committee. Meanwhile, KPMG Management & Risk Consulting Sdn. Bhd., a professional service firm has been appointed to perform risk-based internal audit where results are 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;
- to 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;
- to 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;
- to identify the key business processes within the Group and the Company that Internal Audit should focus on;
- to 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
- to 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 risks 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 half-yearly 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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.

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 68 to 74 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 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 Anti-Bribery and Corruption Policy

With the adoption of the Anti-Bribery and Corruption (ABC) policy, the Group practises zero tolerance policy against all forms of bribery and corruption. The ABC policy elaborates upon those principles and provides guidance to employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of conducting business. The ABC policy is also applicable to all employees, directors, contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of the Group.

For more information on the ABC policy, please refer to the Company's official website at www.kimloong.com.my

5.5 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.

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 which they can access for information about the Group.

5.6 AGM

The AGM is the principal forum of dialogue with shareholders. In accordance with the Company's 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

All Directors attended the last AGM held during the financial year. The Executive Chairman and Managing Director explained the Group's strategy, performance and major developments, including the responses to questions raised by the Minority Shareholders Watch Group ("MSWG") prior to the AGM in relation to the operational and financial performance of the Group.

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 Share 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.

5.7 Poll Voting

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

In line with Paragraph 8.29A of the MMLR, the Company has ensured that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company appoints at least one (1) independent scrutineer to validate the votes cast at the AGM.

The Company conducted poll voting in respect of all resolutions put before the shareholders at the last AGM as required by the MMLR. The poll results of each resolution were announced to Bursa Securities after the AGM 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. 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.

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 on 5 June 2020.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Board is required under paragraph 15.26(a) of the MMLR 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 Malaysian Financial Reporting Standards, the requirements of the Act and the Listing Requirements in Malaysia.

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 2020, 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 Malaysian Financial Reporting Standards 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 on 5 June 2020.

ADDITIONAL COMPLIANCE INFORMATION

To comply with the MMLR, 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 PLT (converted from a conventional partnership Messrs Ernst & Young), by the Company and the Group during the financial year 2020 were as follows:

Audit Fees	
Group (RM)	Company (RM)
306,500	60,000

The non-audit fees paid or payable to the External Auditors, Messrs Ernst & Young PLT, by the Company and the Group during the financial year 2020 were as follows:

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

ADDITIONAL COMPLIANCE INFORMATION

(cont'd)

Material Contracts Involving Directors and Major Shareholders' Interest

There were no material contracts being entered into by the Company and/or its subsidiaries involving the Directors and major shareholders' interest subsisting at the end of the financial year 31 January 2020 or entered into since the end of previous financial year except for the following:-

The Company, as the Purchaser, had on 28 May 2019 entered into two separate Sale and Purchase Agreements with Panoramic Industrial Development Sdn Bhd ("PIDSB"), a related party and a wholly-owned subsidiary of Crescendo Corporation Berhad ("CCB"), as the Vendor, for the acquisition of all those two pieces of adjacent leasehold land of approximately 13,770 sq. ft. and 19,831 sq. ft. (both expiring on 27 October 2911) together with a single storey semi-detached factory with two storey office (Type 1C) to be erected on each piece of land all in the Mukim of Plentong, District of Johor Bahru, State of Johor for a total cash consideration of RM2,573,000 and RM3,157,880 respectively (hereinafter collectively referred to as "the Acquisition").

Gooi Seong Lim ("GSL") is the Executive Chairman and a major shareholder of the Company.

Gooi Seong Heen ("GSH") is the Managing Director and a major shareholder of the Company.

Gooi Seong Chneh ("GSC") and Gooi Seong Gum ("GSG") are Executive Directors and major shareholders of the Company.

GSL, GSH, GSC and GSG are the directors of PIDSB. They are also directors and major shareholders of CCB.

GSL, GSH, GSC and GSG are deemed interested in the Acquisition by virtue of them being the directors and shareholders of the Company, PIDSB and CCB.

Gooi Khai Chien is an Alternate Director to GSL and Gooi Chuen Kang is an Alternate Director to GSH of the Company are also deemed interested in the Acquisition.

Sharikat Kim Loong Sendirian Berhad, a major shareholder, is deemed interested in the Acquisition by virtue of being the holding company of the Company and CCB. PIDSB is a wholly-owned subsidiary of CCB.

Further details on the Acquisition are set out in the announcement made by the Company on 28 May 2019.

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 January 2020 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 major shareholders of the Company, are directors of KLP and SKL and a substantial shareholders 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>	6,352,054

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 MMLR at the forthcoming AGM.

This Statement is made in accordance with a resolution of the Board of Directors dated 5 June 2020.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement on Risk Management & Internal Control is made pursuant to the Malaysian Code of Corporate Governance (“the Code”) and Paragraph 15.26 (b) of the MMLR 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 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 is inherent limitation in any system of risk management and internal control, such system put into effect by Management can only manage but not to 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.

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:

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(cont'd)

i. Control Environment

- Policies and 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.

- Organisational 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(cont'd)

- Quality Control

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

- 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 subsidiary's 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 to 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 expenditure 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 has 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 have been reported via the whistle blowing channel are appropriately followed up upon and the outcome(s) reported at the Audit Committee meetings.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

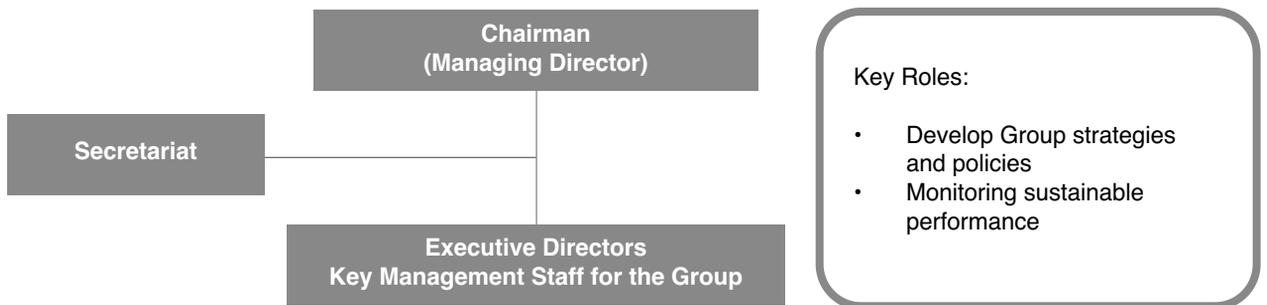
(cont'd)

ii. Risk Management Framework

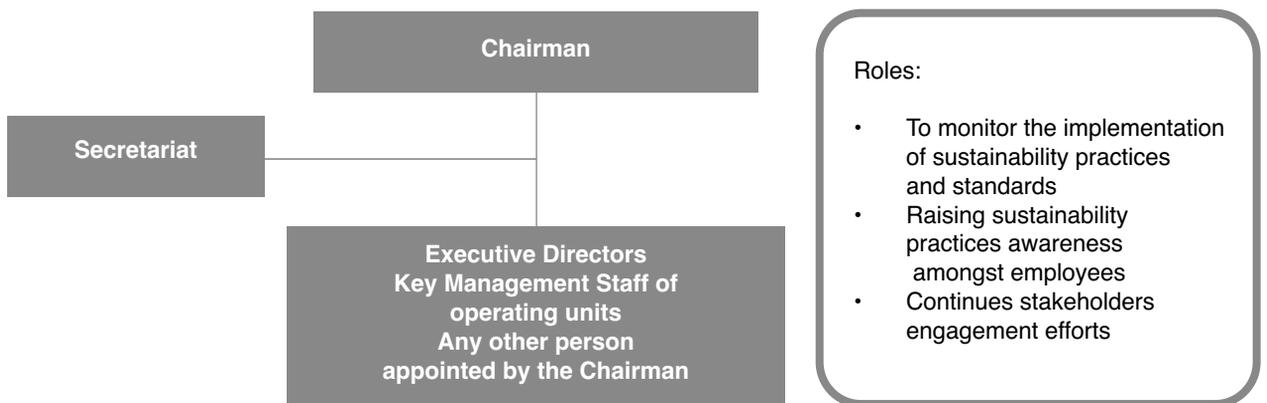
The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management and Sustainability Committee ("RMSC") that is chaired by the Managing Director and its members 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.

Risk Management & Sustainability Committee



Risk Management & Sustainability Committee - Working Group



Note:

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(cont'd)

Our key risks and actions taken are summarised below:

Risk Category	Description & Impact	Mitigation Measures
<p>Operational Risk: Escalating operational costs</p>	<p>Escalating operational costs due to external factors e.g. the risk of increasing labour cost, weak Ringgit, increase in inflation and interest rates and also due to increase in the size of the Group and commercial undertakings.</p>	<p>We apply close monitoring and adherence to the approved budget to keep our costs in check.</p> <p>The Group is constantly improving its productivity through efficient management of its labour force, introducing better tools to work with and mechanization in selected operational areas including consolidation and automation of the mills to be more labour efficient.</p>
<p>Operational Risk: Inability to achieve optimum oil yield per hectare due to ageing palm tree profile affecting overall palm oil yield</p>	<p>The factors that influence the yield of Fresh Fruit Bunches ("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>	<p>We structured our replanting programme on a rolling basis to minimise the impact 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.</p>
<p>Foreign Currency and Commodity Price Risks: Fluctuation of local and international commodity prices affecting prices of FFB, CPO and other palm oil milling products</p>	<p>Fluctuation in exchange rate between USD and Ringgit Malaysia could have adverse effect on palm oil prices.</p> <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. Globally, the palm oil competes with other edible oils, such as soybean oil.</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>

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(cont'd)

Risk Category	Description & Impact	Mitigation Measures
Environmental Risk: Erratic weather conditions impacting operation	Unfavourable weather such as prolonged dry weather and excessive rainfalls may affect FFB production and evacuation. Dry weather may also affect water supply to employees' quarters.	We have also provided sufficient budget for the maintenance of infrastructure within our estates. Additional ponds are also progressively constructed and existing ponds are deepened especially to meet the requirements of the FFB processing mills. Our estates continuously explore new methods and innovation e.g., tube-well systems were introduced to mitigate drought conditions.
Human Resource and Labour Shortage Risks: High dependency on foreign labour	Due to difficulties in securing local labour, 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.	We have taken several initiatives to improve the relationship with our existing workers so that they can assist in recruitment. Relationship with the local authorities and recruiting agents has been emphasized to assist in the recruitment process.
Organisation Capability Risk: Ensuring Group has a talent pool with right competency and skillsets	Pool of talent with right skill-sets and competency is necessary to ensure continuous growth of the Group.	Apart from external trainings, in-house training programmes are developed for our employees to bridge the competency gap.
Competition Risk: Competition for FFB supply	The palm oil industry is highly competitive. The Group faces stiff competition for the supply of FFB locally as a large proportion of FFB supply is from external suppliers.	The Group has progressively reviewed and strengthened our marketing strategy and approach.

iii. Internal Audit Function

The roles, responsibilities and activities of the Internal Audit function are described and detailed on pages 78 under the Report of the Audit Committee in 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 the 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(cont'd)

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.

CONFIDENTIAL REPORTING

The Group's whistle-blowing 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 on the Company's website at www.kimloong.com.my. 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 2020 (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 MMLR, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 31 January 2020.

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Governance & Financial Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Governance & Financial Report of the Group for the year ended 31 January 2020, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Report of the Group, in all material aspects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Report will, in fact, remedy the problems.

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 5 June 2020.

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 2020 and in compliance with Paragraph 15.15 (1) of the MMLR.

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 2020, the Audit Committee held a total of five (5) meetings with the attendance of the Finance Director, Group 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	4
Chan Weng Hoong	5	5
Cheang Kwan Chow	5	5

REPORT OF THE AUDIT COMMITTEE

(cont'd)

TERMS OF REFERENCE

The details of the Terms of Reference of the Audit Committee are available at 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 2020, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

The Chairman of the Audit 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.

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 Malaysian 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 on the Group; 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 Corporate Governance Overview Statement 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 2020 to ensure their scope of work adequately covered the activities of the Group and of the Company;
- Discussed with the management and the External Auditors the Malaysian 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 2020 were as follows:

Fees Incurred	Audit Fees RM	Non-Audit Fees RM
The Group	306,500	6,000
The Company	60,000	6,000

REPORT OF THE AUDIT COMMITTEE

(cont'd)

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.

Related Party Transactions

- The Audit Committee reviewed all significant related party transactions and recurrent related party transactions entered into 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 reported to the Board of Directors about the Committee's activities, issues and related recommendations.
- Provided an open avenue of communication between the Internal Auditors, the External Auditors and the Board of Directors.
- Reported 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 issued by the Company that relate to the Committee's responsibilities.

Site Visits

The Audit Committee members visited the Head Office operations at Public Bank Tower, 19 Jalan Wong Ah Fook, Johor Bahru. They were briefed by the Head of Departments on their business functions to have a better understanding of the Group's business operations.

TRAINING

During the financial year, Audit Committee members attended various seminars, training programmes and conferences. Kindly refer to the Corporate Governance Overview Statement on page 55 and 56 for further details.

REPORT OF THE AUDIT COMMITTEE

(cont'd)

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 which acts independently from the activities and operations of the Group and 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;
- To 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;
- To 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;
- To identify the key business processes within the Group and the Company that Internal Audit should focus on;
- To 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
- To 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 risks 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.

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 RM537,000.

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.
- 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 5 June 2020.

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

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

TERMS OF REFERENCE

The details of the Terms of Reference of the Remuneration Committee are available on the Company's website at www.kimloong.com.my

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2020. 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 structure of the remuneration package for each of the Executive Directors and Senior Management; and
- Reviewed the performance bonuses for each of the Executive Directors and Senior Management.

This Report is made in accordance with a resolution of the Board of Directors dated 5 June 2020.

REPORT OF THE NOMINATING COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

Chairman	:	Gan Kim Guan
Members	:	Chan Weng Hoong Cheang Kwan Chow
Secretaries	:	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

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2020.

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 as provided in the Constitution of the Company;
- 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 5 June 2020.

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 2020.

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 18 to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	44,989,326	49,045,637
Profit net of tax attributable to:		
Owners of the Company	41,061,432	49,045,637
Non-controlling interests	3,927,894	-
	44,989,326	49,045,637

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 amount of dividends paid by the Company since 31 January 2019 were as follows:

	RM
In respect of the financial year ended 31 January 2019 as reported in the directors' report of that year:	
- Final single-tier dividend of 3 sen per share on 933,607,332 ordinary shares, approved on 25 July 2019 and paid on 29 August 2019	28,008,220
In respect of the financial year ended 31 January 2020:	
- Interim single-tier dividend of 3 sen per share on 933,607,332 ordinary shares, declared on 27 September 2019 and paid on 21 November 2019	28,008,220
	56,016,440

The Directors do not recommend the payment of any final dividend for the current financial year.

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
 Soh Geok Toh (f)
 Datuk Yusoff @ Hunter Bin Mohamed Kasim
 Gan Liong Hoe @ Zephyrinus
 Datuk Honorsius Bosuin
 Abdul Rashid Bin Abdul Kassim
 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
 Yeo Jon Tian @ Eeyo Jon Thiam
 Datuk Tuan Hj Mohamed Bin Mahmood
 Ahmad Bin Abu Bakar
 Gee Ping Tou
 Lim Chor Lan (f)
 Yap Chee Chin
 George Lentton Anak Indang (Appointed on 11 June 2019)
 Gooi Tsih Ern (f) (Appointed on 1 July 2019)
 Lee Nyuk Choon @ Jamilah Ariffin (f) (Appointed on 19 July 2019)
 Tuan Hj Ramley Bin Othman (Appointed on 5 September 2019)
 Andree Alexander Funk (Appointed on 16 October 2019)
 Mohd Shah bin Kardi (Appointed on 1 November 2019)
 Mohd Faiz bin Md Yasin (Appointed on 1 November 2019)
 Monaliza Binti Zaidel (f) (Appointed on 1 January 2020)
 Goh Kee Seng (Resigned on 29 March 2019)
 Atan Bin Ibrahim (Resigned on 31 March 2019)
 Razali Bin Zainudin (Resigned on 11 June 2019)
 Kalimin Bin Sahadi (Resigned on 15 July 2019)
 Dato' Hj Mohd Salleh Bin Hj Tahir (Deceased on 30 August 2019)
 Michael Baduk (Resigned on 16 October 2019)
 Ahmad Khaizurin Bin Shario (Resigned on 1 November 2019)
 Datu Sajeli Bin Kipli (Resigned on 31 December 2019)

DIRECTORS' REPORT

(cont'd)

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.

The Directors' benefits are as follows:

	Group RM	Company RM
Salaries and other emoluments	6,474,500	4,049,000
Fees	610,000	288,000
Defined contribution plan	1,102,440	710,640
Social security costs	14,227	2,371
Estimated money value of benefit-in-kind	67,266	67,266
	8,268,433	5,117,277

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:

	1.2.2019	Number of ordinary shares		31.1.2020
		Acquired	Sold	
The Company				
Gooi Seong Lim				
- direct interest	2,050,656	-	-	2,050,656
- indirect interest	598,326,303	4,193,300	-	602,519,603
Gooi Seong Heen				
- direct interest	5,303,736	-	-	5,303,736
- indirect interest	594,318,306	4,193,300	-	598,511,606
Gooi Seong Chneh				
- direct interest	4,883,736	-	-	4,883,736
- indirect interest	594,318,306	4,193,300	-	598,511,606
Gooi Seong Gum				
- direct interest	397,800	-	-	397,800
- indirect interest	594,486,306	4,193,300	-	598,679,606
Gooi Khai Chien				
- indirect interest	2,999,997	-	-	2,999,997

DIRECTORS' REPORT

(cont'd)

Directors' interests (cont'd)

	1.2.2019	Number of warrants 2018/2025		31.1.2020
		Acquired	Sold	
The Company (cont'd)				
Gooi Seong Lim				
- direct interest	102,532	-	-	102,532
- indirect interest	29,916,369	-	-	29,916,369
Gooi Seong Heen				
- direct interest	265,186	-	-	265,186
- indirect interest	29,715,970	-	-	29,715,970
Gooi Seong Chneh				
- direct interest	244,186	-	-	244,186
- indirect interest	29,715,970	-	-	29,715,970
Gooi Seong Gum				
- direct interest	19,890	-	-	19,890
- indirect interest	29,724,370	-	-	29,724,370
Gooi Khai Chien				
- indirect interest	149,999	-	-	149,999
	1.2.2019	Number of ordinary shares		31.1.2020
		Acquired	Sold	
Holding company				
Sharikat Kim Loong Sendirian Berhad				
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

DIRECTORS' REPORT

(cont'd)

Directors' interests (cont'd)

	1.2.2019	Number of ordinary shares		31.1.2020
		Acquired	Sold	
Related corporation				
Crescendo Corporation Berhad (cont'd)				
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
Related corporation				
Panoramic Housing Development Sdn. Bhd.				
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

DIRECTORS' REPORT

(cont'd)

Directors' interests (cont'd)

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.

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 2020, the Company held as treasury shares a total of 1,806,000 of its 935,413,332 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,625,853 and further relevant details are disclosed in Note 29(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.
- (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.

DIRECTORS' REPORT

(cont'd)

Other statutory information (cont'd)

(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 events

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

Auditors

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young PLT		
- Statutory audit	306,500	60,000
- Other services	6,000	6,000
	312,500	66,000

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT for the financial year ended 31 January 2020.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 5 June 2020.

Gooi Seong Heen

Gooi Seong Chneh

STATEMENT BY DIRECTORS

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

We, Gooi Seong Heen 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 94 to 173 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2020 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 5 June 2020.

Gooi Seong Heen

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 94 to 173 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 5 June 2020)

Chow Kok Hiang

Before me,

HJ ZAMANI BIN HJ AHMAD
No. J253
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 2020 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 94 to 173.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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 Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 2.18 and 4 to the financial statements).

Revenue from sale of palm oil milling products recognised by the Group during the year amounted to RM655.2 million. Given the nature of the business operations of the Group, we identified revenue recognition in respect of sale of palm oil milling products 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.

INDEPENDENT AUDITORS' REPORT

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

Key audit matters (cont'd)

(a) Revenue recognition (cont'd)

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 transaction price and point of customer obtains control of the goods. 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.

(b) Bearer plants

(Refer to Notes 2.8 and 16 to the financial statements).

During the current financial year, the Group and the Company incurred plantation expenditure amounting to RM61.9 million and RM16.4 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 RM13.3 million and RM4.8 million, respectively, as part of their bearer plants. 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:

- (i) 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;
- (ii) testing the allocation of expenditure by fields categorised by matured and immature fields;
- (iii) testing whether the expenditure incurred on matured fields were appropriately expensed to the income statement; and
- (iv) testing whether the expenditure incurred on immature fields were appropriately capitalised as bearer plants.

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.

INDEPENDENT AUDITORS' REPORT

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

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

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 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.

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)

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Lee Ming Li
02983/03/2022 J
Chartered Accountant

Johor Bahru, Malaysia
Date: 5 June 2020

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 January 2020

	Note	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Revenue	4	679,625,433	872,936,649	17,938,244	17,511,229
Cost of sales	5	(585,625,050)	(742,321,137)	(11,665,206)	(11,482,951)
Gross profit		94,000,383	130,615,512	6,273,038	6,028,278
Other items of income	6	16,534,496	12,200,079	61,152,996	43,139,483
Other items of expense					
Distribution cost		(18,339,887)	(22,202,571)	(1,686,792)	(1,399,892)
Administrative expenses		(25,478,074)	(25,199,013)	(14,842,208)	(14,433,784)
Finance costs	7	(709,028)	(1,075,959)	-	-
Other expenses		(5,618,998)	(6,104,523)	(90,184)	(212,706)
Profit before tax	8	60,388,892	88,233,525	50,806,850	33,121,379
Taxation	11	(15,399,566)	(28,543,300)	(1,761,213)	(1,804,082)
Profit net of tax, representing total comprehensive income for the year		44,989,326	59,690,225	49,045,637	31,317,297
Total comprehensive income attributable to:					
Owners of the Company		41,061,432	52,123,229	49,045,637	31,317,297
Non-controlling interests		3,927,894	7,566,996	-	-
		44,989,326	59,690,225	49,045,637	31,317,297
Earnings per share attributable to owners of the Company (sen per share):					
- Basic	12	4.40	5.58		
- Diluted	12	4.40	5.58		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 January 2020

	Note	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Assets					
Non-current assets					
Property, plant and equipment	13	260,118,805	530,871,532	19,263,564	193,905,450
Land use rights	14	-	1,879,909	-	-
Right-of-use assets	15	292,294,486	-	177,161,488	-
Bearer plants	16	82,417,038	78,094,117	27,105,871	23,410,422
Investment in subsidiaries	18	-	-	46,669,211	46,169,213
Other receivables	20	-	-	139,597,286	128,761,321
Deferred tax assets	27	3,375,000	3,642,520	-	-
Prepayments for acquisition of property, plant and equipment		17,857,900	5,091,475	9,258,829	-
		656,063,229	619,579,553	419,056,249	392,246,406
Current assets					
Inventories	19	27,211,137	50,712,165	237,968	507,833
Biological assets	17	3,128,000	2,611,000	456,000	246,000
Trade and other receivables	20	40,318,059	31,691,643	6,577,966	7,117,773
Prepayments		2,592,149	2,785,451	425,184	437,487
Tax recoverable		2,573,321	3,207,285	-	-
Derivatives	21	-	262,750	-	-
Short term funds	22	94,479,110	78,436,569	35,466,398	34,163,790
Cash and bank balances	23	148,640,722	194,697,829	13,008,018	46,171,908
		318,942,498	364,404,692	56,171,534	88,644,791
Total assets		975,005,727	983,984,245	475,227,783	480,891,197

STATEMENTS OF FINANCIAL POSITION

As at 31 January 2020 (cont'd)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Equity and liabilities					
Current liabilities					
Trade and other payables	25	63,931,122	51,807,424	5,951,124	4,430,040
Loans and borrowings	26	13,688,993	14,712,297	-	-
Tax payable		1,986,678	1,379,263	23,000	185,199
		79,606,793	67,898,984	5,974,124	4,615,239
Net current assets		239,335,705	296,505,708	50,197,410	84,029,552
Non-current liabilities					
Loans and borrowings	26	570,000	4,590,000	-	-
Deferred tax liabilities	27	85,883,166	85,643,378	44,607,572	44,659,068
Government grants	28	1,920,000	-	-	-
		88,373,166	90,233,378	44,607,572	44,659,068
Total liabilities		167,979,959	158,132,362	50,581,696	49,274,307
Net assets		807,025,768	825,851,883	424,646,087	431,616,890
Equity attributable to owners of the Company					
Share capital	29	318,433,258	318,433,258	318,433,258	318,433,258
Treasury shares	29(b)	(1,625,853)	(1,625,853)	(1,625,853)	(1,625,853)
Retained earnings	30	402,924,265	417,981,302	107,838,682	114,809,485
		719,731,670	734,788,707	424,646,087	431,616,890
Non-controlling interests		87,294,098	91,063,176	-	-
Total equity		807,025,768	825,851,883	424,646,087	431,616,890
Total equity and liabilities		975,005,727	983,984,245	475,227,783	480,891,197

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 2020

	← Attributable to owners of the Company →		← Distributable →		Non-controlling interests	
	Total equity	Total	Share capital (Note 29)	Retained earnings (Note 30)		Treasury shares
Note	RM	RM	RM	RM	RM	
At 1 February 2019	825,851,883	734,788,707	318,433,258	417,981,302	(1,625,853)	91,063,176
Changes in equity for the year:						
Profit net of tax, representing total comprehensive income	44,989,326	41,061,432	-	41,061,432	-	3,927,894
Transactions with owners						
Acquisition of shares from non-controlling interest	(1)	(102,029)	-	(102,029)	-	102,028
Issuance of shares to non-controlling interest of a subsidiary	1,056,000	-	-	-	-	1,056,000
Dividends paid to non-controlling interests	(8,855,000)	-	-	-	-	(8,855,000)
Dividends for the year ended - 31 January 2019	(28,008,220)	(28,008,220)	-	(28,008,220)	-	-
- 31 January 2020	(28,008,220)	(28,008,220)	-	(28,008,220)	-	-
Total transactions with owners	(63,815,441)	(56,118,469)	-	(56,118,469)	-	(7,696,972)
At 31 January 2020	807,025,768	719,731,670	318,433,258	402,924,265	(1,625,853)	87,294,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 January 2020 (cont'd)

	← Attributable to owners of the Company →				← Distributable →	Non-controlling interests
	Total equity	Total	Share capital (Note 29)	Retained earnings (Note 30)		
Note	RM	RM	RM	RM	RM	RM
At 1 February 2018	829,974,431	738,678,221	318,429,583	421,874,491	(1,625,853)	91,296,210
Changes in equity for the year:						
Profit net of tax, representing total comprehensive income	59,690,225	52,123,229	-	52,123,229	-	7,566,996
Transactions with owners						
Issuance of shares arising from exercise of warrants	3,675	3,675	3,675	-	-	-
Issuance of shares to non-controlling interest of a subsidiary	29,970	-	-	-	-	29,970
Dividends paid to non-controlling interests	(7,830,000)	-	-	-	-	(7,830,000)
Dividends for the year ended - 31 January 2018	(28,008,198)	(28,008,198)	-	(28,008,198)	-	-
- 31 January 2019	(28,008,220)	(28,008,220)	-	(28,008,220)	-	-
Total transactions with owners	(63,812,773)	(56,012,743)	3,675	(56,016,418)	-	(7,800,030)
At 31 January 2019	825,851,883	734,788,707	318,433,258	417,981,302	(1,625,853)	91,063,176

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 2020

	Note	Total equity	Share capital	← Distributable →	
		RM	(Note 29) RM	Retained earnings (Note 30) RM	Treasury shares RM
At 1 February 2019		431,616,890	318,433,258	114,809,485	(1,625,853)
Changes in equity for the year:					
Profit net of tax, representing total comprehensive income		49,045,637	-	49,045,637	-
Transactions with owners					
Dividends for the year ended					
- 31 January 2019	38	(28,008,220)	-	(28,008,220)	-
- 31 January 2020	38	(28,008,220)	-	(28,008,220)	-
Total transactions with owners		(56,016,440)	-	(56,016,440)	-
At 31 January 2020		424,646,087	318,433,258	107,838,682	(1,625,853)
At 1 February 2018		456,312,336	318,429,583	139,508,606	(1,625,853)
Changes in equity for the year:					
Profit net of tax, representing total comprehensive income		31,317,297	-	31,317,297	-
Transactions with owners					
Issuance of shares arising from exercise of warrants		3,675	3,675	-	-
Dividends for the year ended					
- 31 January 2018	38	(28,008,198)	-	(28,008,198)	-
- 31 January 2019	38	(28,008,220)	-	(28,008,220)	-
Total transactions with owners		(56,012,743)	3,675	(56,016,418)	-
At 31 January 2019		431,616,890	318,433,258	114,809,485	(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 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Operating activities				
Cash receipts from customers	677,105,297	882,834,042	23,424,099	24,703,789
Rental received	170,090	161,360	50,400	51,600
Interest received	8,626,915	8,803,870	10,626,658	10,729,689
Dividends received	-	-	43,575,000	28,000,000
Cash paid to suppliers and employees	(568,392,918)	(771,897,273)	(21,202,946)	(25,508,979)
Cash generated from operations	117,509,384	119,901,999	56,473,211	37,976,099
Interest paid	(735,258)	(1,101,360)	-	-
Net tax paid	(13,650,879)	(26,284,350)	(1,974,908)	(2,544,649)
Net cash generated from operating activities	103,123,247	92,516,289	54,498,303	35,431,450
Investing activities				
Acquisition of bearer plants, right-of-use assets and property, plant and equipment (Note a)	(65,572,573)	(29,633,685)	(19,181,696)	(4,626,039)
Advances to subsidiaries	-	-	(26,879,172)	(17,226,793)
Repayments from subsidiaries	-	-	15,050,000	19,300,000
Acquisition of shares from non-controlling interest	(1)	-	-	-
Additional investment in existing subsidiary	-	-	(500,000)	-
Proceeds from disposal of a subsidiary	-	-	2	-
Placement of fixed deposit pledged	(21,824)	(21,643)	-	-
Government grant received	154,000	-	-	-
Net investment in short term funds	(14,675,784)	(15,484,609)	(453,125)	(13,363,733)
Proceeds from disposal of property, plant and equipment (Note b)	961,510	560,877	315,000	199,414
Sundry advances	(400,000)	-	-	-
Net cash used in investing activities	(79,554,672)	(44,579,060)	(31,648,991)	(15,717,151)
Financing activities				
Dividends paid	(56,016,440)	(74,688,512)	(56,016,440)	(74,688,512)
Dividends paid to non-controlling interests	(8,855,000)	(9,330,000)	-	-
Proceeds from issuance of shares	-	3,675	-	3,675
Proceeds from issuance of shares to non-controlling interest	264,000	29,970	-	-
Proceeds from bank borrowings	-	1,000,000	-	-
Repayments of bank borrowings	(4,925,000)	(8,040,000)	-	-
Net cash used in financing activities	(69,532,440)	(91,024,867)	(56,016,440)	(74,684,837)
Net decrease in cash and cash equivalents	(45,963,865)	(43,087,638)	(33,167,128)	(54,970,538)
Cash and cash equivalents at beginning of the year	191,840,319	233,982,300	46,171,908	100,196,789
Effect of exchange rates changes on cash and cash equivalents	3,238	945,657	3,238	945,657
Cash and cash equivalents at the end of the year (Note 23)	145,879,692	191,840,319	13,008,018	46,171,908

STATEMENTS OF CASH FLOWS

For the financial year ended 31 January 2020 (cont'd)

Note a: Acquisition of bearer plants, right-of-use assets and property, plant and equipment

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Bearer plants, right-of-use assets and property, plant and equipment acquired	63,569,205	26,648,915	11,447,319	5,352,314
Less expenses capitalised:				
- depreciation	(1,276,123)	(760,668)	(951,364)	(726,275)
Cash paid for prior year's acquisition	1,415,609	2,191,570	-	-
Unpaid balances of current year's acquisition included under payables	(10,999,133)	(1,534,600)	(573,088)	-
Prepayment/deposits paid in prior year	(2,850,750)	(356,110)	-	-
Prepayment/deposits paid in current year	15,713,765	3,444,578	9,258,829	-
Cash paid	65,572,573	29,633,685	19,181,696	4,626,039

Note b: Proceeds from disposal of property, plant and equipment

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Sale proceeds from disposals during the year	504,510	1,104,690	315,000	199,414
Add amount received in respect of disposal in prior year	457,000	-	-	-
Less unpaid amount included under receivables	-	(457,000)	-	-
Less amount offset against payables	-	(86,813)	-	-
Cash received	961,510	560,877	315,000	199,414

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 2020

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 18 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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 2019, the Group and the Company adopted the following new Standards, Amendments, Annual Improvements and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above new Standards, Amendments, Annual Improvements and IC Interpretation did not have any significant impact on the financial statements other than the below:

MFRS 16 Leases

The Group and the Company adopted MFRS 16 Leases using the modified retrospective method of adoption with the date of initial application of 1 February 2019. In accordance with the transition requirements under Appendix C, paragraph 7(c) of this Standard, comparatives are not restated.

As a result of adoption of MFRS 16 Leases, the existing requirements for a lessee to distinguish between finance leases and operating leases under MFRS 117 Leases are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 Leases continues to allow the lessor to classify leases as either operating leases or finance lease and to account for these two types of leases differently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

The following table presents the impact of changes to the statement of financial position of the Group and of the Company resulting from the adoption of MFRS 16 Leases as at 1 February 2019:

		As at 1 February 2019 RM	Changes RM	As at 1 February 2019 (Adjusted) RM
Group				
Non-current assets				
Property, plant and equipment	(a)	530,871,532	(292,229,149)	238,642,383
Land use rights	(b)	1,879,909	(1,879,909)	-
Right-of-use assets	(a) & (b)	-	294,109,058	294,109,058
		532,751,441	-	532,751,441
Company				
Non-current assets				
Property, plant and equipment	(a)	193,905,450	(180,078,837)	13,826,613
Right-of-use assets	(a)	-	180,078,837	180,078,837
		193,905,450	-	193,905,450

Note:

- (a) The property, plant and equipment under the Group and the Company include leasehold lands which are reclassified to right-of-use assets. Subsequent to initial recognition, the leasehold lands are measured at cost less accumulated depreciation and accumulated impairment losses.
- (b) Land use rights are reclassified to right-of-use assets upon initial application of MFRS 16. Subsequent to initial recognition, land use rights are measured at cost less accumulated depreciation and accumulated impairment losses. The land use rights are depreciated over their lease terms of 30 - 60 years.
- (c) There is no impact to the Group's and the Company's retained earnings as at 1 February 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.3 Standards and Amendments issued but not yet effective

The Standards and Amendments that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards and Amendments, if applicable, when they become effective.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3: Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors are of opinion that the Standards and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company 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 Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

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

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group'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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.4 Basis of consolidation (cont'd)

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 2020 (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 and bearer plants

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.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.8 Property, plant and equipment and bearer plants (cont'd)

Freehold land has unlimited useful life and therefore is not depreciated. 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 not depreciated. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss. Depreciation commences when the bearer plants mature or when the assets are ready for use. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives as follows:

	Number of years
Buildings	20 - 50
Bearer plants	20
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 and bearer plants 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 and bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 Biological assets

The biological assets of the Group comprises fresh fruit bunches ("FFB") prior to harvest. Biological assets are classified as current assets for bearer plants that are expected to be harvested and sold or used for production on a date not more than 14 days after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.10 Impairment of non-financial assets (cont'd)

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.

2.11 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's and the Company's financial assets are its financial assets at amortised cost (debt instruments) and at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.11 Financial instruments - initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

- *Financial assets at amortised cost (debt instruments)*

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables balances and cash and bank balances.

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

This category comprises the Group's and the Company's derivative instruments and short term funds. The Group and the Company use derivative financial instruments such as futures contracts to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established. Interests are recognised as finance income in the statements of comprehensive income when the right of payment has been established.

Short term funds are investments in unit trust funds carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.11 Financial instruments - initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.11 Financial instruments - initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

For other receivables, the Group and the Company apply low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the other receivables are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Group and the Company consider that there has been a significant increase in credit risk when the contractual payments are more than 6 months past due.

The Group and the Company consider a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities comprise trade and other payables and loans and borrowings which are classified as *Loans and borrowings*.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.11 Financial instruments - initial recognition and subsequent measurement (cont'd)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.12 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's and of the Company's cash management.

2.13 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.

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.16 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.

2.17 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.

2.18 Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Group and the Company contract with its customers for sales of oil palm products and supply of electricity. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Payment is generally due within 30 to 90 days upon delivery. Revenue is recognised at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods.

(b) Interest income

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

(c) Management fees

Management fee income is recognised on the accrual basis.

(d) Dividend income

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

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.19 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.

2.20 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.20 Taxes (cont'd)

(c) Sales and Services Tax ("SST")

Revenue are recognised net of the amount of SST.

The amount of SST incurred in a purchase of assets or services is not recoverable from the taxation authority and is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The amount of SST payable to the taxation authority is included as part of payables in the statement of financial position.

2.21 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all the attached conclusion will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The Group has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit and loss on a systematic and rational basis over the useful life of the asset.

2.22 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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.24 Leases

The Group and the Company have recognised and measured its leases in accordance with MFRS 16 Lease effective from 1 February 2019. The financial impact to the Group's and the Company's financial statements on initial adoption of this Standard is disclosed in Note 2.2.

(i) As lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received; and
- any initial direct costs incurred by the Group and the Company;

Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets as follows:

	Number of years
Leasehold land	30 - 770

If the lease transfers ownership of the underlying asset to the Group and the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the Group and the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's and the Company's incremental borrowing rate. Subsequent to the initial recognition, the Group and the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.24 Leases (cont'd)

(ii) As lessor

Leases where the Group and the Company retain 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 2.18(e).

2.25 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.

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 commitment affects profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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

2.26 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 2020 (cont'd)

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

2.27 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.

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 and bearer plants

MFRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment and bearer plants 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 bearer plants and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

3. Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(ii) 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.

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.

(iii) 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 and right-of-use assets

The carrying amount of property, plant and equipment and right-of-use assets of the Group as at 31 January 2020 was RM552,413,291 (2019: RM530,871,532). The Group has recognised impairment losses in respect of property, plant and equipment and right-of-use assets and the accumulated impairment loss amounted to RM7,124,158 (2019: RM7,124,158). 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 and value-in-use based on discounted cashflow forecast and no further impairment loss is provided for.

Investment in subsidiaries

The carrying amount of investment in subsidiaries of the Company as at 31 January 2020 was RM46,669,211 (2019: 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 (2019: 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 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

4. Revenue

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
Fresh fruit bunches	22,642,346	19,615,900	17,938,244	17,511,229
Palm oil milling products	655,222,782	853,320,749	-	-
Supply of electricity	1,760,305	-	-	-
	679,625,433	872,936,649	17,938,244	17,511,229
Timing of revenue recognition				
Goods transferred at a point in time	679,625,433	872,936,649	17,938,244	17,511,229

5. Cost of sales

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Sale of goods	585,625,050	742,321,137	11,665,206	11,482,951

6. Other items of income

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest income	8,388,744	8,833,582	10,510,779	10,748,575
Rental income	170,090	161,360	50,400	51,600
Sundry income	907,420	1,617,877	154,766	163,989
Commission received	-	-	1,106,290	1,261,326
Management fee income	124,165	124,165	4,439,534	5,230,020
Gain on compulsory acquisition of land	2,980,672	-	-	-
Gain on disposal of property, plant and equipment	16,680	50,976	5,758	-
Gain on fair value change in biological assets	517,000	-	210,000	-
Fair value gain on derivatives	1,237,230	-	247,748	-
Gain on foreign exchange				
- unrealised	3,238	264,491	3,238	264,491
- realised	-	681,166	-	681,166
Gains on fair value changes in short term funds	1,366,757	466,462	849,483	238,316
Waiver of debts	822,500	-	-	-
Dividend income from subsidiaries	-	-	43,575,000	24,500,000
	16,534,496	12,200,079	61,152,996	43,139,483

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

7. Finance costs

	2020 RM	Group 2019 RM
Interest expense on:		
- bank borrowings	709,028	1,073,466
- other payables	-	2,493
	709,028	1,075,959

The interest expense on other payables arose as a result of the remeasurement of the outstanding amount to its amortised cost.

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration				
- Statutory audit	306,500	324,000	60,000	69,000
- Other services	6,000	6,000	6,000	6,000
Employee benefit expenses (Note 9)	57,987,952	56,112,375	14,394,814	12,995,639
Depreciation of:				
- property, plant and equipment (Note 13)	23,017,756	26,883,588	759,447	3,088,597
- land use rights (Note 14)	-	114,120	-	-
- right-of-use assets (Note 15)	4,043,979	-	2,116,627	-
- bearer plants (Note 16)	7,088,954	7,187,392	1,084,642	951,975
Write off of:				
- property, plant and equipment	1,740,081	206,915	10,944	9,707
- bearer plants	1,873,251	357,488	2	5
- bad debts	16,525	12,290	50,000	136,681
- inventories	1,373	59,117	-	-
Write down of inventories (Note 19)	368,147	341,851	-	-
Write back of inventories (Note 19)	(259,513)	-	-	-
Allowance for impairment losses on:				
- other receivables (Note 20)	-	-	950,000	861,000
Fair value (gain)/loss on derivatives				
- realised	(110,065)	3,106,035	-	-
- unrealised	-	(262,750)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

8. Profit before tax (cont'd)

The following items have been included in arriving at profit before tax: (cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Rental of premises	314,431	282,191	209,431	209,431
Gain on disposal of property, plant and equipment	(16,680)	(50,976)	(5,758)	-
Loss on disposal of property, plant and equipment	41,678	314,272	-	60,421
(Gain)/loss on fair value changes in biological assets (Note 17)	(517,000)	1,658,000	(210,000)	93,000
Gain on foreign exchange				
- unrealised	(3,238)	(264,491)	(3,238)	(264,491)
- realised	-	(681,166)	-	(681,166)
Rental income	(170,090)	(161,360)	(50,400)	(51,600)
Gross dividend income from:				
- subsidiaries	-	-	(43,575,000)	(24,500,000)
Interest income from:				
- deposits/short term funds	(8,321,784)	(8,766,622)	(2,225,520)	(2,221,583)
- subsidiaries	-	-	(8,218,299)	(8,460,032)
- others	(66,960)	(66,960)	(66,960)	(66,960)

9. Employee benefit expenses

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, wages and bonuses	53,673,208	51,916,982	13,274,425	12,198,709
Defined contribution plan	5,084,834	4,426,518	1,733,960	1,392,758
Social security costs	491,026	376,781	59,211	37,400
Human Resources Development ("HRD") fund	106,510	96,787	-	-
Provision for unutilised leave (Note 25(c))	-	102,769	-	102,769
Total employee benefit expenses	59,355,578	56,919,837	15,067,596	13,731,636
Amount capitalised in bearer plants (Note 16)	(1,367,626)	(807,462)	(672,782)	(735,997)
Total employee benefit expenses recognised in profit or loss	57,987,952	56,112,375	14,394,814	12,995,639

Included in employee benefit expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM7,906,167 (2019: RM7,725,737) and RM4,755,011 (2019: RM4,628,011) respectively as further disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

10. Directors' remuneration

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive:				
Fees	322,000	322,000	-	-
Salaries and other emoluments	6,467,500	6,489,750	4,042,000	4,041,000
Defined contribution plan	1,102,440	899,760	710,640	584,640
Social security costs	14,227	14,227	2,371	2,371
	7,906,167	7,725,737	4,755,011	4,628,011
Estimated monetary value of benefits-in-kind	67,266	70,346	67,266	70,346
	7,973,433	7,796,083	4,822,277	4,698,357
Non-Executive:				
Fees	288,000	288,000	288,000	288,000
Other emoluments	7,000	7,000	7,000	7,000
	295,000	295,000	295,000	295,000
	8,268,433	8,091,083	5,117,277	4,993,357

11. Taxation

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Income tax:				
- Current year	14,545,701	22,199,231	1,673,000	2,302,000
- Under/(over)provision in prior year	346,557	(199,447)	139,709	44,298
	14,892,258	21,999,784	1,812,709	2,346,298
Deferred tax (Note 27):				
- Relating to origination and reversal of temporary differences	287,308	5,965,726	(56,496)	(300,216)
- Change in Real Property Gains Tax ("RPGT") rate	-	753,190	-	-
- Overprovision of deferred tax assets in prior year	280,000	66,000	-	-
- (Over)/underprovision of deferred tax liabilities in prior year	(60,000)	(241,400)	5,000	(242,000)
	507,308	6,543,516	(51,496)	(542,216)
Tax expense for the year	15,399,566	28,543,300	1,761,213	1,804,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

11. Taxation (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

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:

Group	2020 RM	2019 RM
Profit before tax	60,388,892	88,233,525
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	14,493,334	21,176,046
Tax effects of:		
- Expenses not deductible for tax purposes	1,145,815	1,352,419
- Income not subject to tax	(1,861,068)	(931,424)
- Deferred tax assets not recognised during the year on deductible temporary differences	182,182	288,426
- Double deductions	(164,838)	(47,597)
- Reinvestment allowance	(989,216)	(1,303,913)
- Change in tax legislation *	2,026,800	7,631,000
- Change in RPGT rate	-	753,190
Under/(over)provision of income tax expense in prior year	346,557	(199,447)
Overprovision of deferred tax assets in prior year	280,000	66,000
Overprovision of deferred tax liabilities in prior year	(60,000)	(241,400)
Tax expense for the year	15,399,566	28,543,300

Company	2020 RM	2019 RM
Profit before tax	50,806,850	33,121,379
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	12,193,644	7,949,131
Tax effects of:		
- Expenses not deductible for tax purposes	361,560	473,282
- Income not subject to tax	(10,938,700)	(6,420,629)
Underprovision of income tax expense in prior year	139,709	44,298
Under/(over)provision of deferred tax liabilities in prior year	5,000	(242,000)
Tax expense for the year	1,761,213	1,804,082

Group

- * Due to change in tax legislation that unabsorbed business losses shall be deductible for a maximum period of 7 years with effect from year of assessment 2019, deferred tax assets of RM2.0 million (2019: RM7.6 million) in respect of unabsorbed business losses of a subsidiary is derecognised as there is uncertainty that sufficient profit will be generated within 7 years for utilisation of unabsorbed business losses brought forward.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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, excluding treasury shares held by the Company.

	2020	Group 2019
Profit net of tax attributable to owners of the Company (RM)	41,061,432	52,123,229
Weighted average number of ordinary shares in issue	933,607,332	933,606,391
Basic earnings per share (sen)	4.40	5.58

(b) Diluted

Diluted earnings per share is calculated by dividing 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, excluding treasury shares held by the Company, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of diluted earnings per share for the years ended 31 January:

	2020	Group 2019
Profit net of tax attributable to owners of the Company (RM)	41,061,432	52,123,229
Weighted average number of ordinary shares in issue	933,607,332	933,606,391
Effect of dilution - Warrants *	-	-
Adjusted weighted average number of ordinary shares in issue	933,607,332	933,606,391
Diluted earnings per share (sen)	4.40	5.58

* There is no adjustment as the effect is anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

13. Property, plant and equipment

Group	Land [^] RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Cost							
At 1 February 2018	345,089,946	98,563,696	278,202,251	13,819,581	16,192,543	15,077,258	766,945,275
Additions	-	366,992	6,321,196	723,642	4,212,648	9,837,726	21,462,204
Disposals	(166,393)	-	(878,376)	(905)	(1,697,126)	-	(2,742,800)
Written off	-	(81,377)	(1,025,080)	(67,090)	-	-	(1,173,547)
Reclassifications	-	521,260	11,576,402	-	-	(12,097,662)	-
At 31 January 2019	344,923,553	99,370,571	294,196,393	14,475,228	18,708,065	12,817,322	784,491,132
Effect of MFRS 16 Lease adoption (Note 2.2)	(322,789,553)	-	-	-	-	-	(322,789,553)
At 1 February 2019	22,134,000	99,370,571	294,196,393	14,475,228	18,708,065	12,817,322	461,701,579
Additions	-	2,617,253	10,600,823	2,922,191	2,122,920	28,915,939	47,179,126
Disposals	-	-	(555,742)	(7,360)	(609,404)	-	(1,172,506)
Written off	-	(562,678)	(4,540,089)	(342,638)	(12,000)	-	(5,457,405)
Expensed off	-	-	-	-	-	(14,782)	(14,782)
Reclassifications	-	5,954,691	7,795,700	-	-	(13,750,391)	-
At 31 January 2020	22,134,000	107,379,837	307,497,085	17,047,421	20,209,581	27,968,088	502,236,012

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

13. Property, plant and equipment (cont'd)

Group	Land [^] RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Accumulated depreciation							
At 1 February 2018	25,758,951	36,583,542	141,942,930	9,457,226	7,449,983	-	221,192,632
Charge for the year	4,823,848	4,274,637	16,533,932	749,506	1,262,333	-	27,644,256
Disposals	(22,395)	-	(647,346)	(91)	(704,982)	-	(1,374,814)
Written off	-	(69,958)	(848,591)	(48,083)	-	-	(966,632)
At 31 January 2019	30,560,404	40,788,221	156,980,925	10,158,558	8,007,334	-	246,495,442
Effect of MFRS 16 Lease adoption (Note 2.2)	(30,560,404)	-	-	-	-	-	(30,560,404)
At 1 February 2019	-	40,788,221	156,980,925	10,158,558	8,007,334	-	215,935,038
Charge for the year	-	4,517,342	16,825,891	730,101	1,344,999	-	23,418,333
Disposals	-	-	(418,708)	(2,353)	(221,937)	-	(642,998)
Written off	-	(230,302)	(3,162,681)	(318,221)	(6,120)	-	(3,717,324)
At 31 January 2020	-	45,075,261	170,225,427	10,568,085	9,124,276	-	234,993,049

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

13. Property, plant and equipment (cont'd)

Group	Land [^] RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Accumulated impairment losses							
At 1 February 2018,							
31 January 2019,							
1 February 2019 and							
31 January 2020	-	-	7,013,579	110,579	-	-	7,124,158
Net carrying amount							
At 31 January 2019	314,363,149	58,582,350	130,201,889	4,206,091	10,700,731	12,817,322	530,871,532
At 31 January 2020	22,134,000	62,304,576	130,258,079	6,368,757	11,085,305	27,968,088	260,118,805
^ Land can be analysed into:							
Freehold land				22,134,000	22,134,000	22,134,000	22,134,000
Long term leasehold land				-	-	322,789,553	292,229,149
				22,134,000	22,134,000	344,923,553	314,363,149

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (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
Cost							
At 1 February 2018	185,912,467	12,080,802	3,863,254	2,502,852	2,917,941	39,000	207,316,316
Additions	-	19,373	308,952	77,421	1,130,702	-	1,536,448
Disposals	-	-	(173,000)	(905)	(402,987)	-	(576,892)
Written off	-	-	(40,922)	(28,847)	-	-	(69,769)
Reclassifications	-	-	39,000	-	-	(39,000)	-
At 31 January 2019	185,912,467	12,100,175	3,997,284	2,550,521	3,645,656	-	208,206,103
Effect of MFRS 16 Lease adoption (Note 2.2)	(185,912,467)	-	-	-	-	-	(185,912,467)
At 1 February 2019	-	12,100,175	3,997,284	2,550,521	3,645,656	-	22,293,636
Additions	-	34,457	502,570	25,909	9,000	6,095,290	6,667,226
Disposals	-	-	(71,500)	-	(346,004)	-	(417,504)
Written off	-	-	-	(37,307)	(12,000)	-	(49,307)
At 31 January 2020	-	12,134,632	4,428,354	2,539,123	3,296,652	6,095,290	28,494,051

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (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
Accumulated depreciation							
At 1 February 2018	2,916,815	2,364,103	2,740,451	1,621,248	1,220,283	-	10,862,900
Charge for the year	2,916,815	239,356	205,358	207,743	245,600	-	3,814,872
Disposals	-	-	(93,132)	(91)	(223,834)	-	(317,057)
Written off	-	-	(38,627)	(21,435)	-	-	(60,062)
At 31 January 2019	5,833,630	2,603,459	2,814,050	1,807,465	1,242,049	-	14,300,653
Effect of MFRS 16	(5,833,630)	-	-	-	-	-	(5,833,630)
Lease adoption (Note 2.2)							
At 1 February 2019	-	2,603,459	2,814,050	1,807,465	1,242,049	-	8,467,023
Charge for the year	-	239,633	230,212	186,139	254,105	-	910,089
Disposals	-	-	(71,499)	-	(36,763)	-	(108,262)
Written off	-	-	-	(32,243)	(6,120)	-	(38,363)
At 31 January 2020	-	2,843,092	2,972,763	1,961,361	1,453,271	-	9,230,487
Net carrying amount							
At 31 January 2019	180,078,837	9,496,716	1,183,234	743,056	2,403,607	-	193,905,450
At 31 January 2020	-	9,291,540	1,455,591	577,762	1,843,381	6,095,290	19,263,564

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

13. Property, plant and equipment (cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Depreciation charge for the year:				
Amount capitalised in bearer plants (Note 16)	400,577	760,668	150,642	726,275
Amount recognised in profit or loss (Note 8)	23,017,756	26,883,588	759,447	3,088,597
	23,418,333	27,644,256	910,089	3,814,872

14. Land use rights

	Group	
	2020 RM	2019 RM
Cost		
At beginning of the financial year	3,591,181	3,591,181
Effect of MFRS 16 Lease adoption (Note 2.2)	(3,591,181)	-
At beginning of the financial year (Adjusted) and end of the financial year	-	3,591,181
Accumulated depreciation		
At beginning of the financial year	1,711,272	1,597,152
Effect of MFRS 16 Lease adoption (Note 2.2)	(1,711,272)	-
At beginning of the financial year (Adjusted)	-	1,597,152
Additions (Note 8)	-	114,120
At end of the financial year	-	1,711,272
Net carrying amount		
At end of the financial year	-	1,879,909
Analysed as:		
Long term leasehold land	-	497,377
Short term leasehold land	-	1,382,532
	-	1,879,909
Amount to be depreciated:		
- Not later than one year	-	114,120
- Later than one year but not later than five years	-	456,480
- Later than five years	-	1,309,309
	-	1,879,909

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

15. Right-of-use assets

As disclosed in Note 2.2, the Group and the Company has adopted MFRS 16 Leases using modified retrospective method of adoption with the date of initial application of 1 February 2019 and the comparatives are not restated.

The right-of-use assets comprise solely leasehold land.

	2020 RM	2019 RM
Group		
Cost		
At beginning of the financial year	-	-
Effect of MFRS 16 Lease adoption (Note 2.2)	326,380,734	-
At beginning of the financial year (Adjusted)	326,380,734	-
Addition	3,104,953	-
At end of the financial year	329,485,687	-
Accumulated depreciation		
At beginning of the financial year	-	-
Effect of MFRS 16 Lease adoption (Note 2.2)	32,271,676	-
At beginning of the financial year (Adjusted)	32,271,676	-
Depreciation charge for the year	4,919,525	-
At end of the financial year	37,191,201	-
Net carrying amount		
At end of the financial year	292,294,486	-
Company		
Cost		
At beginning of the financial year	-	-
Effect of MFRS 16 Lease adoption (Note 2.2)	185,912,467	-
At beginning of the financial year (Adjusted) and end of the financial year	185,912,467	-
Accumulated depreciation		
At beginning of the financial year	-	-
Effect of MFRS 16 Lease adoption (Note 2.2)	5,833,630	-
At beginning of the financial year (Adjusted)	5,833,630	-
Depreciation charge for the year	2,917,349	-
At end of the financial year	8,750,979	-
Net carrying amount		
At end of the financial year	177,161,488	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

15. Right-of-use assets (cont'd)

	Group 2020 RM	Company 2020 RM
Depreciation charge for the year:		
Amount capitalised in bearer plants (Note 16)	875,546	800,722
Amount recognised in profit or loss (Note 8)	4,043,979	2,116,627
	4,919,525	2,917,349

16. Bearer plants

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Cost				
At beginning of the financial year	154,580,993	153,089,941	28,183,384	26,777,211
Additions	13,285,126	5,186,711	4,780,093	3,815,866
Written off	(10,295,555)	(3,695,659)	(345,072)	(2,409,693)
At end of the financial year	157,570,564	154,580,993	32,618,405	28,183,384
Accumulated depreciation				
At beginning of the financial year	76,000,867	72,151,646	4,772,962	6,230,675
Depreciation for the year (Note 8)	7,088,954	7,187,392	1,084,642	951,975
Written off	(8,422,304)	(3,338,171)	(345,070)	(2,409,688)
At end of the financial year	74,667,517	76,000,867	5,512,534	4,772,962
Accumulated impairment losses				
At beginning and end of the financial year	486,009	486,009	-	-
Net carrying amount				
At end of the financial year	82,417,038	78,094,117	27,105,871	23,410,422
Included in the additions to bearer plants during the financial year are:				
Depreciation of property, plant and equipment (Note 13)	400,577	760,668	150,642	726,275
Depreciation of right-of-use assets (Note 15)	875,546	-	800,722	-
Employee benefit expenses (Note 9)	1,367,626	807,462	672,782	735,997

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

17. Biological assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At fair value				
Fresh fruit bunches				
At beginning of the financial year	2,611,000	4,269,000	246,000	339,000
Changes in fair value less costs to sell (Note 8)	517,000	(1,658,000)	210,000	(93,000)
At end of the financial year	3,128,000	2,611,000	456,000	246,000

The biological assets of the Group and of the Company comprise fresh fruit bunches ("FFB") prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB on bearer plant of up to 14 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Cost to sell include harvesting cost, transport and windfall profit levy.

During the financial year, the Group and the Company harvested approximately 260,500 MT (2019: 310,100 MT) and 40,600 MT (2019: 39,100 MT) of FFB respectively.

As at 31 January 2020, none of the biological assets are pledged as securities for liabilities.

The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy. If the FFB selling price changes by 10%, fair value of the biological assets of the Group and of the Company would have equally increased or decreased by approximately RM364,000 (2019: RM327,000) and RM56,000 (2019: RM33,000) respectively.

The key assumptions used to determine the fair value are as follows:

	Group		Company	
	2020	2019	2020	2019
<u>Oil palms</u>				
FFB that are expected to be harvested (MT)	7,860	11,039	1,188	1,095
Average FFB selling price (RM/MT)	463	296	468	305

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. Investment in subsidiaries

	Company	
	2020 RM	2019 RM
Unquoted shares, at cost	52,748,297	52,248,299
Less: Accumulated impairment losses	(6,079,086)	(6,079,086)
	46,669,211	46,169,213

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2020	2019
<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
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 and investment holding	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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2020	2019
<i>Held by Kim Loong Corporation Sdn. Bhd.</i>				
Winsome Pelita (Pantu) Sdn. Bhd.	Malaysia	Cultivation of oil palm	60	60
Sepulut Plantations Sdn. Bhd.	Malaysia	Dormant	100 ⁱⁱ	-
<i>Held by Okidville Holdings Sdn. Bhd.</i>				
Desa Okidville Sdn. Bhd.	Malaysia	Cultivation of oil palm	51	51
<i>Held by Desa Kim Loong Palm Oil Sdn. Bhd.</i>				
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
<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 and investment holding	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	100 ⁱ	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 AI-Yatama Sdn. Bhd.	Malaysia	Cultivation of oil palm	61	61

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2020	2019
<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

During the financial year:

- (i) an indirect wholly owned subsidiary of the Company, Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPOM"), acquired the remaining 60,000 ordinary shares fully paid in Sungkit Enterprise Sdn. Bhd. ("SESB"), a 98% owned subsidiary of KLPOM, from Prominent Platform Sdn. Bhd. for a total cash consideration of RM1 ("Acquisition").

As a result of the Acquisition, SESB is now a wholly owned subsidiary of KLPOM.

- (ii) the Company disposed of 2 ordinary shares representing 100% equity interest in Sepulut Plantations Sdn. Bhd. ("SPSB") to Kim Loong Corporation Sdn. Bhd., a wholly owned subsidiary of the Company, for a total cash consideration of RM2.

There is no change in the effective interest of the Company in SPSB.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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

2020	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
Revenue	44,032,039	17,365,350	223,435,098	15,189,357	300,021,844
Profit/(loss) before tax	16,715,176	10,570,200	12,142,299	(9,574,447)	29,853,228
Profit/(loss) net of tax	13,432,819	8,116,594	9,216,242	(9,647,815)	21,117,840
Total comprehensive income/(loss)	13,432,819	8,116,594	9,216,242	(9,647,815)	21,117,840
<hr/>					
Profit/(loss) net of tax attributable to:					
- owners of the Company	11,173,684	5,681,616	6,451,369	(6,165,503)	17,141,166
- non-controlling interests	2,259,135	2,434,978	2,764,873	(3,482,312)	3,976,674
	13,432,819	8,116,594	9,216,242	(9,647,815)	21,117,840
<hr/>					
Total comprehensive income/(loss) attributable to:					
- owners of the Company	11,173,684	5,681,616	6,451,369	(6,165,503)	17,141,166
- non-controlling interests	2,259,135	2,434,978	2,764,873	(3,482,312)	3,976,674
	13,432,819	8,116,594	9,216,242	(9,647,815)	21,117,840

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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)

(i) Summarised statements of comprehensive income (cont'd)

2019	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
Revenue	65,211,835	20,379,731	315,392,481	15,080,760	416,064,807
Profit/(loss) before tax	30,571,236	11,633,191	15,449,372	(7,721,180)	49,932,619
Profit/(loss) net of tax	23,319,868	8,866,639	10,861,724	(13,782,520)	29,265,711
Total comprehensive income/(loss)	23,319,868	8,866,639	10,861,724	(13,782,520)	29,265,711
Profit/(loss) net of tax attributable to:					
- owners of the Company	17,769,295	6,206,647	7,603,207	(8,602,464)	22,976,685
- non-controlling interests	5,550,573	2,659,992	3,258,517	(5,180,056)	6,289,026
	23,319,868	8,866,639	10,861,724	(13,782,520)	29,265,711
Total comprehensive income/(loss) attributable to:					
- owners of the Company	17,769,295	6,206,647	7,603,207	(8,602,464)	22,976,685
- non-controlling interests	5,550,573	2,659,992	3,258,517	(5,180,056)	6,289,026
	23,319,868	8,866,639	10,861,724	(13,782,520)	29,265,711

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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

2020	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
Non-current assets	91,809,279	34,252,604	59,421,604	54,462,184	239,945,671
Current assets	61,210,301	63,473,284	62,326,815	4,147,150	191,157,550
Total assets	153,019,580	97,725,888	121,748,419	58,609,334	431,103,221
Current liabilities	4,218,301	1,520,150	19,177,867	12,316,290	37,232,608
Non-current liabilities	13,043,393	7,919,914	6,806,410	89,554,000	117,323,717
Total liabilities	17,261,694	9,440,064	25,984,277	101,870,290	154,556,325
Net assets/(liabilities)	135,757,886	88,285,824	95,764,142	(43,260,956)	276,546,896
Equity attributable to owners of the Company	87,598,417	61,800,077	67,034,899	(27,757,294)	188,676,099
Non-controlling interests	48,159,469	26,485,747	28,729,243	(15,503,662)	87,870,797
	135,757,886	88,285,824	95,764,142	(43,260,956)	276,546,896

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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 (cont'd)

2019	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
Non-current assets	89,784,086	31,076,772	51,839,669	55,411,711	228,112,238
Current assets	61,992,540	67,482,810	73,612,495	2,724,381	205,812,226
Total assets	151,776,626	98,559,582	125,452,164	58,136,092	433,924,464
Current liabilities	3,706,566	1,346,001	20,998,286	14,265,233	40,316,086
Non-current liabilities	12,699,993	8,044,351	6,905,978	78,540,000	106,190,322
Total liabilities	16,406,559	9,390,352	27,904,264	92,805,233	146,506,408
Net assets/(liabilities)	135,370,067	89,169,230	97,547,900	(34,669,141)	287,418,056
Equity attributable to owners of the Company	86,774,733	62,418,461	68,283,530	(21,591,791)	195,884,933
Non-controlling interests	48,595,334	26,750,769	29,264,370	(13,077,350)	91,533,123
	135,370,067	89,169,230	97,547,900	(34,669,141)	287,418,056

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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

2020	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
Net cash generated from/ (used in) operating activities	17,349,594	9,448,295	21,920,844	(7,143,966)	41,574,767
Net cash used in investing activities	(13,158,976)	(10,012,363)	(17,205,628)	(2,720,321)	(43,097,288)
Net cash (used in)/ generated from financing activities	(13,045,000)	(9,000,000)	(11,000,000)	10,363,000	(22,682,000)
Net (decrease)/increase in cash and cash equivalents	(8,854,382)	(9,564,068)	(6,284,784)	498,713	(24,204,521)
Cash and cash equivalents at beginning of the year	36,995,540	49,573,997	38,453,666	(339,696)	124,683,507
Cash and cash equivalents at end of the year	28,141,158	40,009,929	32,168,882	159,017	100,478,986
2019					
Net cash generated from/ (used in) operating activities	30,300,281	10,994,396	15,564,283	(3,355,798)	53,503,162
Net cash (used in)/generated from investing activities	(6,176,274)	308,588	(7,036,938)	(3,551,943)	(16,456,567)
Net cash (used in)/generated from financing activities	(19,530,000)	(10,000,000)	(7,000,000)	7,310,000	(29,220,000)
Net increase in cash and cash equivalents	4,594,007	1,302,984	1,527,345	402,259	7,826,595
Cash and cash equivalents at beginning of the year	32,401,533	48,271,013	36,926,321	(741,955)	116,856,912
Cash and cash equivalents at end of the year	36,995,540	49,573,997	38,453,666	(339,696)	124,683,507

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

18. 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"), Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") and Kim Loong Corporation Sdn. Bhd. and its subsidiaries ("KLC") 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)

(iv) Dividends paid to non-controlling interests

	OHSB RM	KL-KPD RM	DKLPO RM	KLC RM	Total RM
2020	2,695,000	2,700,000	3,300,000	-	8,695,000
2019	3,430,000	3,000,000	2,100,000	-	8,530,000

19. Inventories

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost				
Raw materials	225,098	505,314	-	-
Finished goods	11,620,731	39,374,016	-	-
Building materials, supplies, spare parts and consumables	10,225,889	9,903,741	237,968	507,833
	22,071,718	49,783,071	237,968	507,833
Net realisable value				
Work-in-progress	11,277	5,135	-	-
Oil palm seedlings	-	1,549	-	-
Finished goods	5,128,142	922,410	-	-
	5,139,419	929,094	-	-
	27,211,137	50,712,165	237,968	507,833
Recognised in profit or loss:				
Inventories recognised as cost of sales (Note 5)	585,625,050	742,321,137	11,665,206	11,482,951
Write-down to net realisable value (Note 8)	368,147	341,851	-	-
Write back of inventories value (Note 8)	(259,513)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

20. Trade and other receivables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Trade receivables				
Third parties	27,540,565	24,049,520	88,254	215,571
Amount owing from subsidiary companies	-	-	1,476,277	1,132,004
Amount owing from related companies	10,347	10,347	10,347	10,347
	27,550,912	24,059,867	1,574,878	1,357,922
Other receivables				
Third parties	11,723,724	6,882,104	4,043,726	4,830,408
Refundable deposits	939,668	711,093	122,905	216,735
Amount owing from holding company	4,500	-	4,500	-
Amount owing from subsidiary companies	-	-	759,446	697,708
Amount owing from related companies	99,255	38,579	72,511	15,000
	12,767,147	7,631,776	5,003,088	5,759,851
Total trade and other receivables (current)	40,318,059	31,691,643	6,577,966	7,117,773
Non-current				
Other receivables				
Amount owing from subsidiary companies	-	-	140,753,805	129,828,840
Less: Allowance for impairment losses	-	-	(1,156,519)	(1,067,519)
	-	-	139,597,286	128,761,321
Total trade and other receivables (current and non-current)	40,318,059	31,691,643	146,175,252	135,879,094

(a) Trade receivables

The Group's normal trade credit terms are less than 60 days (2019: 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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Neither past due nor impaired	27,550,912	24,059,867	1,574,878	1,357,922

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

20. Trade and other receivables (cont'd)

(b) Amount owing from subsidiary and related companies (trade)

These amounts are generally within 60 days terms (2019: 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 RM139,074,000 (2019: RM128,070,000) which is unsecured, bear interest of 4.51% - 7.40% per annum (2019: 5.01% - 7.90% per annum) and is not repayable within the next 12 months.

All other balances are unsecured, non-interest bearing and repayable on demand. As at the end of the financial year, the Company has provided an impairment allowance of RM1,156,519 (2019: RM1,067,519) on amount owing by certain subsidiaries.

(e) Other receivables that are impaired

Receivables that are impaired

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:

	Company Individually impaired	
	2020	2019
	RM	RM
Other receivables-nominal amounts	4,647,840	4,508,840
Less: Allowance for impairment	(1,156,519)	(1,067,519)
	3,491,321	3,441,321

Movement in allowance accounts:

	Company	
	2020	2019
	RM	RM
At beginning of the financial year	1,067,519	8,483,518
Written off	(861,000)	(8,276,999)
Addition during for the year (Note 8)	950,000	861,000
At end of the financial year	1,156,519	1,067,519

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

21. Derivatives

Group	2020		2019	
	Contract/ Notional Amount RM	Fair Value Assets RM	Contract/ Notional Amount RM	Fair Value Assets RM
Derivatives carried at fair value through profit or loss				
- Commodity futures	-	-	15,614,250	262,750

(i) 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. The commodity futures contracts are designated as cash flow or fair value hedges and are entered into for periods consistent with fair value changes exposure. However, such derivatives do not qualify for hedge accounting. Changes in fair value of these instruments are recognised in the profit or loss.

The net loss of RM1,127,165 (2019: RM2,843,285) arising from the CPO - commodity futures contracts during the financial year has been recognised in profit or loss as other expense.

(ii) Crude palm oil - commodity futures and swap

One of the Group's principal activities is cultivation of oil palm. The Group sells FFB produce on an ongoing basis. Due to the volatility in CPO price over the past 12 months, the Group entered into CPO - commodity futures and swap contracts to hedge against the volatility of the selling price of FFB for specific period. The commodity futures and swap contracts are designated as cash flow or fair value hedges and are entered into for periods consistent with fair value changes exposure. However, the Group did not adopt hedge accounting for these derivatives. Changes in fair value of these instruments are recognised in the profit or loss.

The net gain of RM1,237,230 (2019: Nil) arising from the CPO - commodity futures and swap contracts during the financial year has been recognised in profit or loss as other income.

22. Short term funds

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At fair value through profit or loss				
Short term funds	94,479,110	78,436,569	35,466,398	34,163,790

Short term funds are investments in income trust funds in Malaysia.

The fair value measurement of the Group's and the Company's short term funds are categorised within Level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

23. Cash and bank balances

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash on hand and cash at banks	54,687,835	47,868,768	7,147,168	4,413,060
Time deposits with licensed banks	93,952,887	146,829,061	5,860,850	41,758,848
Cash and bank balances	148,640,722	194,697,829	13,008,018	46,171,908
Less: Bank overdraft (Note 26)	(2,168,993)	(2,287,297)	-	-
Less: Deposits pledged	(592,037)	(570,213)	-	-
Cash and cash equivalents	145,879,692	191,840,319	13,008,018	46,171,908

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 RM49,274,166 (2019: RM40,050,570) and RM6,401,878 (2019: RM3,260,145) respectively. The average interest rate as at the end of the financial year for such deposits was 2.43% (2019: 2.65%) per annum and 2.46% (2019: 2.65%) per annum for the Group and the Company respectively.

Included in deposits with licensed banks of the Group is an amount of RM592,037 (2019: RM570,213) pledged to a licensed bank as security for credit facilities granted to a subsidiary.

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	
	2020 % per annum	2019 % per annum	2020 % per annum	2019 % per annum
Time deposits with licensed banks	3.25	3.80	1.04	3.66

24. Changes in liabilities arising from financing activities

Group	At 1 February 2019 RM	Cash flows RM	At 31 January 2020 RM
Current			
Bank overdrafts	2,287,297	(118,304)	2,168,993
Revolving credit	7,500,000	-	7,500,000
Term loan 1	905,000	(905,000)	-
Term loan 2	4,020,000	-	4,020,000
Non-current			
Term loan 2	4,590,000	(4,020,000)	570,000
Total liabilities from financing activities	19,302,297	(5,043,304)	14,258,993

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

24. Changes in liabilities arising from financing activities (cont'd)

Group	At 1 February 2018 RM	Cash flows RM	At 31 January 2019 RM
Current			
Bank overdrafts	3,024,199	(736,902)	2,287,297
Revolving credit	6,500,000	1,000,000	7,500,000
Term loan 1	4,020,000	(3,115,000)	905,000
Term loan 2	4,020,000	-	4,020,000
Non-current			
Term loan 1	905,000	(905,000)	-
Term loan 2	8,610,000	(4,020,000)	4,590,000
Total liabilities from financing activities	27,079,199	(7,776,902)	19,302,297

25. Trade and other payables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Trade payables				
Third parties	34,192,869	30,255,231	598,507	630,510
Amount owing to holding company	-	170,794	-	98,394
Amount owing to related companies	443,545	153,507	-	-
	34,636,414	30,579,532	598,507	728,904
Other payables				
Sundry payables	11,668,533	3,125,987	455,085	291,124
Deposits	364,524	448,006	3,600	3,600
Provisions	420,282	432,346	420,282	432,346
Accruals	16,252,877	17,221,553	3,012,874	2,974,066
Amount owing to subsidiary companies	-	-	872,284	-
Amount owing to related company	588,492	-	588,492	-
	29,294,708	21,227,892	5,352,617	3,701,136
Total trade and other payables	63,931,122	51,807,424	5,951,124	4,430,040

(a) Trade payables

These amounts are non-interest bearing and normally settled on 60 days (2019: 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 (2019: less than 60 days).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

25. Trade and other payables (cont'd)

(c) Provisions

Group	Legal expense RM	Unutilised annual leave RM	Total RM
At 1 February 2018	45,445	329,577	375,022
Additions (Note 9)	-	102,769	102,769
Utilised	(45,445)	-	(45,445)
At 31 January 2019 and 1 February 2019	-	432,346	432,346
Utilised	-	(12,064)	(12,064)
At 31 January 2020	-	420,282	420,282

Company	Unutilised annual leave RM
At 1 February 2018	329,577
Additions (Note 9)	102,769
At 31 January 2019 and 1 February 2019	432,346
Utilised	(12,064)
At 31 January 2020	420,282

Provision for unutilised annual leave

Being employees' benefits accrued in respect of their unutilised annual leave entitlements.

(d) Amount owing to subsidiary companies and related company (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 2020 (cont'd)

26. Loans and borrowings

	2020 RM	Group 2019 RM
Current		
Secured:		
Bank overdrafts (Note 23)	2,168,993	2,287,297
Revolving credit	7,500,000	7,500,000
Term loan 1	-	905,000
Term loan 2	4,020,000	4,020,000
	13,688,993	14,712,297
Non-current		
Secured:		
Term loan 2	570,000	4,590,000
	570,000	4,590,000
	14,258,993	19,302,297

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	2020 RM	Group 2019 RM
On demand or within one year	13,688,993	14,712,297
More than 1 year and less than 2 years	570,000	4,020,000
More than 2 years and less than 5 years	-	570,000
	14,258,993	19,302,297

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 34(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. This term loan has been fully settled during the financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

26. Loans and borrowings (cont'd)

As at the reporting date, the loans and borrowings of the Group bear interest at the following rates:

	2020 % per annum	Group 2019 % per annum
Interest rates		
Overdrafts	BLR + 1% to 1.25%	BLR + 1% to 1.25%
Term loan 1	-	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 6.45% to 6.51% per annum (2019: 6.95% to 7.01% per annum), cost of fund ("COF") ranges from 3.57% to 3.85% per annum (2019: 3.85% to 4.12% per annum) and Kuala Lumpur Interbank Offered Rate ("KLIBOR") is 3.34% per annum (2019: 3.69% per annum).

27. Deferred tax

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
At beginning of the financial year	82,000,858	75,457,342	44,659,068	45,201,284
Recognised in profit or loss (Note 11)	507,308	6,543,516	(51,496)	(542,216)
At end of the financial year	82,508,166	82,000,858	44,607,572	44,659,068
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,375,000)	(3,642,520)	-	-
Deferred tax liabilities	85,883,166	85,643,378	44,607,572	44,659,068
	82,508,166	82,000,858	44,607,572	44,659,068

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

27. Deferred tax (cont'd)

The components and movements of deferred tax liabilities/(assets) during the financial year are as follows:

Group	At 1 February 2019 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2020 RM
Deferred tax liabilities			
Subject to income tax rate:			
Bearer plants and property, plant and equipment	51,238,700	666,100	51,904,800
Accrued interest income	125,000	(58,000)	67,000
Derivatives	63,060	(63,060)	-
Biological assets	626,640	124,080	750,720
Revaluation of leasehold land	49,562,178	(807,912)	48,754,266
	101,615,578	(138,792)	101,476,786
Offsetting	(17,478,580)	378,580	(17,100,000)
	84,136,998	239,788	84,376,786
Subject to Real Property Gains Tax rate:			
Revaluation of freehold land	1,506,380	-	1,506,380
	85,643,378	239,788	85,883,166
Deferred tax assets			
Subject to income tax rate:			
Provisions	(104,000)	3,000	(101,000)
Unutilised reinvestment allowances	(1,846,000)	(521,000)	(2,367,000)
Unutilised investment tax allowances	(5,284,000)	74,000	(5,210,000)
Unabsorbed capital allowances	(9,216,600)	(260,400)	(9,477,000)
Unused tax losses	(2,587,500)	683,500	(1,904,000)
Unrealised profits	(2,083,000)	667,000	(1,416,000)
	(21,121,100)	646,100	(20,475,000)
Offsetting	17,478,580	(378,580)	17,100,000
	(3,642,520)	267,520	(3,375,000)
	82,000,858	507,308	82,508,166

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

27. Deferred tax (cont'd)

Group	At 1 February 2018 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2019 RM
Deferred tax liabilities			
Subject to income tax rate:			
Bearer plants and property, plant and equipment	52,230,600	(991,900)	51,238,700
Accrued interest income	117,000	8,000	125,000
Derivatives	-	63,060	63,060
Biological assets	1,024,560	(397,920)	626,640
Revaluation of leasehold land	51,123,280	(1,561,102)	49,562,178
	104,495,440	(2,879,862)	101,615,578
Offsetting	(17,846,818)	368,238	(17,478,580)
	86,648,622	(2,511,624)	84,136,998
Subject to Real Property Gains Tax rate:			
Revaluation of freehold land	-	1,506,380	1,506,380
	86,648,622	(1,005,244)	85,643,378
Deferred tax assets			
Subject to income tax rate:			
Provisions	(79,000)	(25,000)	(104,000)
Derivatives	(52,098)	52,098	-
Unutilised reinvestment allowances	(2,244,000)	398,000	(1,846,000)
Unutilised investment tax allowances	(5,726,000)	442,000	(5,284,000)
Unabsorbed capital allowances	(9,249,500)	32,900	(9,216,600)
Unused tax losses	(9,244,500)	6,657,000	(2,587,500)
Unrealised profits	(2,443,000)	360,000	(2,083,000)
	(29,038,098)	7,916,998	(21,121,100)
Offsetting	17,846,818	(368,238)	17,478,580
	(11,191,280)	7,548,760	(3,642,520)
	75,457,342	6,543,516	82,000,858

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

27. Deferred tax (cont'd)

Company	At 1 February 2019 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2020 RM
Deferred tax liabilities			
Subject to income tax rate:			
Bearer plants and property, plant and equipment	7,263,000	540,000	7,803,000
Accrued interest income	41,000	(40,000)	1,000
Biological assets	59,040	50,400	109,440
Revaluation of leasehold land	37,400,028	(604,896)	36,795,132
	44,763,068	(54,496)	44,708,572
Offsetting	(104,000)	3,000	(101,000)
	44,659,068	(51,496)	44,607,572
Deferred tax assets			
Subject to income tax rate:			
Provisions	(104,000)	3,000	(101,000)
Offsetting	104,000	(3,000)	101,000
	-	-	-
	44,659,068	(51,496)	44,607,572

Company	At 1 February 2018 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2019 RM
Deferred tax liabilities			
Subject to income tax rate:			
Bearer plants and property, plant and equipment	7,153,000	110,000	7,263,000
Accrued interest income	41,000	-	41,000
Biological assets	81,360	(22,320)	59,040
Revaluation of leasehold land	38,004,924	(604,896)	37,400,028
	45,280,284	(517,216)	44,763,068
Offsetting	(79,000)	(25,000)	(104,000)
	45,201,284	(542,216)	44,659,068
Deferred tax assets			
Subject to income tax rate:			
Provisions	(79,000)	(25,000)	(104,000)
Offsetting	79,000	25,000	104,000
	-	-	-
	45,201,284	(542,216)	44,659,068

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

27. Deferred tax (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	2020 RM	Group 2019 RM
Unused tax losses		
- expires on 31 January 2025	42,999,000	36,643,000
- expires on 31 January 2026	2,986,000	907,000
- expires on 31 January 2027	435,000	-
Unutilised investment tax allowances		
- expires on 31 January 2025	9,672,000	9,672,000
Unutilised reinvestment allowances		
- expires on 31 January 2025	4,307,000	4,307,000
Unabsorbed capital allowances	5,359,000	5,022,000
Other temporary differences	8,986,000	8,906,000
	74,744,000	65,457,000
Deferred tax @ 24% (2019: 24%)	17,938,560	15,709,680

The unabsorbed capital allowances and other deductible temporary differences are available indefinitely for offsetting against future taxable profits of the respective subsidiaries in Malaysia subject to the provisions of Income Tax Act, 1967. Effective year of assessment 2019, the availability of unused tax losses, unutilised investment tax allowances and unutilised reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia is limited to a maximum period of 7 consecutive years of assessment. Any cumulated tax losses, reinvestment allowances and investment tax allowances brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment i.e. 2019 to 2025.

28. Government grants

	2020 RM	Group 2019 RM
At beginning of the financial year	-	-
Recognised during the year	1,920,000	-
At end of the financial year	1,920,000	-
Disclosed under:		
Non-current liabilities	1,920,000	-

Pursuant to the Memorandum of Agreement dated 21 March 2018 ("Agreement") entered into between Malaysian Palm Oil Board ("MPOB") and Kim Loong Palm Oil Mills Sdn Bhd ("KLPOM"), an indirect subsidiary of Kim Loong Resources Berhad ("KLRB"), MPOB agreed to provide a Grant up to RM2,400,000 to KLPOM for the implementation of the research project on reducing/eliminating 3-MCPDE in palm oil and its products. KLPOM has completed installation of the plant and recognised RM1,920,000 as deferred income of which RM154,000 has been received during the financial year. The remaining 20% of the Grant will be recognised upon successful achievement of production parameters set.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

29. Share capital

	Number of ordinary shares		Amount	
	2020	2019	2020 RM	2019 RM
Issued and fully paid				
At beginning of the financial year	935,413,332	311,803,569	318,433,258	318,429,583
Arising from share split	-	623,607,138	-	-
Issued during the financial year:				
- exercise of warrants	-	2,625	-	3,675
At end of the financial year	935,413,332	935,413,332	318,433,258	318,433,258

(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.

(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 did not acquire any shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year.

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 2018, 31 January 2019 and 31 January 2020	1,806,000	1,625,853	0.90

30. Retained earnings

The Company may distribute dividends out of its retained earnings as at 31 January 2020 and 2019 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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	
	2020 RM	2019 RM	2020 RM	2019 RM
With holding company:				
Professional services	-	175,400	-	103,000
With subsidiaries:				
Management fee income	-	-	4,315,369	5,105,855
Commission income	-	-	1,106,290	1,261,326
Rental income	-	-	36,000	36,000
Interest income	-	-	8,218,299	8,460,032
Purchase of goods and services	-	-	3,408	300,960
Sale of goods	-	-	16,434,469	12,976,089
Sale of plant and equipment	-	-	315,000	45,000
Purchase of plant and equipment	-	-	9,000	25,000
Dividend income	-	-	43,575,000	24,500,000
With fellow subsidiaries of the holding company:				
Management fee income	124,165	124,165	124,165	124,165
Purchase of property, plant and equipment	5,730,880	-	5,730,880	-
Purchase of goods and services	7,188,747	8,062,103	-	21,800
Sale of goods and services	253,275	485,591	-	-

Related companies are fellow subsidiaries of the holding company, Sharikat Kim Loong Sendirian Berhad.

(b) Key management compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short term employee benefits	10,223,759	10,070,529	6,686,398	6,481,310
Defined contribution plan	1,591,837	1,346,980	1,084,209	942,628
	11,815,596	11,417,509	7,770,607	7,423,938
Included in the total remuneration of key management personnel are remunerations of:				
- Executive Directors	7,973,433	7,796,083	4,822,277	4,698,357
- Non-executive Directors	295,000	295,000	295,000	295,000
	8,268,433	8,091,083	5,117,277	4,993,357

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

32. Commitments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(a) Capital expenditures:				
Approved and contracted for:				
- property, plant and equipment	19,690,700	13,669,000	-	-
Approved but not contracted for:				
- property, plant and equipment	83,285,000	-	83,285,000	-

(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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Future minimum rental payments:				
Not later than 1 year	301,831	189,368	209,431	122,168
Later than 1 year and not later than 5 years	582,947	268,800	314,147	-
Later than 5 years	481,600	548,800	-	-
	1,366,378	1,006,968	523,578	122,168

The Group and the Company have entered into non-cancellable operating leases contracted for lease of properties which are not accounted for in accordance with MFRS 16 as the financial impact to the financial statements is considered not material.

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 and power generation

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 2020 (cont'd)

33. Segmental information (cont'd)

(A) Business segment

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
31 January 2020				
Revenue and expenses				
Revenue				
External customers	16,693,629	662,931,804	-	679,625,433
Inter-segment	85,215,950	11,375	(85,227,325)	-
Total revenue	101,909,579	662,943,179	(85,227,325)	679,625,433
Results				
Segment results	26,498,954	32,209,008	2,501,000	61,208,962
Unallocated costs				(8,499,786)
Interest income				8,388,744
Finance costs				(709,028)
Profit before tax				60,388,892
Taxation				(15,399,566)
Profit net of tax				44,989,326
Assets and liabilities				
Segment assets	610,901,882	355,447,099	(64,983,552)	901,365,429
Unallocated assets				73,640,298
Total assets				975,005,727
Segment liabilities	87,526,730	138,311,928	(63,861,552)	161,977,106
Unallocated liabilities				6,002,853
Total liabilities				167,979,959
Other information				
Capital expenditure	29,414,952	34,154,253	-	63,569,205
Depreciation	17,044,374	18,382,438	-	35,426,812
Other non-cash expenses (Note A)	2,260,893	1,780,162	-	4,041,055

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

33. Segmental information (cont'd)

(A) Business segment (cont'd)

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
31 January 2019				
Revenue and expenses				
Revenue				
External customers	19,615,900	853,320,749	-	872,936,649
Inter-segment	109,268,445	1,237,521	(110,505,966)	-
Total revenue	128,884,345	854,558,270	(110,505,966)	872,936,649
Results				
Segment results	43,151,064	43,369,521	1,228,000	87,748,585
Unallocated costs				(7,272,683)
Interest income				8,833,582
Finance costs				(1,075,959)
Profit before tax				88,233,525
Taxation				(28,543,300)
Profit net of tax				59,690,225
Assets and liabilities				
Segment assets	612,813,927	348,443,867	(69,194,185)	892,063,609
Unallocated assets				91,920,636
Total assets				983,984,245
Segment liabilities	92,440,811	127,064,252	(66,171,185)	153,333,878
Unallocated liabilities				4,798,484
Total liabilities				158,132,362
Other information				
Capital expenditure	14,167,968	12,480,947	-	26,648,915
Depreciation	16,906,718	18,039,050	-	34,945,768
Other non-cash expenses (Note A)	2,451,182	601,520	-	3,052,702

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

33. Segmental information (cont'd)

(A) Business segment (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:

	2020		2019	
	Plantation RM	Milling RM	Plantation RM	Milling RM
Bad debts (Note 8)	14,194	2,331	2,640	9,650
Property, plant and equipment written off (Note 8)	371,269	1,368,812	25,268	181,647
Bearer plants written off (Note 8)	1,873,251	-	357,488	-
Inventories written down (Note 8)	-	368,147	-	341,851
Loss on fair value changes in biological assets (Note 8)	-	-	1,658,000	-
Provision for unutilised leave (Note 9)	-	-	102,769	-
Loss on disposal of property, plant and equipment (Note 8)	806	40,872	245,900	68,372
Inventories written off (Note 8)	1,373	-	59,117	-
	2,260,893	1,780,162	2,451,182	601,520

B. Breakdown of the inter-segments adjustments and eliminations:

2020	Plantation RM	Milling RM	Total RM
Segment assets	610,901,882	355,447,099	966,348,981
Inter-segments adjustments and eliminations:			
(a) Inventories	-	(1,478,000)	(1,478,000)
(b) Receivables	(63,852,117)	(9,435)	(63,861,552)
(c) Deferred tax assets	356,000	-	356,000
	(63,496,117)	(1,487,435)	(64,983,552)
	547,405,765	353,959,664	901,365,429
Segment liabilities	87,526,730	138,311,928	225,838,658
Inter-segments adjustments and eliminations:			
(a) Payables	(9,435)	(63,852,117)	(63,861,552)
	87,517,295	74,459,811	161,977,106
Segments results	26,498,954	32,209,008	58,707,962
Inter-segments adjustments and eliminations:			
(a) Unrealised profits	2,501,000	-	2,501,000
	28,999,954	32,209,008	61,208,962

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

33. Segmental information (cont'd)

(A) Business segment (cont'd)

B. Breakdown of the inter-segments adjustments and eliminations: (cont'd)

2019	Plantation RM	Milling RM	Total RM
Segment assets	612,813,927	348,443,867	961,257,794
Inter-segments adjustments and eliminations:			
(a) Inventories	-	(3,979,000)	(3,979,000)
(b) Receivables	(66,169,146)	(2,039)	(66,171,185)
(c) Deferred tax assets	956,000	-	956,000
	(65,213,146)	(3,981,039)	(69,194,185)
	547,600,781	344,462,828	892,063,609
Segment liabilities	92,440,811	127,064,252	219,505,063
Inter-segments adjustments and eliminations:			
(a) Payables	(2,039)	(66,169,146)	(66,171,185)
	92,438,772	60,895,106	153,333,878
Segments results	43,151,064	43,369,521	86,520,585
Inter-segments adjustments and eliminations:			
(a) Unrealised profits	1,228,000	-	1,228,000
	44,379,064	43,369,521	87,748,585

(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 RM514,000,000 (2019: RM674,000,000) are derived from 3 (2019: 3) major customers in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

34. 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 receivables. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 20.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values, and a nominal amount of RM28,080,000 (2019: RM35,315,000) relating to corporate guarantees provided by the Company to its subsidiaries for credit facilities obtained from licensed financial institutions. The Company has assessed the corporate guarantee contracts and concluded that the guarantees are not likely to be called upon by the respective counterparties and accordingly did not recognise the guarantees as financial liabilities as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

34. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Plantation	-	-	1,226,431	855,044
Milling	15,581,277	14,871,179	-	-

At the reporting date, approximately 57% (2019: 62%) and 78% (2019: 63%) of the Group's and of the Company's trade receivables respectively are due from 3 (2019: 3) and 2 (2019: 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 20. Deposits with banks, short term funds 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 20.

(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 short term funds, cash and short term deposits and borrowings as disclosed in Notes 22, 23 and 26.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

34. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

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.

2020 Group	On demand or within one year RM	One to five years RM	Total RM
Financial liabilities			
Trade and other payables	63,931,122	-	63,931,122
Loans and borrowings	13,802,700	570,851	14,373,551
Total undiscounted financial liabilities	77,733,822	570,851	78,304,673
Company			
Financial liabilities			
Trade and other payables	5,951,124	-	5,951,124
2019 Group			
Financial liabilities			
Trade and other payables	51,807,424	-	51,807,424
Loans and borrowings	15,040,366	4,711,351	19,751,717
Total undiscounted financial liabilities	66,847,790	4,711,351	71,559,141
Company			
Financial liabilities			
Trade and other payables	4,430,040	-	4,430,040

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

34. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

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 RM481,000 (2019: RM515,000) 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.

Due to the volatility in CPO price over the past 12 months, the Group entered into CPO - commodity futures and swap contracts to hedge against the volatility of the purchase/selling price of FFB for specific period. Changes in the spot and forward prices of CPO will cause corresponding changes in the fair values of the commodity futures contracts.

Determination of fair value

Fair value of the commodity futures and swap contracts is determined by reference to the difference between the contracted rate and the price quoted at the reporting date for contracts with similar maturity profiles.

(e) Foreign currency exchange risk

The financial assets of the Group and of the Company which are not denominated in their functional currency are as follows:

Financial assets held in non-functional currency

	Group and Company	
	2020	2019
	RM	RM
Cash and bank balances denominated in:		
- USD	5,894,028	5,792,166

Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity of the Group's and Company's profit net of tax to a reasonably possible change in the exchange rates, with all other variables held constant.

	Group and Company	
	Increase/(decrease)	
	in profit net of tax	
	2020	2019
	RM	RM
USD/RM		
- Strengthen by 3%	134,384	132,061
- Weaken by 3%	(134,384)	(132,061)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

35. 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

	Carrying amount		Fair value	
	2020 RM	2019 RM	2020 RM	2019 RM
Company				
Financial assets:				
Other receivables (non-current) (Note 20)				
- Amount owing from subsidiary companies	139,597,286	128,761,321	*	*

* The amount owing from subsidiaries which have no fixed terms of repayment 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.

(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:

	Note
Trade and other receivables (current)	20
Trade and other payables (current)	25

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 approximation of fair value.

The carrying amounts of the current portion of borrowings are reasonable approximation of fair value 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) Short term funds

The short term funds are valued at market prices quoted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

35. Fair value of financial instruments (cont'd)

(vi) Fair value hierarchy

As at the financial year end, the Group and the Company held the following financial assets and liabilities measured at fair value:

Group	31 January 2020 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value through profit or loss				
Biological assets	3,128,000	-	-	3,128,000
Short term funds	94,479,110	94,479,110	-	-
	97,607,110	94,479,110	-	3,128,000
<hr/>				
	31 January 2019 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value through profit or loss				
Biological assets	2,611,000	-	-	2,611,000
Short term funds	78,436,569	78,436,569	-	-
Derivatives - Commodity futures	262,750	262,750	-	-
	81,310,319	78,699,319	-	2,611,000
<hr/>				
Company	31 January 2020 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value through profit or loss				
Biological assets	456,000	-	-	456,000
Short term funds	35,466,398	35,466,398	-	-
	35,922,398	35,466,398	-	456,000
<hr/>				
	31 January 2019 RM	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value through profit or loss				
Biological assets	246,000	-	-	246,000
Short term funds	34,163,790	34,163,790	-	-
	34,409,790	34,163,790	-	246,000

There were no transfers between the various categories in the hierarchy of fair value measurement during the reporting periods ended 31 January 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

36. Financial instruments

The financial instruments of the Group and of the Company are categorised into the following classes:

	Note	2020 RM	2019 RM
Group			
(a) Debt instruments carried at amortised cost			
Trade and other receivables	20	40,318,059	31,691,643
Cash and bank balances	23	148,640,722	194,697,829
		188,958,781	226,389,472
(b) Financial assets measured at fair value through profit or loss			
Derivatives	21	-	262,750
Short term funds	22	94,479,110	78,436,569
		94,479,110	78,699,319
(c) Financial liabilities carried at amortised cost			
Trade and other payables	25	63,931,122	51,807,424
Loans and borrowings	26	14,258,993	19,302,297
		78,190,115	71,109,721
Company			
(a) Debt instruments carried at amortised cost			
Trade and other receivables	20	146,175,252	135,879,094
Cash and bank balances	23	13,008,018	46,171,908
		159,183,270	182,051,002
(b) Financial assets measured at fair value through profit or loss			
Short term funds	22	35,466,398	34,163,790
(c) Financial liabilities carried at amortised cost			
Trade and other payables	25	5,951,124	4,430,040

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

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 2020 and 31 January 2019.

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 short term funds and cash and bank balances, excluding discontinued operations.

	Note	2020 RM	Group 2019 RM
Loans and borrowings	26	14,258,993	19,302,297
Trade and other payables	25	63,931,122	51,807,424
Less: Short term funds	22	(94,479,110)	(78,436,569)
Less: Cash and bank balances	23	(148,640,722)	(194,697,829)
<i>Net debt</i>		(164,929,717)	(202,024,677)
Equity attributable to the owners of the Company		719,731,670	734,788,707
Non-controlling interests		87,294,098	91,063,176
<i>Total equity</i>		807,025,768	825,851,883
Capital and net debt		642,096,051	623,827,206
Net gearing ratio		N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

38. Dividends

	Group and Company	
	2020	2019
	RM	RM
Recognised during the year		
In respect of financial year 2018:		
- Final single-tier dividend of 3 sen per share	-	28,008,198
In respect of financial year 2019:		
- Interim single-tier dividend of 3 sen per share	-	28,008,220
- Final single-tier dividend of 3 sen per share	28,008,220	-
In respect of financial year 2020:		
- Interim single-tier dividend of 3 sen per share	28,008,220	-
	<hr/>	<hr/>
	56,016,440	56,016,418
Proposed for approval at AGM (not recognised as at 31 January):		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final single-tier dividend for 2020: Nil (2019: 3 sen) per share	-	28,008,220

39. Significant events subsequent to the financial year end

- (1) On 19 February 2020, the Company announced that it entered into four (4) separate conditional Sale and Purchase Agreements with (1) Greenfingers Sdn. Bhd.; (2) R & H Sdn. Bhd.; (3) Bakti Perusahaan Sdn. Bhd.; and (4) Sri Handal Sdn. Bhd. (collectively referred to as "the Vendors") to acquire oil palm plantation lands in Sabah with a total gross land area of approximately 2,862 acres ("the Acquisitions"). The total cash purchase consideration is RM92,538,290 which is approximately RM32,500 per acre.

The Acquisitions are not subject to the shareholders' approval. However, the Acquisitions are subject to the relevant authorities' approvals such as the Sabah's Ministry of Agriculture and Fisheries.

Barring any unforeseen circumstances, the Acquisitions are expected to be completed by the third quarter of the year 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020 (cont'd)

39. Significant events subsequent to the financial year end (cont'd)

- (2) Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures, including Movement Control Order ("MCO"), have been implemented to curb the COVID-19 outbreak in Malaysia where the Group operates. The Group has seen macro-economic uncertainty with regards to price and demand for its main product, crude palm oil ("CPO"), as a result of the COVID-19 outbreak. Furthermore, recent global developments and uncertainty in the market have caused unprecedented abnormality and large scale volatility in the crude oil commodity market which is generally perceived to have impact on CPO price. The scale and duration of these developments remain uncertain but could impact on the Group's earnings, cash flows and financial condition going forward.

The COVID-19 outbreak is a non-adjusting event as the consequences have no impact on the Group's financial performance up to 31 January 2020.

Nevertheless, the plantations and palm oil milling operations of the Group have been running largely as usual during the MCO period as the Group's principal activities are classified as essential services. The Group's monthly production of FFB has recovered from seasonal low yield cycle to nearly 30,000 MT in April 2020, representing an impressive 79% increase as compared to 16,700 MT in January 2020. As for CPO production, the Group records a production of over 27,000 MT in April 2020 which is 75% higher than 15,500 MT in January 2020.

The national average CPO price has declined by 24% gradually from RM3,014 per MT for January 2020 to RM2,299 per MT for April 2020. The decline in price is partly caused by drop in demand for CPO as well as biodiesel in Indonesia due to COVID-19 pandemic.

Based on the above, the COVID-19 outbreak has not caused significant impact on the Group up to the date of this report.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 January 2020 were authorised for issue in accordance with a resolution of the Directors on 5 June 2020.

ANALYSIS OF SHAREHOLDINGS

As at 22 May 2020

Issued and Fully Paid Up Capital : RM318,433,258 consisting of 935,413,332 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	54	1.21	1,636	0.00
100 to 1,000 shares	308	6.92	177,110	0.02
1,001 to 10,000 shares	2,100	47.20	11,221,000	1.20
10,001 to 100,000 shares	1,641	36.89	51,612,047	5.53
100,001 to less than 5% of shares	345	7.76	277,525,789	29.73
5% and above of shares	1	0.02	593,069,750	63.52
Total	4,449	100.00	933,607,332^Ω	100.00

Ω is equivalent to 935,413,332 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	593,069,750	63.52
2. Teo Chuan Keng Sdn. Bhd.	20,297,800	2.17
3. Morisem Consolidated Sdn. Bhd.	18,263,400	1.96
4. Krishnan Chellam	15,189,900	1.63
5. Koperasi Polis DiRaja Malaysia Berhad	7,500,000	0.80
6. Amanahraya Trustees Berhad - PB Smallcap Growth Fund	6,879,600	0.74
7. Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	6,059,100	0.65
8. Adam Helmi bin Timbas Helmi	6,000,000	0.64
9. Neoh Choo Ee & Company, Sdn. Berhad	5,094,594	0.55
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. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt an for Bank of Singapore Limited (Local)	4,300,000	0.46
14. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB for Prudent Strength Sdn. Bhd. (PB)	3,877,100	0.42
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. Ang Chai Eng	3,373,200	0.36
18. Heng Yuen Sdn. Bhd.	3,259,200	0.35
19. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	3,209,997	0.34
20. HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	3,046,100	0.33

ANALYSIS OF SHAREHOLDINGS

As at 22 May 2020 (cont'd)

Name of Shareholders	No. of Shares held	% of Total
		Number of Issued Shares
21. Gooi Seong Chneh	3,037,080	0.33
22. Lim Weng Ho	2,832,800	0.30
23. UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. - Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	2,636,656	0.28
24. Teo Tian Chai Sdn. Bhd.	2,538,800	0.27
25. Radeshah binti Ridzwani	2,507,400	0.27
26. Khoo Heng Suan	2,482,380	0.27
27. Loh Boon Hong	2,470,000	0.26
28. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gan Tee Jin	2,394,000	0.26
29. Loh Boon Siong	2,364,000	0.25
30. Loh Boon Fan	2,229,600	0.24
TOTAL	745,480,193	79.85

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 of Issued Shares	
	Direct	Indirect	Direct	Indirect
Sharikat Kim Loong Sendirian Berhad	594,916,406	-	63.72	-
Gooi Seong Lim	2,550,656 ^(a)	602,519,603 ^(b)	0.27	64.54
Gooi Seong Heen	5,303,736 ^(c)	598,511,606 ^(d)	0.57	64.11
Gooi Seong Chneh	4,883,736	598,511,606 ^(e)	0.52	64.11
Gooi Seong Gum	397,800	598,679,606 ^(f)	0.04	64.13

ANALYSIS OF SHAREHOLDINGS

As at 22 May 2020 (cont'd)

DIRECTORS' SHAREHOLDINGS (As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	Shareholdings	%	Shareholdings	%
Gooi Seong Lim	2,550,656 ^(a)	0.27	602,519,603 ^(b)	64.54
Gooi Seong Heen	5,303,736 ^(c)	0.57	598,511,606 ^(d)	64.11
Gooi Seong Chneh	4,883,736	0.52	598,511,606 ^(e)	64.11
Gooi Seong Gum	397,800	0.04	598,679,606 ^(f)	64.13
Gan Kim Guan	-	-	-	-
Chan Weng Hoong	-	-	-	-
Cheang Kwan Chow	-	-	-	-
Gooi Khai Chien	-	-	2,999,997 ^(g)	0.32
Gooi Chuen Kang	-	-	-	-

Notes:-

- (a) 2,550,656 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 594,916,406 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) Sdn. Bhd. respectively.
- (d) Deemed interest by virtue of his interest in SKL which holds 594,916,406 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 594,916,406 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 594,916,406 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 22 May 2020

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	:	2,625
No. of Warrants unexercised	:	46,677,610

DISTRIBUTION OF WARRANT HOLDINGS (As per Record of Depositors)

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Total Warrants
Less than 100 warrants	293	8.77	10,827	0.02
100 to 1,000 warrants	1,932	57.81	741,556	1.59
1,001 to 10,000 warrants	902	26.99	2,517,383	5.39
10,001 to 100,000 warrants	182	5.44	5,587,776	11.97
100,001 to less than 5% of warrants	32	0.96	8,376,190	17.95
5% and above of warrants	1	0.03	29,443,878	63.08
Total	3,342	100.00	46,677,610	100.00

THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors)

Name of Warrant Holders	No. of Warrants Held	% of Total Warrants
1. Sharikat Kim Loong Sendirian Berhad	29,443,878	63.08
2. Morisem Consolidated Sdn. Bhd.	913,170	1.96
3. Krishnan Chellam	801,360	1.72
4. Teo Chuan Keng Sdn. Bhd.	696,980	1.49
5. Tee Swee Keng	589,300	1.26
6. Amanahraya Trustees Berhad - PB Smallcap Growth Fund	403,515	0.86
7. Koperasi Polis DiRaja Malaysia Berhad	375,000	0.80
8. Ow Choo Aun	307,000	0.66
9. Adam Helmi bin Timbas Helmi	300,000	0.64
10. Neoh Choo Ee & Company, Sdn. Berhad	254,729	0.55
11. Gan Teng Siew Realty Sdn. Berhad	225,000	0.48
12. Golden Fresh Sdn. Bhd.	225,000	0.48
13. Key Development Sdn. Berhad	225,000	0.48
14. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt an for Bank of Singapore Limited (Local)	212,850	0.46
15. Tee See Kim	200,700	0.43
16. Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	192,900	0.41
17. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB for Prudent Strength Sdn. Bhd. (PB)	192,255	0.41
18. Gooi Seow Mee	180,532	0.39
19. Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gooi Seong Heen (E-JBU)	172,854	0.37
20. Loh Gek Hong	170,000	0.36
21. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yeo Eng Tee	164,000	0.35
22. Heng Yuen Sdn. Bhd.	162,960	0.35
23. Ang Chai Eng	161,850	0.35

ANALYSIS OF WARRANT HOLDINGS

As at 22 May 2020 (cont'd)

Name of Warrant Holders	No. of Warrants Held	% of Total Warrants
24. Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	160,499	0.34
25. Gooi Seong Chneh	151,854	0.33
26. Radeshah binti Ridzwani	125,370	0.27
27. Maybank Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ahmad Zaidan bin Hj Khairuddin Mohd (REM 646- Margin)	125,000	0.27
28. Loh Boon Hong	123,000	0.26
29. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gan Tee Jin	119,700	0.26
30. Loh Boon Siong	118,200	0.25
TOTAL	37,494,456	80.32

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 ^(a)	0.22	29,916,369 ^(b)	64.09
Gooi Seong Heen	265,186 ^(c)	0.57	29,715,970 ^(d)	63.66
Gooi Seong Chneh	244,186	0.52	29,715,970 ^(e)	63.66
Gooi Seong Gum	19,890	0.04	29,724,370 ^(f)	63.68
Gan Kim Guan	-	-	-	-
Chan Weng Hoong	-	-	-	-
Cheang Kwan Chow	-	-	-	-
Gooi Khai Chien	-	-	149,999 ^(g)	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) Sdn. 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 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 2020 RM'000
Kim Loong Resources Berhad.						
- CL 085311253	31/12/2077	Oil palm plantation	80.86	01 Feb 2017	Not applicable	6,418
- CL 085313079	31/12/2078	Oil palm plantation	384.25	01 Feb 2017	Not applicable	31,165
- CL 085311306	31/12/2077	Oil palm plantation	121.45	01 Feb 2017	Not applicable	9,019
- CL 085311315	31/12/2077	Oil palm plantation	102.51	01 Feb 2017	Not applicable	7,660
- CL 085311244 District of Beluran, Sabah	31/12/2077	Oil palm plantation	166.53	01 Feb 2017	Not applicable	12,817
- CL 095317552	31/12/2085	Oil palm plantation	6.07	01 Feb 2017	Not applicable	476
- CL 095317561	31/12/2085	Oil palm plantation	5.93	01 Feb 2017	Not applicable	466
- CL 095315058	31/12/2085	Oil palm plantation	303.39	01 Feb 2017	Not applicable	21,984
- CL 095317436	31/12/2087	Oil palm plantation	14.25	01 Feb 2017	Not applicable	1,114
- CL 095310777	31/12/2078	Oil palm plantation	395.78	01 Feb 2017	Not applicable	30,314
- CL 095315049	31/12/2085	Oil palm plantation	343.90	01 Feb 2017	Not applicable	28,771
- CL 095316957	31/12/2086	Oil palm plantation	80.82	01 Feb 2017	Not applicable	6,313
- CL 095310428	31/12/2077	Oil palm plantation	81.06	01 Feb 2017	Not applicable	6,434
- CL 095310982	31/12/2078	Oil palm plantation	400.56	01 Feb 2017	Not applicable	31,129
- CL 095310526 District of Kinabatangan, Sabah	31/12/2077	Oil palm plantation	243.74	01 Feb 2017	Not applicable	18,299
- Lot 7052, Section 64 Jalan Sekama Kuching, Sarawak	31/12/2779	Shoplot office	-	(01 Feb 2010)	36 years	1,180
- H.S.(D) 570643 (PN 73481), PTD 228528 (Lot 210827) Mukim Plentong, Johor Bahru, Johor	27/10/2911	Single storey semi-detached factory with two storey office (under construction)	-	(28 May 2019)	-	2,667
- H.S.(D) 570644 (PN 73482), PTD 228529 (Lot 210828) Mukim Plentong, Johor Bahru, Johor	27/10/2911	Single storey semi-detached factory with two storey office (under construction)	-	(28 May 2019)	-	3,276
Kim Loong - KPD Plantations Sdn. Bhd.						
- CL 255332631	31/12/2086	Oil palm plantation	1,610.00	31 Jan 2004	Not applicable	24,226
- CL 255340160 District of Tongod, Sabah	30/06/2062	Oil palm plantation	385.60 ⁽¹⁾	31 Jan 2004	Not applicable	7,721
Okidville Holdings Sdn. Bhd.						
- CL 135328782 Sook, District of Keningau, Sabah	31/12/2083	Oil palm plantation	2,755.50	31 Jan 2004	Not applicable	36,466

LIST OF 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 2020 RM'000
Desa Okidville						
Sdn. Bhd.						
- CL 135367930 Sook, District of Keningau, Sabah	31/12/2080	Oil palm plantation	4,355.55	31 Jan 2004	Not applicable	48,838
Desa Kim Loong						
Palm Oil Sdn. Bhd.						
- CL 135367912	31/12/2080	Palm oil mill	12.14	01 Feb 2011	17 years	9,921
- CL 135367921	31/12/2080	Oil palm plantation	27.51	01 Feb 2011	Not applicable	3,405
- Part of CL 135367903 Sook, District of Keningau, Sabah	29/02/2064	Housing area, water reservoir and POME area	77.13 ⁽¹⁾	(01 Mar 2004)	Not applicable	3,602
Kim Loong Palm Oil Mills						
Sdn. Bhd.						
- GRN 60265, Lot 2420	Freehold	Palm oil mill	24.18	01 Feb 2011	23 years	17,372
- H.S.(D) 32061, PTD 3878 &H.S.(D) 32062, PTD 3879 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Vacant land	8.22	01 Feb 2011	Not applicable	8,726
Winsome Al-Yatama						
Sdn. Bhd.						
- H.S.(D) 34747, PTD 828 Mukim Hulu Sg Sedeli Besar, Kota Tinggi, Johor	08/11/2064	Oil palm plantation	1,085.63 ⁽¹⁾	(09 Nov 2004)	Not applicable	18,226
Palm Nutraceuticals						
Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory/office ⁽²⁾	-	Not applicable	15 years	966
Kim Loong Technologies						
Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory ⁽²⁾	-	Not applicable	14 years	812
Kim Loong Sabah Mills Sdn. Bhd.						
- CL 255340179 District of Tongod, Sabah	31/12/2086	Palm oil mill	13.80	01 Feb 2011	12 years	13,352

LIST OF 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 2020 RM'000
Kim Loong Technologies (Sabah) Sdn. Bhd.						
- CL 135367912 Sook, District of Keningau, Sabah	31/12/2080	Factory ⁽²⁾	-	Not applicable	10 years	791
Kim Loong Power Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory/store ⁽²⁾	-	Not applicable	11 years	1,097
- CL 135367912 Sook, District of Keningau, Sabah	31/12/2080	Fencing ⁽²⁾	-	Not applicable	10 years	18
- CL 255340179 District of Tongod, Sabah	31/12/2086	Factory ⁽²⁾	-	Not applicable	7 years	786
Winsome Pelita (Pantu) Sdn. Bhd.						
- Sungai Tenggara and Kranggas/ Mawang Sri Aman, Sarawak	NCR Native Land 60 years	Oil palm plantation	2,773.70	(06 Jan 2010)	Not applicable	49,563
Winsome Jaya Sdn. Bhd.						
- H.S.(D) 34748, PTD 413 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	26/08/2111	Oil palm plantation	47.74 ⁽¹⁾	(27 Aug 2013)	Not applicable	597
15,907.80						465,987

⁽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

錦隆資源有限公司
197501000991(22703-K)

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-fifth 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 Tuesday, 28 July 2020 at 11.00 a.m. and at any adjournment thereof in the manner as indicated below:-

No.	Ordinary Resolution	For	Against
1.	Payment of Directors' fees		
2.	Payment of Directors' benefits		
3.	Re-election of Director : Mr. Gooi Seong Heen		
4.	Re-election of Director : Mr. Gan Kim Guan		
5.	Re-election of Director : Mr. Chan Weng Hoong		
6.	Re-appointment of Auditors		
7.	Authority to allot and issue shares		
8.	Proposed Renewal of Authority for Share Buy-Back		
9.	Retention of Independent Non-Executive Director : Mr. Gan Kim Guan		
10.	Retention of Independent Non-Executive Director : Mr. Chan Weng Hoong		
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 _____ 2020

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 21 July 2020 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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STAMP

The Secretary

KIM LOONG RESOURCES BERHAD

Unit No. 203, 2nd 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

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