KLK

Annual Report 2019

KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

Taking pride in our experience and heritage, we adopted a refreshed standardised logo for Kuala Lumpur Kepong Berhad ("KLK") with an added emphasis on the KLK brand. We believe that the new look better matches how the Company has evolved over the years. It's still us – KLK, but more consistent, cohesive and instantly recognisable.

INSIDE THIS REPORT

OUR ORGANISATION

p.2 – p.85

GOVERNANCE

p.86 – p.110

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1

Download the "QR Code Reader" on Apple App Store or Google Play Store

2

Run the QR Code Reader app and point your camera to the QR Code

3

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The soft copy of KLK Annual Report 2019 is available on our website.
Go to *www.klk.com.my* or scan the code above with your smartphone.

FINANCIAL STATEMENTS

p.111 – p.209

OTHERS

p.210 – p.232

CORPORATE INFORMATION

BOARD OF DIRECTORS

R. M. ALIAS
Chairman

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

DATO' LEE HAU HIAN
Non-Independent
Non-Executive Director

DATO' YEOH ENG KHOON
Senior Independent
Non-Executive Director

TAN SRI AZLAN BIN MOHD ZAINOL
Independent
Non-Executive Director

QUAH POH KEAT
Independent
Non-Executive Director

ANNE RODRIGUES
Independent
Non-Executive Director

LEE JIA ZHANG
Executive Director

COMPANY SECRETARY
Yap Miow Kien

AUDITORS
BDO PLT

PLACE OF INCORPORATION AND DOMICILE
In Malaysia as a public limited liability company

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh
Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : *www.klk.com.my*

SHARE REGISTRAR
Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor, Malaysia
Tel : +603-7890 4700
Fax : +603-7890 4670
Email : BSR.Helpdesk@boardroomlimited.com

PRINCIPAL BANKERS
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Listed on Main Market of Bursa Malaysia Securities
Berhad on 6 February 1974
Stock Code : 2445
Stock Name : KLK

47TH ANNUAL GENERAL MEETING

Venue:
WEIL Hotel
Ballroom 1, Level 6
292 Jalan Sultan Idris Shah
30000 Ipoh, Perak, Malaysia

Day/Date:
Tuesday,
18 February 2020

Time:
11.00 a.m.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

ANNOUNCEMENT OF RESULTS	INTERIM DIVIDEND	FINAL DIVIDEND
First Quarter **18 FEBRUARY 2019**	Announcement **15 MAY 2019**	Announcement **26 NOVEMBER 2019**
Second Quarter **15 MAY 2019**	Entitlement Date **15 JULY 2019**	Entitlement Date*
Third Quarter **20 AUGUST 2019**	Payment Date **6 AUGUST 2019**	Payment Date*
Fourth Quarter **19 NOVEMBER 2019**		

* Will be announced in due course

KEY INDICATORS

REVENUE

RM **15.534** billion

FY2018: RM18.384 billion

EARNINGS PER SHARE

58.0 sen

FY2018: 57.2 sen

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

RM **617.5** million

FY2018: RM609.4 million

SHARE PRICE*

RM **23.41**

30 September 2018: RM24.96

DIVIDEND PER SHARE

50 sen

FY2018: 45 sen

MARKET CAPITALISATION**

RM **24.931** billion

30 September 2018: RM26.582 billion

* Average closing price on 30 September 2019

** Based on average closing price on 30 September 2019

CORPORATE PROFILE


Harvester at Ladang Kekayaan


Pilot Plant at Palm-Oleo Klang


Hampton Residences

PLANTATION

KLK started as a plantation company in 1906 and today, the development of oil palm and rubber remains the Group's core business. In over 110 years of operations, the Group's sound management and strategic acquisitions have resulted in close to 225,000 hectares of planted area for both crops. Our landbank extends across Malaysia (Peninsula and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia.

MANUFACTURING

KLK ventured into resource-based manufacturing in the 1990s to optimise value across the supply chain by vertically integrating its upstream business with downstream capabilities in oleochemicals, derivatives and specialty chemicals. Today, the Group is a global oleochemical producer with complexes located strategically in Malaysia, Indonesia, China and Europe. Our products are used in diverse end-use application, including home & personal care, pharmaceuticals, food & nutrition, flavours & fragrances, lubricants and industrial chemicals.

PROPERTY DEVELOPMENT

Property development became another key business as the Group capitalised on its strategic landbank location in Peninsular Malaysia. KLK made its first foray into property development in 1990 through the gated and guarded development of Sierramas, a joint venture with Tan & Tan Developments Bhd. The Group is presently focused on its Bandar Seri Coalfields, a 1,001-acre township.

MISSION

STRIVE FOR EXCELLENCE

- Offering quality products and services at competitive prices.
- Being a good and responsible corporate citizen.
- Earning a fair return on investments.
- Maintaining steady dividend payments and adequate dividend cover.
- Sustaining growth through re-investment of retained profits.
- Maintaining a high standard of business ethics and practices.
- Fulfilling our social responsibilities in the community in which we operate.

VALUES

TEAM SPIRIT
We cooperate with our colleagues across geographical, divisional and functional boundaries to achieve Company's goals.

T

HUMILITY
We respect our colleagues as partners and regard them as valuable contributors to our Company's success.

H

RESULT-ORIENTED PERFORMANCE
We take pride in our work and are happy to walk the extra mile to get the desired results.

R

INTEGRITY
We value professional honesty and sincerity above all.

I

INNOVATION
We seek better ways of doing things and embrace change to adapt our business to the market and environment.

I

LOYALTY
We care for our colleagues as family and the Company as our own. We uphold the Company's interest through thick and thin.

L

LOCATION OF THE GROUP'S OPERATIONS

AS AT 30 SEPTEMBER 2019

PLANTATION

MALAYSIA
- Peninsular Malaysia
- Sabah

INDONESIA
- Belitung Island
- Central Kalimantan
- East Kalimantan
- Sumatra

LIBERIA

MANUFACTURING

MALAYSIA
- Peninsular Malaysia

CHINA

INDONESIA
- Sumatra

SWITZERLAND

BELGIUM

GERMANY

THE NETHERLANDS

PROPERTY DEVELOPMENT

MALAYSIA
- Peninsular Malaysia

OTHERS (FARMING)

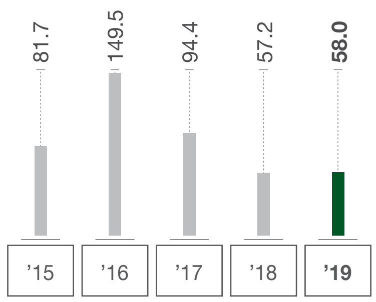
AUSTRALIA
- Western Australia

LOCATION OF THE GROUP'S OPERATIONS

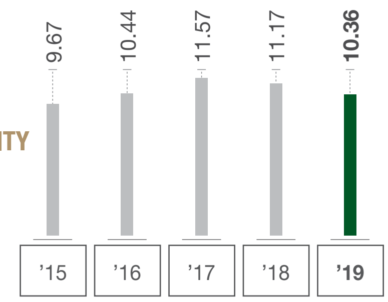
AS AT 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

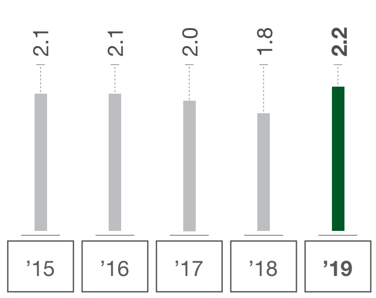
EARNINGS PER SHARE
(SEN)



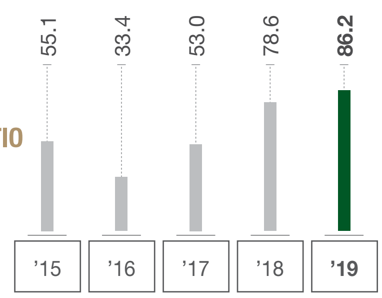
SHAREHOLDERS' EQUITY
(RM BILLION)



DIVIDEND YIELD
(%)



DIVIDEND PAYOUT RATIO
(%)

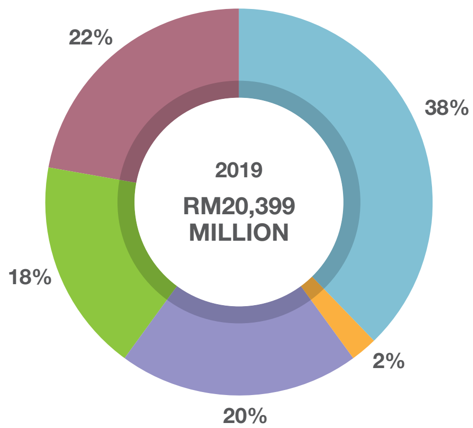


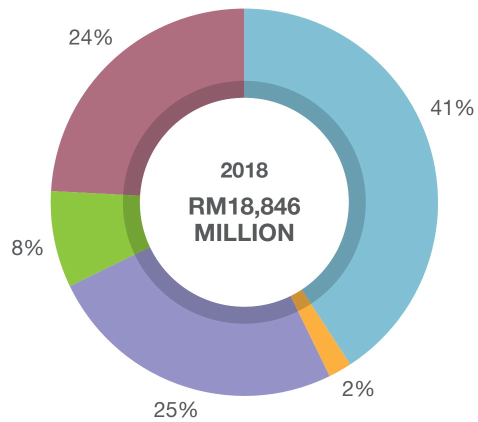
In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 and FY2019 have been prepared in accordance with MFRS, while the information for FY2015 to FY2017 have been prepared in accordance with Financial Reporting Standards ("FRS").

SIMPLIFIED GROUP ASSETS & LIABILITIES

AS AT 30 SEPTEMBER 2019

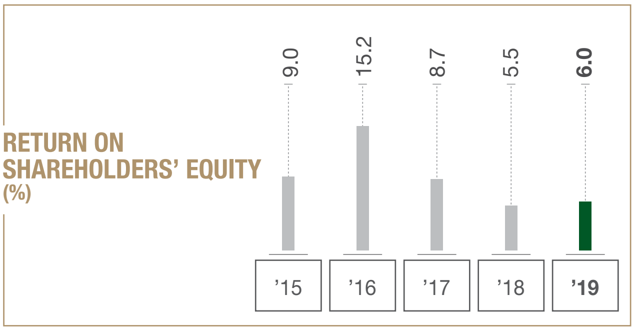
TOTAL ASSETS

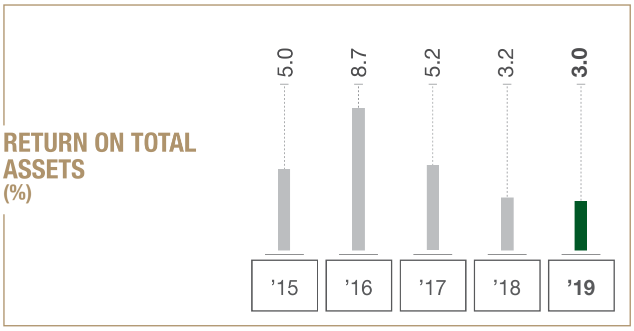


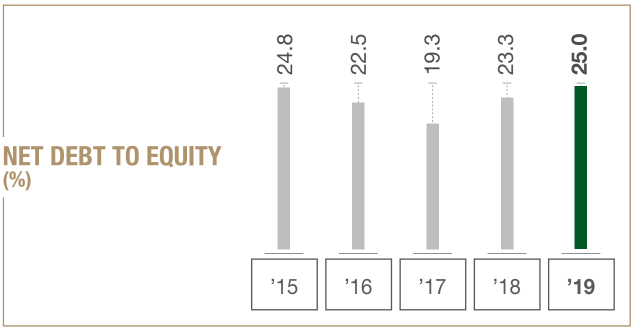


	2019		2018	
Property, Plant and Equipment	RM7,749 million	38%	RM7,757 million	41%
Prepaid Lease Payments	RM340 million	2%	RM375 million	2%
Other Non-Current Assets	RM4,177 million	20%	RM4,722 million	25%
Short Term Funds and Cash and Cash Equivalents	RM3,700 million	18%	RM1,473 million	8%
Other Current Assets	RM4,433 million	22%	RM4,519 million	24%

FINANCIAL HIGHLIGHTS

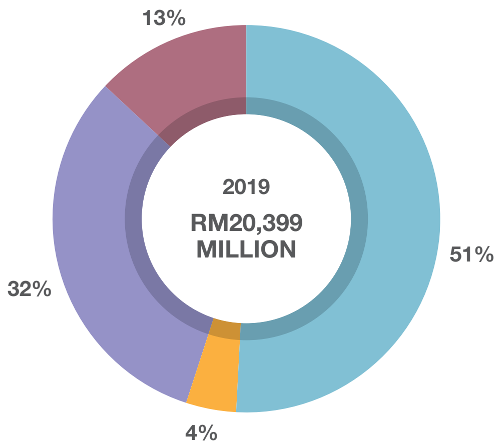


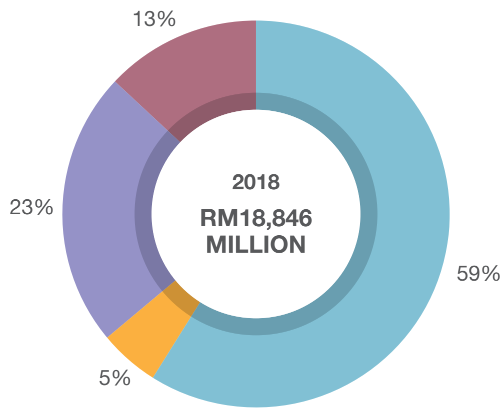




In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 and FY2019 have been prepared in accordance with MFRS, while the information for FY2015 to FY2017 have been prepared in accordance with Financial Reporting Standards ("FRS").

TOTAL EQUITY & LIABILITIES





	2019		2018	
Shareholders' Equity	RM10,360 million	51%	RM11,167 million	59%
Non-Controlling Interests	RM926 million	4%	RM879 million	5%
Borrowings	RM6,519 million	32%	RM4,283 million	23%
Other Liabilities	RM2,594 million	13%	RM2,517 million	13%

BOARD OF DIRECTORS

1
DATO' LEE HAU HIAN
Non-Independent
Non-Executive Director

2
QUAH POH KEAT
Independent
Non-Executive Director

3
ANNE RODRIGUES
Independent
Non-Executive Director

4
TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

BOARD OF DIRECTORS

5

R. M. ALIAS
Chairman

6

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

7

TAN SRI AZLAN BIN MOHD ZAINOL
Independent Non-Executive Director

8

LEE JIA ZHANG
Executive Director

PROFILE OF DIRECTORS

5/5
Meeting Attendance

R. M. ALIAS

Chairman

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Nomination Committee
Aged 87 • Male • Malaysian

Joined the Board on 1 July 1978 and has been the Chairman of KLK since 2008.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is also a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

5/5
Meeting Attendance

TAN SRI DATO' SERI LEE OI HIAN

Chief Executive Officer

Executive Director
Aged 68 • Male • Malaysian

Joined the Board on 1 February 1985 and is the CEO of KLK.

Tan Sri Dato' Seri Lee graduated with a Bachelor of Agricultural Science (Honours) degree from the University of Malaya and obtained his Master in Business Administration from Harvard Business School.

He joined the Company in 1974 as an executive and was subsequently appointed to the Board in 1985. In 1993, he was appointed as the Group's Chairman/CEO and held the position until 2008, when he relinquished his role as Chairman, but remains as Executive Director and CEO of the Group.

He is the Chairman of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Equatorial Palm Oil Plc. He also serves as a member on the Board of Trustees of the Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley. He was formerly the Chairman of the Malaysian Palm Oil Council.

Tan Sri Dato' Seri Lee is the brother of Dato' Lee Hau Hian and the father of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, one of the major shareholders of KLK, and is also deemed interested in various related party transactions with the KLK Group.

PROFILE OF DIRECTORS

5/5
Meeting Attendance

DATO' LEE HAU HIAN

Non-Independent Non-Executive Director

Member of Remuneration Committee
Member of Nomination Committee
Aged 66 • Male • Malaysian

Joined the Board on 20 December 1993.

Dato' Lee graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a Master in Business Administration from Stanford University.

He is the Managing Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Synthomer plc and the President of the Perak Chinese Maternity Association. Besides serving as a Director of Yayasan De La Salle and See Sen Chemical Berhad, he is also a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian and the uncle of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, a major shareholder of KLK, and is also deemed interested in various related party transactions with the KLK Group.

5/5
Meeting Attendance

DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director

Chairman of Audit and Risk Committee
Chairman of Nomination Committee
Aged 72 • Male • Malaysian

Joined the Board on 24 February 2005.

Dato' Yeoh obtained his Bachelor of Arts (Honours) degree in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

His past working experience included banking, manufacturing and retail business.

He is a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of See Sen Chemical Berhad as well as a member on the Board of Trustees of Yayasan KLK.

PROFILE OF DIRECTORS

5/5
Meeting Attendance

5/5
Meeting Attendance

TAN SRI AZLAN BIN MOHD ZAINOL

Independent Non-Executive Director

Member of Nomination Committee
Member of Remuneration Committee
Aged 69 • Male • Malaysian

Joined the Board on 13 May 2013.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England and Wales; a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants; and a Fellow Chartered Banker of the Asian Institute of Chartered Bankers.

He served as the Chief Executive Officer of the Employees Provident Fund Board from 2001 to April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmFinance Berhad (1982 to 1994), AmBank Berhad (1994 to 2001), and Director for several subsidiaries of AmBank Group (1996 to 2001). Prior to that, he was a partner with Messrs. BDO Binder. He was also a Council Member of the Asian Institute of Chartered Bankers.

Currently, he is the Chairman of RHB Bank Berhad, Malaysian Resources Corporation Berhad and Eco World International Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad, and the Chairman of RHB Investment Bank Berhad. He is also the Chairman of Financial Reporting Foundation, the Chairman on the Board of Trustees of Yayasan Astro Kasih and a member on the Board of Trustees of the OSK Foundation.

QUAH POH KEAT

Independent Non-Executive Director

Member of Audit and Risk Committee
Aged 67 • Male • Malaysian

Appointed to the Board on 18 February 2016.

Mr. Quah is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

He was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

He had served as a Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank from 1 October 2013 until 31 December 2015. Prior to that, he was also a Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Mr. Quah is experienced in auditing, tax and insolvency practices and has worked in Malaysia and the United Kingdom; his field of expertise includes restructuring, demergers and privatisation.

Currently, he is a Director of LPI Capital Bhd, Paramount Corporation Berhad and Malayan Flour Mills Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Boards of Public Mutual Berhad, Lonpac Insurance Berhad, Public Bank (Hong Kong) Ltd, Public Bank Vietnam Limited, Public Finance Ltd, Public Financial Holdings Ltd, Cambodian Public Bank Ltd, Campu Lonpac Insurance Plc and Campu Securities Plc. He also serves as a member on the Board of Trustees of the Public Foundation.

PROFILE OF DIRECTORS

5/5
Meeting Attendance

5/5
Meeting Attendance

ANNE RODRIGUES

Independent Non-Executive Director

Member of Audit and Risk Committee
Aged 69 • Female • Malaysian

Appointed to the Board on 6 September 2017.

Mrs. Anne Rodrigues holds a Bachelor of Economics (Class 1 Honours) degree from University of Malaya and obtained her Master in Business Administration (Distinction) from University of Bath. She is a Member of Malaysian Institute of Accountants and also a Fellow of the Association of Chartered Certified Accountants. She has obtained a Certificate on "Project Appraisal and Risk Analysis Management for Bankers" from Harvard Institute for International Development and Institute of Banks Malaysia and has also completed a training programme on the "Japanese Securities Business" run by the Nomura Securities Co. Ltd. Japan.

She started her career with Federal Land Development Authority ("Felda") in 1973. From 1984 to 1997, she was seconded by Felda to various companies and gained diverse financial experience in Malaysia International Shipping Corporation Berhad and Boustead Group. She returned to serve Felda Holdings Berhad as its Group Finance Director from 1998 to 2006 and Senior Executive Director (Finance) from 2006 to 2009. Thereafter, she was the Group Chief Financial Officer, and subsequently Financial Advisor of Felda Global Ventures Holdings Berhad. Her last position was as Chief Financial Officer of TRT US Inc from September 2011 to 2012. Currently, she serves as a member of the Financial Reporting Foundation.

LEE JIA ZHANG

Executive Director

Aged 36 • Male • Malaysian

Appointed to the Board on 16 May 2018.

Mr. Lee Jia Zhang holds a Master in Chemical Engineering (Hons) degree (MEng) from Imperial College, United Kingdom. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants Scotland (ICAS). He has also completed the Accelerated Development Programme from the University of Chicago Booth School of Business (Executive Education).

He began his career with Ernst & Young LLP, United Kingdom from 2006 to 2009 and thereafter with KPMG, Kuala Lumpur in 2009 both in audit. He then joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. He started his career in KLK as a Senior Manager and is currently an Executive Director within the Group overseeing corporate and business functions including mergers and acquisitions as well as managing few subsidiaries. His last role was managing director in one of the Group's oleochemical business unit.

Mr. Lee Jia Zhang is the son of Tan Sri Dato' Seri Lee Oi Hian and the nephew of Dato' Lee Hau Hian. Both Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are Directors and substantial shareholders of KLK.

ADDITIONAL INFORMATION:

1. Save as disclosed in the Profile of Directors, none of the Directors has:
   (i) any directorship in public companies and listed issuers;
   (ii) any family relationship with any Director and/or major shareholder of KLK; and
   (iii) any conflict of interest with KLK.
2. None of the Directors has:
   (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.
3. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 89.

PROFILE OF KEY SENIOR MANAGEMENT

1

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

Aged 68, Male
Malaysian

Tan Sri Dato' Seri Lee was appointed as the Group's Chairman/CEO in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and CEO of the Group. His profile is listed in the Profile of Directors on page 14.

2

LEE JIA ZHANG
Executive Director

Aged 36, Male
Malaysian

Mr. Lee Jia Zhang was appointed as the Executive Director of KLK on 16 May 2018. He joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. His profile is listed in the Profile of Directors on page 17.

3

YEOW AH KOW
Strategy Advisor to the CEO

Aged 65, Male
Malaysian

Mr. Yeow holds a Bachelor of Science in Chemistry from Nanyang University Singapore and a Master of Science in Petro-Chemicals and Hydrocarbon Chemistry from University of Manchester, Institute of Science & Technology, United Kingdom. He started his career as an industrial chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical Division, in charge of specialty chemicals and equipment trading business.

Mr. Yeow has been with KLK Group since 1991 and was appointed as the Managing Director of the Oleochemical Division in March 1998. He has since been re-designated as the Strategy Advisor to the CEO with effect from 1 October 2019, focusing on new merger and acquisition opportunities, technologies and projects for KLK Group.

He was instrumental in setting up the cocoa manufacturing business in 1991, and thereafter, was elevated to the position of Managing Director of Palm-Oleo to overlook the Group's oleochemical business. Over the years, the team built by Mr. Yeow have together with his dynamic stewardship, been the main impetus for the transformation of KLK Oleo into the global oleochemical powerhouse that it is today.

Mr. Yeow has facilitated the seamless leadership transition of KLK Oleo operations to a younger team, but will remain on the Exco and subsidiary Boards of the Oleochemical Division, in addition to his new executive role as Strategy Advisor to the CEO.

4

PATRICK KEE CHUAN PENG
Group Plantations Director

Aged 60, Male
Malaysian

Mr. Patrick Kee was appointed as the Group Plantations Director on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is an Associate Member of the Incorporated Society of Planters. He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.

PROFILE OF KEY SENIOR MANAGEMENT

5

MADHEV A/L BALA SUBRAMANIAM

Managing Director
Oleochemical Division

Aged 59, Male
Malaysian

Mr. Madhev holds an Honours Degree in Chemical Engineering and a Master Degree in Engineering Science from University of Malaya.

He is a member of the Board of Engineers Malaysia. He joined KLK Group in 1990 and has been with KLK Group for the past 29 years. Prior to joining KLK Group, he was a faculty member at the Department of Chemical Engineering in University of Malaya.

6

DATO' DAVID TAN THEAN THYE

Executive Director
Property Development

Aged 65, Male
Malaysian

Dato' David Tan is the Executive Director of KLK Land. He joined the Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has more than 36 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also a Director of IOI Properties Berhad.

7

LEONG SEAN MENG

Group Chief Financial Officer

Aged 60, Male
Malaysian

Mr. Leong holds a Bachelor of Science Degree (Honours) majoring in Mathematics and Physics from the University of Malaya and qualified as an Accountant from the Malaysian Institute of Certified Public Accountants. He is also a Member of the Malaysian Institute of Accountants.

Prior to joining KLK, he pursued a career in accountancy in the public accounting firm of Coopers & Lybrand for 10 years. He has been with KLK Group since 1991 and was appointed as Group Chief Financial Officer on 14 November 2018. Prior to this, he was the Group Chief Accountant.

8

YAP MIOW KIEN

Company Secretary

Aged 50, Female
Malaysian

Ms. Yap has an LL.B (Hons) degree from the University of Leeds, United Kingdom. She also qualified as a Barrister-at-Law of the Middle Temple, London, and as an Advocate & Solicitor of the High Court of Malaya. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Ms. Yap joined KLK in 2002 as a Legal Manager and was appointed as the Company Secretary of KLK on 2 September 2008 where she oversees the Legal and Secretarial Department. She began her career with a leading law firm in Kuala Lumpur and subsequently joined the private sector as an executive in the legal divisions of the Usaha Tegas Group and Tanjong Plc.

ADDITIONAL INFORMATION:

1. Save as disclosed above, none of the Key Senior Management has:
   (i) any directorship in public companies and listed issuers;
   (ii) any family relationship with any Director and/or major shareholder of KLK; and
   (iii) any conflict of interest with KLK.
2. None of the Key Senior Management has:
   (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Ample supply of stock with weakened demand saw prices of palm products continue to spiral downwards during FY2019. Despite these challenges, the Group managed to register RM617.5 million of net profit (FY2018 : RM609.4 million), translating to an earnings per share of 58 sen.

R.M. ALIAS, *Chairman*

The Board has declared a final single tier dividend of 35 sen per share, which together with the interim dividend paid earlier make a total for the year of 50 sen. This high pay-out will account for 86% of the year's net profit (FY2018 : 79%).

PERFORMANCE

The Group's pre-tax profit at RM823.9 million was 17% lower than last FY (FY2018 : RM988.8 million) with a decline in revenue by 16% at RM15.534 billion (FY2018 : RM18.384 billion). This overall poorer performance was largely due to the lower selling prices of our palm products and the impairment of the Butaw estate in Liberia of RM145.3 million. Net profit for FY2019 was stagnant at RM617.5 million (FY2018 : RM609.4 million).

Our Plantation segment was badly hit by the lower average selling prices recorded, only contributing a pre-tax profit of RM394.6 million, compared to RM826.1 million the year before. Cost of production for crude palm oil ("CPO") also escalated to RM1,456/mt (FY2018 : RM1,370/mt) on rising wages and stagnant yields, despite an overall 5% improvement in fresh fruit bunches production to 4.1 million mt. However, the positive contribution of RM55.6 million from our palm refineries and trading operations (FY2018 : Loss of RM34.4 million) was able to mitigate the depressed commodity prices.

CHAIRMAN'S STATEMENT

Manufacturing segment's profit, predominantly from the Oleochemical division, was a tad higher at RM385.6 million compared to RM381.1 million in FY2018 (despite a 13% decrease in revenue to RM8.763 billion) owing to lower prices of raw materials. The Oleochemical division brought in RM376.3 million in profits (FY2018 : RM371.4 million). Our European basic oleo plants fared poorly but fortunately the Malaysian and China operations were able to cushion Europe's weaker results.

Our Property business generated pre-tax profit of RM47.4 million, improving 25% from FY2018, despite the overall depressed environment. However, Bandar Seri Coalfields' recent phased launches of bungalows, semi-detached and superlink homes were well received.

SUSTAINABILITY MATTERS

We remain fully committed to strictly uphold our pledge of NDPE (No Deforestation, No Peatland and No Exploitation). We also adopted, as a Group policy, the integrated High Carbon Stock Approach ("HCSA") and High Conservation Value ("HCV") assessments to determine eligible potential new planting areas.

All our estates in Malaysia have been certified under the Principles and Criteria ("P&C") of Roundtable on Sustainable Palm Oil ("RSPO") and the Malaysian Sustainable Palm Oil ("MSPO") standard. In the case of Indonesia, more than 80% of the estates have been certified under the Indonesian Sustainable Palm Oil ("ISPO") standard and RSPO P&C, with the balance target for certification by 2021.

As for our milling operations, all of the palm oil mills in Malaysia have been certified under the RSPO P&C and the MSPO standard. For Indonesia, 11 out of 12 palm oil mills (92%) have been certified under the ISPO standard and RSPO P&C, with the target of full compliance within the coming year.

We have been practising a zero-burning policy for new plantings and replantings since mid-1990s but despite this, some minor fires broke out in our Indonesian estates in the course of this year's severe drought. Our Indonesian estates are equipped with firefighting equipment, satellite hotspot warning system, fire watch towers, drones and emergency response system to monitor any fire outbreaks within our areas and proximity. Our employees have maintained a close liaison with the local authorities to prevent such hotspots.

DIVIDEND REINVESTMENT PLAN

Pursuant to the Dividend Reinvestment Plan ("DRP") approved by the shareholders on 13 February 2018, shareholders will have the option of electing to participate in the DRP at a 7% discount for the KLK shares or to elect for cash, in full or in part in relation to the final dividend of 35 sen.

The Board feels that this will benefit shareholders who elect to invest for the future, whilst our financial gearing will improve correspondingly.

OUTLOOK

It is a huge relief that the palm prices have rebounded from their low levels from the last FY to a high of above RM2,800/mt for CPO as production costs have risen over the years quite substantially. Our priority remains geared towards the twin objectives of increasing both yields and labour productivity. Progress has been made, albeit slowly but we envisage that our continuing efforts will bear fruit in coming years.

Malaysia and Indonesia have been setting higher biodiesel mandate policies to stabilise palm oil prices. These proactive moves have generated a huge internal demand and together with the anticipated slower growth in supply, have been instrumental for well supported palm prices.

Our Oleochemical operations, despite the current higher feedstock prices and uncertain market environment, should continue to perform satisfactorily through operational efficiencies and our higher margin products.

APPRECIATION

On behalf of the Board, I would like to express our sincere thanks to our employees for their dedication, commitment, flexibility and living the KLK core values of THRIIL (Team Spirit, Humility, Result-Oriented Performance, Integrity, Innovation and Loyalty) as we continually adapt to the challenging business environment.

I would like to thank all our shareholders, partners and all stakeholders for their confidence, trust and on-going support. To my colleagues on the Board, many thanks for their deliberations and wise counsel.

Note: Comparative figures have been restated to reflect the financial impact on transition from Financial Reporting Standards ("FRS") framework to Malaysian Financial Reporting Standards ("MFRS") framework.

KENYATAAN PENGERUSI

Bekalan bahan mentah yang mencukupi dengan permintaan yang lemah menyaksikan harga produk sawit terus merudum sepanjang Tahun Kewangan ("TK") 2019. Di sebalik cabaran sebegini, Kumpulan berupaya mencatat keuntungan bersih sebanyak RM617.5 juta (TK2018 : RM609.4 juta) yang menghasilkan pendapatan sesyer sebanyak 58 sen.

R.M. ALIAS, *Chairman*

Lembaga Pengarah telah mengumumkan dividen akhir tahap tunggal sebanyak 35 sen sesyer, yang mana dicampur dengan dividen interim yang telah dibayar terlebih dahulu menjadikan jumlah dividen bagi tahun ini sebanyak 50 sen. Pembayaran dividen yang tinggi ini mewakili 86% daripada keuntungan bersih tahun ini (TK2018 : 79%).

PRESTASI

Keuntungan sebelum cukai Kumpulan sebanyak RM823.9 juta adalah 17% lebih rendah daripada TK sebelumnya (TK2018 : RM988.8 juta) dengan penurunan dalam hasil sebanyak 16% pada RM15.534 bilion (TK2018 : RM18.384 bilion). Prestasi keseluruhan yang lebih merosot ini adalah terutamanya disebabkan harga jualan yang lebih rendah bagi produk-produk sawit kami dan rosot nilai ladang Butaw di Liberia sebanyak RM145.3 juta. Keuntungan bersih bagi TK2019 adalah stagnan dengan catatan RM617.5 juta (TK2018 : RM609.4 juta).

Segmen Perladangan kami terjejas teruk oleh harga jualan purata lebih rendah yang dicatatkan, menyumbang hanya RM394.6 juta kepada keuntungan sebelum cukai berbanding RM826.1 juta tahun sebelumnya. Kos pengeluaran bagi minyak sawit mentah juga meningkat kepada RM1,456/mt (TK2018 : 1,370/mt) dengan kenaikan upah dan hasil yang lembap, walaupun peningkatan keseluruhan 5% dalam pengeluaran buah tandan segar kepada 4.1 juta tan metrik. Walau bagaimanapun, sumbangan positif sebanyak RM55.6 juta daripada operasi penapisan sawit dan perdagangan (TK2018 : Kerugian sebanyak RM34.4 juta) berjaya mengurangkan tekanan harga komoditi.

Keuntungan segmen Perkilangan, terutamanya daripada bahagian Oleokimia, adalah lebih tinggi sedikit iaitu sebanyak RM385.6 juta berbanding RM381.1 juta dalam TK2018, walaupun hasil berkurang 13% kepada RM8.763 bilion disebabkan oleh harga bahan mentah yang lebih rendah. Bahagian Oleokimia menyumbang keuntungan sebanyak RM376.3 juta (TK2018 : RM371.4 juta). Loji oleo asas kami di Eropah mencatat prestasi lemah namun begitu operasi Malaysia dan China berupaya mengurangkan kesan daripada keputusan operasi Eropah tersebut.

Peniagaan Hartanah kami menjana keuntungan sebelum cukai sebanyak RM47.4 juta, bertambah baik sebanyak 25% berbanding TK2018, walaupun dalam persekitaran lebihan bekalan. Para pelanggan menerima baik rumah banglo, rumah berkembar dan rumah berangkai luas di Bandar Seri Coalfields yang kami lancarkan secara berperingkat.

KEPENTINGAN KEMAMPANAN

Kami kekal komited serta mendukung ikrar Tiada Pembasmian Hutan, Tiada Tanah Gambut dan Tiada Eksploitasi (NDPE). Kami juga menerima pakai, sebagai dasar Kumpulan, Pendekatan Bekalan Karbon Tinggi (HCSA) dan Nilai Pemuliharaan Tinggi (HCV) untuk menentukan kawasan-kawasan yang berpotensi untuk penanaman baharu.

Semua ladang kami di Malaysia menerima pensijilan kemampanan mengikut piawaian prinsip dan kriteria (P&C) Meja Bulat mengenai Minyak Sawit Mampan (RSPO) dan Minyak Sawit Mampan Malaysia (MSPO). Di Indonesia, lebih daripada 80% ladang kami menerima pensijilan kemampanan piawaian Minyak Sawit Mampan Indonesia (ISPO) dan RSPO P&C. Kami menyasarkan pensijilan untuk ladang kami yang selebihnya di negara tersebut menjelang tahun 2021.

Bagi operasi perkilangan kelapa sawit kami pula, semua kilang minyak sawit di Malaysia telah menerima pensijilan dalam kategori RSPO P&C dan piawaian MSPO. Di Indonesia, 11 daripada 12 kilang minyak sawit kami (92%) menerima pensijilan piawaian ISPO dan RSPO P&C, dengan sasaran pematuhan penuh dalam tahun akan datang.

KENYATAAN PENGERUSI

Kami telah mengamalkan dasar pembakaran sifar bagi penanaman baharu dan penanaman semula sejak pertengahan 1990-an, namun kemarau teruk tahun ini telah mengakibatkan beberapa kebakaran kecil di ladang-ladang kami di Indonesia. Semua ladang kami dilengkapi dengan peralatan mencegah kebakaran, penggunaan sistem amaran kawasan terancam, menara kawalan kebakaran, dron dan sistem tindak balas kecemasan untuk memantau sebarang kejadian kebakaran di dalam dan berdekatan kawasan operasi kami. Pekerja-pekerja kami mengekalkan hubungan rapat dengan penguat kuasa tempatan untuk sentiasa berjaga-jaga bagi menghalang kejadian seumpama ini.

PELAN PELABURAN SEMULA DIVIDEN

Berikutan Pelan Pelaburan Semula Dividen (DRP) yang diluluskan oleh para pemegang syer pada 13 Februari 2018, para pemegang syer kini mempunyai pilihan untuk mengambil bahagian dalam DRP tersebut pada 7% diskaun untuk syer KLK atau memilih untuk menerimanya dalam bentuk tunai, sama ada kesemua atau sebahagian daripadanya berhubung dengan dividen akhir sebanyak 35 sen.

Lembaga Pengarah berpendapat bahawa ini akan memanfaatkan pemegang syer yang memilih untuk melabur bagi masa hadapan, dan pada masa yang sama penggearan kewangan kami akan bertambah baik.

TINJAUAN

Harga minyak sawit mentah (CPO) yang telah kembali pulih kepada tahap semasa sehingga melebihi RM2,800/mt berbanding harga rendah pada TK sebelumnya adalah sesuatu yang melegakan, berikutan kos pengeluaran yang semakin meningkat sepanjang tahun-tahun kebelakangan. Keutamaan kami kekal tertumpu kepada dua matlamat iaitu untuk meningkatkan hasil dan produktiviti buruh. Kemajuan telah dibuat walaupun dengan agak perlahan namun kami menjangkakan bahawa usaha-usaha kami akan membuahkan kejayaan pada tahun-tahun akan datang.

Malaysia dan Indonesia telah menetapkan dasar-dasar mandat biodiesel yang lebih kukuh untuk menstabilkan harga minyak sawit. Langkah proaktif ini telah menjana permintaan dalaman yang tinggi dan dengan jangkaan pertumbuhan bekalan yang lebih rendah, telah memain peranan penting untuk menyokong harga sawit dengan baik.

Operasi Oleokimia kami, walaupun dalam keadaan harga bahan mentah yang kini lebih tinggi serta ketidaktentuan persekitaran pasaran, akan terus mencatat prestasi memuaskan menerusi kecekapan operasi dan produk dengan margin keuntungan yang lebih banyak,.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada semua warga kerja kami atas dedikasi, komitmen, keanjalan mereka dan mendukung nilai-nilai teras KLK iaitu THRIIL - Semangat Pasukan (Team Spirit), Kerendahan Hati (Humility), Berasaskan Keputusan (Result-Oriented Performance), Integriti (Integrity), Inovasi (Innovation) dan Kesetiaan (Loyalty) – untuk bersama-sama mendepani persekitaran perniagaan yang mencabar.

Saya mengucapkan terima kasih kepada pemegang-pemegang syer, rakan-rakan niaga dan semua pihak berkepentingan atas keyakinan, kepercayaan dan sokongan berterusan mereka. Kepada rakan sekerja saya di Lembaga Pengarah, ribuan terima kasih atas pertimbangan dan nasihat yang tidak ternilai.

Nota: Angka perbandingan telah dinyata semula untuk menggambarkan kesan kewangan berikutan peralihan daripada rangka kerja Piawaian Pelaporan Kewangan (FRS) kepada rangka kerja Piawaian Pelaporan Kewangan Malaysia (MFRS).

MANAGEMENT DISCUSSION & ANALYSIS

The spillover effect of the challenging operating environment in the financial year ("FY") 2018 continued to set the tone for our operations during FY2019. As a consequence, we could only record another dismal performance with a net profit of RM617.5 million (FY2018 : RM609.4 million).

TAN SRI DATO' SERI LEE OI HIAN, *Chief Executive Officer*

OVERVIEW

The unresolved trade negotiations between the United States and China, discriminatory policies and protectionism tariffs on palm products together with ample supply of oilseeds continued to exert downward pressure on prices. Our net profit in FY2019 remained stagnant at RM617.5 million (FY2018 : RM609.4 million after accounting for the huge foreign exchange loss of RM262.3 million arising from the translation of inter-company loans in foreign exchange currencies on the adoption of Malaysian Financial Reporting Standards) mainly affected by the sharp decline in profit of our Plantation business segment and an impairment charge of RM145.3 million in respect of our Butaw estate in Liberia.

Our Plantation segment was badly hit by the much lower average selling prices of crude palm oil ("CPO") and palm kernel ("PK"), with both suffering further declines of 18% and 38% respectively to RM1,924/mt and RM1,210/mt for FY2019. Cost of CPO production (ex-mill) also escalated to RM1,456/mt, a 6% increase from the preceding period, due to higher wages and inflationary pressures. The implementation of our mechanisation programme was hampered by delay in the delivery of machineries, which fortunately, has now been resolved. We are confident that the gains achieved from this programme will be evident in FY2020.

In terms of operational efficiency, a new milestone in fresh fruit bunches ("FFB") production of 4.1 million mt was achieved, although FFB yield at 22.41 mt/ha, was only a marginal increment of 4% from FY2018. The stagnant oil extraction rate at 21.88% (FY2018 : 21.79%) meant we could only achieve 4.90 mt/ha of CPO, still some way from our target of 6 mt/ha.

MANAGEMENT DISCUSSION & ANALYSIS

Grabber for platform collection

With reference to our Liberian plantation operations, High Carbon Stock Approach and High Conversation Value assessments have resulted in insufficient plantable area in Butaw estate, making it uneconomic. As such, we have ceased operations thereat and impaired the assets by RM145.3 million. We will continue to improve the operations of our other Liberian concession in Palm Bay to ensure its viability.

On the upside, the relatively low raw material prices gave some comfort to our Oleochemical division, which recorded a modest profit of RM376.3 million (FY2018 : RM371.4 million). This was despite the pressure on margins, especially in our European markets, in the wake of competitive pricing from producers in Indonesia due to their EU Generalised System of Preferences ("GSP") status.

For the Property Development segment, profit was up by 25% with recognition of profits from products with higher margins such as the superlink and semi-detached homes of Hemingway Residences.

OUTLOOK AND STRATEGIES

Prices of CPO have since improved significantly with the expectation of shrinking supply in the wake of the ambitious biodiesel programmes roll-out by Indonesia (B30) and Malaysia (B20) and anticipated lower FFB production. These factors gave support to the current high price levels.

Operational efficiencies will continue to be our main focus to drive performance. As mentioned earlier, our efforts in the Plantation segment to mechanise most of our estates have yet to produce the desired results in improving productivity. The delay in equipment and machineries delivery has since been resolved, and we will monitor the full impact on productivity of the mechanisation programme.

We will continue to monitor strictly our standards of replants to achieve our FFB yield target of 20 mt/ha in the first year of harvesting. We are hopeful that in FY2020 we would be able to see these efforts come to fruition as initial yields in some of the areas planted in FY2015 have produced more than 20mt/ha. A total of 14,000 ha (or 7% of planted area) is targeted for replanting in FY2020.

The recent rebound of palm products prices may pose a challenge for the Oleochemical division, as there may be further margin squeeze in view of overcapacity and preferential EU duty exemption to Indonesian players. Management will need to ensure operational efficiencies are well sustained, as more capacities come onboard during the coming FY.

Our palms with promising yield

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

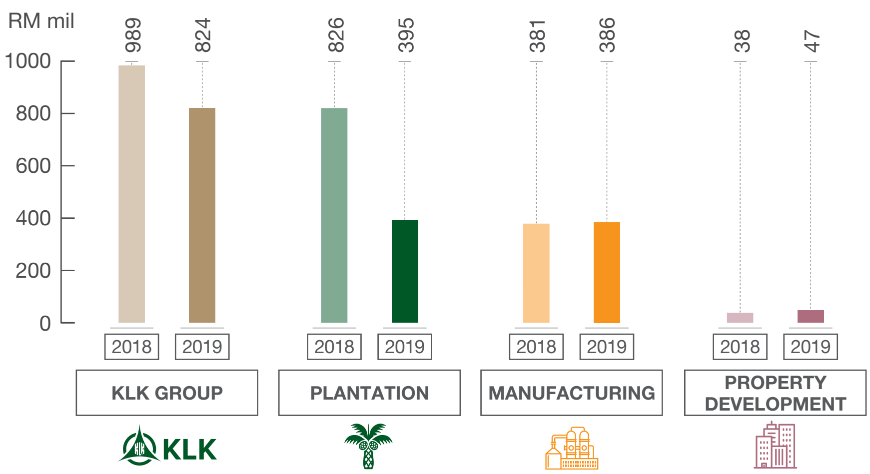
GROUP HIGHLIGHTS

		2019	2018	2017	2016	2015
FINANCIAL						
Revenue	(RM'000)	**15,533,887**	18,383,953	21,004,036	16,505,810	13,649,991
Profit:						
- before taxation	(RM'000)	**823,928**	988,788	1,450,205	1,712,284	1,134,598
- attributable to equity holders of the Company	(RM'000)	**617,505**	609,366	1,005,130	1,592,191	869,912
Earnings per share	(sen)	**58.0**	57.2	94.4	149.5	81.7
Dividend per share (single tier)	(sen)	**50.0**	45.0	50.0	50.0	45.0
Net tangible assets	(RM'000)	**10,021,488**	10,828,248	11,228,464	10,107,832	9,320,973
Net tangible assets per share	(RM)	**9.41**	10.17	10.54	9.49	8.75
KEY CORPORATE RATIOS						
Dividend Yield(1)	(%)	**2.2**	1.8	2.0	2.1	2.1
Dividend Payout Ratio(2)	(%)	**86.2**	78.6	53.0	33.4	55.1
Return on Shareholders' Equity(3)	(%)	**6.0**	5.5	8.7	15.2	9.0
Return on Total Assets(4)	(%)	**3.0**	3.2	5.2	8.7	5.0
Net Debt to Equity(5)	(%)	**25.0**	23.3	19.3	22.5	24.8

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 and FY2019 have been prepared in accordance with MFRS, while the information for FY2015 to FY2017 have been prepared in accordance with Financial Reporting Standards ("FRS").

(1) Based on Dividend expressed as a percentage of KLK Share Price as at 30 September
(2) Based on Dividend expressed as a percentage of Basic Earnings Per Share
(3) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders
(4) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets
(5) Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalents) expressed as a percentage of Total Equity

PROFITS BY CORE BUSINESS SEGMENTS



REVENUE

The Group's revenue for FY2019 at RM15.534 billion was 16% lower than last year's revenue of RM18.384 billion mainly due to significantly lower revenue from both the Plantation and Manufacturing segments, arising from lower selling prices of products.

MANAGEMENT DISCUSSION & ANALYSIS

PRE-TAX PROFIT

The Group's pre-tax profit of RM823.9 million decreased 17% from the previous year (FY2018 : RM988.8 million) mainly due to the Plantation segment and RM145.3 million impairment of the Butaw estate, mitigated by a foreign exchange gain of RM55.1 million (FY2018 : Loss of RM262.3 million).

Plantation

Our Plantation segment's profit was substantially reduced to RM394.6 million (FY2018 : RM826.1 million) despite a 4% increase in FFB production to 4.1 million mt and the positive contribution from processing and trading operations of RM55.6 million (FY2018 : Loss of RM34.4 million). The main reasons are as follows:

- Much lower realised average selling prices for the following palm products:

Palm Product	FY2019	FY2018	% Change
CPO (RM/mt ex-mill)	1,924	2,335	(18)
PK (RM/mt ex-mill)	1,210	1,967	(38)

- Increase in cost of production by 6% to RM1,456/mt arising from higher wages and inflationary pressures.

Manufacturing

The Manufacturing segment profit improved marginally to RM385.6 million (FY2018 : RM381.1 million), with its Oleochemical division contributing RM376.3 million (FY2018 : RM371.4 million).

Lower feedstock prices did bring about more demand for oleochemical products but margins were under severe pressure from co-producers who were willing to sacrifice margins to maintain volume. Our Malaysian and China operations performed well helping to offset the lower results of the European operations, which were affected by higher logistics cost and suppressed margins.

In Europe, the low water-level of the River Rhine resulted in a situation where raw materials had to be delivered via road tankers or trucks, a less efficient transportation mode compared to barges. Incoming shipments also had to be stored externally at Rotterdam, further adding to costs.

Property Development

The Property Development segment saw a jump of 25% in profit to RM47.4 million (FY2018 : RM37.8 million) due to recognition of higher-margin products in North Haven, Bandar Seri Coalfields. These include the Hemingway Residences comprising superlink and semi-detached homes.

Others

The farming activities in Australia improved substantially in FY2019, with a profit of RM27.5 million (FY2018 : RM3.3 million) owing to increase in crop production with favourable yields and bigger cropped area.

Corporate

In this segment, the following gains and loss were accounted for:

- foreign currency exchange gain of RM55.1 million (FY2018 : Loss of RM262.3 million) arising from translation of inter-company loans denominated in foreign currencies.
- surplus of RM91.2 million from government acquisition of plantation land, mainly in our Tuan Mee estate.
- an impairment of RM145.3 million on the Butaw estate in Liberia.

CAPITAL EXPENDITURE

The Group spent RM644.6 million for capital expenditure in FY2019 (FY2018 : RM602.1 million) where 78% was for Plantation activities such as replanting, new capital projects (upgrading, expansion of palm oil mills and kernel crushing plant) and other capital items.

BORROWINGS

During FY2019, the Company issued a RM2 billion *Sukuk Wakalah* Islamic Medium Term Notes Programme *("Sukuk Wakalah")* comprising:-

(i) RM1 billion *Sukuk Wakalah* with 3.75% per annum for 10 years tenure tranche; and
(ii) RM1.0 billion *Sukuk Wakalah* with 3.95% per annum for 15 years tenure tranche.

The proceeds of the *Sukuk Wakalah* will be utilised for the Group's future Syariah-compliant acquisitions, investment, capital expenditure, working capital requirements and to refinance the existing borrowings.

As at 30 September 2019, the issuance of the *Sukuk Wakalah* had no impact to the net debt-to-equity ratio as its proceeds have yet to be utilised.

DIVIDENDS

The Board has declared a final single tier dividend of 35 sen per share, making a total of 50 sen for FY2019 for a net pay-out ratio of 86% (FY2018 : 79%).

The Dividend Reinvestment Plan ("DRP"), approved by shareholders on 13 February 2018, will be applied to the entire final single tier dividend where shareholders have the flexibility to either receive cash in full or partially. The issue price of the new shares to be issued pursuant to the DRP will be based on a 5-day volume weighted average market price with a discount of 7% to the theoretical ex-dividend price.

MANAGEMENT DISCUSSION & ANALYSIS

5-YEAR FINANCIAL STATISTICS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
REVENUE					
Plantation	6,338,240	7,836,236	10,668,581	8,455,070	7,086,247
Manufacturing	8,763,397	10,130,080	9,923,716	7,738,841	6,241,324
Property development	170,359	177,676	141,521	110,693	123,275
Investment income	117,765	135,059	139,223	122,542	125,846
Others	144,126	104,902	130,995	78,664	73,299
	15,533,887	**18,383,953**	**21,004,036**	**16,505,810**	**13,649,991**
GROUP PROFIT					
Plantation	394,632	826,146	1,291,045	826,369	766,804
Manufacturing	385,622	381,123	134,040	323,222	185,263
Property development	47,355	37,838	40,496	28,632	61,162
Investment holding	8,731	28,740	37,154	27,147	66,295
Others	25,783	1,585	8,270	(18,133)	(8,709)
Corporate	(38,195)	(286,644)	(60,800)	525,047	63,783
Profit before taxation	823,928	988,788	1,450,205	1,712,284	1,134,598
Tax expense	(173,195)	(328,471)	(383,329)	(29,144)	(250,560)
Profit for the year	**650,733**	**660,317**	**1,066,876**	**1,683,140**	**884,038**
Attributable to:					
Equity holders of the Company	617,505	609,366	1,005,130	1,592,191	869,912
Non-controlling interests	33,228	50,951	61,746	90,949	14,126
	650,733	**660,317**	**1,066,876**	**1,683,140**	**884,038**

MANAGEMENT DISCUSSION & ANALYSIS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Property, plant and equipment	7,749,121	7,756,571	5,220,852	5,066,699	4,817,725
Prepaid lease payments	340,256	375,120	309,611	307,068	285,555
Biological assets	–	–	2,624,038	2,548,178	2,392,287
Inventories – Land held for property development	1,108,296	1,100,407	1,091,471	1,130,312	226,353
Goodwill on consolidation	316,836	315,304	324,686	321,661	330,137
Intangible assets	22,081	23,358	15,325	15,076	15,297
Investments in associates	1,489,210	153,663	144,538	138,803	154,493
Investments in joint ventures	156,818	160,414	158,902	173,384	144,658
Other investments	411,950	2,390,731	2,270,239	1,607,570	1,781,642
Other receivable	233,980	202,826	210,272	205,195	171,690
Deferred tax assets	437,027	375,996	439,794	454,230	147,513
Current assets	8,133,791	5,991,339	6,694,386	6,368,397	6,792,265
Total assets	**20,399,366**	**18,845,729**	**19,504,114**	**18,336,573**	**17,259,615**
EQUITY					
Share capital	1,067,790	1,067,790	1,067,790	1,067,505	1,067,505
Reserves	9,306,062	10,112,567	10,514,132	9,390,511	8,612,349
Cost of treasury shares	(13,447)	(13,447)	(13,447)	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	10,360,405	11,166,910	11,568,475	10,444,569	9,666,407
Non-controlling interests	926,250	878,638	871,567	843,457	461,703
Total equity	**11,286,655**	**12,045,548**	**12,440,042**	**11,288,026**	**10,128,110**
LIABILITIES					
Deferred tax liabilities	424,603	414,424	259,056	254,976	257,954
Deferred income	110,320	119,004	117,365	118,665	113,154
Provision for retirement benefits	538,480	467,067	479,132	495,894	356,563
Borrowings	5,169,833	3,062,099	3,067,168	2,967,808	2,681,221
Current liabilities	2,869,475	2,737,587	3,141,351	3,211,204	3,722,613
Total liabilities	**9,112,711**	**6,800,181**	**7,064,072**	**7,048,547**	**7,131,505**
Total equity and liabilities	**20,399,366**	**18,845,729**	**19,504,114**	**18,336,573**	**17,259,615**
SHAREHOLDERS' EARNINGS AND DIVIDENDS					
Earnings per share (sen)	58.0	57.2	94.4	149.5	81.7
Share price at 30 September (RM)	23.08	24.96	24.56	23.98	21.70
Dividend rate (sen)	50.0	45.0	50.0	50.0	45.0
Dividend yield at 30 September (%)	2.2	1.8	2.0	2.1	2.1
P/E ratio at 30 September	39.8	43.6	26.0	16.0	26.6

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 and FY2019 have been prepared in accordance with MFRS, while the information for FY2015 to FY2017 have been prepared in accordance with Financial Reporting Standards ("FRS").

MANAGEMENT DISCUSSION & ANALYSIS

Nursery at Ladang Sungai Silabukan, Lahad Datu, Sabah, Malaysia

Plantation is KLK's core business activity with 275,000 ha plantation landbank spread across Malaysia (Peninsula and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia.

Planted areas amount to 224,454 ha, whereby 95% is planted with oil palm. In terms of geographical distribution, 54% of the oil palm planted area is located in Indonesia, 43% in Malaysia and 3% in Liberia. Rubber which makes up the balance of 5% of the planted area is located only in Peninsular Malaysia.

Processing of crop, i.e. fresh fruit bunches ("FFB") is carried out at 25 of KLK's own palm oil mills of various capacities ranging from 20 mt/hour FFB to 120 mt/hour FFB (depending on size of the supplying estates). We also operate four (4) refineries which process crude palm oil ("CPO") into refined bleached deodorised ("RBD") palm oil, RBD olein, RBD stearin and palm fatty acid distillate.

Further value is derived from palm kernels ("PK") which are crushed by four (4) plants to produce crude palm kernel oil ("CPKO") and expellers.

Biogas power plant is another value-add improvement that the Plantation segment has invested in to reduce methane gas emissions. We currently have six (6) power generating biogas plants in our palm oil mills.

KLK's rubber business, although only constituting 5% of total planted area, remains an alternative crop diversification to the Plantation operations. KLK continues to maintain a strong position in the latex concentrate market due to our long-established EXCELTEX® brand name.

MANAGEMENT DISCUSSION & ANALYSIS

TOTAL PLANTED AREA

224,454 HA

Oil Palm
95%

Malaysia
91,609 HA

Indonesia
115,298 HA

Rubber
5%

Malaysia
11,077 HA

PRODUCTION FACILITIES & CAPACITY

FACILITY

Palm Oil Mills	Refineries	Kernel Crushing Plants
25	4	4

CAPACITY

from 20 to 120 FFB mt/hr	Physical 3,400 CPO mt/day	2,000 PK mt/day

Biogas Power Plants
6

Total Installed Power
16mw
(Electricity)

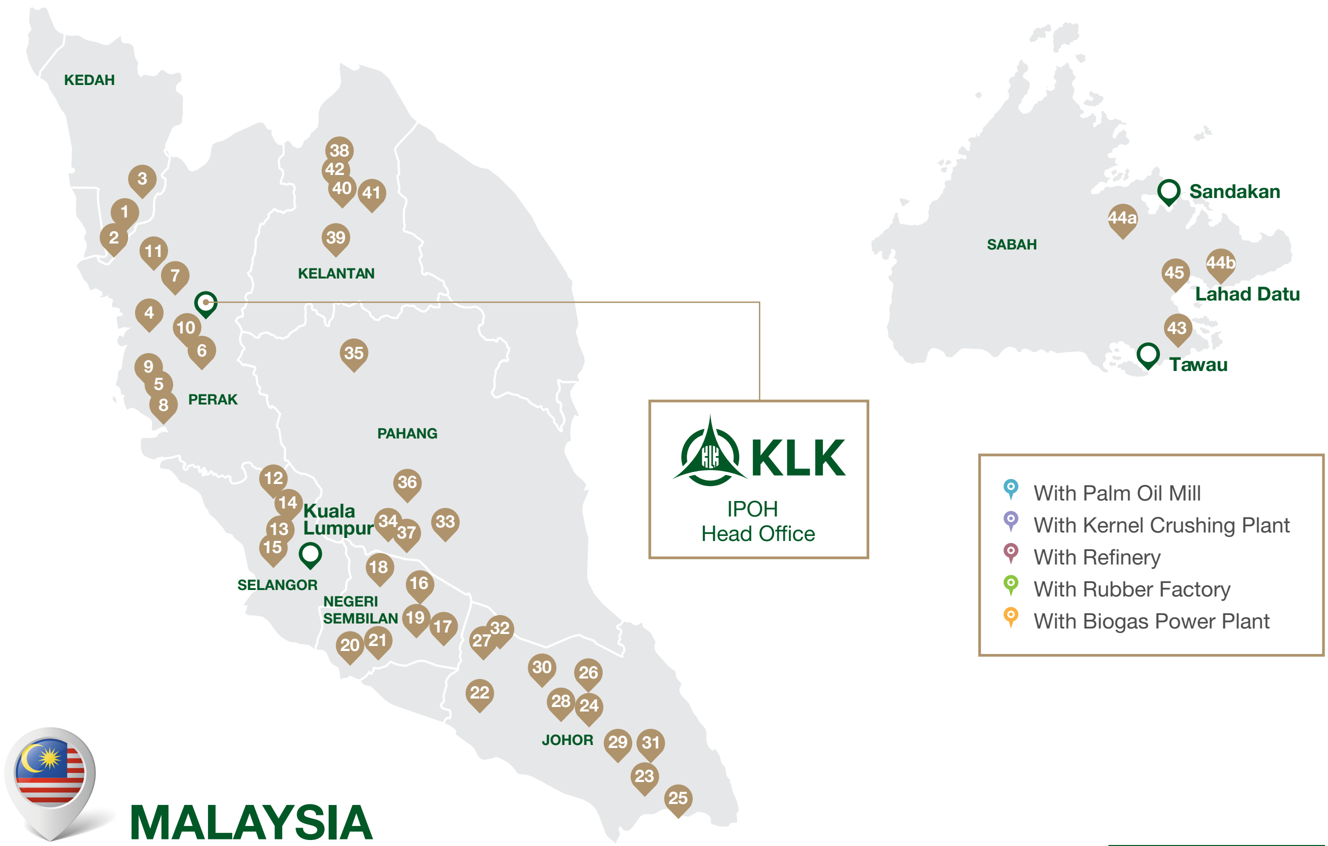
Certified Sustainable Palm Oil
707,383 mt
(70% of total production of CPO)

Certified Sustainable Palm Kernel
145,332 mt
(74% of total production of palm kernels)

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2019



KEDAH
1. Batu Lintang
2. Buntar
3. Pelam

PERAK
4. Allagar
5. Changkat Chermin
6. Glenealy
7. Kuala Kangsar
8. Lekir
9. Raja Hitam
10. Serapoh
11. Subur

SELANGOR
12. Changkat Asa
13. Fajar Palmkel
14. Kerling
15. Tuan Mee

NEGERI SEMBILAN
16. Ayer Hitam
17. Batang Jelai
18. Gunong Pertanian
19. Jeram Padang
20. Kombok
21. Ulu Pedas

JOHOR
22. Ban Heng
23. Fraser
24. Kekayaan
25. KL-Kepong Edible Oils
26. Landak
27. New Pogoh
28. Paloh
29. See Sun
30. Sungai Bekok
31. Sungei Penggeli
32. Voules

PAHANG
33. Kemasul
34. Renjok
35. Selborne
36. Sungei Kawang
37. Tuan

KELANTAN
38. Kerilla
39. Kuala Gris
40. Kuala Hau
41. Pasir Gajah
42. Sungai Sokor

SABAH
43. **Tawau Region**
    Jatika
    Pang Burong
    Pangeran
    Pinang
    Ringlet
    Sigalong
    Sri Kunak
    Tundong
44. **Lahad Datu Region**
44a. Bornion
    Segar Usaha
44b. Bukit Tabin
    Lungmanis
    Rimmer
    Sungai Silabukan
    Tungku
45. KLK Premier Oils

PALM OIL MILL
12

KERNEL CRUSHING PLANT
2

REFINERY
2

RUBBER FACTORY
5

BIOGAS POWER PLANT
3

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2019

INDONESIA

BELITUNG ISLAND

46. Alam Karya Sejahtera
47. Parit Sembada
48. Steelindo Wahana Perkasa

SUMATRA

Riau Region

49. Mandau
50. Nilo
51. Sekarbumi Alamlestari
52. **North Sumatra Region**
    Basilam
    Bekiun
    Bukit Lawang
    Gohor Lama
    Maryke
    Padang Brahrang
    Tanjung Beringin
    Tanjung Keliling

CENTRAL KALIMANTAN

53. Karya Makmur Abadi
54. Menteng Jaya Sawit Perdana
55. Mulia Agro Permai

EAST KALIMANTAN

56. Hutan Hijau Mas
57. Jabontara Eka Karsa
58. Malindomas Perkebunan
59. Putra Bongan Jaya

PALM OIL MILL
12

KERNEL CRUSHING PLANT
2

REFINERY
2

BIOGAS POWER PLANT
3

LIBERIA

60. Palm Bay Estate

PALM OIL MILL
1

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION AREA STATEMENT

	AGE IN YEARS	2019 HECTARES	2019 % UNDER CROP	2019 % OF TOTAL PLANTED AREA	2018 HECTARES	2018 % UNDER CROP	2018 % OF TOTAL PLANTED AREA
OIL PALM							
	4 to 9	51,914	24		55,825	26	
	10 to 18	71,193	33		65,157	30	
	19 and above	57,976	28		57,557	27	
	Mature	181,083	85	81	178,539	83	79
	Immature	32,294	15	14	35,295	17	16
	Total	**213,377**	**100**	**95**	**213,834**	**100**	**95**
RUBBER							
	6 to 10	994	9		879	7	
	11 to 15	2,094	19		2,177	18	
	16 to 20	2,357	21		2,714	23	
	21 and above	3,055	28		3,304	29	
	Mature	8,500	77	4	9,074	77	4
	Immature	2,577	23	1	2,709	23	1
	Total	**11,077**	**100**	**5**	**11,783**	**100**	**5**
TOTAL PLANTED AREA		**224,454**		**100**	**225,617**		**100**
Plantable Reserves		15,899			26,999		
Conservation Areas		29,026			24,586		
Building Sites, etc.		6,049			7,312		
	Grand Total	**275,428**			**284,514**		

Aerial view of employee quarters at Ladang Ayer Hitam, Negeri Sembilan, Malaysia

MANAGEMENT DISCUSSION & ANALYSIS

Unloading of FFB at Tuan Mee Palm Oil Mill, Selangor, Malaysia

SEGMENTAL FINANCIAL PERFORMANCE

The profits of our Plantation segment were adversely affected by the much lower palm products prices registered during the FY. The segment only managed to register a disappointing profit of RM394.6 million, a 52% plummet from last FY (FY2018 : RM826.1 million). The increase in cost of production to RM1,456/mt (FY2018 : RM1,370/mt) arising from higher wages also put further pressure on the segment's profitability.

Our average selling price ("ASP") of CPO for every Quarter during the FY were below the RM2,000 mark and we were only able to realise an ASP of RM1,924/mt for the year, a decrease of 18% from FY2018.

ASP	1QFY2019 (RM/mt ex-mill)	2QFY2019 (RM/mt ex-mill)	3QFY2019 (RM/mt ex-mill)	4QFY2019 (RM/mt ex-mill)	FY2019 (RM/mt ex-mill)
CPO	1,840	1,969	1,973	1,920	1,924
PK	1,375	1,301	1,085	1,070	1,210

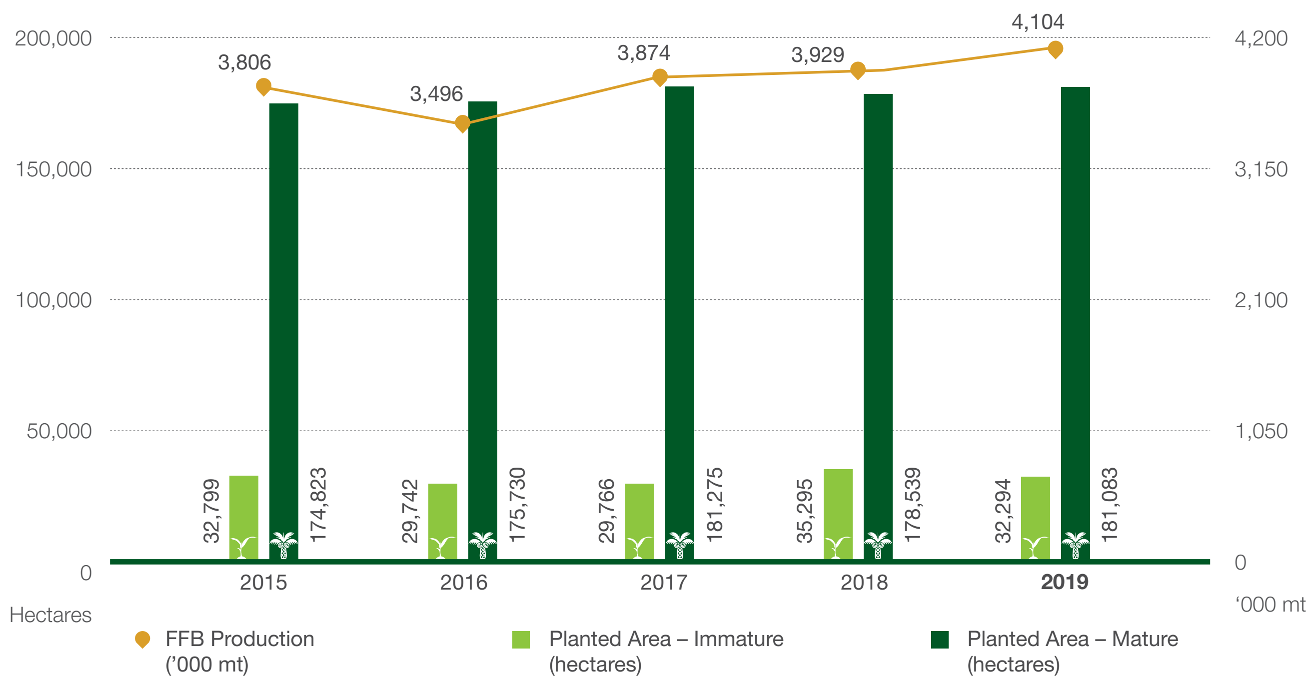
The much lower realised prices affected our estate operations' profits although there was a 4% improvement in FFB production to 4.1 million mt. Operations profits declined 58% to RM375.8 million, a far cry from the RM898.3 million recorded in FY2018. Palm products accounted for the entire profits, with a corresponding average profit per matured hectare at RM1,912/ha (FY2018 : RM4,769/ha).

Our processing and trading businesses benefited from the lower feedstock prices and contributed RM55.6 million in FY2019, recovering from its loss of RM34.4 million in FY2018.

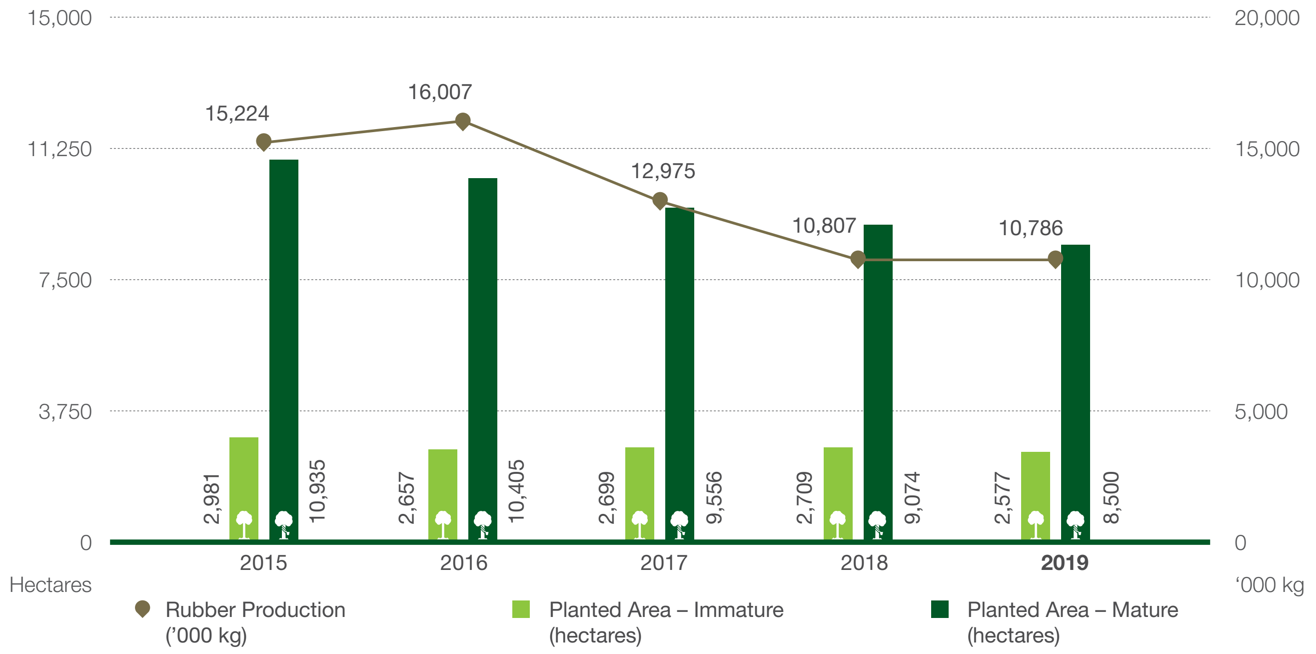
Rubber operations on the other hand, only managed to break-even as price of rubber dropped 11% to RM7.13/kg (FY2018 : RM8.03/kg).

MANAGEMENT DISCUSSION & ANALYSIS

OIL PALM PLANTED AREA/FFB PRODUCTION



RUBBER PLANTED AREA/RUBBER PRODUCTION



MANAGEMENT DISCUSSION & ANALYSIS

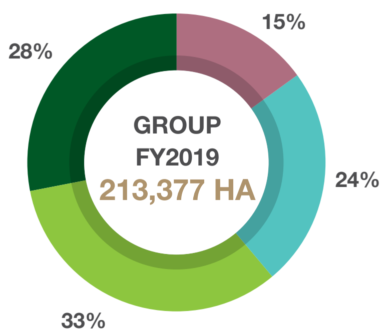
5-YEAR PLANTATION STATISTICS

		2019	2018	2017	2016	2015
OIL PALM						
FFB Production						
- Own estates	(mt)	**4,103,861**	3,928,616	3,873,805	3,495,931	3,806,043
- Sold	(mt)	**142,960**	139,455	85,964	58,461	36,373
- Purchased	(mt)	**716,642**	800,014	791,128	715,644	886,918
- Total processed	(mt)	**4,677,543**	4,589,175	4,578,969	4,153,114	4,656,588
Weighted Average Hectarage						
- Mature	(ha)	**183,108**	181,559	181,139	176,391	173,313
- Immature	(ha)	**41,308**	41,996	33,686	35,183	35,936
Total planted area	(ha)	**224,416**	223,555	214,825	211,574	209,249
FFB yield per mature hectare	(mt/ha)	**22.41**	21.64	21.39	19.82	21.96
CPO yield per mature hectare	(mt/ha)	**4.90**	4.72	4.64	4.42	4.91
Mill Production						
- CPO	(mt)	**1,023,484**	999,981	992,524	925,421	1,040,171
- PK	(mt)	**197,147**	200,576	199,157	187,986	217,310
Oil Extraction Rate						
- CPO	(%)	**21.88**	21.79	21.68	22.28	22.34
- PK	(%)	**4.21**	4.37	4.35	4.53	4.67
Cost of Production						
- FFB	(RM/mt ex-estate)	**260**	244	240	244	222
- CPO (exclude windfall profit levy and Sabah sales tax)	(RM/mt ex-mill)	**1,456**	1,370	1,389	1,381	1,268
Average Selling Prices						
- CPO	(RM/mt ex-mill)	**1,924**	2,335	2,735	2,270	2,106
- PK	(RM/mt ex-mill)	**1,210**	1,967	2,534	1,881	1,424
Average profit per mature hectare	(RM)	**1,912**	4,769	6,815	4,014	4,381
RUBBER						
Production						
- Own estates	('000 kg)	**10,786**	10,807	12,975	16,007	15,224
Weighted Average Hectarage						
- Mature	(ha)	**8,640**	9,047	9,746	10,305	10,777
- Immature	(ha)	**3,243**	3,367	3,309	3,364	3,500
Total planted area	(ha)	**11,883**	12,414	13,055	13,669	14,277
Yield per mature hectare	(kg/ha)	**1,248**	1,194	1,331	1,553	1,413
Cost of Production	(sen/kg ex-estate)	**484**	467	420	382	409
Average Selling Prices (net of cess)	(sen/kg)	**713**	803	895	667	681
Average (loss)/profit per mature hectare	(RM)	**(233)**	(868)	3,256	974	404

MANAGEMENT DISCUSSION & ANALYSIS

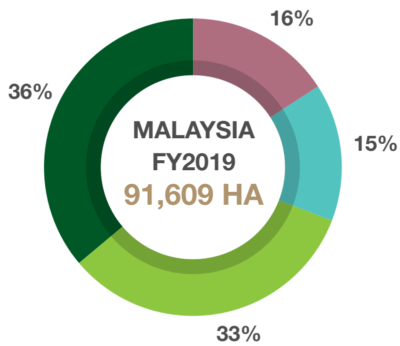
OPERATIONAL PERFORMANCE

AGE PROFILE OF PALMS



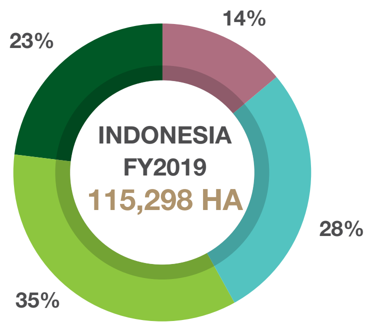
Immature	32,294 HA	**15%**
4-9 years	51,914 HA	**24%**
10-18 years	71,193 HA	**33%**
19 years & above	57,976 HA	**28%**

Weighted Average Age of Palms
12.4 years



Immature	14,769 HA	**16%**
4-9 years	13,938 HA	**15%**
10-18 years	30,512 HA	**33%**
19 years & above	32,390 HA	**36%**

Weighted Average Age of Palms
13.9 years



Immature	16,211 HA	**14%**
4-9 years	32,820 HA	**28%**
10-18 years	40,681 HA	**35%**
19 years & above	25,586 HA	**23%**

Weighted Average Age of Palms
11.6 years

OIL PALM

FFB Production & Yields

The Group's overall crop production improved marginally by 4% from FY2018 to reach 4.1 million mt. Intermittent shortage of labour and operational holdups were the main attributors to the less than stellar performance in production.

Indonesian operations constituted 56% of the Group's total production and recorded an annual growth of only 6% in FY2019. Our Sabah operations are still in the negative growth period due to the continuing progressive replanting programme, especially in the Lahad Datu region.

The FFB yield per hectare also improved by 4% to 22.41 mt/ha (FY2018 : 21.64 mt/ha).

Age Profile of Palms

The age profile of our palms is favourable with young and prime palms accounting for 57% of our planted area, with another 15% of immature palms.

The weighted average Group age of 12.4 years old.

Oil Extraction Rates ("OER")

The OER was just a tad higher at 21.88%, producing 4.90 mt/ha of CPO for FY2019. At this level, we remain far from our 6 mt/ha of CPO target. With the introduction of mechanisation to improve harvesting efficiencies, we hope to see better OER in the future as we continue to close identified gaps.

Costs

As a result of the marginal improvement in the yields and increased labour wages, both the Group's FFB and CPO cost escalated to RM260/mt ex-estate and RM1,456/mt ex-mill respectively. Focus on mechanisation to improve productivity and yields will be central to managing cost for FY2020.

Replanting and New Plantings

We had embarked on an aggressive Group replanting programme since FY2017 (post El Nino). In FY2019, approximately 11,000 ha were replanted with the main focus areas covering the Lahad Datu region (Sabah), Peninsular Malaysia, Belitung Island and North Sumatera accounting for 82% of the total replant.

MANAGEMENT DISCUSSION & ANALYSIS

New Facilities

The Tanjung Keliling Palm Oil Mill in North Sumatra commissioned on schedule in the Second Quarter of FY2019, bringing the total milling facilities to 25 for the Group.

During the year, we also commissioned a new kernel crushing plant ("KCP") in Rawang to facilitate the supply of feedstock for our Oleochemical plant in the same vicinity.

Our 3-MCPD & GE mitigation plant in Pasir Gudang, Johor is expected to be commissioned by Second Quarter of FY2020.

The proposed new refinery and jetty in East Kalimantan, Indonesia are still pending regulatory approvals and construction will only commence thereafter.

SUSTAINABILITY RELATED MATTERS

We continue to uphold our sustainability commitment towards NDPE (No Deforestation, No Peatland and No Exploitation).

No Deforestation

During the FY, we undertook the integrated High Conservation Value ("HCV") and High Carbon Stock Approach ("HCSA") assessments in the Butaw estate in Liberia (with an existing planted area of approximately 1,400 ha). Results of the assessments showed that there were limited plantable area in this estate. Due to its uneconomical size, it was no longer feasible to continue operations thereat. Hence, the Group has ceased operations in Butaw estate since July 2019.

Strict Zero Burning Policy

The Group has adopted Zero Burning practices in relation to land clearing since mid-1990s. We abide by the certification standards of the Roundtable on Sustainable Palm Oil ("RSPO"), Malaysian Sustainable Palm Oil ("MSPO"), Indonesian Sustainable Palm Oil ("ISPO") and International Sustainability and Carbon Certification ("ISCC"), which strictly adhere to the zero-burning principle. We do not tolerate any slash-and-burn practice or open burning to get rid of the biomass but instead they are pulverised.

We are committed to an effective firefighting agenda and are constantly on high alert. In Indonesia, we have fully equipped firefighting teams in our estates, which carry out yearly firefighting training and practice monitoring system which include setting up of fire towers to inform ground patrol of any occurrence of fire, drones and emergency response system. We work closely with local authorities and communities surrounding our operating centres to forge an understanding for better coordination of action in times of need.

Nevertheless, the prolonged extremely dry spell experienced in Sumatra and Central Kalimantan during the Fourth Quarter of the FY led to several minor fire incidents inside and outside our concessions, which were promptly put out by our response team.

Status of Certification of Estates and Mills

Estates

All of our operations in Malaysia are fully certified under the Principles and Criteria ("P&C") of RSPO and the MSPO standard.

In the case of Indonesia, more than 80% of the estates have been certified under the ISPO and RSPO P&C, with the balance target for certification by 2021.

Mills

All of our mills in Malaysia and Indonesia, save for the newly commissioned Tanjung Keliling Palm Oil Mill in North Sumatra, are fully certified under the RSPO P&C and where relevant, MSPO and ISPO certification standards.

We target the certification for the Tanjung Keliling Palm Oil Mill to take place in 2020.


Vigorous and uniform palm growth of our replant in Ladang Ringlet in Sabah, Malaysia

MANAGEMENT DISCUSSION & ANALYSIS

RUBBER

Rubber operations managed to break even in FY2019 with the continual drop in rubber prices, amidst stagnant yield and higher ex-estate cost at RM4.84/kg (FY2018 : RM4.67/kg) arising from the persistent shortage of skilled tappers.

Should the price and yield trend continue to be sluggish, Management will review the viability of rubber as an alternative crop.

RESEARCH & DEVELOPMENT

KLK's associate company, Applied Agricultural Resources Sdn. Bhd. ("AAR") has a more than 30-year history in plantation R&D emphasising on creating the best planting materials, recognising yield limiting factors and overcoming them, identifying and implementing best practices which benefit the plantations and their employees but with the least impact on the environment, as well as working with the industry to address common issues.

Keeping up with the current developments and problems faced by the industry on rising costs of production (labour and fertiliser costs), environmental concerns from consumers and environmentalists, and pressures from yield-reducing factors such as pests and diseases, AAR's Crop Production Division has over the years expanded its knowledge and expertise in various scientific areas and concurrently adopt the latest technologies and innovations to overcome these constraints.

Verion Smart Fertiliser Spreader

KLK has started utilising the Verion Smart Fertiliser Spreader which was jointly developed by AAR which not only has the capability of applying fertilisers precisely as per recommendation, but also tracks and provides Management with an "As-Applied Fertiliser Map" that is used to ensure that each palm obtains its required share of fertilisers in a very transparent manner. This technology, in line with the aspirations of Agriculture 4.0 is labour-friendly, has high productivity and reduces cost of operations and materials. The adoption of the spreader is expected to result in higher fertiliser-use efficiency which should lead to improved palm nutrition and lower runoff and leaching losses.

The Verion Smart Fertiliser Spreader is capable of applying 2 types of fertilisers in a single pass. Data collected autonomously by the machine can be used to produce an "As-Applied Fertiliser Map" to ensure that every palm obtains its fair share of recommended fertilisers

MANAGEMENT DISCUSSION & ANALYSIS

Drone Technologies

Over the years, AAR has also developed numerous applications using drone technologies. KLK's plantations use drones to carry out autonomous flight missions which are used for mapping, infrastructure, drainage and terrace planning and design, automated palm counting and monitoring. Processed images acquired including orthomosaic generation and various GIS analyses and monitoring of various plantation operations are available via cloud-computing services.

High Yielding Materials

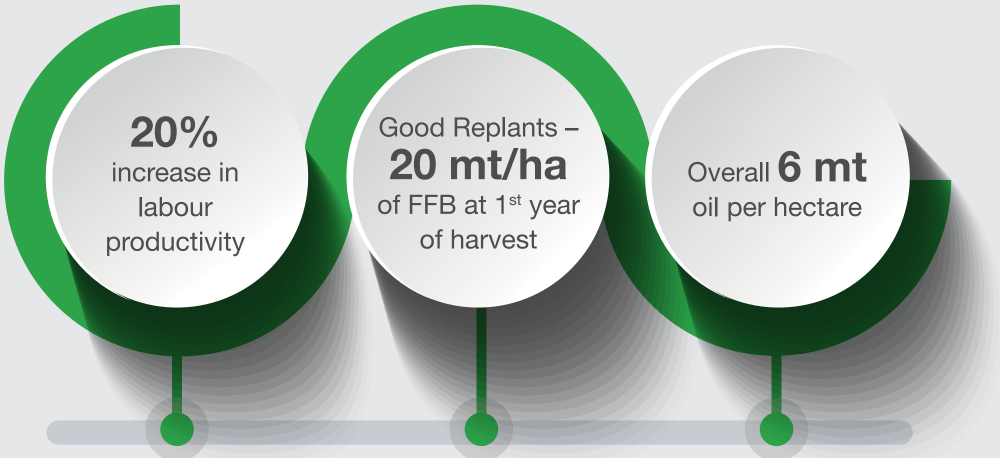
AAR has identified a high yielding tenera clone, capable of producing oils with carotenoid levels exceeding 1,100 ppm. In addition, this clone has high oil-to bunch (32-33%) and 0% mantling. This elite, high carotenoid ramet results in enhanced beta carotene extraction and fulfil market demand of value-added oils and fats products significantly as compared to the norm. The first batch of these clones is expected to be planted in 2021.

Bunches of high yielding elite clones with high oil to bunch (average of 263 analysis = 32.6%) and high carotenoid levels (> 1,100 ppm)

OUTLOOK

Prices of palm products have since rallied during the Fourth Quarter of 2019, boosted by the anticipated tighter supply of CPO in 2020 from lower than expected palm oil production, coupled with the implementation of the B20 and B30 biofuel policies by Malaysia and Indonesia respectively. Whilst these have prompted the positive sentiments on prices and push for demand, Management will remain focused on improving operational efficiencies to realise the Group's targets below.

Targets

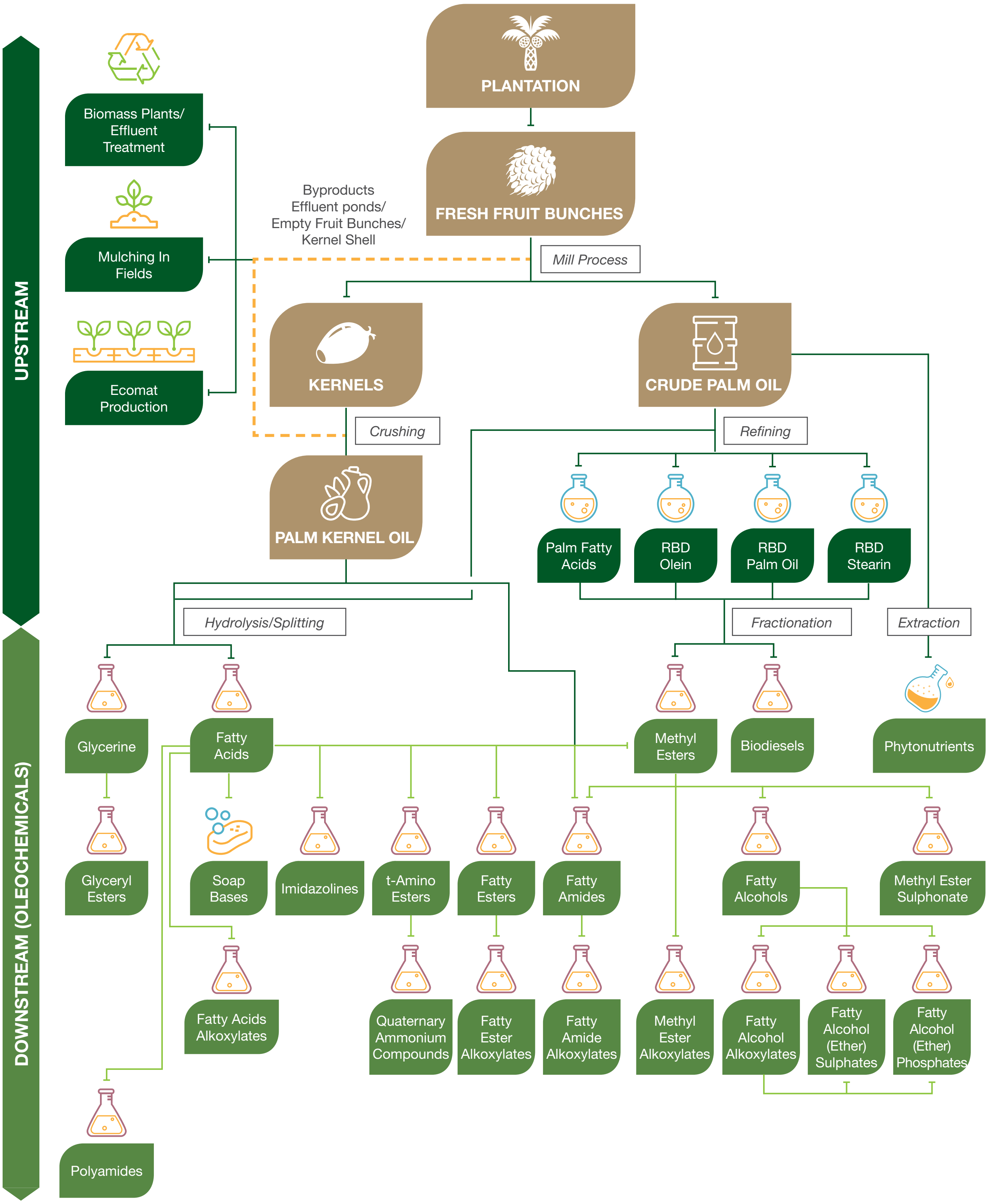


- The shift towards mechanisation for estates, automation in mills and other innovative ideas to improve existing practices remain high on our list to improve labour productivity in the wake of rising wages and inflationary pressures. We hope to be able to see more meaningful gains from FY2020 onwards.
- High standards of replants to achieve our FFB yield target of 20 mt/ha at the first year of harvesting will continue to be applied. We are hopeful that in FY2020 we would be able to see our efforts come to fruition after receiving encouraging results in some areas planted in FY2015 producing more than 20mt/ha.
- We will continue with our aggressive replanting programme that has been in place since FY2017. We have targeted 14,000 ha (or 7% of planted area) for replanting in FY2020.

MANAGEMENT DISCUSSION & ANALYSIS

INTEGRATED BUSINESS VALUE CHAIN

The vertical integration between the upstream business (Plantation) and downstream business of oleochemical is able to generate synergic benefits to the KLK Group. This value chain enables the Group to further diversify into different market segments and mitigate risks of volatilities in the respective business segments.



MANAGEMENT DISCUSSION & ANALYSIS

KL-Kepong Oleomas produces a wide variety of high quality oleochemical products

OLEOCHEMICAL DIVISION

KLK OLEO

Since the 1990's, the Group had diversified into resource-based manufacturing (predominantly oleochemicals) and vertically integrated both its upstream and downstream businesses. Its operations have expanded through joint-ventures, acquisitions and organic growth in Malaysia, the People's Republic of China, Europe and Indonesia, allowing the Oleochemical division (i.e. KLK OLEO) to venture further downstream.

VISION

Growing to be the most trusted global partner in oleo-based products and solutions, thus enriching human lives in a sustainable manner every day.

MISSION

- Consistent delivery of competitive high-quality products and solutions that are focused on meeting and exceeding customer expectations.
- Value addition through commitment to the highest standards of operational excellence driven by a culture of continuous improvement and innovation.
- Cultivating a team that values and develops people of all backgrounds through empowerment and recognition.
- Values built on the legacy of ethical practices embraced by its founder, committed to operate responsibly and with integrity.

MANAGEMENT DISCUSSION & ANALYSIS

WIDE SPECTRUM OF OLEOCHEMICALS

OUR PRODUCTS ARE USED IN DIVERSE END-USE APPLICATIONS

PERSONAL CARE

PALMOCOL
Foam Boosters

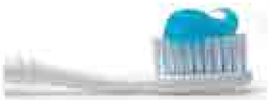
PALMEROL
Emulsifiers

PALMOSALT
Soap Bases

KOTILEN
Solubilisers

TENSAGEX
Cleansing Agents

SYMPATENS
Emulsifiers



PALMERA
Sweeteners

FOOD

PALMESTER
Energy Sources

DAVOSLIFE
Food
Colourants

DAVOSLIFE E3
Antioxidants

CLEANING AGENT

PALMFONATE
Detergents

IMBENTIN
Wetting Agents

GREENBENTIN TENSARYL
Surfactants

OTHERS

PALMERGY
Biodiesels

PALMERE
Lubricant Additives

PALMOWAX
Lubricants

Manufacturing Presence in
7 Countries

Total Manufacturing Facilities
15

Production Capacity
3.3 MIL MT PA

Supplying to over
120 Countries

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL PERFORMANCE

The KLK OLEO Group achieved a pre-tax profit of RM376.3 million for the FY, on the back of underlying volume growth of 4%. The prior year's result of RM371.4 million included provision of RM21.6 million for an asset impairment. Excluding this previous exceptional item, the full year FY2019 result was marginally lower than the previous year's achievement.

While the business saw stronger performance from our Malaysian and China operations vis-à-vis last year, the overall results were impacted by weak performance from our European operations. Lower feedstock prices did bring about more demand for products from our Malaysian and China operations, but margins were under severe pressure from co-producers who were willing to sacrifice margins to maintain volume.

For our Malaysian basic oleo business, the Fatty Acid offering to the external customers has increased, and our effort to enlarge our customer base to absorb these additional quantities has yielded positive results. The key challenge was the low by-product prices which put cost pressure on our main products. Soap Noodle sales remained stable, as demand from emerging markets improved. On a positive note, our downstream derivatives products which are less sensitive to oil price fluctuations, performed well, with a 13% volume growth in our Fatty Esters portfolio.

The Fatty Alcohol business remained resilient with marginal improvement in volume, supported by stable margins. Sales into Europe was difficult: under the EU Generalised System of Preferences ("GSP"), Indonesian players enjoyed duty exemption, while Malaysian companies had to pay between 3.8% to 5.5%. Methyl Ester was supported by growth in B100 sales, with volume boosted by Malaysia's new biodiesel mandate (B10 for retail and B7 for industrial effective February 2019 and July 2019 respectively). With the target implementation of B20 in 2020, sales for Methyl Ester is projected to increase further.

Methyl Ester Sulfonate ("MES") sales volume saw only marginal improvement in FY2019 but we did see significant interest in our paste products meant for liquid formulation. Conversion of the existing first MES sulphonation plant to dry Sodium Lauryl Sulfate ("SLS") manufacturing will add a new income stream for the business in the coming year.

Our European basic oleo site was badly affected by a volume shortfall caused by disruption in raw material availability during the First Quarter of the FY. The low water level of the River Rhine resulted in a situation where raw material intake was via road tankers or trucks, a less efficient transportation mode compared to barges. Incoming shipments also had to be stored externally at Rotterdam further adding to cost burden. Our European business also faced a highly competitive landscape caused by low vegetable oil prices, and ongoing margin erosion with Indonesian products with their GSP status.

Aerial view of KLK Kolb Specialties at Delden, The Netherlands

MANAGEMENT DISCUSSION & ANALYSIS

Central control room at KLK Emmerich, Dusseldorf site, Germany

The Kolb Group performed reasonably well for the FY, although impeded by the general slowdown in the European economy and exacerbated by a loss of a tolling business due to force majeure. Our surfactants unit in Belgium performed well, achieving significant growth, driven by strong tolling business. Through some reorganisation and streamlining of activities at its existing and new sites, Kolb's business managed to gain additional volume and improved margin. The Kolb Group has also taken the opportunity to debottleneck and undertake plant efficiency projects to further enhance their cost competitiveness. However, the European economy continues to show signs of a further slowdown due mainly to a lacklustre automotive and construction industry. On the market front, prices are under pressure, with declining demand and aggressive pricing from competitors to maintain volume. The weak market demand is expected to spill over into the new FY.

Our China unit Taiko Palm-Oleo Zhangjiagang ("TPOZ") registered a 19% increase in sales volume, in its effort to fill up its expanded capacity. The unit continued to face stiff challenge from Indonesian fatty acids imports, which have a duty (free) advantage under the ASEAN-China Free Trade Agreement ("ACFTA"), compared to RBD Palm Stearin feedstock imports which are dutiable. The ongoing trade war is making it very difficult to manage with our large capacities. With the RMB weakening, many customers prefer to source locally as the hedging cost for them is very high. While this has helped with the TPOZ volumes, the unit is also exposed to foreign currency volatility on its USD-based imported raw materials. Our triacetin products continue to sell well due to its premium quality. More competitive pressure is anticipated in the new FY, as several major competitors will be resuming their operations after several months of mothballing, and downtime on plant modifications to meet environmental requirements.

OUTLOOK

Market outlook is still positive for the new FY despite persistent market challenges spilling into the new FY. The rebound in feedstock price will see a squeeze in margins especially for our specialties businesses. The upcoming enforcement of low sulphur content fuel imposed by the International Maritime Organisation will see a surge in freight cost, leading to added costs to our export business. However, our new esters capacities will offer more opportunities for our businesses. The introduction of SLS by July 2020 into the market will also augment well for our surfactants business.

Global economic slowdown and severe market competition remain as key threats for the overall business. Overcapacity in our major product segments will continue to be a challenge and managing plant efficiency is one of the key factors to remain competitive.

MANAGEMENT DISCUSSION & ANALYSIS

PROPERTY DEVELOPMENT

Living area of single-storey bungalow at Hampton Residences

KLK LAND

In 1990s, the Group looked to capitalise on its strategic location of its landbank in Peninsular Malaysia and ventured into the property development business with the Sierramas project.

Bandar Seri Coalfields ("BSC") is its latest township offering located in the vicinity of Sungai Buloh, Selangor and will be developed over the next 15 years.

VISION

Developer of Choice

MISSION

- To deliver quality products and services
- To create sustainable communities
- To acknowledge and appreciate the talents and contributions of our stakeholders

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY OVERVIEW

The property market in Malaysia continued to face challenges in FY2019. The key issues in the residential segment included lower economic growth, financing difficulties and developers seeking to dispose existing stocks. According to National Property Information Centre ("NAPIC") report, the overhang property value had exceeded 600% over the last five years. The number of unsold units grew rapidly from 11,816 units to over 45,000 units in 2018.

To alleviate the problem, the government had implemented the Home Ownership Campaign ("HOC") in April 2019. The campaign aimed to address the property overhang issue in the country, had stimulated sales momentum and provided further traction to the property segment. In overcoming the affordability issue, property developers focused on developing affordable housing and embarking on creative home ownership campaigns such as Rent-to-Own programmes.

The landed housing category fared better, especially new landed developments in the Greater Kuala Lumpur area. The high-end category remains cautious due to the mismatch in products and price affordability.

In the commercial segment, the office market was impacted by impending supply and weak absorption rate of office spaces, especially in the Klang Valley area. The retail market is undergoing review of trade mix to stay attractive due to the recent boom of e-commerce and e-wallet shifting business operation trends.

PERFORMANCE

In FY2019, the segment recorded a revenue of RM170.4 million compared to RM177.7 million in FY2018. A higher pre-tax profit was recorded at RM47.4 million for this financial year compared to RM37.8 million last year mainly due to the successful sales of Hemingway Residences at BSC.

The Property Development segment successfully completed two new phases during the FY namely 109 units of terrace houses at Ixora 2 and 115 units of Superlink and Semi-detached houses at Hemingway Residences (Phase 1).

During the FY, KLK Land also completed 274 units of landed affordable terrace houses (18ft x 60ft) in Hibiscus 3 precinct under the *Rumah SelangorKu* initiative. A completion ceremony was organised to handover the keys to the proud owners of Hibiscus 3, commemorated by the Menteri Besar Selangor, YAB Tuan Amirudin bin Shari.

Hemingway Residences

Phase 1 of Hampton Residences was launched during the FY, comprising 191 units of combined products of superlink homes, semi-detached houses as well as single and double storey bungalows. Located on a 33-acre hilltop that accentuates nature living, Hampton Residences will feature modern design and practical layout that is ideal for families and is currently the only development in northern side of the Klang Valley offering single-storey bungalow.

Living up to the standards of a comprehensive township, BSC had successfully completed the new clubhouse for its residents. The clubhouse is equipped with eight badminton courts, a basketball court, a tennis court, a well-equipped gymnasium and an infinity pool. Earlier, the newly completed Wesley Methodist School had also commenced its classes for pre-school, primary and secondary grade students.

Unbilled sales as at 30 September 2019 stood at RM65.9 million. It is expected to grow as the township matures, driving up the demand from the upgraders and owner-occupiers desire to relocate to this area for a more spacious landed living.

KLK Land winning the Honor of The Five Element Award (Best Comprehensive Township above 500 acres) by StarProperty.my

ACCOLADES

In FY2019, KLK Land received several prestigious awards for its flagship township development - Bandar Seri Coalfields. In the Malaysia region, the township was recognised by StarProperty.my Awards with Honors in The Five Elements Award (Best Comprehensive Township Above 500 acres) and Property Insight Prestigious Awards with Best Township Developer (> 500 acres) Award. In the Asia Pacific region, Bandar Seri Coalfields received the Development Marketing Malaysia Award and the premium phase development of the township, Hemingway Residences, received the Best Residential Property Malaysia Award by International Property Awards.

IMMEDIATE PLANS

Moving forward in the next FY, this segment is poised to develop more quality homes, delivering quality environment and building a thriving community in BSC. The segment will also be expanding its development in a new 422-acre landbank located in Ijok, Selangor.

The segment is confident of riding out the tough property market, with thoughtful planning and delivering products that meet the needs of the people.

SUSTAINABILITY STATEMENT AND REPORT

SUSTAINABILITY STATEMENT AND REPORT

SUSTAINABILITY HIGHLIGHTS FOR FY2019

MARKETPLACE

KLK received Gold Sustainability Rating from RAM Consultancy

Maintained status as a constituent in FTSE4Good Bursa Malaysia Index for 3rd consecutive year

Improved our SPOTT ranking to the 10th position from the 18th position last year

Launched KLK Suppliers Code of Conduct and Supplier Non-Compliance Protocol

Total CSPO uptake is 592,385 mt or 84% of total certified oil, where 40% is RSPO uptake and 44% is ISCC uptake

83% of total Group landbank is RSPO certified

WORKPLACE

Launched KLK Group Employee Grievance Redressal Policy

Sustainability Workshop series on Revised Sustainability Policy and newly endorsed RSPO Principles and Criteria

Suppliers Workshop series on newly launched KLK Suppliers Code of Conduct, Non-Compliance Protocol and KLK Traceability Approach

Employs more than 40,000 people in its Plantation and KLK OLEO business

Women make up 20% of our Plantation and KLK OLEO workforce

Fatality*: | 2019: 0 | 2018: 0

* *Source from Plantation (Malaysia)*

Certification Status:

RSPO	100% of Malaysian mills certified; 11 of 12 (92%) Indonesian mills certified 100% Malaysian estates certified 81% Indonesian estates certified
RSPO SCC	All refineries, KCPs and KLK OLEO facilities certified
MSPO	100% of Malaysian mills certified
MSPO SCC	All Malaysians POMs, refineries, KCPs and KLK OLEO facilities certified
ISPO	11 of 12 (92%) Indonesian mills certified 80% Indonesian estates certified
ISCC	16 mills certified

ENVIRONMENT

Winner of National Energy Award under the Renewable Energy Category in Malaysia for utilising biogas plants in its operation and contributing to the national grid

KLK's plantations and POMs recorded an average emission of 637.54 kg CO_2 eq/dry mt CPO, which is translated into 67% GHG savings compared to fossil fuel emission

A total of 7,417 ha has been conserved for biodiversity protection

To date, we have planted 72,000 and 61,900 forest/fruit trees spread over our Malaysian and Indonesian Operating Centres ("OCs") respectively

COMMUNITY

Assisted 56 smallholders and four (4) outgrowers in obtaining certification for approximately 824 ha and 9,629 mt of fresh fruit bunches ("FFB") under Bornion Smallholders Project

12,807 ha allocated to 6,400 planters under the Plasma Scheme

77 learning centres, kindergartens and schools which benefit approximately 12,000 students annually

6,800 students participated in KLK Palm Oil Education Programme to date

SUSTAINABILITY STATEMENT AND REPORT

ABOUT THIS REPORT

The content of this report draws upon guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Guide 2018 (2nd Edition) and the Global Reporting Initiative ("GRI") Standards 2016 – Core.

This Report is intended to share our sustainability commitments and performance – including the achievements, progress, challenges and setbacks we faced during the reporting period.

We are committed to pursuing our reporting journey and will move towards seeking external assurance for future reports.

Scope of Report

The environmental, social and governance ("ESG") performances in the following pages cover data which have been compiled internally for the financial year ("FY") 2019. Where available and relevant, historical data of the preceding year has been included for comparison. Unless otherwise stated, all data is correct as at 30 September 2019.

This report focuses on our Plantation segment and the Oleochemical division ("KLK OLEO"), which are our largest and most established business sectors. They account for 41% and 56% of the Group's total revenue in FY2019 respectively.

The Statement includes data from KLK subsidiaries, but not from associates or joint ventures.

SUSTAINABILITY GOVERNANCE

At KLK, sustainability is a fundamental aspect of how it conducts its business. This requires effective governance, leadership and on-going focus on compliance procedures. By establishing a robust governance structure, we are able to carry out our sustainability strategies across the Group and monitor their progress.

We endeavour to realise the above mentioned by establishing a 3-tiered governance structure that captures the voice of top Management and the relevant departments.

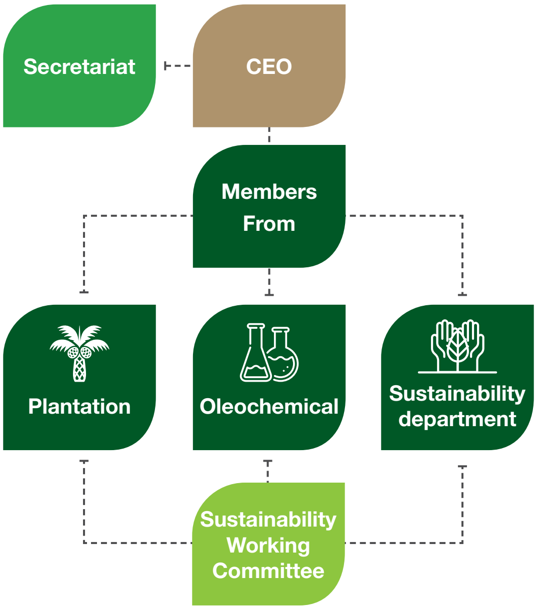
The Board of Directors ("BOD") governs and leads KLK's overall responsibility in integrating sustainable economic, environmental and social initiatives throughout the Group's business strategies.

The BOD is supported by the Sustainability Steering Committee ("SSC"), formed in September 2015, headed by the Chief Executive Officer ("CEO") with members comprising the Group Plantations Director, Managing Director of KLK OLEO and representatives of the Sustainability team. The CEO reports to the BOD on key issues which impact the Group's sustainable responsibilities and commitments. The SSC's mandate is to develop sustainable strategies and policies, and to assist the BOD's decision-making efforts. The SSC also has the monitoring role to ensure KLK meets both its compliance and sustainable development responsibilities.

The SSC is supported by the Sustainability Working Committee ("SWC"). With representatives from Plantation, KLK OLEO and the Sustainability team, its role includes developing and driving the policies with time-bound plans.

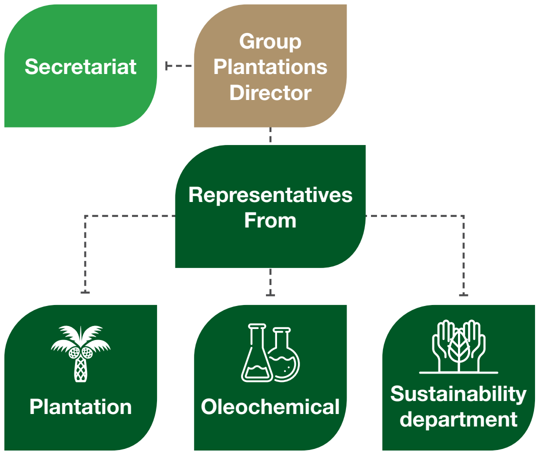
SUSTAINABILITY STATEMENT AND REPORT

SUSTAINABILITY STEERING COMMITTEE



Roles:
- Develop Group strategies and policies
- Monitoring sustainable performance

SUSTAINABILITY WORKING COMMITTEE



Roles:
- Ensure consistent implementation of sustainability practices and standards
- Raising sustainability practices awareness amongst employees
- Continual process of engaging stakeholders

MATERIALITY MATRIX

Our materiality matrix was derived based on a combination of in-house risk assessments and external stakeholders engagement.

In preparation for this year's report, we reassessed the concerns about our business and its impact especially in relation to the society and the environment.

Our Assessment Process:

Identify

We assessed if our concerns disclosed in last year's Sustainability Report are still relevant and if there are any new concerns to be raised based on:
- changing global and local trends
- the directions of the palm oil industry
- regulatory changes
- media analysis
- our strategies and internal policies

In the course of the assessment, the Group has determined that the majority of material topics presented in FY2018 still remain relevant.

Prioritise

Engaged with internal and external stakeholders to rate the material concerns according to their importance. With stakeholder engagement as one of KLK's sustainability cornerstones, we actively met, conversed, consulted and worked with a broad cross-section of our stakeholders. This provided us with a better understanding of their concerns and perspectives. During FY2019, we included workshops and email survey to our methods of engagement with stakeholders. Please refer to page 55 for more details.

Verify

The final Materiality Matrix was reviewed by the BOD to be most material to KLK.

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT
A. Carbon Footprint
B. Protection of High Carbon Stock Forests
C. Management of Peatlands
D. Protection of High Conservation Value and Biodiversity
E. Legal Compliance
F. Water Footprint

MARKETPLACE
G. Ethical Practice
H. Evaluation of Suppliers'/ Contractors' Sustainability Commitment
I. Market and Commodity Prices
J. Product Certification
K. Traceability

WORKPLACE
L. Health and Safety
M. Labour Relations and Human Rights
N. Training and Education

COMMUNITY
O. Community Investment
P. Free, Prior and Informed Consent
Q. Grievance Redressal
R. Sustainable Development of Smallholders

Throughout the FY under review, there were no significant changes to our business model or operating boundaries. As such, the material concerns continue to be indicative of our journey to strengthen KLK's sustainability performance.

It should be noted that material concerns that fall outside the scope of coverage are no less important considerations to us and disclosure of our progress in addressing these concerns continue to be made through other appropriate channels.

SUSTAINABILITY POLICY

Sustainability has been inculcated in our operations since early 2000s. This is evidenced by our longstanding implementation of Good Agricultural Practices, including a strict Zero Burning Policy for new planting and replanting. In line with this, we developed our comprehensive Sustainability Policy ("Policy") in December 2014. The policy was then revised in August 2018, incorporating constructive inputs on developments and concerns from our stakeholders. This publicly available Policy helps us keep our values, sustainability pillars and commitments in check and is available at *www.klk.com.my/sustainability*.

SUSTAINABILITY POLICY

ENVIRONMENT
- No Deforestation
- Protection of Peat Areas
- Protect High Conservation Value Areas
- Reduce Net GHG
- Zero Burning

SOCIAL
- Respect & Recognise Rights in Workplace
- Respect Rights of Indigenous & Local Communities
- Facilitate Inclusion of Smallholders/Farmers into the Supply Chain

TRACEABILITY
- Palm Oil Mills
- Refineries
- Palm Kernel Oil

GOVERNANCE
- Business Integrity
- Grievance Redressal Procedure

SUSTAINABILITY STATEMENT AND REPORT

Achievements and Targets

Plantation

Policy Compliance – Internal

Action Plan	Timeline/Target	Status as of FY2019
No Deforestation, No Peatland and No Exploitation ("NDPE") Compliance Verification • Appoint Certification Body accredited by RSPO • Quality review by High Conservation Value Resource Network ("HCVRN")* and HCSA quality panels • Internal audit by KLK Sustainability Team • Engagement with independent party to conduct NDPE Compliance Verification	• Commitment remains • Commitment remains • Commitment remains • January 2020	• Commitment remains • Commitment remains • Commitment remains • In progress
Newly Acquired Operations • Conduct NDPE Compliance Verification by KLK Sustainability Team • Strive to achieve RSPO Certification within 3 years	• Commitment remains • Commitment remains	• Commitment remains • Commitment remains
New Development Area • Conduct integrated HCV and HCSA assessments • Engagement with Civil Society Organisations ("CSOs") and local communities during the course of preparing Integrated Conservation and Land Use Planning ("ICLUP")	• Commitment remains • Commitment remains	• Commitment remains • Commitment remains
Develop Supplier Code of Conduct and Supplier Non-Compliance Protocol	• December 2018 – February 2019	• Completed
Conduct Sustainability Workshops on Revised RSPO P&C and KLK's Sustainability Policy, including relevant requirements of HCS Approach and its social requirements • For Senior Management and all OCs	• December 2018 – February 2019	• Completed
Labour-related Matters A special labour task force will be set up internally to conduct the following studies: • Due diligence on contractors and recruitment agencies • Recruitment fees structure • Decent living wage assessment	• December 2018 – June 2019	• Commitment remains • Completed • A special task force has been set up and we are at the point of analysing data

* HCVRN is a member-based organisation that strives to protect High Conservation Value ("HCV") areas

SUSTAINABILITY STATEMENT AND REPORT

KLK OLEO

Third Party Supply Chain Management Programme

Action Plan	Timeline/Target	Status as of FY2019
Phase 1[a] – Primary[1], Secondary[2], Tertiary[3] assessment	October 2018	Completed
Phase 2[b] – Suppliers engagement on Supply Chain Management Programme	August 2018	Completed
Phase 2[b] – Primary[1] assessment	February – September 2019	In progress
Suppliers engagement on Supplier Code of Conduct	July 2019 onwards	In progress
Review Risk Mitigation Plan of High-Risk Suppliers*	2018 – 2020	In progress

Notes:
1 Primary assessment: Self-assessment
2 Secondary assessment: Desktop audit
3 Tertiary assessment: On site audit
a Phase 1: Covered ASEAN suppliers who supplied 68% of the total 3rd party volume to KLK OLEO during FY2018
b Phase 2: Covered remaining ASEAN, China and Europe suppliers who have active transaction with KLK OLEO
* Inclusive of review through Grievance mechanism and Supplier Non-Compliance Protocol

The above programme was extended to 95% of total 3rd party volume to KLK OLEO in FY2019.

Stakeholder Groups and Key Engagements Conducted in FY2019

Stakeholder Group	Areas of Concern/Interest	Engagement Approach	Outcome/Possible Solutions
Local Communities & Smallholders	• Land matters, complaints and grievances • Supply chain concerns • Sharing of knowledge on agricultural best practices • Relationship with KLK	• Meetings, engagements and dialogues • Joint exercises and training • Community outreach activities and development programmes • Email survey	• Amicable solutions to conflicts and grievances • Enhance smallholders agriculture practices with sustainable options and create awareness of Policy and commitment to sustainable palm oil production • Development and implementation of shared initiatives • Community activities such as "gotong-royong" at villages, health talks/checks and festive celebrations
NGOs	• Sustainability-related concerns • Challenges faced by KLK and the palm oil industry as a whole	• Formal and informal meetings, engagements and dialogues • Regular correspondence • Collaborations and project partnerships • Policy and documentation reviews • Official grievance mechanism • Email survey	• Better understanding of their concerns and issues with the palm oil industry and KLK • Enhance their understanding of KLK's Policy, sustainability practices, status, progress and initiatives • Development and implementation of shared initiatives

SUSTAINABILITY STATEMENT AND REPORT

Stakeholder Group	Areas of Concern/Interest	Engagement Approach	Outcome/Possible Solutions
Certification Bodies (RSPO, MSPO, ISPO, ISCC)	• Relevant issues and updates in the industry • Governance in compliance with statutes and regulations	• Meetings, engagements and dialogues • Regular reporting and meetings • OC visits and inspection • Constructive partnerships • Email survey	• Audit and certification • Compliance with policies and latest changes in requirements
Government (Ministries, Agencies, Regulators, Industry Associations)	• Support for government policies and initiatives in the industry • Contribution to national sustainability goals	• Meetings, engagements and dialogues • Collaborations in constructive schemes • OCs visits and inspections	• Development and implementation of shared initiatives • Compensation process and avenue • Compliance with laws and regulations and latest changes in them
Investors, Bankers & Analysts	• Progress and compliance to sustainability standards • Clarification of media reports about KLK • Maximisation of shareholder value	• Formal and informal briefings and meetings • Annual General Meetings • Corporate website • Email survey	• Provide insight into our sustainable business progress and performance
Customers	• Product quality • Product certification, supply chain and traceability • Socio-economic concerns	• Formal and informal briefings and meetings • Site visits • Email survey	• Create awareness of KLK's Policy and commitment to sustainable palm oil production and their role in it
Suppliers & Contractors	• Awareness and compliance to KLK's policies, where applicable • Supplier Code of Conduct and Non-Compliance Protocol	• Workshops • Formal and informal briefings and meetings • Third-party Supply Chain Management Programme • Email survey	• Create awareness of KLK's Policy, Supplier Code of Conduct, Non-Compliance Protocol and commitment to sustainable palm oil production and their role in it
Employees	• Employee development and job satisfaction • Welfare and remuneration • Safety and health issues and practices • Sustainability practices	• Employee wellness activities • Intranet news updates and quarterly newsletter • Training programmes • Annual appraisals	• Awareness of KLK's policies, culture and core values • Enrich inclusiveness and teamwork, creating a better work environment toward a shared goal • Improve awareness of our commitment to sustainable practices
Schools & Universities	• Talent acquisition • Clarification on misinformation concerning the industry	• Provision of scholarships • Internship programmes • Talks and participation in roadshows	• Opportunities for underprivileged students to further their studies • Exposure to work life and expectations • Awareness about palm oil industry

Note: Unless stated, the frequency of engagement between our Group and its stakeholders can be periodic or on an as-and-when-necessary basis.

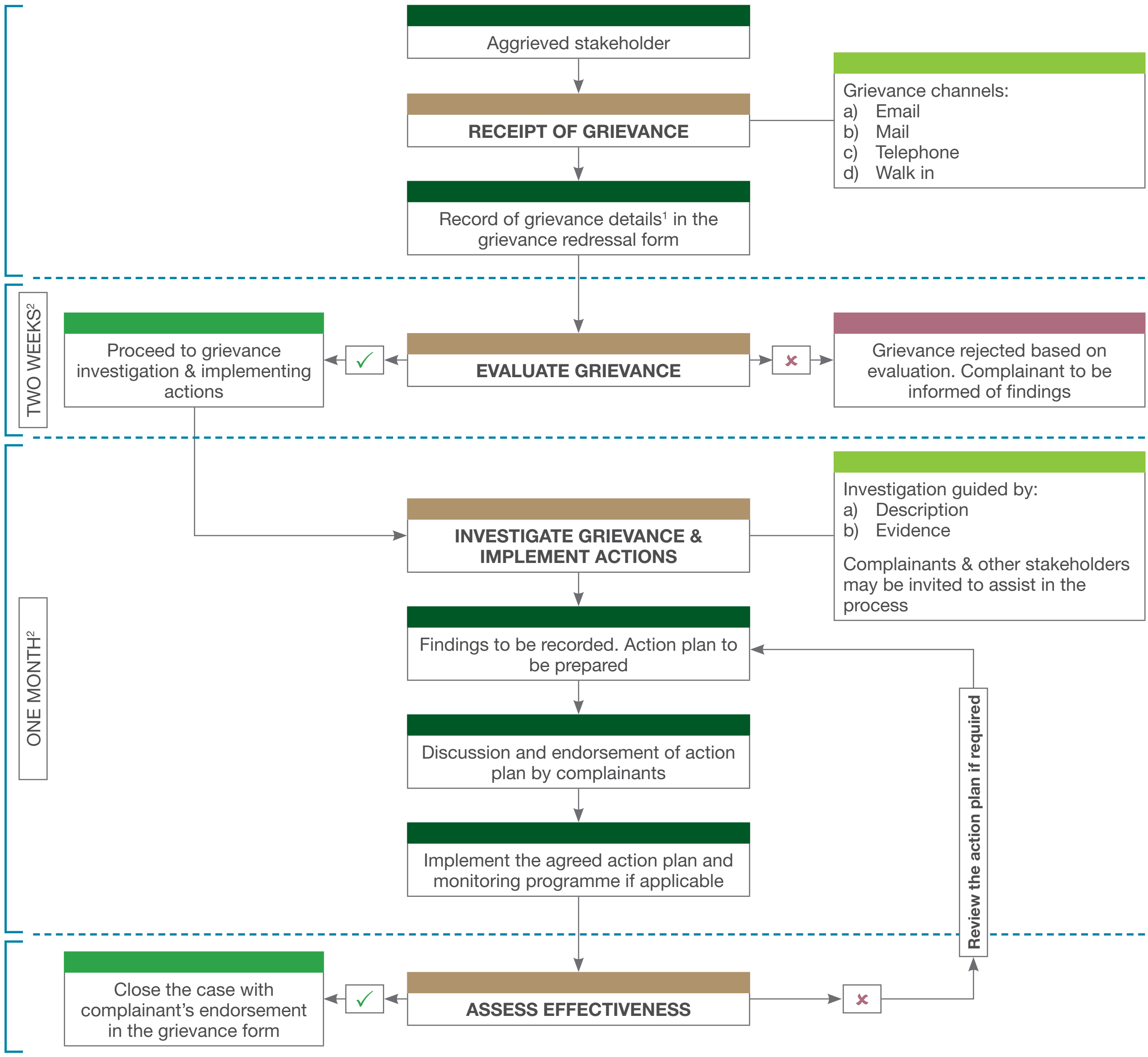
SUSTAINABILITY STATEMENT AND REPORT

Stakeholder Engagement in Liberia

Respecting Local Communities Rights

We are committed to respecting local communities' rights at its concession areas in Liberia i.e. Palm Bay estate and Butaw estate. There is a formalised Free, Prior and Informed Consent ("FPIC") procedure in place to ensure land matters and conflicts are not only handled effectively but also ensuring the communities rights are upheld. Any conflicts or grievances arising thereafter including those not relating to land matters shall be dealt with or handled via the following procedure or otherwise through a mutually agreed process where applicable.

Grievance and Redressal Procedure Flowchart



1 to ensure confidentiality to the complainant should there be a request
2 timeline stated subject to change based on the complexity of the grievance

SUSTAINABILITY STATEMENT AND REPORT

Engagement on Land and Labour Matters

During the period under review, KLK through its subsidiary, Equatorial Palm Oil Plc ("EPO") has conducted numerous engagements with the communities in the vicinity of its concessions. They were mainly confined to land matters and labour matters as summarised below:

Land Matters	Action	Status
Tarjuwon community brought up land ownership claims over Butaw estate again in October 2018 despite the matter was concluded in favour of Tarsue and Karbor communities in 2016 after the completion of a tribal investigation headed by the county administration.	Arising from this, EPO had initiated discussions with the Ministry of Internal Affairs leading to a site visit and joint meetings.	Tribal ownership of the area is pending finalisation by Ministry of Internal Affairs.
Several towns outside of Palm Bay estate have expressed interest in land development for oil palm and invited the company for site visits and further discussions.	Arising from this, EPO had initiated a series of discussions with the interested communities explaining FPIC and sustainable land development processes.	Discussions are completed and further engagements are put on hold taking into consideration the Land Rights Law 2018 in Liberia that will redefine land ownership nationwide.

Labour Matters	Action	Status
Communities at Palm Bay requested EPO to provide preference for the district residents for recruitment at the new palm oil mill.	EPO initiated a series of discussions with the communities to setup a transparent selection and recruitment process.	Selection and recruitment of the eligible residents were completed in January 2019.
Butaw estate's operations have been determined to be unsustainable based on the reduced available plantable area reported after the completion of the HCS assessment. As part of its cessation process, a workforce redundancy exercise was conducted.	EPO communicated the decision to the Ministry of Labour ("MOL") in June 2019 and initiated discussions with the Butaw estate workers union, General Agriculture, Allied Workers' Union of Liberia ("GAAWUL"), MOL and the Tarsue – Karbor communities.	The first stage of the workforce redundancy exercise was completed on 31 July 2019.

Grievances

Grievance Procedure – Employees

Since the inception of the RSPO P&C in 2008, an Employee Grievance Procedure was in place in all our OCs. In May 2017, a Group Employee Grievance Redressal Policy was introduced and fine-tuned in May 2019 to make grievance-raising more accessible to all levels, from the grassroots to senior management.

Posters in relation to these procedures will be made available in all OCs by First Quarter of 2020 to assure all employees, especially workers, that they have an effective avenue for them to report on working conditions, safety and other issues that might affect them directly or indirectly.

Grievances can be submitted through the following channels:

- direct communication via Hotline
- by email
- by post
- by hand (in Liberia - currently there is no postal service in this part of the operating centre)

The procedure can be viewed at *https://www.klk.com.my/governance-policies*.

Grievance Procedure – Third Party

KLK is committed to address any grievance raised by our stakeholders relating to the implementation of its Policy within its operation and across its supply chain. We have established a Grievance Procedure during the previous FY, which outlines a clear, transparent and impartial methodology in dealing with the grievances throughout the entire process. KLK views such feedback and input to be important to have a meaningful gauge on the effectiveness in the implementation of its Policy.

SUSTAINABILITY STATEMENT AND REPORT

Grievances can be submitted through the following channels:

- by email: sustainability@klk.com.my
- by e-Grievance Form

The procedure can be viewed at *https://www.klk.com.my/sustainability/grievance*.

Grievance Redressal List

All issues raised are fully disclosed in our Grievance Redressal List for transparency. The list, available at *https://www.klk.com.my/sustainability/grievance*, is constantly updated to keep our stakeholders timely informed.

Supplier Code Of Conduct And Non-Compliance Protocol

Supplier Code of Conduct ("SCOC")

Pursuant to the Policy, SCOC was established to outline the principles that we expect our suppliers to practice across our business and the communities in which we work. The SCOC is available at *https://www.klk.com.my/governance-policies.*

The SCOC applies to all suppliers that sells goods or provide services to all the palm oil related operations of KLK, its subsidiaries, joint-ventures and companies over which it has management control. As a condition of doing business with the Group, suppliers must comply with the SCOC. KLK reserves the right to take action or terminate its business relationship with any supplier (a person or entity) who violates the SCOC as stipulated in the Supplier Non-Compliance Protocol.

Supplier Non-Compliance Protocol ("NCP")

The NCP states that KLK shall not knowingly source from suppliers who refuse to comply with its Policy and the SCOC. Should any incident be uncovered or grievance brought directly to our attention which may involve either our own operations, our suppliers directly or indirectly at a group level, we will investigate and take appropriate action.

To engage with suppliers on the SCOC and the NCP, our Sustainability team conducted a series of workshops throughout the FY.

The NCP is available at *https://www.klk.com.my/governance-policies*.

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("SDG")

On 1 January 2016, the 17 SDGs of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic United Nations Summit – officially came into force. These 17 SDG seek to abolish extreme poverty, to reduce inequality and injustice and to solve the global climate crisis.

KLK advocates the comprehensive approach of the SDG. With agriculture, specifically oil palm development as our core business, our products and innovations enable us to contribute to nine (9) of these SDG.

The management of our material matters and corporate responsibility activities are focused on four (4) core areas, and we have aligned them with the applicable SDG:

KLK'S CORE AREAS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS		
Marketplace		**SDG Indicator**	**KLK Efforts**
• Traceability • Product Certification • Ethical Practice • Market and Commodity Prices • Evaluation of Suppliers'/ Contractors' Sustainability Commitment		**SDG 12 – Responsible Consumption and Production** Ensure sustainable consumption and production patterns	We are able to provide tangible assurance to our buyers by way of certifications that our palm products are produced responsibly and sustainably with a good level of transparency. The tagline of this indicator of "Doing more and better with less" fits well with KLK's maxim in resource management. As indicated in our Environment section, we attempt our level best to achieve more by optimising the use of water and energy.

SUSTAINABILITY STATEMENT AND REPORT

KLK'S CORE AREAS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	
Environment	**SDG Indicator**	**KLK Efforts**
• Protection of High Carbon Stock Forests • Management of Peatlands • Protection of High Conservation Value and Biodiversity • Legal Compliance • Carbon Footprint • Water Footprint	**SDG 6 – Clean Water and Sanitation** Ensure availability and sustainable management of water and sanitation for all	KLK realises water is not an inexhaustible source. Our water management strategies center on water use optimisation and reduction in water consumption or wastages, optimisation of use with minimal impact to the environment.
	SDG 7 – Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all	We have in place renewable energy resources (biogas power plants and gas turbine generators), efficiency initiatives which reduce energy consumption and continuous improvement of process systems for increased efficiency and sustainability.
	SDG 13 – Climate Action Take urgent action to combat climate change and its impacts	Commercial oil palm cultivation and care for the environment should not be viewed as opposing pursuits. They can be mutually enforcing in securing a new sustainable future for all. KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services.
	SDG 15 – Life on Land Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	
Workplace	**SDG Indicator**	**KLK Efforts**
• Health and Safety • Labour Relations and Human Rights • Training and Education	**SDG 1 – No Poverty** End poverty in all its forms everywhere	With agriculture being the single largest employer in the world, it is our hope that by employing over 40,000 people worldwide, we are able to alleviate poverty.
	SDG 2 – Zero Hunger End hunger, achieve food security and improved nutrition and promote sustainable agriculture	
	SDG 3 – Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages	Within our OCs, infrastructure and facilities such as clinics and recreational amenities are set up. These would provide employees easier access to healthcare, better nutrition and lead to better well-being.
	SDG 8 – Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Human capital is the backbone of KLK. We offer employees jobs with fair compensation, safe working condition and social protection. We reward good performance and actively promote "lifelong learning", helping them to reach their full potential.
Community	**SDG Indicator**	**KLK Efforts**
• Community Investment • Free, Prior and Informed Consent • Grievance Redressal • Sustainable Development of Smallholders	**SDG 4 – Quality Education** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	We believe that education is an important catalyst for positive change in the community. We create appropriate educational inroads and pathways in areas where we operate to provide basic education to children who have no access to mainstream education. We also provide schools and buses for the children to go to schools.

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

CERTIFICATIONS

Certification is indispensable and central to any meaningful pursuit. It serves to provide reliable source of assurance to stakeholders that the Company's products are produced sustainably, responsibly and ethically, with the necessary safeguards put in place to mitigate risks. We prioritise recognised standards which are consistent with our core commitments and add value through improved market access, enhanced brand reputation and advancement of best-in-class practices.

Certification at Plantation

RSPO-1106058

Roundtable on Sustainable Palm Oil ("RSPO")

RSPO is a multi-stakeholder initiative that aims to transform the market to make sustainable palm oil the norm. Members consist of supply chain members namely producers and processors, consumer goods manufacturers, retailers, banks and investors as well as environmental and social non-governmental organisations.

The revised Principles and Criteria ("P&C") of RSPO 2018 poses even more challenges to the palm oil industry with the inclusion of NDPE policies. However, we are well-prepared ahead of time to face these challenges with our Policy have already included these NDPE measures.

KLK is one of its pioneer members and fully committed to certify all of its OCs. KLK's Malaysian operations have been fully certified since 2014. For Indonesia, 11 of our 12 palm oil mills ("POMs") are RSPO certified. The remaining, Tanjung Keliling Palm Oil Mill which was commissioned in FY2019 is targetted to be certified by 2020.

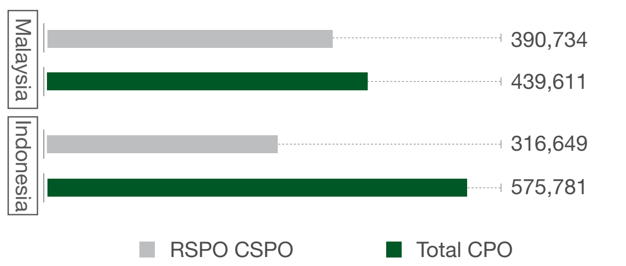
As for our Indonesia estates, more than 80% are certified under RSPO with the balance to be certified by 2021.

RSPO Certified Sustainable Palm Oil ("CSPO")

Our current annual production of RSPO CSPO is 707,383 mt, with Malaysia accounting for 55% of the total and the balance 45% for Indonesia.

The total RSPO CSPO represented 70% of our total CPO produced during the FY.

**FY2019
ANNUAL RSPO CSPO VS TOTAL CPO PRODUCED BY COUNTRY (mt)**

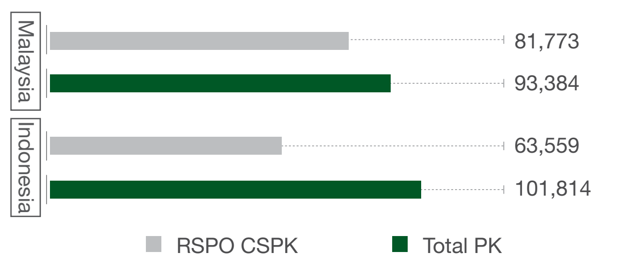


Certified Sustainability Palm Kernel ("CSPK")

Our current annual production of RSPO CSPK is 145,332 mt. It represents 74% of our total PK produced during the FY.

KLK's production of CSPK in Malaysia was 81,773 mt and in Indonesia was 63,559 mt.

**FY2019
ANNUAL RSPO CSPK VS TOTAL PK PRODUCED BY COUNTRY (mt)**



MSPO/4-3-0009
MALAYSIAN SUSTAINABLE PALM OIL

Malaysian Standard on Sustainable Palm Oil ("MSPO")

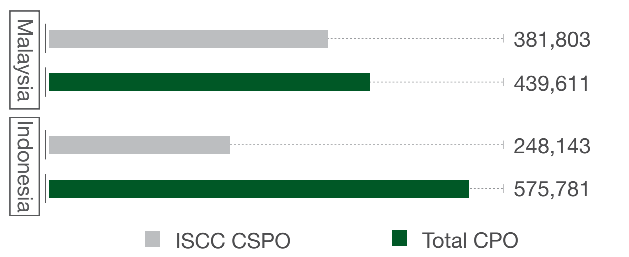
The MSPO Certification Scheme covers the Malaysian oil palm industry supply chain comprising plantations, independent and organised smallholders and POMs. It also includes grouping smallholders into Sustainable Palm Oil Clusters. KLK's Malaysian operations have achieved full certification at the end of 2017.

SUSTAINABILITY STATEMENT AND REPORT

International Sustainability and Carbon Certification ("ISCC")

ISCC is a system for certifying biomass and bioenergy industries. The system focuses on reducing Greenhouse Gas ("GHG") emissions, sustainable use of land, protection of natural biospheres and social sustainability. It has received official state recognition through the German government's Biomass Sustainability Ordinance ("BioNachV") and is recognised by the European Commission as a certification scheme compliant with the EU Renewable Energy Directive's ("RED") requirements. As of September 2019, KLK reached a production of approximately 629,946 mt of ISCC certified palm oil.

FY2019
ANNUAL ISCC CSPO VS TOTAL CPO PRODUCED BY COUNTRY (mt)



Indonesia Sustainable Palm Oil ("ISPO")

The Indonesian government established the mandatory ISPO certification scheme to improve the sustainability and competitiveness of the Indonesian palm oil industry. This scheme also supports the Indonesian government's objectives to reduce GHG emissions and draw attention to environmental issues. Similar to the RSPO, ISPO Standards includes legal, economic, environmental and social requirements, which are largely based on existing national requirements. For our palm oil mills in Indonesia, 11 out of 12 are ISPO certified, with the remaining mill, Tanjung Keliling Palm Oil Mill targetted for certification by 2020. As for our estates, more than 80% are certified under ISPO and the balance to be certified by 2021.

Certification at KLK OLEO

Many of KLK OLEO's products and processes have been certified by various international bodies as on par with world-class standards.

KOSHER

GMP+

RECOGNITION

KLK received Gold Sustainability Rating from RAM Consultancy

KLK was awarded the Gold Sustainability Rating in an evaluation done by RAM Consultancy Services Sdn Bhd, reflecting its outstanding sustainability performance and the positive impact attributes.

The Gold Sustainability Rating of KLK was accorded based on its robust sustainability governance structure and the establishment of an overarching Sustainability Policy that is aligned to the RSPO P&C.

Zoological Society of London's Sustainable Palm Oil Transparency Toolkit ("ZSL SPOTT")

ZSL SPOTT assessments provide detailed snapshots of corporate transparency on sustainability issues. KLK is among the companies currently tracked on SPOTT. ZSL SPOTT assessments provide industry stakeholders with a comprehensive overview of the state of the market, as well as specific insights into the progress of individual companies.

Following additional progress in meeting our targets and closing performance gaps, our SPOTT ranking has improved from the 18th position to the 10th position this year.

FTSE4Good Index Series

Created by FTSE Russell, a global index and data provider, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

KLK was independently assessed according to the FTSE4Good criteria based on our ESG practices. Some of the focus areas include biodiversity, water use, climate change, health & safety, labour standards, human rights, risk management, anti-corruption and corporate governance.

KLK has been named for the 3rd consecutive year as a constituent of the FTSE4Good Index Series.

SMALLHOLDER PROJECTS

Our engagement with stakeholders goes beyond mere dialogue, as we also seek to empower and enable our stakeholders to fulfill their aspirations. Our Plantation sector has led us to interiors, placing us at the doorsteps of often isolated communities. By having a presence in these remote localities, we are in a unique position to make a positive impact to the livelihood of rural folks.

Indonesian Plasma Scheme

Our Indonesian Plasma Scheme is an initiative designed for the development of oil palm plantation for smallholders and small growers by plantation companies.

SUSTAINABILITY STATEMENT AND REPORT

KLK has allocated 12,807 ha to approximately 6,400 planters under the Plasma Scheme. We actively engage with them to offer assistance in obtaining RSPO certification and have set target timelines. Our support comes in form of monetary funding, technical expertise and monitoring exercises. We are committed to certified these smallholders and small growers under RSPO three (3) years after the certification of the mill that they supply to.

Bornion Smallholders' Project

Together with Neste and Fuji Oil Holdings Inc. as partners, facilitated by Wild Asia, this project successfully assisted 56 smallholders and 4 outgrowers in obtaining certification for approximately 824 ha and 9,629 mt of FFB. It is now our intention to provide continuous support for them to maintain their certification via engagement sessions, considering the many challenges faced by these producers when it comes to complying with the requirements of major players in the palm oil industry.

TRACEABILITY

Traceability Compliance

Action Plan	Timeline/Target	Status as of FY2019
KLK POMs – 100% traceable to plantations by end of 2019		
• Conduct engagement with 1st tier supplier (direct) • Suppliers mapping and carry out desktop analysis of 1st tier suppliers	• December 2018 – February 2019	• Completed • Completed
• Conduct engagement with 1st tier suppliers, including NDPE Compliance Verification at "high risk" suppliers • Data collation from collection centres/dealers on 2nd tier suppliers (indirect)	• March 2019 – June 2019	• Completed
• Conduct 2nd tier suppliers mapping and desktop analysis of 2nd tier suppliers	• July 2019 – August 2019	• The timeline has been moved to FY2020 due to delay in receiving response from collection centres
• Conduct engagement with 2nd tier suppliers together with collection centres/dealers including NDPE Compliance Verification at "high risk" suppliers	• September 2019 – November 2019	
KLK Refineries – 100% traceable to plantations by end of 2020		
• Update and publish the suppliers list quarterly	• Commitment remains	• Commitment remains
• Continuous engagement with suppliers and update the status in Grievance list	• Commitment remains	• Commitment remains
Engage Daemeter on assisting KLK to achieve 100% traceability to plantations by end of 2020, which includes: • Supply Chain Analysis and Supplier Profiling • Action Plan Development • Supplier Engagement • Traceability Verification	• December 2018 – November 2019	• Completed • Completed • Completed • In progress
KLK OLEO – traceable to palm oil mills for palm oil-based and palm kernel oil based feedstock by end of 2020		
• Suppliers engagement for data collection	• Commitment remains	• In progress
• Update and publish mill list	• Half yearly	• Commitment remains

Traceability at Plantation

As indicated in our Policy, we have a time-bound plan to achieve 100% traceability to plantations for our POMs and refineries. During the FY, we achieved 99% traceability for all POMs in Malaysia and Indonesia except for Mill 1 in Sabah. Mill 1 remains a challenge as it fully sources its FFB from external parties. However, we will continue to engage with the suppliers every month to meet our goal of 100% traceability to plantations for our POMs and refineries.

To date, traceability level to POMs of our refineries and KCPs is 100%, whilst traceability level to the plantation is 57%.

SUSTAINABILITY STATEMENT AND REPORT

Efforts Towards Full Traceability

Traceability to Plantations for POMs

1. **Suppliers Engagement**

   By engaging suppliers, suppliers have a better understanding of KLK's Policy and Traceability Approach. These engagements have benefitted both the Company and smallholders, who are now aware that our POMs will not accept FFB produced in forested land or if the land does not possess a legal land title like *Surat Keterangan Tanah ("SKT")* or *Surat Hak Milik ("SHM")* for Indonesia.

2. **Data Collation**

   The data collected include GPS coordinates, copies of land titles and copies of trading licenses e.g. Malaysian Palm Oil Board ("MPOB") license in Malaysia.

3. **Use of Collated Data**

   Mapping is conducted based on the GPS coordinates collected, followed by survey/delineation. Desktop analysis on the suppliers is done using the risk analysis methodology. For example, supplier's estate which is located near protected forest is considered high risk and more engagement sessions are required. A POM will only consider crop intake after the above-mentioned due diligence has been conducted.

4. **Challenges**

   (i) Smallholders are often reluctant to provide their land permits because they fear that if such information is being shared, they may be a target of acquisition. Thus, some GPS coordinates are not available even though they have land titles.

   (ii) Discrepancy is detected between hectarage stated in a land permit and hectarage obtained from survey. This is probably due to improper survey done before issuance of permits.

   (iii) Checking each and every land title and conducting surveys by the Indonesian *koperasi*/ plasma and/or Malaysian collection centres are time consuming as these titles need to be checked in detail before information is being shared

5. **Way Forward**

   We will continue engaging with suppliers on FFB traceability and facilitate reconciliation of the above-mentioned data through consultation with relevant authorities. We will also continue providing extension service to the smallholders.

Engagements organised with suppliers at different regions – Peninsular Malaysia, East Kalimantan and Belitung Island

It is positive step that FFB suppliers in Malaysia are in progress towards obtaining MSPO certification. For Indonesia, we will continue to convince the suppliers to go for certification.

Traceability to Plantations for Refineries

KLK engaged with Daemeter (an independent consulting firm promoting sustainable development) to support the Company on achieving its traceability to plantation ("TTP") targets for KLK's refineries by 2020. The collaboration with Daemeter began in January 2019 with two (2) main objectives:

(i) Develop an action plan for KLK to achieve 100% traceability to plantation of KLK refineries by 2020; and

(ii) Design a supplier engagement programme with focus on traceability to plantation

SUSTAINABILITY STATEMENT AND REPORT

As part of the initial stage of the project, KLK adopted the Risk-Calibrated Approach ("RCA") to TTP designed by Daemeter.

The RCA to TTP is built on two (2) premises:

(a) That NDPE compliance risk varies in space; and

(b) That the 'grain' or spatial resolution of TTP mapping should vary depending on such risk.

The approach applies geo-spatial techniques to delineate high and low risk areas across the production landscape surrounding POMs, considering three (3) simple indicators of risk: deforestation, encroachment into protected areas and new development on peat. RCA's aim is to prioritise mapping and other forms of engagement where it is most needed.

The RCA will be implemented in 4 Phases:

- Phase 1 – Initial FFB sourcing declaration;
- Phase 2 – FFB origins data to village/mukim level declaration;
- Phase 3 – Plantation level mapping and/or engagements; and
- Phase 4 – Verification and monitoring

The target for 2019 was to make progress with suppliers on Phase 2 data declarations and conduct first 3 verification steps and Phase 3 mapping engagement visits.

As at end of September 2019, KLK and Daemeter (together in partnership with Proforest - CORE*) progressed to engaging majority of KLK's suppliers on RCA and rolling out Phase 2 data collection.

An action plan on RCA implementation with progress for FY2019 in the table below:

Action Plan	Timeline/Target	Status as of FY2019
KLK Supply Chain Analysis and Initial Supplier Declaration (Phase 1) • Traceability to Mills ("TTM") validation, Supplier Profiling & analysis on TTP data from public sources • Phase 1 Initial Data Declaration	• Jan – Mar 2019 • Mar – Jun 2019	• Completed • In progress
Supplier Engagement on RCA TTP • Supplier Workshops individual follow up meetings • Follow up Meetings and Engagement to obtain Phase 2 Data • Engagement visits and on ground training	• Aug – Sept 2019 • Sept 2019 onwards	• Workshops completed • Follow up meetings in progress
Phase 2 Data Collection (current focus) • Finalisation of templates and roll out, KLK team training on templates and TTP data review by CORE • On ground training/verification visits	• Sept 2019 – Feb 2020	• Templates finalised in November 2019 • Visits to be planned
Phase 2 Data Analysis and Phase 3 Outline • Phase 2 Data Analysis and prioritisation of high-risk areas for further intervention	• Mar – May 2020	• In Pipeline
Supplier Engagement on SH and village interventions (Phase 3) • Engagement of suppliers on further TTP mapping or other interventions (Phase 3): 2020 workshops and supplier meetings	• May – July 2020	• In Pipeline
Phase 3 pilots and data collection • Pilots and supporting suppliers in Phase 3, Phase 3 data collection	• July – Dec 2020	• In Pipeline
Data verification and monitoring of compliance • Verification and Monitoring – first for Phase 2, after for Phase 3	• Mar 2020 onwards	• In Pipeline

* Consortium of Resource Experts

SUSTAINABILITY STATEMENT AND REPORT

Supplier Workshops

Three (3) workshops were conducted for KLK's suppliers from three (3) key sourcing areas: Sabah, Peninsular Malaysia and Riau over the course of August and September 2019. These workshops were held to focus on TTP and other wider sustainability topics including NDPE, human rights and smallholder programmes. Overall, across the three (3) workshops, most of the participants were attending their first sustainability workshop and were not previously exposed to NDPE standards.

The workshops in Malaysia managed to increase participants' basic awareness on NDPE, as these are requirements in MSPO certification For the Indonesian workshop, it is noted that the participants knowledge on NDPE were limited and mostly lack understanding on the concept of NDPE. Thus, this posed a challenge for some participants to fully grasp the RCA methodology.

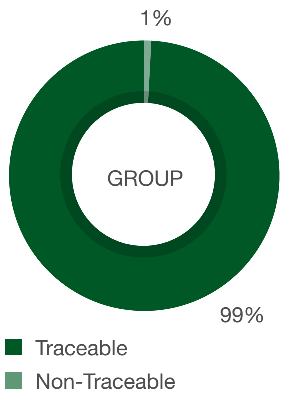
Based on the above observations, KLK will continue to engage suppliers to discuss on the wider sustainability issues and all aspects of KLK's Policy, putting more focus on some prioritised areas such as traceability to plantation and labour rights in future workshops. This wider supplier engagement and compliance programme would help to deliver on KLK's sustainability commitments towards third-party supply.

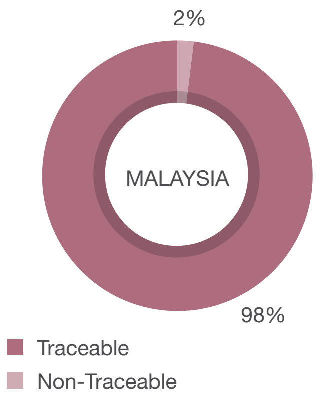
Supplier workshops conducted at Peninsular Malaysia, Sabah and Indonesia respectively

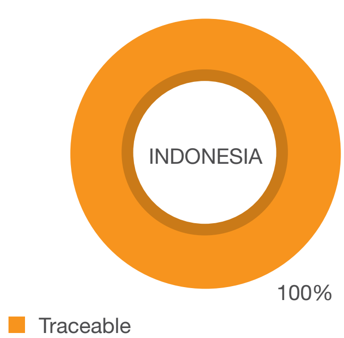
To date, our Plantation Traceability status is as follows:

PALM OIL MILLS

Traceability to Plantations



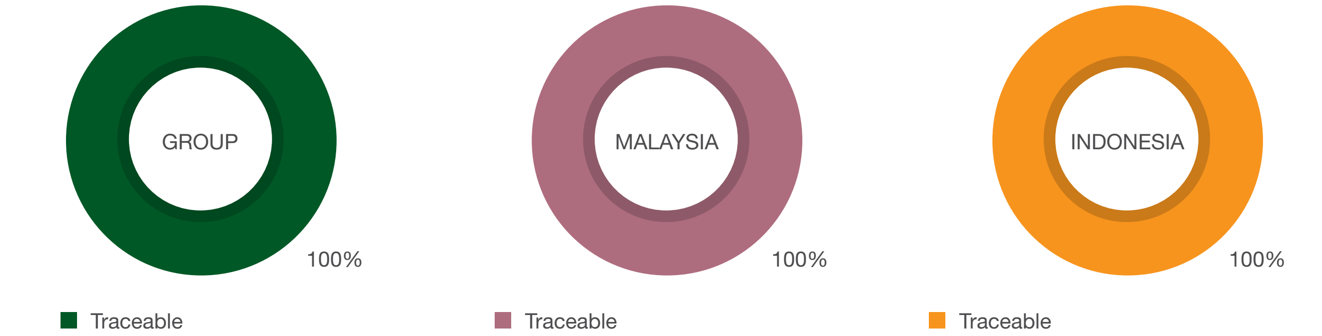




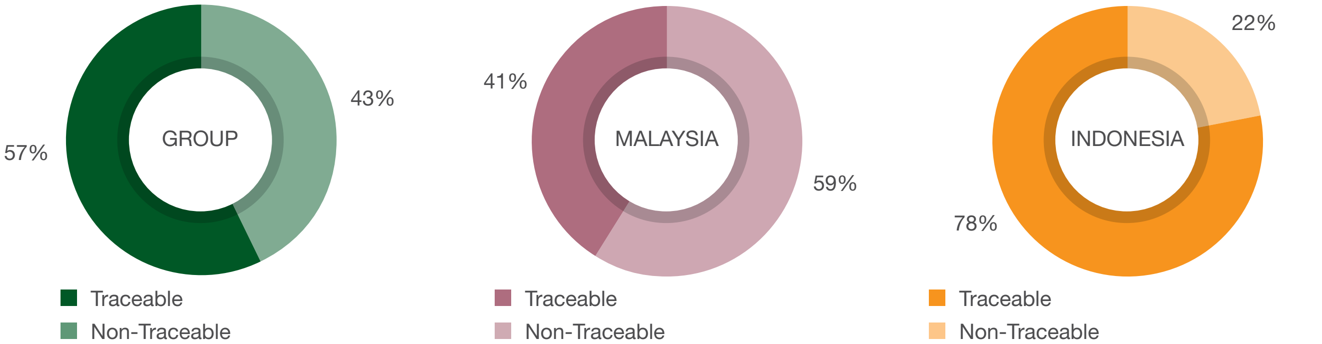
SUSTAINABILITY STATEMENT AND REPORT

REFINERIES

Traceability to Palm Oil Mills



Traceability to Plantations



Traceability at KLK OLEO

Traceability to Palm Oil Mill Level

For KLK OLEO, traceability is defined as traceable to POM-level for both palm oil-based and palm kernel oil-based feedstock, excluding internal transfer within KLK OLEO's group of companies.

The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in China, Europe, Indonesia and Malaysia OCs in FY2019.

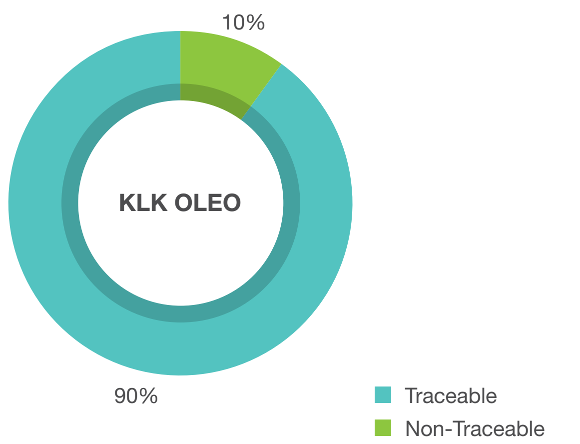
The source of information shared is non-verified, including but not limited to:

1. Supplier-specific traceability disclosure: Suppliers submitted traceability information upon request for a certain period*, based on cloud of POMs. Traceability percentage was calculated based on information provided by POMs. Should suppliers provide statements of certain percentage traceable to POM-level, this was also used to represent traceability.
2. CIF Rotterdam Traceability ("CRT") Template: Specific for Europe OCs, CRT templates were used as source of information for traceability calculation.
3. Supplier's website traceability disclosure*: Information obtained from supplier's website traceability dashboard.
4. RSPO certified purchases: Declaration of POMs by suppliers in the RSPO PalmTrace.

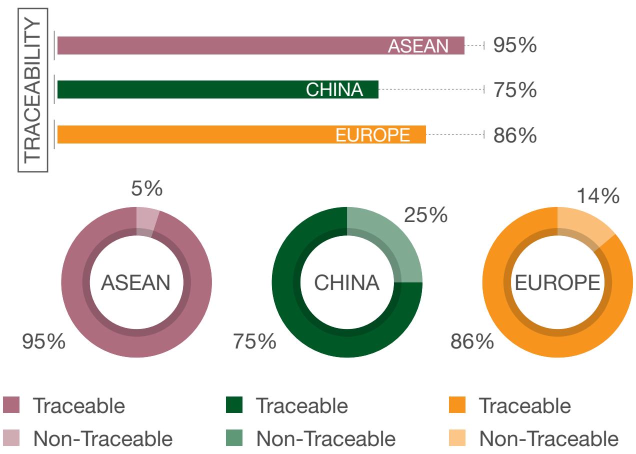
* Traceability information does not necessarily match sourcing period. Only RSPO's Segregation Supply Chain Model can provide exact matching of traceability against sourcing period.

SUSTAINABILITY STATEMENT AND REPORT

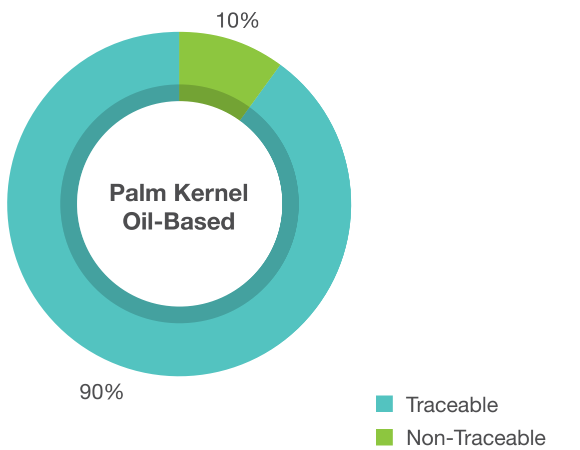
TRACEABILITY STATUS FY2019



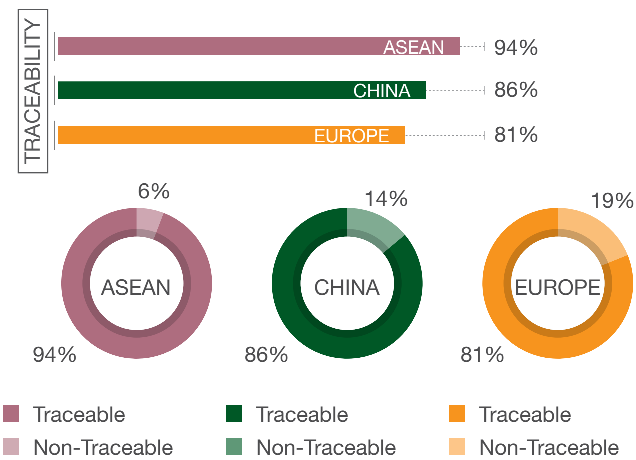
TRACEABILITY (BY REGION) FY2019

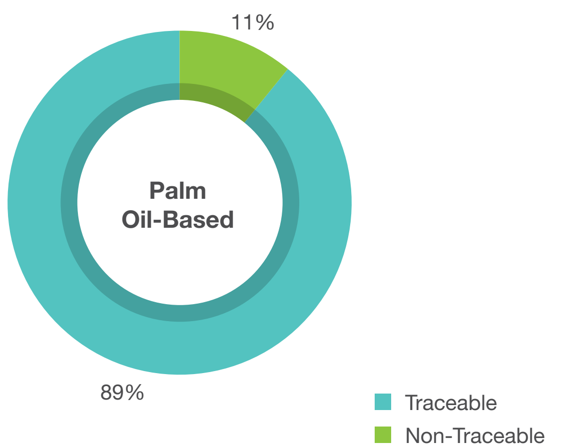


TRACEABILITY (BY FEEDSTOCK) FY2019

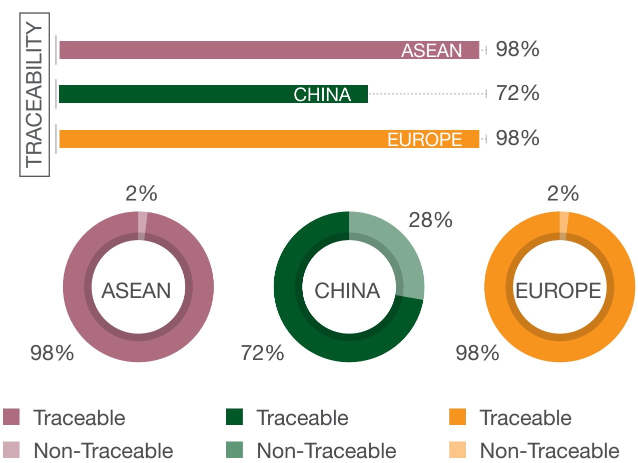


Palm Kernel Oil-Based (By Region)





Palm Oil-Based (By Region)



ENVIRONMENT

NO DEFORESTATION

Our revised Sustainability Policy reaffirms the existing No Deforestation commitment of applying the HCSA methodology for new oil palm development. New areas will undergo integrated HCSA and HCV assessments to determine eligible planting areas with priority given to low carbon stock areas which have no demonstrable HCV, and where FPIC has been obtained from rights-holders.

HIGH CARBON STOCK APPROACH ("HCSA")

KLK's strengthened commitment in this area is clearly illustrated via two (2) major initiatives. First, on 2 October 2018, KLK was officially inducted as a member of the HCSA. Second, our revised Policy in August 2018 brought about refinement to the Company's No Deforestation pledge.

With these commitments in place, new developments in regions where KLK operates will undergo integrated HCV and HCS assessments in accordance to the HCSA methodology – HCSA Toolkit version 2.0. As a result, areas eligible for development will undergo evaluation, taking into consideration of the high carbon stock areas. In case there is any non-compliant clearing, KLK is committed to restore or rehabilitate the area. We expect our suppliers to do the same.

The HCSA conducted in the Butaw concession area reported limited plantable area. Thus, it was no longer economical and feasible to continue operations thereat. Hence, the Group has ceased its operations in Butaw estate with effect from July 2019 onwards.

PEATLAND PROTECTION

Peatland is a natural area that is accumulated with partially decayed vegetation or organic matter, vital stores of carbon. It plays an important role in providing drinking water, biodiversity management, carbon-water storage and regulation. Undoubtedly, peatland has significant functional roles in environmental conservation and the provision of eco-system services.

KLK is committed to play its part in preserving ecosystems of conservation value and ensuring no development in peat areas for its new plantation areas, regardless of depth. We apply best management practices to peatland that exists within its plantation. We also introduced additional holistic practices on peatlands protection such as periodical monitoring of water table level and evaluating peatlands planted with oil palm for its suitability for replanting.

ZERO BURNING POLICY ("ZBP")

KLK maintains a strict ZBP since mid-1990s in relation to all new planting, replanting and other related development. This policy also extends to all plasma schemes managed by KLK.

We are in full compliance with the ASEAN Policy on Zero Burning for all its plantation operations. Recognising the higher risk in our Indonesia OCs, we have equipped the estates with fire fighting teams, strict patrolling system which include setting up of fire towers to inform ground patrol of any occurrence of fire.

KLK actively assists local authorities and surrounding communities to combat fire that may occur especially during the dry season. KLK consistently collaborates with the local government to provide manpower and machines to combat hotspots even if they are outside our concession areas. We also assist local communities, in providing firefighting equipment and invite them for annual firefighting training to enhance their level of preparedness in fire prevention activities.

During the FY, there were minor breakouts of fire in our Indonesian OCs which were contained within short time, without any material impact on our Indonesian operations. They occurred during an unusually extreme dry spell. Going forward, KLK will be more vigilant during dry spells to avoid recurrence of such fires, especially since the El Nino weather pattern over the past few years have been unpredictable.

SUSTAINABILITY STATEMENT AND REPORT

SOIL ENRICHMENT AND CHEMICAL REDUCTION

Soil Enrichment

Decomposed biomass improves soil organic matter, moisture retention and soil fertility. These agronomic benefits can be enhanced when oil palm seedlings are planted directly on residue of pulverised palm piles rather than bare soil. Through this approach, higher levels of nitrogen, potassium, calcium and magnesium can be obtained, releasing nutrients over a longer period of time.

In line with this objective, KLK also adheres to the best soil conservation practices. In order to minimise soil degradation, we cultivate leguminous cover crop during replanting, resulting in minimum top soil losses and enrichment of soil.

Minimising Usage of Agrochemicals

In order to preserve, develop and improve the quality of KLK's plantation environment and yield, it is essential to cut back the reliance on fertilisers, pesticides and herbicides.

However, with our sustainable waste management system, our waste such as empty fruit bunches, decanter cake and belt press cake which are high in nutrients are returned to the soil as organic fertiliser.

By knowing where and how fertiliser losses occur, we are able to minimise these losses, enabling us to use less fertiliser to achieve the same impact. This reduces the overall requirement for inorganic fertilisers and decreases the risk of water pollution through leaching or surface run-off. The average fertiliser consumption for Malaysia, Indonesia and Liberia is 1.01 mt/ha.

KLK also focuses on the use of non-chemical pest control i.e. through its integrated pest management system which aims to reduce the usage of herbicide. The average herbicide consumption for the plantation operations was 3.25 litre/ha.

We have also stopped using paraquat since 2017.

INTEGRATED PEST MANAGEMENT SYSTEM ("IPMS")

IPMS is an effective and environmentally-sensible approach to pest management. Shredded palm biomass spread across the field, effectively destroys the potential breeding sites of pests such as rhinoceros beetles and rodents.

Plants such as antigonon leptopus, turnera subulata and cassia cobanensis provide shelter and supplementary food such as nectar for beneficial insects. These plants also encourage the population of predators and parasites.

We also promote the breeding of barn owls to control rat population and minimise rodent damage. It is a much more sustainable, less risky and simpler approach to pest management.

BIODIVERSITY PROTECTION

Commercial oil palm cultivation and care for the environment should not be viewed as opposing pursuits. In fact, the two can play complimentary roles in securing a new sustainable future for all.

KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services. A total of 7,417 ha has been conserved in order to protect and enhance the biodiversity value of such area. Activities such as, but not limited to, chemical application, hunting and poaching, are not allowed in these areas. We expect our suppliers to do the same.

Good full coverage of legumes in Ladang Jatika in Sabah, Malaysia

SUSTAINABILITY STATEMENT AND REPORT

KLK commits to address deforestation, to set aside areas for conservation and to restoration of forest. We are also committed to the HCV and HCS approaches by planting natural vegetation and forest trees. To date, we have planted 72,000 and 61,900 forest/fruit trees spread over our Malaysian and Indonesian OCs respectively.

Our Group works closely with local Non-Governmental Organisation ("NGOs") and the State Wildlife Agency when rare and endangered species are found within these HCV sites. Their habitats are conserved and appropriate management and monitoring plans are implemented.

GREENHOUSE GAS ("GHG") MANAGEMENT

In producing sustainable palm oil, attention are duly given to reduce and manage GHG emissions across all aspects of plantation development (upstream activities) and KLK OLEO downstream activities. In this regard, the measurement of relevant GHG emission data is important in serving as a basis for objective evaluation of the impact of our business on the environment, which in turn provides essential guidance on effective mitigation measures to be taken.

As noted in our Policy, we are committed to reduce our GHG emissions with two (2) approaches. First, through the installation of biogas plants and second, by employing the use of the filter belt-press system. Not only are these safe methods of managing waste, they also promote greater energy self-sufficiency and provide input cost savings.

GHG Management at Plantation

Biogas Power Plants for Renewable Energy

Our biggest source of emissions come from POM effluent ("POME"). POME is the waste water discharge from the milling process and produces methane gas from anaerobic digestion. Methane gas is very potent as it traps about 28 times as much heat as carbon dioxide ("CO_2"). To reduce methane gas emission, KLK has six (6) operational biogas plants; 3 in Malaysia and 3 in Indonesia. These biogas plants generated 64,423,546 kWh green energy, of which 23,778,749 kWh was sold to the national grid and 40,644,797 kWh used for own operations.

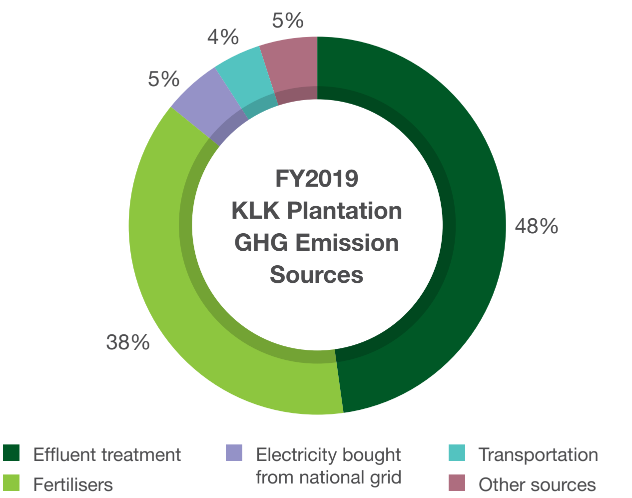
During the FY, KLK was named the winner of the National Energy Awards under the Renewable Energy Category in Malaysia for utilising biogas plants in its operations and contributing to the national grid.

Filter Belt Press ("FBP")

Besides biogas plants, KLK also installs FBPs at its POMs. The FBP system removes bottom slurry solids from effluent ponds. This reduces soluble organic matter and substantially lowers the biological nutrient loading to effluent ponds. The biomass can be used as organic fertiliser in the estates. Also, water extracted from this system is recycled for cleaning purposes. We have installed 31 FBPs in our POMs.

As of 30 September 2019, KLK's plantations and POMs recorded an average emission of 637.54 kg CO_2 eq/dry mt CPO, which is translated into 67% GHG savings compared to fossil fuel emission. We surpassed our target of 65% GHG savings as indicated in last year's report. Our new target is 68% GHG savings by 2020.

KLK PLANTATION GHG EMISSION SOURCES



GHG Management at KLK OLEO

KLK OLEO also strives to reduce GHG emissions to lower the negative environmental impact. It is a delicate balance between increasing the efficiency of our industrial process and attempting to reduce the use of non-renewable resources and fossil fuels.

GHG Emission Intensity

FY2017	FY2018	FY2019
0.24	0.21	0.23

(mt CO_2 eq/mt prod vol)

SUSTAINABILITY STATEMENT AND REPORT

KLK OLEO CARBON EMISSION (mtC0_2e)

ENERGY MANAGEMENT

Recognising that energy has implications on the environment, our Group commits to sound energy management which addresses energy conservation, green energy usage and energy efficiency. We are mindful that while usage of non-renewable energy sources cannot be avoided altogether for now, earnest efforts are made to ensure these resources are used optimally and efficiently.

Energy Management at Plantation

At our POMs, by-products such as Palm Pressed Fiber ("PPF") and kernel shells are increasingly used as alternative energy sources. The use of PPF as a green energy source presents multiple benefits as it helps reduce consumption of fossil fuels. Improved thermal efficient boilers and steam turbines are installed for more efficient energy utilisation. Energy efficiency is also a primary consideration in designing new POMs. In FY2019, we use an average of 0.41 GJ/mt of CPO produced.

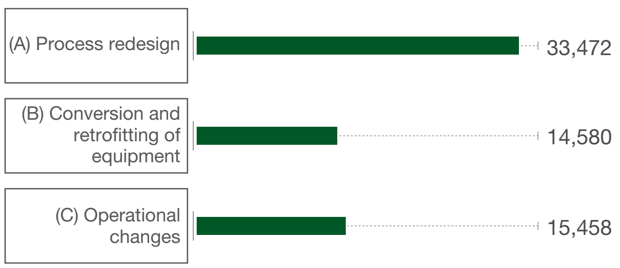
Energy Management at KLK OLEO

Energy management at KLK OLEO is two-pronged: efficiency initiatives which reduce energy consumption, and continuous improvement of process systems for increased efficiency and sustainability.

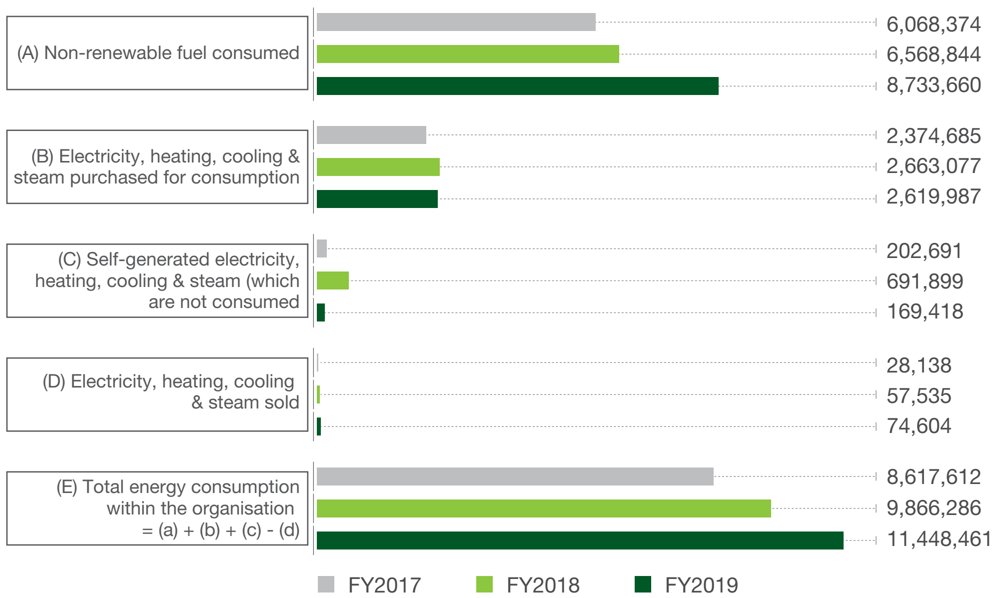
In FY2019, by optimising and improving Palm-Oleo Sdn Bhd plant's production system components, we achieved a total saving of 9,456,473 kWh or 2,506 CO_2 mt/yr, as compared to the components running on default settings and parts.

As a group, KLK OLEO achieved a total saving of 63,510 GJ through process redesign, conversion and retrofitting of equipment, and operational changes.

REDUCTION OF ENERGY CONSUMPTION (GJ)



ENERGY CONSUMPTION AT KLK OLEO (GJ)



Energy Intensity
(GJ/mt prod vol)

FY2017
3.57

FY2018
3.10

FY2019
3.45

SUSTAINABILITY STATEMENT AND REPORT

WASTE MANAGEMENT

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. Eliminating waste altogether is obviously the ideal scenario. Though it is admittedly a daunting goal for the palm oil industry, KLK seeks to contribute to whatever extent feasible towards its eventual realisation.

All waste products, including domestic waste, generated by our Plantation or KLK OLEO, are, if not recycled, then required to be safely disposed of in accordance with the prevailing regulations and best practices.

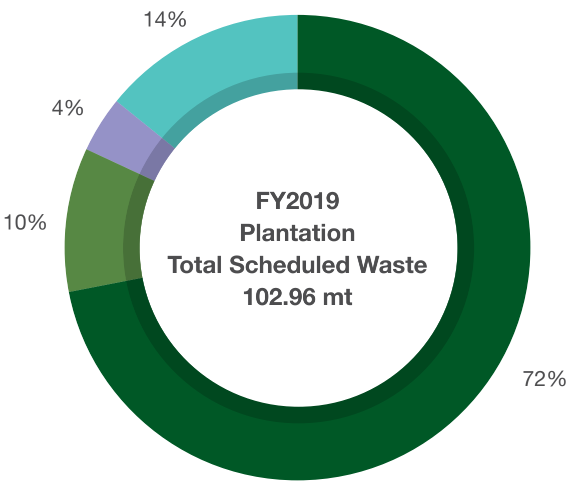
Waste Management at Plantation

Palm oil waste management is often a challenge due to the large quantity of waste generated during production. However, with our sustainable waste management system, 100% of by-product from POMs are returned to the soil as organic fertiliser or used as fuel in the boiler.

The waste generated by our OCs is collected and disposed of in accordance to prevailing regulations via licensed waste disposal contractors by the Department of Environment.

OCs' employees are well-informed in scheduled waste management via KLK's intranet.

PLANTATION SCHEDULED WASTE BREAKDOWN

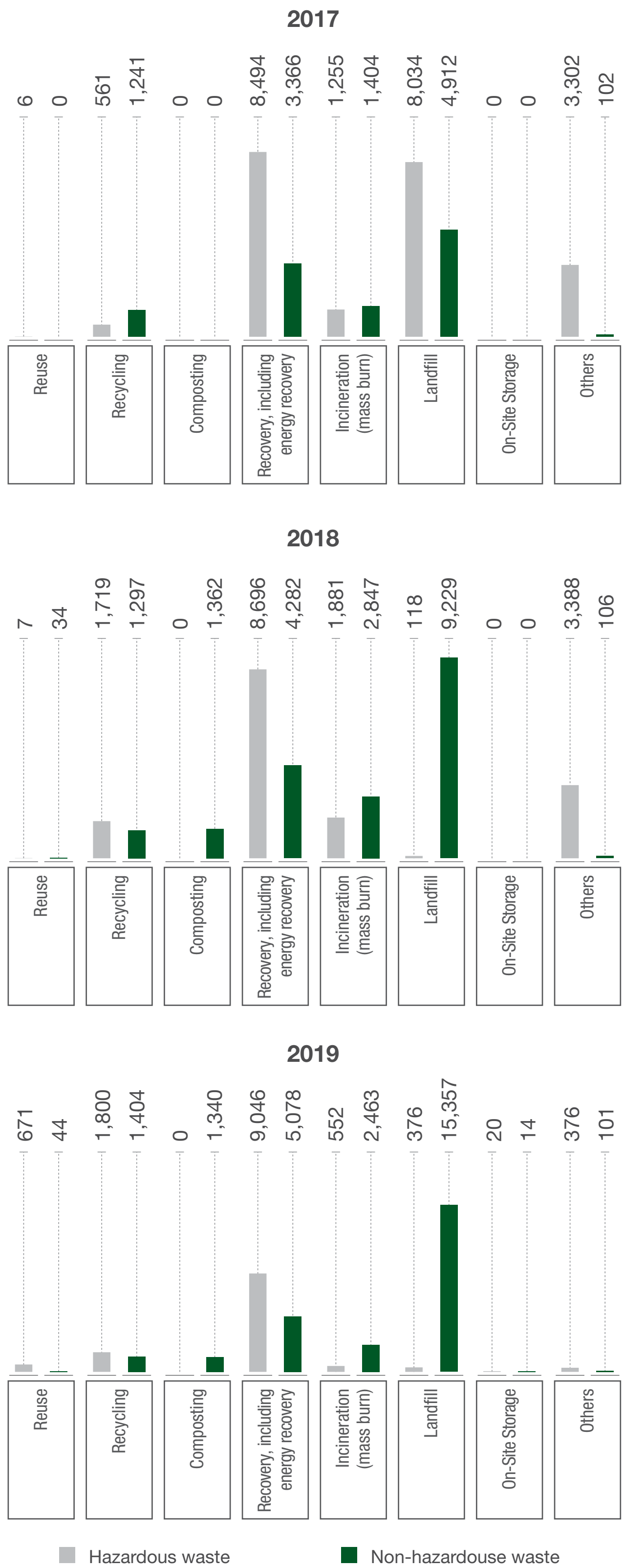


Used Oil	74.04 mt	**72%**
Chemical Containers	10.35 mt	**10%**
Used Batteries	3.63 mt	**4%**
Used Oil Filters and Used PPE	14.65 mt	**14%**

Source from Plantation (Malaysia)

Waste Management at KLK OLEO

KLK OLEO NON-HAZARDOUS & HAZARDOUS WASTE BY TYPE AND DISPOSAL METHOD (mt)



SUSTAINABILITY STATEMENT AND REPORT

WASTE MANAGEMENT AT KLK OLEO

Total Solid Waste
(mt)

FY2017
32,675

FY2018
34,996

FY2019
38,642

Solid Waste Generation Intensity
(mt/mt prod vol)

FY2017
0.014

FY2018
0.011

FY2019
0.011

WATER MANAGEMENT

Water sources are critical to the environment, human health and wildlife ecosystem. We also realise water is not an inexhaustible resource.

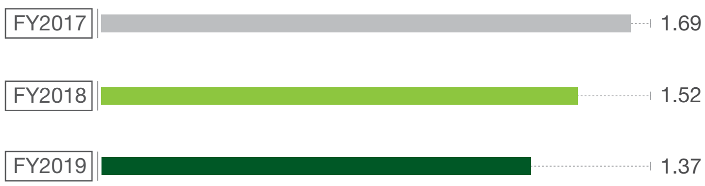
Our water management strategies center on water use optimisation and reduction in water consumption or wastages, taking into account the prevailing land conditions, topography and changes in the weather (impact of droughts and floods). KLK strives to ensure water resources are utilised in the most optimum way with minimal impact to the environment.

Water Management at Plantation

In our Plantation sector, we monitor water usage in processing FFB to reduce the generation of POME. Our OCs also monitor the Biological Oxygen Demand and Chemical Oxygen Demand levels of final discharge monthly to ensure both parameters are in compliance with the countries' regulations.

Riparian reserves are maintained to act as a filter to preserve the quality of water entering the waterways. Soil water retention is enhanced further by stacking oil palm fronds, applying empty fruit bunches as mulch and growing legume cover crops.

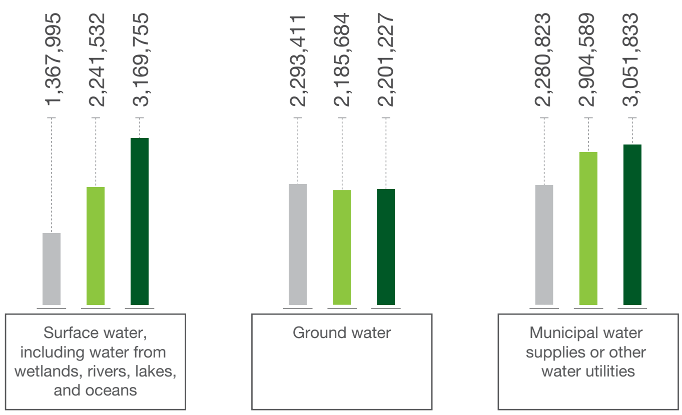
TOTAL WATER USAGE AT PLANTATION (m³/mt FFB processed)



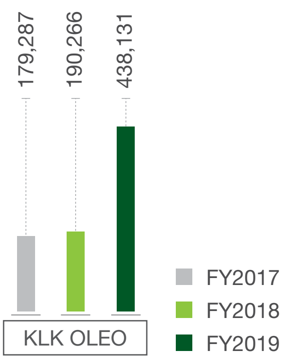
Water Management at KLK OLEO

TOTAL WATER WITHDRAWAL AT KLK OLEO (m³) BY SOURCE

Total:
FY2017 = 5,942,229 m³ | FY2018 = 7,331,805 m³ | **FY2019 = 8,422,815 m³**



QUANTITY OF WATER RECYCLED AND REUSED (m³)



Percentage of total water recycled and reused

FY2017	FY2018	FY2019
3%	3%	5%

Water Consumption Intensity

FY2017	FY2018	FY2019
1.73	1.61	1.67

(m³/mt prod vol)

WORKPLACE

KLK believes that its employees are one of its greatest assets and employee welfare remains its top priority. We have a workforce of more than 40,000 at locations all over the world. We value our people, and reward their hard work with fair remuneration, career development opportunities, scholarships and further training prospects.

FAIR EMPLOYMENT PRACTICES

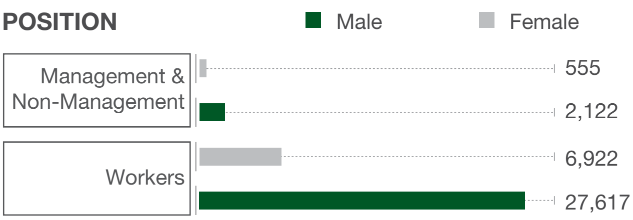
In an industry with strong competition and a shortage of skilled labour, we are conscious of the need to maintain our edge as a preferred and fair employer. KLK embraces diversity within its workforce, which comprises a mix of employees from different genders, age groups and ethnicity. We also believe in practising non-discrimination regardless of race, caste, national origin, religion, marital status, union membership or political affiliation. However, the palm oil industry can be physically demanding. Thus, we receive less applications particularly for field work from the female gender. As part of our commitment to support women to become more involved in the industry, KLK has put in place (but not limited to) Gender Committees and provide facilities such as nursing room for new mothers' and child care centres for babysitting so that workers can work with peace of mind. We expect our suppliers to do the same.

Decent Living Wage Task Force

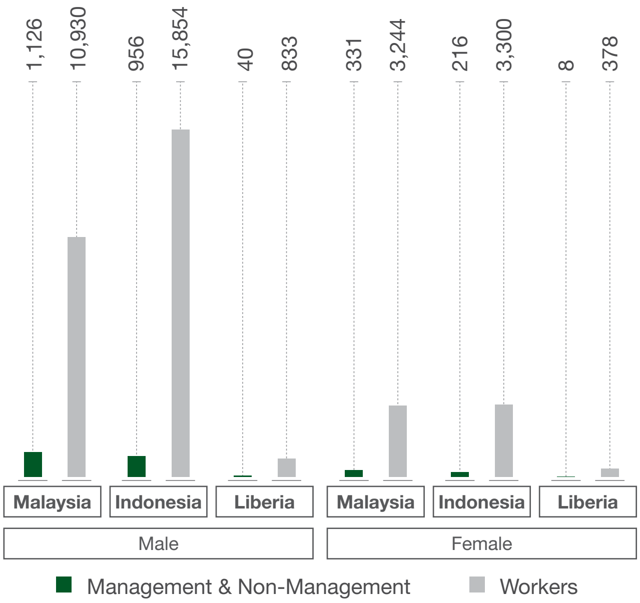
With the advent of RSPO's P&C 2018, we set up a Decent Living Wage Task Force, made up of Senior Management and the Sustainability Department, to find solutions to comply with the new requirements on the payment of decent living wage to our employees. The initial assignment of this task force is to assess the prevailing wages and its benefits-in-kind provided to the employees to ascertain potential gap, if any, to the decent living wage benchmark which will be determined in due course.

KLK PLANTATION FY2019

POSITION

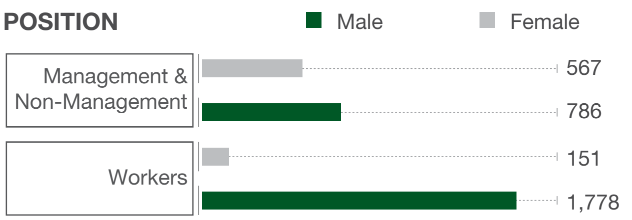


GENDER (BY REGION)



KLK OLEO FY2019

POSITION



GENDER (BY REGION)

SUSTAINABILITY STATEMENT AND REPORT

Freedom of Association and Collective Bargaining

Employees have the right to form and become members of labour unions recognised by KLK. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

For FY2019, 5,528 and 535 of our Peninsular Malaysia employees are members of The Malayan Agricultural Producers Association/The National Union of Plantation Workers ("MAPA/NUPW") and The Malaysian Agricultural Producers Association/The All Malayan Estates Staff Union ("MAPA/AMESU") respectively. 7,039 of our Indonesian workers are members of various unions, while 346 of our Liberian workers are members of the Libinco Agriculture Workers Union ("LAWU").

CAREER DEVELOPMENT OPPORTUNITIES

We place significant importance in upgrading employees' skills as we firmly believe that our success is founded on their abilities. We invest in talent development and training programmes for our employees which cover areas such as technical skills, business and human resources, personal development and leadership excellence.

Human Capital Development

Training at Plantation

We have set up a two-phased Intentional Mentoring Programme ("IMP") for all newly recruited staff and executives at our KLK Training Centre. The IMP lasts a minimum of nine (9) months with 11 field modules, and covers the necessary knowledge and skill sets relating to oil palm and rubber plantation management. During the course, trainees are rotated through five (5) selected OCs. For the purpose of monitoring, the Estate Manager will on a quarterly basis, submit a progress report for each trainee on the scheduled and completed subjects. These reports will then be compiled by the Training Manager at the KLK Training Centre, where they will be evaluated by Senior Management as a source of reference for the next phase of the training programme.

Trainees will then attend Phase Two of the training programme in the KLK Training Centre in Ipoh to fill any knowledge gaps. A wide range of topics are covered in the Phase Two modular courses, ranging from technical and administrative knowledge to soft skills and motivational talks. These week-long courses are conducted twice a year.

Apart from the IMP, selected Plantation employees participate in KLK OLEO's training programmes which are pertinent to them. These include training on soft skills and emotional intelligence development to complement their occupational knowledge and skill set.

Training at KLK OLEO

Training at KLK OLEO differs from Plantation sector. This is due to the fact that most employees recruited already possess the skill set and technical knowhow required of their position.

However, success in the workplace is strongly influenced by personal attributes such as communication, teamwork, adaptability, problem solving and conflict resolution. Thus, it is important to cultivate and develop these qualities. To facilitate this, KLK OLEO organises training which emphasises development of emotional intelligence and soft skills.

Confined Space Training at PT KLK Dumai, Riau Indonesia

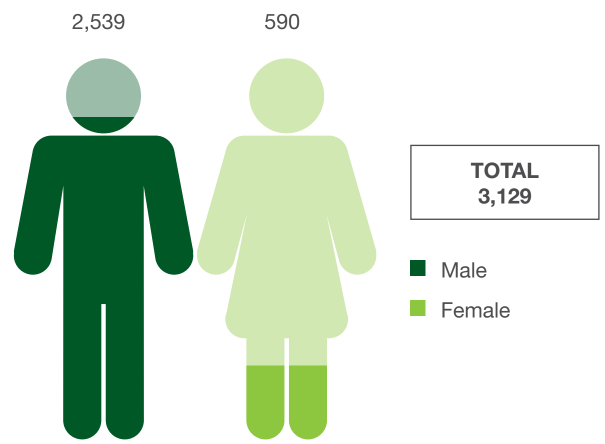
HEALTH AND WELL-BEING OF EMPLOYEES

The welfare of our people is a major priority. We are committed to providing an inclusive and conducive working and living environment for our employees. Being a responsible company, KLK conducts its business with a high standard of safety and health protection for our employees and stakeholders. Creating awareness, education and improved reporting are our key tools to achieving this goal.

Safety and Health Committee ("SHC")

In order to effectively identify and manage occupational risk, a SHC is set up at every OC. KLK currently has 3,129 OSH Committee representatives at its Plantation OCs and KLK OLEO. Annual training is provided to create awareness of their role as OSH ambassadors. Compliance with Chemical Health Risk Assessment ("CHRA"), Hazard Identification, Risk Assessment and Risk Control ("HIRARC"), Chemical Exposure Monitoring, Medical Surveillance, Audiometric Testing, use of Personal Protective Equipment ("PPE") and annual medical surveillance are mandatory and strictly monitored across all OCs.

OSH COMMITTEE REPRESENTATIVES FY2019



Source from Plantation (Peninsular Malaysia, Sabah, Indonesia and Liberia) and KLK OLEO

Occupational Safety and Health ("OSH")

Compliance at Plantation

The Plantation OSH Department at the Group's Head Office is headed by an OSH Senior Manager, working alongside a team of OSH Green Book certified officers. They are guided by the KLK OSH Manual and Guidelines to ensure that OSH requirements are applied uniformly and consistently across all OCs. They also attend seminars and courses consistently as part of our continuous learning culture.

	Accidents Fatality	LTI[1] Frequency Rate*	LTI Severity Rate**
Malaysia	0	25.36	128.59
Indonesia	1[#]	4.3	19.8

[1] LTI: Lost Time Injury
* Incidents/1 million man-hours worked
** Days lost due to LTI/1 million man-hours worked
[#] Cause of death: Severe injury in a tractor accident

Safety and Health Committees

	Male	Female	Total
Malaysia	1,058	224	1,282
Indonesia	1,300	329	1,629
Liberia	12	0	12

OSH audits are carried out twice a year, ensuring all OCs are in compliance and any uncertain issues are addressed accordingly.

Training is carried out during all audit visits and when requested by the respective OCs. Compulsory in-house training for tractor drivers and SHC members are carried out annually. Competent external training providers are engaged to carry out first-aiders course. Apart from that, OCs engage with their respective suppliers to carry out training on safe handling of work equipment.

SUSTAINABILITY STATEMENT AND REPORT

Our target is to achieve zero fatal accidents and for the fourth consecutive year, we recorded no fatalities in our Malaysian operations. In addition, our Malaysian operations also achieved a reduction of 14% in major accident incidents, surpassing our target of 10% as indicated in last year's report.

We also strive to prevent accidents and injuries and take necessary preventive steps to reduce them. Lower accident rates bring lower staff turnover, lower absenteeism and higher productivity. Operating under a system of continuous improvement, the Plantation OSH Department reviews the LTI on a monthly basis. The results collated will be monitored and aspects of our operations which may pose OSH impacts will be identified. Through this, we take action to improve the LTI rate and the severity rate of the LTI. Our LTI rate is a reflection of the commitment and joint efforts between Management, Safety and Health Officers, Safety and Health Committees, workers and contractors.

Work-related ill health

Certain POM workers are exposed to high levels of noise that can potentially impair their hearing. POM management provides adequate PPE supplemented by training from OSH and signage throughout the POM to protect workers from any occupational diseases such as loss of hearing.

Gender Committee

We put emphasis on gender-based issues through empowerment programmes on the ground, specifically on issues relating to sexual harassment, birth rights, domestic violence, child abuse and new mothers' needs. Gender Committee meetings are held on a quarterly basis in our Malaysian OCs.

Similarly, Gender Committee have also been established at our OCs in Indonesia to handle these matters. Our local employees have been empowered to take up this responsibility as they have better understanding of the local context and cultures.

Compliance at KLK OLEO

Similar to our Plantation sector, KLK OLEO also provides internal and external training to enhance our employees' OSH skills and awareness, specifically tailored to downstream operations.

	Accidents	LTI Frequency Rate*	LTI Severity Rate**
	Fatality		
Malaysia	0	2.42	81.27
Indonesia	0	0.00	0.00
Other Countries	0	5.16	214.99

* Incidents/1 million man-hours worked
** Days lost due to LTI/1 million man-hours worked

Safety and Health Committees

	Male	Female	Total
Malaysia	83	15	98
Indonesia	13	2	15
Other Countries	73	20	93

SUSTAINABILITY STATEMENT AND REPORT

Safety, Security, Health and Environment ("SSHE") Induction conducted for Sri Lankan foreign workers at Palm Oleo (Klang), Malaysia

Housing and Living Amenities

We are committed to providing a safe and conducive working and living environment for our employees. At our plantations, we provide high quality housing and living amenities for our workers and their families.

Employees' quarters at one of KLK plantations in Indonesia

Sports facilities are made available for employees at the estates

Place of workship for workers provided in estates

SUSTAINABILITY STATEMENT AND REPORT

Get Together Activities

Apart from providing a safe working environment, we strive to support our employees to lead a healthy lifestyle through various sports, health and leisure activities. These sports activities are also served as a platform for social interaction to foster closer relationships and build team work amongst employees.

Festive celebration with employees at Indonesia

Inter-company badminton tournament

KLK Fun Triathlon to promote sporting activities and build teamwork amongst employees

Inter-company football tournament in Europe

Rock Climbing activity for employees

Regular health screening conducted for employees

COMMUNITY

As a responsible corporate citizen, KLK is committed to playing an active role in the communities in which we operate. We strive to implement holistic and sustainable Corporate Responsibility ("CR") initiatives to address a wide range of needs in order to build social-economic value and create a more sustainable future for the community.

Within our local communities, we undertake various CR initiatives such as construction of roads and bridges, providing clean water, sanitation and health infrastructure to improve the standard of living and quality of life for the people surrounding our operations.

Health screening for Orang Asli community at Pulau Indah in Selangor, Malaysia

KLK provides hand pump to supply clean drinking water for the local community in Liberia

Our tagline "Values Matter, Society Matters" is inculcated into our work culture with strong support from KLK's employees dedicating their time, energy and skills to help make a difference. Through KLKCare – across our divisions in Malaysia and abroad – we have organised numerous meaningful community outreach programmes to engage and alleviate the needs of the vulnerable communities.

KLK volunteer engages the marginalised community at Pusat Jagaan Tiitian Nur

Chidren from underprivileged home enjoying telematch game during an outing event organised by KLK

SUSTAINABILITY STATEMENT AND REPORT

Philanthropy

As part of our efforts to elevate communities, we continue to support non-profit educational, environmental, sports, health and cultural organisations who share our objective and passion through grants, cash and in-kind donations.

Donation to Persatuan Dyslexia Malaysia

KLK supported the Perak Association For Intellectually Disabled

Education

Education is fundamental to sustainable development, and it is one of the strongest instruments for poverty alleviation. Throughout our plantations across a wide geographical area (Sabah, Indonesia and Liberia), we are committed to bringing education specifically to school-aged children who may not have the means to complete their education – particularly those living within and/or in the surrounding areas of KLK's plantations. KLK believes that these young children should be given the opportunity to pursue their respective and unique educational pathways, which are necessary in the fostering of lifelong learning for them to realise their aspirations and dreams.

Our 77 learning centres, kindergartens and schools that we built have continued to benefit about 12,000 students annually in the surrounding areas of our plantation. Additionally, to further create a conducive and nurturing learning environment, we also provide the necessary infrastructure at these learning centres and schools, including the provision of free transportation and meals to needy students.

Sabah	Indonesia	Liberia
1,573 students	9,864 students	759 students
Total 12,196 students		

Learning centre at one of KLK's estates

Students at one of the learning centres on KLK's plantation in Sabah

SUSTAINABILITY STATEMENT AND REPORT

Yayasan KLK Scholarships

Human capital plays a critical role in the growth and development of our business. Hence, KLK places high importance on investing in human capital development. Through Yayasan KLK, we provide scholarships to academically outstanding young needy Malaysians to pursue their studies at local as well as private and public universities.

2019 Yayasan KLK Scholars


Students participate in hands-on soap making activity

KLK Palm Oil Education Programme

The palm oil industry has been evolving and many companies are already ahead of the curve to produce this beneficial oil sustainably. Palm oil is the most sustainable and productive amongst all oilseed crops in the world, oil palm yields 7-10 times more per hectare of land compared to all other oil-bearing crops like rapeseed, soybean, olive and sunflower.

As a leading company in the palm oil industry, KLK believes that it is essential to educate the younger generation to have basic information on one of Malaysia's primary commodities and for them to have an accurate information of the palm oil sector. Hence, KLK continues to promote its Palm Oil Education Programme aimed at raising awareness on the palm oil industry's role amongst students. This is done through informative presentations and hands-on soap making sessions. The programme has reached out to 6,800 students in Klang Valley and Perak since its inception in 2017.


KLK Palm Oil Education Programme classroom session


Students showing their handmade soaps

GROUP CORPORATE STRUCTURE
AS AT 30 SEPTEMBER 2019

PLANTATION

- 100% Agro Putra Pte Ltd
- 100% Betatechnic Sdn Bhd
- 63% Bornion Estate Sdn Bhd
- 82% Collingwood Plantations Pte Ltd
  - 82% Ang Agro Forest Management Ltd
- 63% Equatorial Palm Oil Plc
  - 63% Equatorial Biofuels (Guernsey) Limited
- 100% Fajar Palmkel Sdn Berhad
- 100% Golden Complex Sdn Bhd
  - 92% P.T. Malindomas Perkebunan
- 100% KL-Kepong Edible Oils Sdn Bhd
- 100% KL-Kepong Plantation Holdings Sdn Bhd
  - 51% Astra-KLK Pte Ltd
  - 100% Gunong Pertanian Sdn Bhd
  - 100% Jasachem Sdn Bhd
    - 95% P.T. Karya Makmur Abadi
  - 95% P.T. ADEI Plantation & Industry
  - 95% P.T. Anugrah Surya Mandiri
  - 95% P.T. Bumi Makmur Sejahtera Jaya
  - 92% P.T. Hutan Hijau Mas
  - 95% P.T. Jabontara Eka Karsa
  - 100% P.T. KLK Agriservindo
  - 60% P.T. Langkat Nusantara Kepong
  - 95% P.T. Menteng Jaya Sawit Perdana
  - 95% P.T. Mulia Agro Permai
  - 80% P.T. Perindustrian Sawit Synergi
  - 65% P.T. Sekarbumi Alamlestari
    - 62% P.T. Alam Karya Sejahtera AKS
  - 95% P.T. Steelindo Wahana Perkasa
    - 90% P.T. Parit Sembada
- 100% KL-Kepong (Sabah) Sdn Bhd
- 100% KLK Agro Plantations Pte Ltd
  - 50% Liberian Palm Developments Limited[1]
    - 50% EBF (Mauritius) Limited[1]
      - 50% Liberia Forest Products Inc[1]
      - 50% LIBINC Oil Palm Inc[1]
    - 50% EPO (Mauritius) Limited[1]
      - 50% Equatorial Palm Oil (Liberia) Incorporated[1]
      - 50% Liberian Agriculture Developments Corporation[1]
- 85% KLK Premier Oils Sdn Bhd
  - 85% Golden Yield Sdn Bhd
- 100% Rubber Fibreboards Sdn Bhd *[In Members' Voluntary Liquidation][2]*
- 95% P.T. Putra Bongan Jaya
- 100% Sabah Cocoa Sdn Bhd
- 70% Sabah Holdings Corporation Sdn Bhd
- 100% Taiko Plantations Sendirian Berhad
- 51% Uni-Agro Multi Plantations Sdn Bhd

PROPERTY DEVELOPMENT

- 100% KL-K Holiday Bungalows Sendirian Berhad
- 100% KLK Land Sdn Bhd
  - 100% Colville Holdings Sdn Bhd
  - 100% KLK Coalfields Sdn Bhd (formerly known as KLK Security Services Sdn Bhd)
  - 100% KLK Landscape Services Sdn Bhd
  - 100% KLK Park Homes Sdn Bhd
  - 100% KLK Retail Centre Sdn Bhd
  - 100% KL-Kepong Complex Sdn Bhd
  - 100% KL-Kepong Country Homes Sdn Bhd
  - 100% KL-Kepong Property Development Sdn Bhd
  - 100% KL-Kepong Property Management Sdn Bhd
  - 80% Kompleks Tanjong Malim Sdn Bhd
  - 100% Palermo Corporation Sdn Bhd
  - 60% Scope Energy Sdn Bhd
  - 100% Selasih Ikhtisas Sdn Bhd

GROUP CORPORATE STRUCTURE

MANUFACTURING

- 100% Davos Life Science Sdn Bhd
- 100% Davos Life Science Pte Ltd
  - 100% Biogene Life Science Pte Ltd
  - 100% Centros Life Science Pte Ltd
- 100% Kolb Distribution AG
  - 100% Dr. W. Kolb AG
  - 100% Dr. W. Kolb Deutschland GmbH
  - 100% Dr. W. Kolb Netherlands BV
  - 100% KLK Chemicals Holding Netherlands BV
    - 100% KLK Kolb Specialties BV
  - 100% Kolb Distribution BV
  - 100% Kolb France SARL
- 100% KL-Kepong Industrial Holdings Sdn Bhd
  - 100% B.K.B. Hevea Products Sdn Bhd
    - 100% B.K.B. Flooring Sdn Bhd
  - 100% Capital Glogalaxy Sdn Bhd
  - 100% KL-Kepong Rubber Products Sdn Bhd
    - 100% Masif Latex Products Sdn Bhd
  - 100% P.T. KLK Dumai
  - 80% Palm-Oleo Sdn Bhd
    - 80% KSP Manufacturing Sdn Bhd
    - 80% Palmamide Sdn Bhd
    - 80% Palm-Oleo (Klang) Sdn Bhd
- 96% KL-Kepong Oleomas Sdn Bhd
  - 96% KLK Bioenergy Sdn Bhd
- 100% KLK Emmerich GmbH
- 80% KLK Premier Capital Limited
  - 80% Taiko Palm-Oleo (Zhangjiagang) Co Ltd
- 100% KLK Tensachem SA
- 100% Shanghai Jinshan Jingwei Chemical Co Ltd
  - 100% KLK Oleo (Shanghai) Co Ltd
- 51% Stolthaven (Westport) Sdn Bhd

INVESTMENT HOLDING & OTHERS

- 100% Draw Fields Sdn Bhd
- 100% Kersten Holdings Ltd
- 100% KL-Kepong Equity Holdings Sdn Bhd
  - 100% Ablington Holdings Sdn Bhd
  - 100% KL-Kepong International Ltd
  - 100% Quarry Lane Sdn Bhd
- 100% KLK Assurance (Labuan) Limited
- 100% KLK Farms Pty Ltd
- 100% KLK Global Resourcing Sdn Bhd
- 100% KLK Overseas Investments Limited
  - 100% Taiko Plantations Pte Ltd
- 100% KLKI Holdings Limited
  - 100% Kuala Lumpur-Kepong Investments Limited *[In Members' Voluntary Liquidation]*[3]
  - 100% Somerset Cuisine Limited
- 100% Ladang Perbadanan-Fima Berhad
- 100% Ortona Enterprise Sdn Bhd
- 100% Richinstock Sawmill Sdn Bhd

ASSOCIATES

- 50% Applied Agricultural Resources Sdn Bhd
- 40% Aura Muhibah Sdn Bhd
- 30% FKW Global Commodities (Pvt) Limited
- 50% Kumpulan Sierramas (M) Sdn Bhd
- 38% Malaysia Pakistan Venture Sdn Bhd
- 30% MAPAK Edible Oils (Private) Limited
- 30% MEO Trading Sdn Bhd
- 23% Phytopharma Co Ltd
- 20% Synthomer Plc

JOINT VENTURES

- 50% P.T. Kreasijaya Adhikarya
- 50% Rainbow State Limited

Notes:
Shareholdings are shown as Group's percentage interest
[1] Group's percentage interest is 81.5%
[2] Will be dissolved on 30 October 2019
[3] Commenced liquidation on 14 August 2019

GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of KLK recognises corporate governance as being essential for the long term sustainability of the Group's businesses and performance. To this end, the Board devotes considerable effort to identify and formalise best practices to continue maintaining its high standards of corporate governance throughout the Group. Such commitment is based on the belief that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to enhance long term shareholders' value, increase investors' confidence and protect stakeholders' interests.

The Board is pleased to present this statement on the overview of the corporate governance of the Group during the financial year ended 30 September 2019. This Corporate Governance Overview Statement ("CG Overview Statement") explains how KLK Group has applied the three (3) principles which are set out in the Malaysian Code on Corporate Governance 2017 ("the Code") as follows:

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

It shall be read together with the Corporate Governance Report ("CG Report") which elaborates further on the detailed application for each practice as set out in the Code. The CG Report is available on the Company's website, *www.klk.com.my*.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Board Leadership

KLK continues to be led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse sectors and backgrounds and also in the Group's core businesses. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board's statutory and fiduciary duties and responsibilities.

There is a clear division of functions between the Board and the Management to ensure that no single individual or group is dominating the decision-making process. The Board is focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively; whereas the Management is responsible for the implementation of management goals in accordance with the direction of and delegation by the Board.

Roles and responsibilities of the Board

The principal functions and responsibilities of the Board (set out in the Board Charter) include, but are not limited to the following:

(a) Providing leadership to the Company by:

- Guiding the development of appropriate standards and values for the Company.
- Acting in a manner consistent with the Directors' Code of Conduct.

(b) Overseeing the development and implementation of corporate strategies by:

- Working with the Senior Management to ensure that an appropriate strategic direction and set of goals are in place.
- Regularly reviewing and amending or updating the Company's strategic direction and goals developed by the Senior Management.
- Providing guidance and leadership to the Senior Management and ensuring that adequate resources are available to meet its objectives.
- Overseeing planning activities including the development and approval of strategic plans, major funding proposals, investment and divestment proposals, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
- Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(c) Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through its Chairman, being the key interface between the Company and its shareholders.

(d) Overseeing the control and accountability systems that seek to ensure the Company is progressing towards the goals set by the Board and which are in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations.

(e) Ensuring effective risk management, compliance and control systems (including legal compliance) are in place.

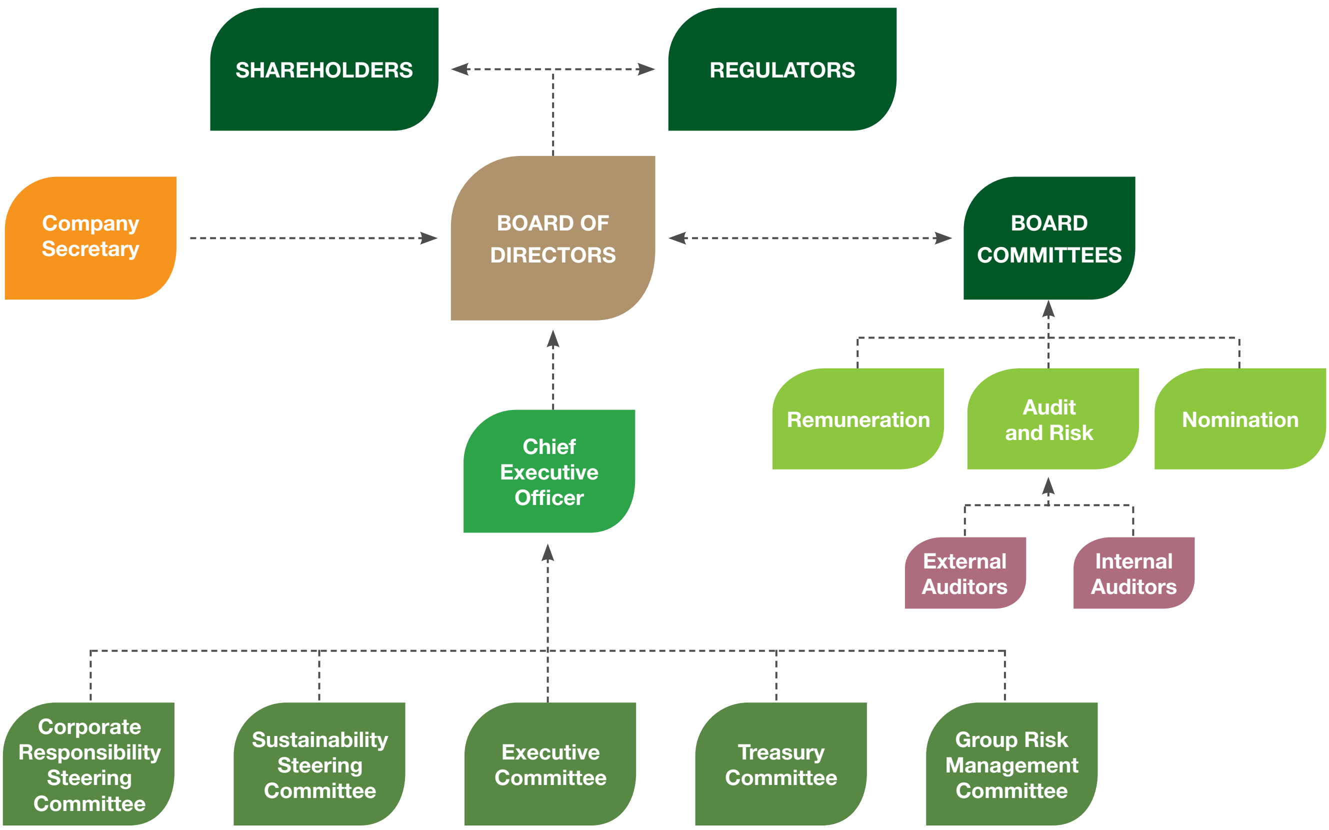
(f) Delegating appropriate powers to the Chief Executive Officer ("CEO"), Management and Committees to ensure the effective day-to-day management of the business, and monitoring the exercise of these powers.

(g) Reviewing potential candidates for the Board and Senior Management positions across the Group through the Nomination Committee ("NC") to ensure efficient succession planning and continuity of the vision and mission of the Group.

(h) Embedding sustainability and corporate responsibility practices as part of Group strategy.

Board Committees, namely the Audit and Risk Committee ("ARC"), NC and Remuneration Committee ("RC"), have been constituted to assist the Board in the discharge of specific duties and responsibilities. Each Committee operates within its respective defined Terms of Reference ("TOR") which have been approved by the Board.

The Group's governance model is set out below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board meets at least four (4) times a year on a scheduled basis, with additional meetings convened as and when necessary. During the financial year ended 30 September 2019, a total of five (5) Board meetings were held. The following are the details of attendance of each Director:

DIRECTORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
R. M. Alias	5	5	100%
Tan Sri Dato' Seri Lee Oi Hian	5	5	100%
Dato' Lee Hau Hian	5	5	100%
Dato' Yeoh Eng Khoon	5	5	100%
Tan Sri Azlan Bin Mohd Zainol	5	5	100%
Quah Poh Keat	5	5	100%
Anne Rodrigues	5	5	100%
Lee Jia Zhang	5	5	100%

The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities which is evidenced by the attendance record of the Directors above. The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. In this respect, none of the Directors hold more than five (5) directorships each in other listed corporations.

The Board Chairman

The Chairman of the Company, who was appointed by the Board, is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance.

Roles and responsibilities of the Chairman

The roles and responsibilities of the Chairman include:

(a) Providing effective leadership to the Board, i.e. to see that the Board gets its job done;

(b) Setting the agenda for Board meetings together with the CEO and ensuring the provision of complete and accurate information to all Directors in a timely manner;

(c) Leading Board meetings and discussions, and ensuring the effective and efficient conduct of the Board meetings;

(d) Encouraging active participation and allowing dissenting views to be freely expressed to ensure that the key issues facing the Group are addressed;

(e) Promoting consultative and respectful relations between Board members and between the Board and Management;

(f) Chairing shareholders' meetings and ensuring appropriate steps are taken to provide effective communication with stakeholders to ensure their views are communicated to the Board as a whole; and

(g) Leading the Board in establishing and monitoring good corporate governance practices in the Company.

Separation of positions of the Chairman and the CEO

The respective roles of the Chairman and the CEO are clearly defined, so as to promote accountability and facilitate division of responsibilities between them as a check and balance mechanism. The Board believes that the separation of the roles and responsibilities of the Chairman and the CEO ensures an appropriate balance of power and authority.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance. He promotes an open environment for debate, and ensures that all Directors are able to speak freely and contribute effectively at Board meetings. The Chairman also provides clear leadership to the Board with respect to the Group's long-term growth and strategy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The CEO focuses on the business, organisational effectiveness and day-to-day management of the Group. He also executes the Board's decisions and strategic policies, and chairs the Executive Committee, which comprises Senior Management executives to oversee the operations of the KLK Group.

Company Secretary

The Board is supported by an in-house Company Secretary, who is suitably qualified, experienced and competent. To ensure that Directors are well supported by accurate, complete and timely information, all Directors have unrestricted direct access to the services of the Company Secretary to enable them to discharge their duties and responsibilities effectively.

The Company Secretary is responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. In order to ensure uniformity of Board conduct, the Company Secretary also has oversight of the overall corporate secretarial functions of the Group, both locally and in the countries where its subsidiaries are operating, and serves as an adviser on matters pertaining to governance.

Supply of and Access to Information and Advice

All Directors are furnished with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation or clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, amongst others, the following:

- quarterly financial report and a report on the Group's cash and borrowings position;
- a current review of the operations of the Group;
- minutes of meetings of all Board Committees; and
- minutes of previous Board meetings.

Monthly reports on the financial performance of the Company and the Group are also circulated to the Directors for their views and comments. All proceedings of Board meetings are minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed periods for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

In recognising the importance of sound and timely information flow to the Board effectively, all announcements made to Bursa Malaysia will be circulated to all Directors on the day the announcements are released. Copies of Director's notices on changes of Director's interests and other directorships will also be given to the other Directors of the Company within the timeframe prescribed by the regulations.

Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

In the furtherance of its duties, the Board is also authorised to obtain at the Company's expense, independent professional advice on specific matters, if necessary, to enable the Board to discharge its functions in the decision-making process.

Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a source reference and primary induction literature to provide insights to prospective Board members and Senior Management. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.

The Board Charter is published on the Company's website, *www.klk.com.my*.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Code of Conduct for Directors

The Board also adheres to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility. The latest Code of Conduct for Directors is accessible for reference on the Company's website, *www.klk.com.my*.

Code of Conduct and Ethics for the Company

The Board promotes good business conduct and healthy corporate governance culture that engenders integrity, transparency and fairness in line with the Company's Code of Conduct and Ethics. The Code of Conduct and Ethics sets out the principles and standards of business ethics and conduct of the Group and is to be observed by all employees, officers and Directors of the Group.

The Code of Conduct and Ethics is made available for reference by all employees, officers and Directors of the Group on the Company's website, *www.klk.com.my*.

Code of Conduct for Employees

In line with good corporate governance practices, the Board, the Management and employees of the Group are committed to a corporate culture which supports the operation of its businesses in an ethical manner, and uphold high standards of professionalism and exemplary corporate conduct at the work place.

The Code of Conduct for Employees sets out the standards of behaviour expected of all employees when dealing with stakeholders. It gives guidance in areas where employees may need to make personal and ethical decisions.

In addition to this, employees are also given access to grievance redressal procedures which provide a formal and transparent platform for employees to air their grievances, file complaints or report problems in relation to the Company and its operations.

Both the Code of Conduct for Employees and Group Employee Grievance Redressal Policy are available on the Company's website, *www.klk.com.my*.

Whistleblowing Policy

The Group has adopted a Whistleblowing Policy to enable stakeholders to raise in confidence possible corporate misdemeanours without fear of intimidation or reprisal. This Whistleblowing Policy provides an avenue for stakeholders to raise a legitimate concern about any actual or suspected improprieties involving the resources of the KLK Group at the earliest opportunity for expeditious investigation. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

The details of the Whistleblowing Policy are available on the Company's website, *www.klk.com.my*.

Sustainability of Business

KLK believes that doing business in a sustainable manner goes hand-in-hand with corporate responsibility and both are integral to generate and sustain short and long term value for its stakeholders. As such, the Board is committed to promote business sustainability strategies via continuous balanced assessment and development of its operations, whilst simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of its employees and local communities.

The Sustainability Policy is available on the Company's website, *www.klk.com.my* and the sustainable development and corporate responsibility programmes of the Group are disclosed on pages 50 to 83.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. BOARD COMPOSITION

There were eight (8) members on the Board of Directors for the financial year ended 30 September 2019, comprising two (2) Executive and six (6) Non-Executive Directors, five (5) of whom are Independent. One (1) of the Executive Directors is the CEO and the Chairman is an Independent Non-Executive Director.

The Board, through its NC, reviews annually the size and composition of the Board and each Board Committee, and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board and its NC have upon their annual assessment, concluded that the current Board comprises of a balanced mix of skills, knowledge and experience in the business and management fields which are relevant to enable the Board to carry out its responsibilities in an effective and efficient manner.

Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board comprises five (5) Independent Directors, one (1) of whom the Board had designated as the Senior Independent Director.

The Board and its NC have upon their annual assessment, concluded that each of the five (5) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition and criteria of independence as set out in the Main Market Listing Requirements ("Main LR").

Tenure of Independent Directors

The Board notes the Code's recommendations in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years and if the Board continues to retain the Independent Director after the twelfth (12th) year, a two-tier voting process should be applied. The NC and the Board have deliberated on the said recommendation and hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's health, attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the KLK Group, are also valid criteria to determine his independence and effectiveness. Furthermore, board composition should reflect a balance between effectiveness on the one hand, and the need for renewal and fresh perspectives on the other.

The NC and the Board have determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of twelve (12) years, remain unbiased, objective and independent in expressing their opinions and in participating in the decision-making of the Board. The length of their service on the Board had not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

The Board is also able to observe the conduct and behaviour of the Independent Directors through their regular interactions and discussions with the Independent Directors. Hence, 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.

In this respect, the Board has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company.

Board Diversity

The Board acknowledges the importance of boardroom diversity and the establishment of a gender diversity policy. Despite no specific targets being set in relation to boardroom diversity, the Board is committed to improving boardroom diversity in terms of race, religion, gender, regional and industry experience, cultural and geographical background, ethnicity, age and perspective.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

There were eight (8) members on the Board of Directors for the financial year ended 30 September 2019, one (1) of whom is a female. Notwithstanding the lack of gender diversity on the Board at this juncture, the Board remains committed to maintaining at least a 30% female representation on the Board. Hence, the Board will consider the appointment of additional woman Director as and when vacancies arise and circumstances permit. The Board will also take steps to nurture suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

Board Appointment

The NC maintains a formal and transparent procedure for the selection and recruitment of new Directors. Apart from reviewing the size, composition and diversity of the Board annually, the NC also assesses the suitability of identified candidates for membership of the Board and its Committees. The criteria for selection thereto would include but not be limited to the candidates' skills, knowledge, expertise, experience, professionalism and integrity.

The Board continues to use independent sources or search firms to identify suitably qualified candidates, instead of relying solely on the existing Board, CEO or major shareholders should the need arises.

Nomination Committee

The NC has been established since 2001. The NC's responsibility, among others, is to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board and Board Committees. Recruitment matters are discussed in depth by the NC before the entire Board makes the final decision on new appointments. NC has its own written TOR which deals with its authority and duties.

In line with good corporate governance practices, whilst maintaining the integrity and efficiency of the Board Committees, the Board approved the retirement of Tan Sri Azlan Bin Mohd Zainol from the ARC and his appointment to the NC during the financial year under review. The appoinment of Tan Sri Azlan Bin Mohd Zainol on the NC has further strengthened the independence of the Committee.

The NC currently comprises four (4) Non-Executive Directors, the majority of whom are Independent:

Dato' Yeoh Eng Khoon (Chairman)
- Senior Independent Non-Executive Director

R. M. Alias
- Independent Non-Executive Director

Dato' Lee Hau Hian
- Non-Independent Non-Executive Director

Tan Sri Azlan Bin Mohd Zainol
- Independent Non-Executive Director

The NC convened two (2) meetings for the financial year under review and the attendance of the members for the meetings held are as follows:

MEMBERS	NUMBER OF MEETINGS	
	HELD[1]	ATTENDED
Dato' Yeoh Eng Khoon	2	2
R. M. Alias	2	2
Dato' Lee Hau Hian	2	2
Tan Sri Azlan Bin Mohd Zainol[2]	0	0

Notes:

[1] Reflects the number of meetings held during the time the Directors held office

[2] Tan Sri Azlan Bin Mohd Zainol was appointed as a new NC member with effect from 1 June 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A summary of activities undertaken by the NC in the discharge of its duties for the financial year ended 30 September 2019 is set out herebelow:

(1) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking re-appointment and re-election at the forthcoming Annual General Meeting ("AGM");

(2) Reviewed the composition of the Board based on the required mix of skills, experience and other qualities considered important by the Board;

(3) Reviewed the composition of the Board Committees based on their compliances with the provisions of the relevant guidelines and regulations;

(4) Reviewed and assessed the suitability of Tan Sri Azlan Bin Mohd Zainol as NC member;

(5) Evaluated the size of the Board to ensure that the Board had the requisite competencies and capacity to effectively handle all matters pertaining to the Group;

(6) Conducted the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company;

(7) Reviewed and assessed the independence of Independent Directors and their tenure of service;

(8) Reviewed the succession plans of the Board and Senior Management in order to ensure that there are appropriate plans in place to fill vacancies and to meet the Group's future needs;

(9) Reviewed the appointment or nominations of directors, commissioners, and supervisors, to the boards of certain subsidiaries in the Group;

(10) Assessed Directors' training needs to ensure all Directors receive appropriate continuous development programmes; and

(11) Reviewed and assessed the term of office and performance of the ARC and each of its members.

Evaluation for Board, Board Committees and Individual Directors

The Board, through the NC and facilitated by the Company Secretary, had carried out the annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director during the financial year under review. The assessment was carried out based on a questionnaire and feedback form which is divided into two (2) parts, ie. Part 1 – Director Self-Assessment; and Part 2 – Board of Directors and Board Committees Evaluation. In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretary, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from each Director and referred the same to the Chairman of NC on a no-name basis. A summary of the results and all feedback received were tabled to the NC for deliberation before appropriate action plans were recommended to the Board for further discussion and approval.

The results of the annual assessment for the financial year under review indicated that the Board, its Board Committees and the individual Directors had been effective as a whole in the overall discharge of their functions and responsibilities. The NC concluded that each Director has the requisite competence, integrity and character to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time, participation and dialogue during the year under review.

The Board is of the view that it is not necessary to appoint an independent third party to conduct or facilitate in the evaluation process of the Board and Board Committees for the financial year under review. The NC will continue to assess the need for the appointment of an independent third party and will take the necessary action as and when deemed useful.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Induction or Orientation for new Director

The Board recognises the importance of conducting a comprehensive induction or orientation programme for a new director in order to familiarise the new director with the businesses and governance practices of the Group. The programme also allows the new director to get acquainted with Senior Management, thereby facilitating board interaction and independent access to Senior Management. Upon appointment, the new Director goes through a comprehensive induction or orientation programme and is briefed on the Group's activities, operations and policies during visits to various KLK Group operating centres to enable him/her to assimilate into the new role.

Continuous Development Programme for all Directors

The Board oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

The Directors recognise the importance of continuing development by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors are encouraged to attend various external professional programmes relevant and useful in contributing to the effective discharge of their duties as Directors. In this respect, in-house briefings by External Auditors, solicitors and/or Management are organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices.

For the financial year under review, Directors have attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. Directors also visited the Group's marketing and operating centres in Malaysia, Singapore, Indonesia, Europe, China and Australia with the aim of enhancing their understanding and knowledge on the technical and operational aspects of industry-related issues.

Particulars of various training programmes attended by the Directors during the financial year ended 30 September 2019 are as follows:

CONFERENCE/SEMINAR/WORKSHOP	PRESENTER/ORGANISER	DATE
FIDE Elective Programme "Emerging Risks, the Future Board and Return on Compliance"	The ICLIF Leadership & Governance Centre	22.10.2018
Tan Sri Lee Loy Seng Annual Lecture Series – New Confucianism & the 21st Century Civilizational Dialogue	University of Malaya	26.10.2018
Global Women on Boards Programme 2018	LeadWomen	30.10 – 02.11.2018
Global Leadership Conference 2018	Global Leadership Summit	05 – 06.11.2018
Post-Budget Dialogue with YB Tony Pua	Kuala Lumpur Business Club	14.11.2018
Briefing on the New Constitution Under the Companies Act 2016	Grand-Flo Berhad (Cospec Management Services Sdn Bhd)	22.11.2018
Presentation/Dialogue on: (a) Property Outlook 2019 (b) Corporate Liability (c) Beneficial Ownership and Governance	Malaysian Resources Corporation Berhad (by Savills Malaysia, Malaysian Anti-Corruption Commission and National Centre for Governance, Integrity and Anti-Corruption)	12.01.2019
Mandatory Accreditation Programme	The ICLIF Leadership and Governance Centre	14 – 15.01.2019
Palm Oil Outlook Conference	Bursa Malaysia Berhad	05 – 06.03.2019
FIDE-FORUM Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions	FIDE FORUM	26.03.2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONFERENCE/SEMINAR/WORKSHOP	PRESENTER/ORGANISER	DATE
CEO Forum 2019	Perdana Leadership Foundation	04.04.2019
Enhancing Corporate Brand Value	RHB Banking Group (by Mr Samir Dixit)	30.04.2019
Fighting Poverty Through Enterprise	Transformational Business Network Asia	06 – 07.05.2019
Directors' Guide to Governance, Risk & Compliance	RHB Banking Group (by Mr Ramesh Pillai)	13.05.2019
Malaysian Financial Reporting Standards Briefing on: MFRS 9 – Financial Instruments, 15 – Revenue from Contracts with Customers, 16 – Leases and 141 – Agriculture	BDO PLT (In-house)	14.05.2019
BNM-FIDE FORUM Masterclass on Cybersecurity: Unseen Threats	FIDE FORUM	18.06.2019
Cyber Security in the Boardroom – "Accelerating from Acceptance to Action"	Bursa Malaysia Berhad	27.06.2019
Future of Work Conference	Asia School of Business in collaboration with MIT Sloan	06.07.2019
9th International Planters Conference 2019	The Incorporated Society of Planters	15 – 17.07.2019
National Economic Forum 2019	National Chamber of Commerce and Industry Malaysia	29.08.2019

III. REMUNERATION

Remuneration Policy and Procedures for Directors and Senior Management

The Board has in place a formal Remuneration Policy for Directors and Senior Management ("Remuneration Policy"). The Remuneration Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.

The aim of the Remuneration Policy is to:

(i) determine the level of remuneration of Directors and Senior Management;
(ii) attract, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with their responsibilities and contributions, and be competitive with the industry; and
(iii) encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders.

The Board, through the RC will conduct a periodic review of the criteria to be used in recommending the remuneration package of Directors and Senior Management to ensure that it is in line with current market practices and needs.

The Remuneration Policy is accessible on the Company's website, *www.klk.com.my*.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration Committee

The RC has been established since 1994. Its primary responsibility is to structure and review the remuneration policies and procedures for executives of the Group, with a view to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The RC's recommendations on the remuneration package for Senior Management and that for the CEO, are subject to the approval of the Board, and in the case of Non-Executive Directors' fees and benefits, the approval of the shareholders. The RC has a TOR which deals with its authority and duties. The TOR was reviewed in this financial year.

The members of the RC, the majority of whom are Independent Non-Executive Directors, are as follows:

R. M. Alias (Chairman)
- Independent Non-Executive Director

Tan Sri Azlan Bin Mohd Zainol
- Independent Non-Executive Director

Dato' Lee Hau Hian
- Non-Independent Non-Executive Director

The RC convened two (2) meetings for the financial year under review and the attendance of the members for the meetings held are as detailed below:

MEMBERS	NUMBER OF MEETINGS	
	HELD	ATTENDED
R. M. Alias	2	2
Tan Sri Azlan Bin Mohd Zainol	2	2
Dato' Lee Hau Hian	2	2

Directors' Remuneration

The Company's framework on Directors' remuneration has the underlying objectives of attracting and retaining Directors of high calibre needed to run the Group successfully. In the case of the Executive Directors, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Company and Group levels during the financial year are as follows:

Category (RM'000)	Fees#	Salaries#	Bonus#	Benefits-In-Kind[1#]	Other Emoluments[2#]	Total
Executive Director						
1. Tan Sri Dato' Seri Lee Oi Hian	–	4,380	2,920	95	1,316	8,711
2. Lee Jia Zhang	–	900	283	–	275	1,458
Non-Executive Directors						
1. R. M. Alias*	515	–	–	35	21	571
2. Dato' Lee Hau Hian	270	–	–	–	25	295
3. Dato' Yeoh Eng Khoon	290	–	–	7	29	326
4. Tan Sri Azlan bin Mohd Zainol	277	–	–	–	23	300
5. Quah Poh Keat	265	–	–	–	19	284
6. Anne Rodrigues	265	–	–	–	26	291

Notes:

1 Benefits-In-Kind include company car, petrol, driver, medical, discounts for purchase of Group/Company products, insurance coverage and business travel.

2 Other emoluments include meeting allowance, travelling allowance, employer's Employees Provident Fund, SOCSO, Employment Insurance System contributions and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.

* Chairman of the Board

\# Received and receivable from the Company. None of the amount was received on group basis.

The Board has endorsed that the Directors' fees would be held constant for three (3) years. However, to ensure that the Directors' fees align with appropriate peer groups and are measured against profits and other targets set in accordance with the Company's annual budget and plans, the RC reviews the Directors' fees annually.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK COMMITTEE

The ARC of the Company is chaired by a Senior Independent Non-Executive Director, Dato' Yeoh Eng Khoon. It comprises three (3) Independent Non-Executive Directors, with diverse backgrounds and extensive experience in legal practice, risk management, banking, finance, taxation etc.

The ARC has a key role in the oversight of the effectiveness of the risk management and internal control systems of the Company. Its key function is to assist the Board to assess the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situations and related party transactions. The roles and responsibilities of the ARC are governed in its TOR which is periodically assessed, reviewed and updated by the ARC or as and when there are changes to the regulatory requirements and direction or strategies of the Company that may affect the ARC's role. Upon review, the proposed changes will be recommended to the Board for approval.

The term of office and performance of the ARC and each of its members are reviewed annually by the Board through the NC, to ensure the ARC and members have carried out their duties in accordance with their TOR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Assessment of Suitability, Objectivity and Independence of External Auditors

The Company appointed Messrs BDO PLT ("BDO") in place of the retiring external auditors, Messrs KPMG PLT at its Annual General Meeting held on 19 February 2019. The appointment of BDO demonstrates the good corporate governance practice of revisiting the appointment of external auditors from time to time.

In the third quarter of 2019, BDO presented its 2019 Audit Plan for the ARC's review. This 2019 Audit Plan outlined its engagement team, audit timeline and the areas of audit emphasis. This formed part of the ARC's assessment of the suitability, objectivity and independence of BDO on an annual basis. Based on the outcome of the assessment, the ARC decides whether or not to recommend to the Board for shareholders' approval to be sought for the re-appointment of BDO at the forthcoming Annual General Meeting in 2020.

Having regard to the outcome of the annual assessment of BDO, the Board approved the ARC's recommendation that shareholders' approval be sought at the forthcoming AGM for the re-appointment of BDO as external auditors of the Company for the financial year ending 30 September 2020.

II. RISK MANAGEMENT FRAMEWORK

Risk Management and Internal Controls

The Board acknowledges the importance of a sound risk management system and internal control and is supported by the ARC and Group Risk Management Committee (headed by the CEO) respectively to ensure the risks in the Group are identified and managed with the appropriate risk management system. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

In this respect, the Board is briefed on any potential fraud, whistleblowing and internal audit findings in order to enable them to assess the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.

Under the risk management framework, the Board, through the Group Risk Management Committee, sets out the risk appetite of the Group whilst the Group Risk Management Committee ensures the effectiveness of risk management and adherence to the risk appetite established by the Board.

Having reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review, the Board is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report 2019.

Internal Audit Function

The Board recognises the importance of risk management and internal controls in the overall management processes. An adequately resourced Internal Audit Division is in place to assist the Board in maintaining a system of internal control to safeguard shareholders' investment and the Group's assets. The Internal Audit Division, which reports directly to the ARC, is responsible to conduct reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks.

An overview of the Group's risk management and state of internal controls is set out in the Statement on Risk Management and Internal Control and ARC Report of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. COMMUNICATION WITH STAKEHOLDERS

KLK upholds a strong culture of continuous, timely and equal dissemination of material information with shareholders, stakeholders, media and regulators through practicable and legitimate channels. Its commitment, both in principle and practice, is to maximise transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.

Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis are posted on the Company's website, which will provide the shareholders and the investing public with an overview of the Group's performance and operations.

The Company's website is freely accessible to the public at *www.klk.com.my* and the Directors welcome feedback channelled through the website.

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato' Yeoh Eng Khoon, as the Senior Independent Non-Executive Director to whom concerns may be directed.

Investor Relations

The Board recognises the importance of keeping shareholders, investors, research analysts, bankers and the press informed of the Group's business performance, operations and corporate developments. The Board's primary contact with major shareholders is via the CEO, the Group CFO and the Head of Investor Relations and Corporate Communications, who have regular dialogues with institutional investors and deliver presentations to analysts periodically.

For the financial year ended 30 September 2019, Management has attended approximately 50 meetings including tele-conferences and video-conferences with both local and foreign investors and analysts. These meetings are scheduled to keep the investment community abreast of the Group's strategic developments and financial performance.

The Company's website, *www.klk.com.my* serves as a channel of communication for shareholders, investors and the general public. Information such as disclosures made to Bursa Malaysia (including interim and full year financial results, Annual Report and other announcements on relevant transactions undertaken by the Group), Company Profile, Corporate Information, Group Policies, Corporate Mission & Values, the respective TOR of the ARC, NC and RC etc., can be obtained from the website. Requests for information on the Company can be forwarded to its dedicated Investor Relations & Corporate Communications Department through the same website.

Pursuant to the best practices in corporate governance, Dato' Yeoh Eng Khoon continues to serve as the Senior Independent Non-Executive Director to whom concerns of investors and shareholders may be directed. Dato' Yeoh Eng Khoon is also the Chairman of the ARC and NC.

Compliance with Applicable Financial Reporting Standards

The Board takes due care and responsibility for presenting a fair, balanced and comprehensible assessment of the Group's operations, performance and prospects each time it releases its quarterly and annual financial statements to shareholders and the general public. The ARC plays a crucial role in reviewing information to be disclosed to ensure its accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give a true and fair view of the state of affairs of the Company and the Group.

In respect of the financial statements for the financial year ended 30 September 2019, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- ensured that all applicable accounting standards have been followed, subject to any explanations disclosed in the notes to the financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act 2016. They have an overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

Corporate Disclosure Policy and Procedures

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy, which is accessible on the Company's website, *www.klk.com.my*, to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

The objectives of the Corporate Disclosure Policy and Procedures are to:

(a) confirm in writing KLK's existing disclosure policies, guidelines and procedures and ensure consistent approach to the Company's disclosure practices throughout the Company;

(b) ensure that all persons to whom this Disclosure Policy applies understand their obligations to preserve the confidentiality of material information;

(c) effectively increase understanding of the Company's business and enhance its corporate image by encouraging practices that reflect openness, accessibility and co-operation; and

(d) reinforce KLK's commitment to compliance with the continuous disclosure obligations imposed by the Malaysian securities law and regulations and the Main LR.

Material information will in all cases be disseminated broadly and publicly via Bursa Malaysia, and other means. Interested parties may also obtain the full financial results and the Company's announcements from the Company's website at *www.klk.com.my* which are also posted on the Bursa Malaysia's website.

II. CONDUCT OF GENERAL MEETINGS

Shareholders' Participation at AGMs

The AGM, which is held in February each year, is the principal forum for dialogue and interaction with the shareholders of the Company, where they may present their views or to seek clarification on the progress, performance and major developments of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board members, the Company's Senior Management and the Group's External Auditors are in attendance to respond to shareholders' queries. Where it is not possible to provide immediate answers to shareholders' queries, the Board will undertake to provide the answers after the AGM.

To strengthen transparency and efficiency in the voting process and in line with the Main LR, the Company has adopted electronic poll voting at its AGM. An independent external party is appointed as scrutineer for the electronic poll voting process. The Chairman announces the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day. The summary of the AGM proceedings is available on the Company's website, *www.klk.com.my*.

Interaction between Directors and Shareholders during General Meetings

At AGMs, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Senior Management. Shareholders are also informed of the rules, including the voting procedures that govern the AGMs.

At the 46th AGM of the Company held on 19 February 2019, all eight (8) Directors were present in person to engage directly with the shareholders of the Company. During the AGM, shareholders had actively taken the opportunity to raise questions on the agenda items of the AGM as well as current development of the Group. The Directors and Senior Management responded to all the questions raised and provided clarification as required by the shareholders. To ensure transparency, the Board also provided shareholders the Company's responses to questions submitted in advance by the Minority Shareholder Watchdog Group and Employees Provident Fund Board by distributing the replies before the commencement of the meeting.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Board of Directors of KLK is committed to maintain a sound risk management framework and internal control system in the Group and is pleased to present herewith the Statement on Risk Management and Internal Control which outlines the nature and state of risk management and internal control of the Group during the year.

This statement does not cover associates and joint ventures where risk management and internal control are managed by the respective management teams.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at KLK to safeguard the interest of shareholders, customers, employees and the Group's assets. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

CONTROL ENVIRONMENT AND ACTIVITIES

RISK MANAGEMENT FRAMEWORK

A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an on-going process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Chief Executive Officer ("CEO") in overseeing the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

The Group's risk management framework is set out in the diagram below:

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The GRMC advises the Risk Management Units ("RMUs") on the guidelines and timeline for the submission of risk reports to the GRMC. The RMUs revise or identify new risks based on risk appetite in terms of the magnitude of the financial or non-financial impact, against the likelihood of the occurrence of the risk. The RMUs submit the risk reports to the Business Division Heads ("BDH") for review. The BDHs review the risks associated with the Group's strategic objectives and overall risk appetite to ensure all principal risks are adequately addressed by the RMUs. The principal risks and remedial actions are deliberated in the GRMC meeting and reported to the Board twice yearly. Any changes highlighted by the Board would then be cascaded to the RMUs for remedial action plans. Notwithstanding the above, any emerging principal risks that may arise during the year will be escalated immediately to the GRMC.

These on-going processes are coordinated by the Internal Audit Division in conjunction with all BDHs within the Group and periodic reporting to the GRMC.

The principal risks for the financial year 2019 have been reviewed by the Board of Directors and are as follows:

Sustainability Risks

With increasing awareness on global issues, there are greater expectations and demand by the stakeholders for organisations to ensure that palm products are produced in a sustainable and responsible manner. In addition, Civil Society Organisations (CSO) conduct intensive checks on organisations to ensure compliance with sustainability practices such as no deforestation, protection of peat areas, uplifting socio-economic conditions and respecting human rights of employees and local communities. In this respect, KLK abides by the RSPO Principles & Criteria (P&C) and has in place a Sustainability Policy (revised in 2018), Supplier Code of Conduct and Grievance Procedure (which are available on the Company's website at *www.klk.com.my*) to address social, environment and traceability related matters.

KLK is a member of High Carbon Stock Approach (HCSA) and its operations have been certified by independent bodies such as the Roundtable on Sustainable Palm Oil (RSPO), International Sustainability & Carbon Certification (ISCC), Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO). KLK believes in open dialogue, transparency, cooperation and actively engage with stakeholders, particularly the communities living in the vicinity of the Group's operations. The Group had also engaged external providers to manage traceability trails in-house to achieve 100% traceability to FFB suppliers for refineries by end of 2020.

KLK has in place a Sustainability Steering Committee which monitors and ensures KLK continuously develops sustainable strategies and polices, as well as guides decision-making in the Group in managing social, environmental and reputational risks. The Group on a periodic basis, reports to the public in relation to its efforts and status of compliance with the KLK Sustainability Policy. The Group also works closely with governments, Malaysian Palm Oil Association (MPOA), Malaysian Palm Oil Board (MPOB), Malaysian Palm Oil Council (MPOC) and other major players in the industry to boost the image of palm oil and promote its benefits to the consumer market.

Regulatory Risks

The Group's businesses are governed by relevant laws, regulations and government policies which may affect its operations. In this respect, the Group regularly assesses the impact of new laws and regulations to ensure the processes and infrastructure settings cater for the new requirements.

In countries where there are complex regulations governing the Group's businesses, Management had put in place measures to ensure regulatory risks are being reviewed and addressed. In addition, Management had also conducted intensive checks on all legal requirements, licenses, etc. to ensure compliance thereof.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Market and Commodity Risks

(i) Price uncertainties

Supply concerns and strong push on biodiesel implementation in Indonesia could signal a surge in price of Crude Palm Oil ("CPO") in 2020. However, prices can still be volatile in the face of worrying global economic indicators and uncertainties driven by effects of geopolitical developments and constant changes in tariffs particularly by major palm importing/exporting countries. Slowing global crude oil demand and effects of European Union's intention to ban palm oil in biofuels may also limit price recovery.

The Group projects base, upside and downside scenarios, assessing market environments from conducive to favourable and unfavourable respectively, where assessments of strategic decisions are made. On-going efforts on prudent cost management were practiced via increasing productivity of land and workers as well as operational efficiencies. The Group continues to maximise premium from the sales of certified palm oil and logistics costs improvements via optimisation of cargo size, logistics mapping and chartering capability.

(ii) Limited supply of lauric oil

The Oleochemical division, in particular its fatty alcohol business requires substantial lauric oil, i.e. crude palm kernel oil ("CPKO") as raw material for its production process. Hence, huge fluctuations in CPKO prices and limited availability in its supply had rendered buyers extremely prudent in products' purchase. Price fluctuations would impact the margins of the Oleochemical division.

The Group manages this business risk with clear visibility of forward months' raw material price and cost structure. The Group also widens its sourcing from Indonesia and Malaysia supplies and integrates with the Plantation sector wherever possible for long term supply of raw materials.

Operational Risks

(i) High Dependency on Foreign Workers and Escalating Operational Costs in the Plantation Sector

In the Plantation sector, the Group is highly dependent on skilled labour for harvesting activities. In Malaysia, the reliance on foreign workers remained high despite efforts made to recruit local workers. The increase in minimum wages, cost of chemicals & fertilisers had further increased operational costs.

In view of rising costs, KLK is continuously devising efforts to reduce dependency on foreign workers by accelerating the implementation of mechanisation and job specialisation to increase efficiency and productivity of workers. Palm oil mills by-products were applied to fields to further improve the field yields. In managing the cost controls, prudent measures are in place through the budgeting process and continuous monitoring of costs.

(ii) Fire and Industrial Risks

Despite strict adherence to the zero-burning policy, the Plantation sector is exposed to the risk of fire in estates which could put plantation assets at risk. The haze may also cause serious health concerns, stunt fruit growth and disruption in harvesting. Flammable industrial chemicals, i.e. hydrogen/methanol/hydrogen peroxide/ethylene oxide were used in the oleochemical production processes, whereas solvent, i.e. hexane was used to recover residual oil from the palm pressed fibre and palm kernel cake. These chemicals and solvent are hazardous and can cause explosion and fire.

The Group adhered strictly to its safety and sustainability policies which takes into account the changing risk landscape to manage industrial risks. Management had established fully equipped firefighting teams which undergoes yearly firefighting training and practises strict surveillance which includes erecting fire towers at strategic locations and daily web-monitoring of fire hotspots within and surrounding the estates. The Emergency Response Teams were properly trained to contain and control leakages or fire in the processing plants. To mitigate the financial impact, the Group's assets are adequately insured under Industrial All Risk Policy and Fire-Industrial Policy for Oleochemical division and Plantation sector respectively.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(iii) Cyber Security Risk

The business environment is global and highly interconnected, increasing the organisation's exposure to cyber threats. To manage this risk, controls have been put in place to manage and protect the confidentiality, integrity and availability of data and critical infrastructure. Amongst others, adequate IT Industrial standard network security layer equipment, encryption protocols, virus scanning tools and applications are in place to protect and secure the accessibility to the Group's IT environment. Notification alerts will be triggered when there is any suspicious network traffic or incident and will be investigated till its resolution. Continuous security awareness trainings and roadshows were provided to the employees to foster awareness in safeguarding company's sensitive data. Disaster Recovery Plan (DRP) has been implemented to recover and protect the business IT infrastructure in the event of adverse events.

OTHER ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

Board Meetings

At a minimum, the Board meets on a quarterly basis and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provides explanation on pertinent issues. A thorough deliberation and discussion by the Board is a prerequisite before arriving at any decision. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes. The limit of authorities for approval levels is established for budgeted and non-budgeted capital expenditure.

Performance Management Framework

Management reports are generated on a monthly and consistent basis to facilitate the Board and the Group's Management in performing financial and operation reviews on the various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operation results and compliance with laws and regulations.

The Group has in place a well-controlled budgeting process that provides a responsible accounting framework. The Group's annual budget is approved by the Board prior to implementation.

Operational Policies and Procedures

Documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses and ensure complete and accurate financial information. These documents consist of approved memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Whistleblowing Policy

A Whistleblowing Policy has been established to provide clarity of oversight of the whistleblowing process, protection and confidentiality to whistleblowers. The Policy sets out a protocol for employees and stakeholders to raise genuine possibilities of improprieties, malpractices and misconduct within the Group for remedial action. In addition, the Group had also implemented an Employee Grievance Redressal Policy to provide a clear and transparent framework for employees to raise any grievances. These policies are available on the Company's website at *www.klk.com.my.*

Group Internal Audit

The Internal Audit division, which reports directly to the Audit and Risk Committee, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks. Routine reviews are conducted on units under the Group's major core activities.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 30 September 2019, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual 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 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 the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events.

For the period under review, the CEO and the Group Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

This Statement on Risk Management & Internal Control was approved by the Board of Directors on 10 December 2019.

AUDIT AND RISK COMMITTEE REPORT

The Board of Directors ("the Board") of KLK is pleased to present the Audit and Risk Committee Report for the financial year ended 30 September 2019.

The Audit Committee was established in 1993 in line with the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad. Subsequently, on 14 August 2018, the Audit Committee was renamed as the Audit and Risk Committee ("ARC") to recognise the importance of the risk oversight and management functions carried out by the ARC. The Terms of Reference ("TOR") of the ARC was also revised and expanded to include the additional roles and functions conducted by the ARC.

The TOR of the ARC is available on the Company's website at *www.klk.com.my.*

COMPOSITION AND MEETINGS

The ARC convened five (5) meetings during the financial year ended 30 September 2019. Details of the membership and their attendance at the meetings, are as follows:

MEMBERS	NUMBER OF MEETINGS	
	HELD[1]	ATTENDED
Dato' Yeoh Eng Khoon (Chairman) Senior Independent Non-Executive Director	5	5
Quah Poh Keat Independent Non-Executive Director	5	5
Anne Rodrigues Independent Non-Executive Director	5	5
Tan Sri Azlan Bin Mohd Zainol[2] Independent Non-Executive Director	4	4

Notes:

1 Reflects the number of meetings held during the time the ARC members held office

2 Retired on 1 June 2019

Mr. Quah Poh Keat and Mrs. Anne Rodrigues are members of the Malaysian Institute of Accountants. The ARC, therefore, fulfils the requirements of having at least one (1) of its members be a qualified accountant pursuant to Paragraph 15.09(1)(c) of the Main LR.

SUMMARY OF THE WORK OF THE ARC

In line with the TOR of the ARC, the work carried out by the ARC in the discharge of its functions and duties for the financial year ended 30 September 2019 are as follows:

Financial Reporting

- Reviewed the Group's quarterly results and year-end financial statements, and made recommendations to the Board for approval of the same, as detailed below:

DATE OF MEETINGS	QUARTERLY RESULTS/FINANCIAL STATEMENTS REVIEWED
18 February 2019	Unaudited first quarter results for the period ended 31 December 2018
14 May 2019	Unaudited second quarter results for the period ended 31 March 2019
19 August 2019	Unaudited third quarter results for the period ended 30 June 2019
18 November 2019	Unaudited fourth quarter results for the period ended 30 September 2019 and the unaudited results of the Group for the financial year ended 30 September 2019
9 December 2019	Audited Financial Statements for the year ended 30 September 2019

AUDIT AND RISK COMMITTEE REPORT

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and applicable disclosure provisions in the Main LR.

The ARC had also reviewed the Audited Financial Statements of the Company and the Group for the financial year ended 30 September 2019 to ensure it presented a true and fair view of the financial position and performance for the year and ensure that it complied with all disclosures and regulatory requirements and recommended the Audited Financial Statements to the Board for approval.

Risk Management and Internal Control

- Reviewed the Group Risk Management Committee's meeting minutes and reports, and deliberated on the principal risks highlighted and the controls to mitigate the risks.
- Reviewed and assessed the scope and effectiveness of the processes established by Management to identify, assess, manage and monitor financial and non-financial risks.

Internal Audit

- Reviewed and approved the risk-based annual audit plan to ensure adequate scope and coverage on the activities of the Company and the Group.
- Reviewed and deliberated on reports of audits conducted by the Internal Audit Division ("IAD").
- Appraised the adequacy of actions and remedial measures taken by Management in resolving the audit issues reported and recommended further improvement measures.
- Reviewed the adequacy of staff resources and access to information to ensure audit works were carried out effectively.

External Audit

- Reviewed and endorsed the External Auditors' audit strategy, scope of work and audit plan for the year, including the review on audit documentation of significant component auditors in the subsidiaries.
- Met with the External Auditors at least once a year without the presence of Management to review and discuss on the key issues within their duties and responsibilities. There were no major concerns raised by the External Auditors at the meetings.
- Reviewed and approved the audit and non-audit services provided by the External Auditors. The amounts of audit and non-audit fees are disclosed in the Additional Compliance Information on page 110.
- Obtained written assurance from the External Auditors to confirm on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- The ARC was satisfied with the work performed by the External Auditors based on their quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreed timeline fixed by Management. Accordingly, it was recommended to the Board to re-appoint BDO PLT as the Auditors of the Company and approve their audit fee. A resolution for the re-appointment will be tabled for shareholders' approval at the forthcoming Annual General Meeting.

Related Party Transactions which include Recurrent Related Party Transactions ("RPT")

- Reviewed the RPTs entered into by the Company and the Group and disclosure of such transactions pursuant to Chapter 10 of the Main LR, Malaysian Financial Reporting Standard 124 and the Companies Act 2016.
- Reviewed the Circular to Shareholders in relation to the proposed shareholders' mandate for recurrent related party transactions.
- Reviewed the processes and procedures in the Policy on RPTs to ensure that related parties are appropriately identified and that RPTs are appropriately declared, approved and reported.

AUDIT AND RISK COMMITTEE REPORT

Other Duties

- Reviewed the ARC Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and additional compliance information before submitting for the Board's approval and inclusion in the Company's Annual Report.

SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION

The Group has an independent in-house IAD whose primary function is to assist the ARC in discharging its duties and responsibilities. Currently, there are a total of 56 Internal Auditors across the Group in Peninsular Malaysia, Sabah and Indonesia.

The IAD's role is to provide the ARC with independent and objective reports on the adequacy and effectiveness of the internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with the applicable laws and regulations. IAD is also the Secretary to the Group Risk Management Committee.

The Internal Audit's activities are guided by the Internal Audit Charter and the IAD adopts a risk-based approach focusing on high risks areas. The IAD conducts regular and systematic reviews on the effectiveness of key controls and processes in the operating units to provide reasonable assurance that such systems would continue to operate satisfactorily and effectively.

Apart from the audit assignments in Malaysia, Indonesia, China, Europe and Liberia, IAD had also carried out investigations on specific areas as directed by the ARC and Management. The audit reports and investigation reports were submitted to the ARC on a quarterly basis. Periodic follow-up audits were carried out where appropriate to ensure recommendations for corrective actions were implemented and enforced.

During the financial year, IAD had participated in User Requirement Study and System Design for the implementation of new IT systems in the Group to ensure that pertinent controls are adequately in place. IAD will continue to leverage on data analytics tools to improve the efficiency and effectiveness of data retrieval and analytics capabilities for the audit processes.

IAD had conducted in-house audit training for Auditors to enhance competencies and practices. In addition, IAD had also carried out training for the operating units' personnel to enhance their internal control awareness.

The total costs incurred for the internal audit function of the Group for the financial year ended 30 September 2019 was RM4.97 million.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from any corporate proposals during the financial year.

AUDIT AND NON-AUDIT FEES

(i) The amount of audit fees paid or payable to the External Auditors, Messrs. BDO PLT, for services rendered to the Company and the Group for the financial year ended 30 September 2019 amounted to RM295,000 and RM831,000 respectively.

(ii) The amount of non-audit fees paid or payable to the External Auditors, Messrs. BDO PLT and its affiliates, for services rendered to the Company and the Group for the financial year ended 30 September 2019 amounted to RM10,000.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interest of Directors and major shareholders during the financial year other than in the ordinary course of business.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPT”)

The details of the RRPTs entered into by the Company and its subsidiaries during the financial year are disclosed in Note 37 to the financial statements on pages 169 to 170.

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors of Kuala Lumpur Kepong Berhad have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2019.

PRINCIPAL ACTIVITIES
The Company carries on the business of producing and processing palm products and natural rubber on its plantation. The Group's subsidiaries, associates and joint ventures are involved in the business of plantation, manufacturing, property development and investment holding.

ULTIMATE HOLDING COMPANY
The Company is a subsidiary of Batu Kawan Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES
The details of the Company's subsidiaries are disclosed in Note 41 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit before taxation	823,928	409,432
Tax expense	(173,195)	(6,061)
Profit for the year	650,733	403,371
Attributable to:		
Equity holders of the Company	617,505	403,371
Non-controlling interests	33,228	-
	650,733	403,371

DIVIDENDS
The amounts paid or declared by way of dividends by the Company since the end of the previous financial year were:

(i) a final single tier dividend of 30 sen per share amounting to RM319,490,000 in respect of the year ended 30 September 2018 was paid on 5 March 2019, as proposed in last year's report; and

(ii) an interim single tier dividend of 15 sen per share amounting to RM159,745,000 in respect of the year ended 30 September 2019 was paid on 6 August 2019.

The Directors have declared the payment of a final single tier dividend of 35 sen per share amounting to RM372,738,000 for the year ended 30 September 2019 ("Final Dividend"). The Dividend Reinvestment Plan ("DRP") which was approved by the shareholders of the Company at its Annual General Meeting held on 13 February 2018 will apply to the entire portion of the Final Dividend. Under the DRP, the shareholders will be given the option of electing to reinvest up to 100% of the Final Dividend in the new shares of the Company. The details of the DRP are disclosed in Note 11 to the financial statements.

The payment of the Final Dividend will be made within one month from the books closure date which will be announced in due course.

RESERVES AND PROVISIONS
There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity and Note 31 to the financial statements.

ISSUED AND PAID-UP CAPITAL
During the financial year, the Company has not made any purchase of its own shares or re-sale of the treasury shares since the fresh mandate for the share buy back scheme approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 19 February 2019. Details of the shares bought back and retained as treasury shares are as follows:

Month	No. of Shares Bought Back and Held as Treasury Shares	Per Share Highest Price Paid RM	Per Share Lowest Price Paid RM	Per Share Average Price Paid RM	Total Consideration RM'000
February 1999	1,208,000	5.90	5.10	5.58	6,823
March 1999	1,131,000	5.25	4.72	4.86	5,559
January 2002	200,000	5.30	5.30	5.30	1,065
	2,539,000				13,447

REPORT OF THE DIRECTORS

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

There were no changes in the issued and paid-up capital of the Company during the financial year.

DIRECTORS OF THE COMPANY
The Directors who served during the financial year until the date of this report are shown on page 2.

DIRECTORS OF SUBSIDIARIES
The names of Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' SHAREHOLDINGS
The Directors holding office at the end of the financial year and the details of the Directors' shareholdings in the Company and its ultimate holding company as recorded in the Register of Directors' Shareholdings were as follows:

	Number of Shares			
Shares in the Company	**Balance at 1.10.2018**	**Bought**	**Sold**	**Balance at 30.9.2019**
Direct interest				
R. M. Alias	337,500	-	-	337,500
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	-	72,000
Dato' Lee Hau Hian	83,250	-	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	-	335,000
Anne Rodrigues	1,500	-	-	1,500
Deemed interest				
R. M. Alias	1,000	-	-	1,000
Tan Sri Dato' Seri Lee Oi Hian	501,372,027	-	-	501,372,027
Dato' Lee Hau Hian	501,372,027	-	-	501,372,027
Dato' Yeoh Eng Khoon	3,189,850	1,575,000	-	4,764,850
Shares in the ultimate holding company, Batu Kawan Berhad				
Direct interest				
Tan Sri Dato' Seri Lee Oi Hian	854,355	116,000	-	970,355
Dato' Lee Hau Hian	1,425,530	116,000	-	1,541,530
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Lee Jia Zhang	10,000	-	-	10,000
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	213,728,705	25,607,000	29,000,000	210,335,705
Dato' Lee Hau Hian	212,531,980	25,607,000	29,000,000	209,138,980
Dato' Yeoh Eng Khoon	15,491,000	6,311,250	-	21,802,250

By virtue of their deemed interests in the shares of the Company and its ultimate holding company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of all the subsidiaries and related corporations to the extent that the Company and the ultimate holding company have interests.

Other than as disclosed above, no other Directors who held office at the end of the financial year has any shares in the Company and its related corporations during the financial year.

REPORT OF THE DIRECTORS

DIRECTORS' BENEFITS
Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or remuneration received or due and receivable by Directors or the fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of normal trading transactions by the Group and the Company with related parties as disclosed in Note 37 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS
During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy ("Policy") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and Officers of the Group was RM50 million.

OPTIONS GRANTED OVER UNISSUED SHARES
No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION
Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors of the Company are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year except as disclosed in Note 40 to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

REPORT OF THE DIRECTORS

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 September 2019 are disclosed in Note 5 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

R. M. ALIAS
(Chairman)

TAN SRI DATO' SERI LEE OI HIAN
(Chief Executive Officer)

10 December 2019

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

		Group		Company	
	Note	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000
Revenue	4	**15,533,887**	18,383,953	**1,118,188**	1,367,519
Cost of sales		**(13,858,365)**	(16,212,453)	**(575,919)**	(559,902)
Gross profit		**1,675,522**	2,171,500	**542,269**	807,617
Other operating income		**340,246**	218,282	**121,271**	66,582
Distribution costs		**(254,055)**	(258,726)	**(13,888)**	(12,310)
Administration expenses		**(497,435)**	(535,759)	**(81,470)**	(85,070)
Other operating expenses		**(283,249)**	(428,071)	**(43,435)**	(81,323)
Operating profit	5	**981,029**	1,167,226	**524,747**	695,496
Finance costs	6	**(165,668)**	(174,943)	**(115,315)**	(114,104)
Share of profits of equity accounted associates, net of tax		**14,786**	10,319	**-**	-
Share of losses of equity accounted joint ventures, net of tax		**(6,219)**	(13,814)	**-**	-
Profit before taxation		**823,928**	988,788	**409,432**	581,392
Tax expense	9	**(173,195)**	(328,471)	**(6,061)**	(59,693)
Profit for the year		**650,733**	660,317	**403,371**	521,699
Attributable to:					
Equity holders of the Company		**617,505**	609,366	**403,371**	521,699
Non-controlling interests		**33,228**	50,951	**-**	-
		650,733	660,317	**403,371**	521,699
		Sen	Sen	**Sen**	Sen
Basic/Diluted earnings per share	10	**58.0**	57.2	**37.9**	49.0

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Profit for the year	**650,733**	660,317	**403,371**	521,699
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss, net of tax				
Currency translation differences	**40,584**	(276,101)	**-**	-
Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss, net of tax				
Net change in fair value of equity instruments	**(868,262)**	75,374	**(316,215)**	38,232
Remeasurement of defined benefit plans	**(46,212)**	2,139	**-**	-
	(914,474)	77,513	**(316,215)**	38,232
Total other comprehensive (loss)/income for the year	**(873,890)**	(198,588)	**(316,215)**	38,232
Total comprehensive (loss)/income for the year	**(223,157)**	461,729	**87,156**	559,931
Attributable to:				
Equity holders of the Company	**(261,637)**	432,325	**87,156**	559,931
Non-controlling interests	**38,480**	29,404	**-**	-
	(223,157)	461,729	**87,156**	559,931

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		Group			Company		
	Note	**30.9.2019 RM'000**	30.9.2018 RM'000	1.10.2017 RM'000	**30.9.2019 RM'000**	30.9.2018 RM'000	1.10.2017 RM'000
Assets							
Property, plant and equipment	12	**7,749,121**	7,756,571	7,584,776	**1,825,221**	1,790,312	1,774,732
Prepaid lease payments	13	**340,256**	375,120	309,611	**679**	700	721
Inventories	14	**1,108,296**	1,100,407	1,091,471	**-**	-	-
Goodwill on consolidation	15	**316,836**	315,304	324,686	**-**	-	-
Intangible assets	16	**22,081**	23,358	15,325	**-**	-	-
Investments in subsidiaries	17	**-**	-	-	**4,571,043**	4,627,552	4,735,522
Investments in associates	18	**1,489,210**	153,663	144,538	**33,225**	25,725	25,725
Investments in joint ventures	19	**156,818**	160,414	158,902	**-**	-	-
Other investments	20	**411,950**	2,390,731	2,277,603	**432,129**	748,344	710,111
Other receivable	21	**233,980**	202,826	210,272	**-**	-	-
Amounts owing by subsidiaries	17	**-**	-	-	**1,340,353**	1,303,700	1,331,771
Deferred tax assets	22	**437,027**	375,996	432,350	**-**	-	-
Total non-current assets		**12,265,575**	12,854,390	12,549,534	**8,202,650**	8,496,333	8,578,582
Inventories	14	**2,124,084**	2,284,983	1,974,330	**63,996**	57,766	47,193
Biological assets	23	**98,262**	101,467	116,716	**16,243**	17,540	27,480
Trade receivables	24	**1,225,376**	1,365,359	1,810,012	**26,597**	25,880	40,877
Other receivables, deposits and prepayments	25	**827,108**	587,928	657,499	**35,176**	25,815	28,084
Amounts owing by subsidiaries	17	**-**	-	-	**180,385**	126,745	22,524
Contract assets	26	**14,867**	48,737	280	**-**	-	-
Tax recoverable		**110,319**	60,301	38,642	**14,842**	-	-
Derivative financial assets	27	**33,967**	69,210	110,748	**1,767**	1,302	463
Short term funds	28	**1,659,171**	195,579	578,489	**1,506,551**	134,046	383,629
Cash and cash equivalents	29	**2,040,637**	1,277,775	1,462,687	**875,255**	431,817	253,151
Total current assets		**8,133,791**	5,991,339	6,749,403	**2,720,812**	820,911	803,401
Total assets		**20,399,366**	18,845,729	19,298,937	**10,923,462**	9,317,244	9,381,983
Equity							
Share capital	30	**1,067,790**	1,067,790	1,067,790	**1,067,790**	1,067,790	1,067,790
Reserves	31	**9,306,062**	10,112,567	10,212,725	**4,936,230**	5,328,309	5,300,861
		10,373,852	11,180,357	11,280,515	**6,004,020**	6,396,099	6,368,651
Less: Cost of treasury shares		**(13,447)**	(13,447)	(13,447)	**(13,447)**	(13,447)	(13,447)
Total equity attributable to equity holders of the Company		**10,360,405**	11,166,910	11,267,068	**5,990,573**	6,382,652	6,355,204
Non-controlling interests		**926,250**	878,638	864,626	**-**	-	-
Total equity		**11,286,655**	12,045,548	12,131,694	**5,990,573**	6,382,652	6,355,204
Liabilities							
Deferred tax liabilities	22	**424,603**	414,424	360,402	**157,101**	149,395	143,138
Deferred income	32	**110,320**	119,004	117,365	**-**	-	-
Provision for retirement benefits	33	**538,480**	467,067	479,132	**23,994**	24,168	24,137
Borrowings	34	**5,169,833**	3,062,099	3,067,168	**4,600,000**	2,600,000	2,600,000
Total non-current liabilities		**6,243,236**	4,062,594	4,024,067	**4,781,095**	2,773,563	2,767,275
Trade payables	35	**517,848**	555,142	788,550	**4,812**	6,439	6,309
Other payables	36	**841,743**	786,847	718,174	**94,255**	97,302	106,200
Amounts owing to subsidiaries	17	**-**	-	-	**22,623**	45,413	125,582
Contract liabilities	26	**91,239**	54,842	57,924	**-**	-	-
Deferred income	32	**8,196**	7,947	7,808	**-**	-	-
Borrowings	34	**1,348,993**	1,221,114	1,375,596	**30,000**	-	-
Tax payable		**40,898**	47,476	90,511	**-**	11,133	21,236
Derivative financial liabilities	27	**20,558**	64,219	104,613	**104**	742	177
Total current liabilities		**2,869,475**	2,737,587	3,143,176	**151,794**	161,029	259,504
Total liabilities		**9,112,711**	6,800,181	7,167,243	**4,932,889**	2,934,592	3,026,779
Total equity and liabilities		**20,399,366**	18,845,729	19,298,937	**10,923,462**	9,317,244	9,381,983

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Attributable to the equity holders of the Company									
	Share Capital RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Treasury Shares RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 October 2017 as previously stated	1,184,764	1,028,225	78,725	558,268	1,216,661	7,515,279	(13,447)	11,568,475	871,567	12,440,042
Effect on adoption of MFRSs	(116,974)	94,720	(78,725)	(342,966)	206,689	(64,151)	-	(301,407)	(6,941)	(308,348)
At 1 October 2017 as restated	1,067,790	1,122,945	-	215,302	1,423,350	7,451,128	(13,447)	11,267,068	864,626	12,131,694
Net change in fair value of equity instruments	-	-	-	-	75,374	-	-	75,374	-	75,374
Realisation on fair value of equity instruments	-	-	-	-	(2,566)	2,566	-	-	-	-
Transfer of reserves	-	2,445	-	-	599	(3,044)	-	-	-	-
Remeasurement of defined benefit plans (Note 33)	-	-	-	-	-	3,069	-	3,069	(930)	2,139
Currency translation differences	-	(673)	-	(254,811)	-	-	-	(255,484)	(20,617)	(276,101)
Total other comprehensive income/(loss) for the year	-	1,772	-	(254,811)	73,407	2,591	-	(177,041)	(21,547)	(198,588)
Profit for the year	-	-	-	-	-	609,366	-	609,366	50,951	660,317
Total comprehensive income/(loss) for the year	-	1,772	-	(254,811)	73,407	611,957	-	432,325	29,404	461,729
Acquisitions through business combination	-	-	-	-	-	-	-	-	3,652	3,652
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	15,285	15,285
Redemption of redeemable preference shares	-	12,198	-	-	-	(12,198)	-	-	-	-
Dividend paid - FY2017 final	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
- FY2018 interim	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(34,329)	(34,329)
Total transactions with owners of the Company	-	12,198	-	-	-	(544,681)	-	(532,483)	(15,392)	(547,875)
At 30 September 2018	**1,067,790**	**1,136,915**	**-**	**(39,509)**	**1,496,757**	**7,518,404**	**(13,447)**	**11,166,910**	**878,638**	**12,045,548**
Net change in fair value of equity instruments	**-**	**-**	**-**	**-**	**(868,262)**	**-**	**-**	**(868,262)**	**-**	**(868,262)**
Realisation on fair value of equity instruments	**-**	**-**	**-**	**-**	**5,033**	**(5,033)**	**-**	**-**	**-**	**-**
Transfer of reserves	**-**	**(10,605)**	**-**	**(181)**	**-**	**10,786**	**-**	**-**	**-**	**-**
Remeasurement of defined benefit plans (Note 33)	**-**	**-**	**-**	**-**	**-**	**(46,317)**	**-**	**(46,317)**	**105**	**(46,212)**
Currency translation differences	**-**	**144**	**-**	**35,293**	**-**	**-**	**-**	**35,437**	**5,147**	**40,584**
Total other comprehensive (loss)/income for the year	**-**	**(10,461)**	**-**	**35,112**	**(863,229)**	**(40,564)**	**-**	**(879,142)**	**5,252**	**(873,890)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**617,505**	**-**	**617,505**	**33,228**	**650,733**
Total comprehensive (loss)/income for the year	**-**	**(10,461)**	**-**	**35,112**	**(863,229)**	**576,941**	**-**	**(261,637)**	**38,480**	**(223,157)**
Issuance of shares to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,663**	**37,663**
Redemption of redeemable preference shares	**-**	**11,415**	**-**	**-**	**-**	**(11,415)**	**-**	**-**	**-**	**-**
Effect of changes in shareholdings in subsidiaries	**-**	**-**	**-**	**-**	**-**	**(65,633)**	**-**	**(65,633)**	**20,692**	**(44,941)**
Dividend paid - FY2018 final	**-**	**-**	**-**	**-**	**-**	**(319,490)**	**-**	**(319,490)**	**-**	**(319,490)**
- FY2019 interim	**-**	**-**	**-**	**-**	**-**	**(159,745)**	**-**	**(159,745)**	**-**	**(159,745)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(49,223)**	**(49,223)**
Total transactions with owners of the Company	**-**	**11,415**	**-**	**-**	**-**	**(556,283)**	**-**	**(544,868)**	**9,132**	**(535,736)**
At 30 September 2019	**1,067,790**	**1,137,869**	**-**	**(4,397)**	**633,528**	**7,539,062**	**(13,447)**	**10,360,405**	**926,250**	**11,286,655**
	Note 30	Note 31								

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share Capital RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Treasury Shares RM'000	Total RM'000
At 1 October 2017 as previously stated	1,067,790	1,087,296	33,869	623,721	3,790,650	(13,447)	6,589,879
Effect on adoption of MFRSs	-	-	(33,869)	7,594	(208,400)	-	(234,675)
At 1 October 2017 as restated	1,067,790	1,087,296	-	631,315	3,582,250	(13,447)	6,355,204
Net change in fair value of equity instruments	-	-	-	38,232	-	-	38,232
Total other comprehensive income for the year	-	-	-	38,232	-	-	38,232
Profit for the year	-	-	-	-	521,699	-	521,699
Total comprehensive income for the year	-	-	-	38,232	521,699	-	559,931
Dividend paid - FY2017 final	-	-	-	-	(372,738)	-	(372,738)
- FY2018 interim	-	-	-	-	(159,745)	-	(159,745)
Total transactions with owners of the Company	-	-	-	-	(532,483)	-	(532,483)
At 30 September 2018	**1,067,790**	**1,087,296**	-	**669,547**	**3,571,466**	**(13,447)**	**6,382,652**
Net change in fair value of equity instruments	-	-	-	**(316,215)**	-	-	**(316,215)**
Total other comprehensive loss for the year	-	-	-	**(316,215)**	-	-	**(316,215)**
Profit for the year	-	-	-	-	**403,371**	-	**403,371**
Total comprehensive (loss)/income for the year	-	-	-	**(316,215)**	**403,371**	-	**87,156**
Dividend paid - FY2018 final	-	-	-	-	**(319,490)**	-	**(319,490)**
- FY2019 interim	-	-	-	-	**(159,745)**	-	**(159,745)**
Total transactions with owners of the Company	-	-	-	-	**(479,235)**	-	**(479,235)**
At 30 September 2019	**1,067,790**	**1,087,296**	-	**353,332**	**3,495,602**	**(13,447)**	**5,990,573**
	Note 30	Note 31					

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation	**823,928**	988,788
Adjustments for:		
Depreciation of property, plant and equipment	**548,139**	521,273
Amortisation of prepaid lease payments	**12,498**	6,905
Amortisation of intangible assets	**3,504**	2,395
Amortisation of deferred income	**(8,188)**	(7,926)
Impairment of property, plant and equipment	**99,419**	21,625
Impairment of prepaid lease payments	**32,235**	-
Property, plant and equipment written off	**2,256**	3,090
Prepaid lease payments written off	**6,025**	-
Deferred income written off	**(1,019)**	-
Gain on disposal of property, plant and equipment	**(2,065)**	(2,391)
Surplus on government acquisition of land	**(91,209)**	(24,034)
Surplus on disposal of land	**(2,513)**	(2,445)
Retirement benefits provision	**47,782**	43,704
Impairment of trade receivables	**7,524**	1,813
Write-off of trade receivables	**123**	165
Reversal of impairment of trade receivables	**(6,757)**	(5,356)
Impairment of other receivables	**1,814**	-
Other receivables written off	**335**	-
Write down of inventories	**61,978**	43,183
Write back of slow moving inventories	**(3,000)**	(1,208)
Write back of inventories written down to net realisable value	**(7,624)**	(7,874)
Finance costs	**165,668**	174,943
Dividend income	**(49,973)**	(54,811)
Interest income	**(67,792)**	(80,248)
Exchange (gain)/loss	**(28,826)**	264,170
Net change in fair value of derivatives	**(8,153)**	2,232
Net change in fair value of biological assets	**2,175**	13,859
Net change in fair value of debt instruments	**(1,151)**	-
Share of profits of equity accounted associates, net of tax	**(14,786)**	(10,319)
Share of losses of equity accounted joint ventures, net of tax	**6,219**	13,814
Operating profit before working capital changes	**1,528,566**	1,905,347
Working capital changes:		
Property development costs	**(2,256)**	16,474
Inventories	**103,825**	(366,410)
Biological assets	**638**	(6,583)
Trade and other receivables	**(122,304)**	533,567
Contract assets	**33,870**	(48,716)
Trade and other payables	**17,470**	(570,416)
Contract liabilities	**36,397**	5,274
Deferred income	**907**	9,826
Cash generated from operations	**1,597,113**	1,478,363
Interest paid	**(165,976)**	(171,983)
Tax paid	**(244,426)**	(350,420)
Retirement benefits paid	**(32,148)**	(31,102)
Net cash generated from operating activities	**1,154,563**	924,858

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(630,915)	(592,180)
Payments of prepaid lease	(8,562)	(5,317)
Property development expenditure	(7,889)	(8,936)
Purchase of shares in subsidiaries, net of cash acquired (Note B)	-	(206,025)
Subscription of shares in an associate	(7,500)	-
Purchase of shares from non-controlling interests	(46,429)	-
Purchase of other investments	(335,863)	(78,033)
Purchase of intangible assets	(3,405)	(1,762)
Proceeds from disposal of property, plant and equipment	33,774	5,214
Compensation from government on land acquired	92,578	25,404
Proceeds from partial disposal of shares in subsidiaries	1,373	-
Proceeds from disposal of other investments	83,780	7,591
Advance to joint ventures	-	(19,990)
(Increase)/Decrease in short term funds	(1,462,285)	375,106
Dividends received from associates	10,288	6,641
Dividends received from investments	63,625	47,402
Interest received	50,157	72,012
Net cash used in investing activities	(2,167,273)	(372,873)
Cash flows from financing activities		
Term loans received (Note 34)	245,468	218,800
Issuance of Islamic medium term notes (Note 34)	2,000,000	-
Repayment of term loans (Note 34)	(175,642)	(57,277)
Net drawdown/(repayment) of short term borrowings (Note 34)	155,551	(251,138)
Dividends paid to shareholders of the Company	(479,235)	(532,483)
Dividends paid to non-controlling interests	(49,223)	(34,329)
Issuance of shares to non-controlling interests	37,663	15,285
(Increase)/Decrease in other receivable	(5,154)	8,470
Net cash generated from/(used in) financing activities	1,729,428	(632,672)
Net increase/(decrease) in cash and cash equivalents	716,718	(80,687)
Cash and cash equivalents at beginning of year	1,188,741	1,338,563
Currency translation differences on opening balances	14,321	(69,135)
Cash and cash equivalents at end of year	1,919,780	1,188,741
Notes to the consolidated statement of cash flows		
A.Cash and cash equivalents		
Cash and cash equivalents consist of:		
Deposits with licensed banks (Note 29)	1,230,973	883,028
Fixed income trust funds (Note 29)	328,811	53,584
Cash and bank balances (Note 29)	480,853	341,163
Bank overdrafts (Note 34)	(120,857)	(89,034)
	1,919,780	1,188,741
B.Analysis of purchase of shares in subsidiaries		
Property, plant and equipment	-	480,200
Prepaid lease payments	-	81,634
Intangible assets	-	9,322
Other receivable – Advance to Plasma plantations project	-	11,559
Net current liabilities	-	(277,962)
Net deferred tax liabilities	-	(38,863)
Provision for retirement benefits	-	(1,814)
Fair values of identifiable net assets of subsidiaries acquired	-	264,076
Non-controlling interests	-	(3,652)
Purchase price satisfied by cash	-	260,424
Less: Cash and cash equivalents of subsidiaries acquired	-	(54,399)
Cash outflow on acquisitions of subsidiaries	-	206,025

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation	**409,432**	581,392
Adjustments for:		
Depreciation of property, plant and equipment	**77,653**	73,068
Amortisation of prepaid lease payments	**21**	21
Property, plant and equipment written off	**146**	911
Gain on disposal of property, plant and equipment	**(446)**	(580)
Surplus on government acquisition of land	**(91,209)**	(24,034)
Surplus on liquidation of subsidiaries	**-**	(20,277)
Retirement benefits provision	**2,097**	611
Exchange loss	**24,241**	47,111
Net change in fair value of biological assets	**1,297**	9,940
Net change in fair value of derivatives	**(1,663)**	(561)
Write down of inventories	**5,608**	3,219
Finance costs	**115,315**	114,104
Dividend income	**(284,437)**	(388,250)
Interest income	**(71,348)**	(77,544)
Impairment of advances to subsidiaries	**2,661**	-
Operating profit before working capital changes	**189,368**	319,131
Working capital changes:		
Inventories	**(11,839)**	(13,791)
Trade and other receivables	**(11,084)**	20,573
Trade and other payables	**(5,517)**	(9,674)
Cash generated from operations	**160,928**	316,239
Interest paid	**(114,472)**	(113,857)
Income tax paid	**(21,250)**	(62,135)
Retirement benefits paid	**(2,271)**	(580)
Net cash generated from operating activities	**22,935**	139,667
Cash flows from investing activities		
Purchase of property, plant and equipment	**(114,084)**	(90,272)
Subscription of shares in subsidiaries	**(54,600)**	(79,503)
Subscription of shares in an associate	**(7,500)**	-
Proceeds from disposal of property, plant and equipment	**453**	581
Compensation from government on land acquired	**92,578**	25,404
Redemption of redeemable preference shares by a subsidiary	**84,150**	116,980
Loan repayments to subsidiaries	**(113,055)**	(112,550)
(Increase)/Decrease in short term funds	**(1,372,505)**	249,583
Dividends received from subsidiaries	**254,918**	362,625
Dividends received from associates	**6,288**	6,449
Dividends received from investments	**21,375**	12,400
Interest received	**71,720**	79,785
Net cash (used in)/generated from investing activities	**(1,130,262)**	571,482

STATEMENT OF CASH FLOWS OF THE COMPANY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from financing activities		
Issuance of Islamic medium term notes (Note 34)	**2,000,000**	-
Net drawdown of short term borrowings (Note 34)	**30,000**	-
Dividends paid to shareholders of the Company	**(479,235)**	(532,483)
Net cash generated from/(used in) financing activities	**1,550,765**	(532,483)
Net increase in cash and cash equivalents	**443,438**	178,666
Cash and cash equivalents at beginning of year	**431,817**	253,151
Cash and cash equivalents at end of year (Note A)	**875,255**	431,817

Note to the statement of cash flows

A. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 RM'000	2018 RM'000
Deposits with licensed banks (Note 29)	**787,141**	377,922
Fixed income trust funds (Note 29)	**85,925**	51,084
Cash and bank balances (Note 29)	**2,189**	2,811
	875,255	431,817

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The Company is principally engaged in the business of producing and processing palm products and natural rubber on its plantation while the principal activities of the Group entities are shown in Note 41 to the financial statements.

The Company is a subsidiary of Batu Kawan Berhad, a company incorporated in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group was a transitioning entity as defined by Malaysian Accounting Standards Board ("MASB") and its financial statements for the years up to and including the year ended 30 September 2018 were presented in accordance with Financial Reporting Standards ("FRS") framework.

The financial statements of the Group for the financial year ended 30 September 2019 are the first set of financial statements prepared in accordance with the MFRS framework. In adopting the new MFRS framework, the Group applied the transition requirements in MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards.* In addition to the adoption of the new MFRS framework, the following new MFRSs, Amendments to the MFRSs and IC Interpretation issued by MASB and effective for annual periods beginning on or after 1 January 2018 were adopted by the Group during the financial year:

- MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarification to MFRS 15
- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 2 *Classifcation and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 October 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect. Comparative information in this financial statements has been restated to reflect the financial impact on transition from FRS framework to MFRS framework as disclosed in Note 45.

The following are accounting standards, amendments and interpretations that have been issued by the MASB but have not been applied by the Group.

MFRS, Interpretation and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Definition of a Business (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

NOTES TO THE FINANCIAL STATEMENTS

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020
- *Amendments to References to the Conceptual Framework in MFRS Standards*
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*
- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark*

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group does not expect the adoption of the above Standards, Amendments and Interpretations to have a significant impact on the financial statements, except for MFRS 16 described below:

MFRS 16 *Leases*
MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group will apply this MFRS for the annual period beginning on 1 October 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group is in the process of assessing the impact on the financial statements arising from the adoption of MFRS 16.

2.2 Basis of measurement
The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

2.3 Functional and presentation currency
These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements
The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Notes 12, 13 and 15 - Measurement of the recoverable amounts of cash-generating units
- Note 14 - Impairment/Write down of inventories
- Note 23 - Measurement of biological assets
- Note 24 and 25 - Impairment on trade and other receivables
- Notes 33 and 40 - Provision for retirement benefits and contingencies

3. SIGNIFICANT ACCOUNTING POLICIES
Summarised below are the significant accounting policies of the Group. The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of consolidation
(a) Subsidiaries
Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

(c) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually or more frequently when there is objective evidence of impairment.

In respect of equity accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint ventures.

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an investment in financial asset depending on the level of influence retained.

(f) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS

The Group's share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(g) Joint ventures

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(h) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Exchange Fluctuation Reserve in equity.

(b) Operations denominated in functional currencies other than RM

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 October 2006 which are reported using the exchange rates at the dates of acquisitions. The income and expenses of the foreign operations are translated to RM at the average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the Exchange Fluctuation Reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the Exchange Fluctuation Reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation/amortisation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and have remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Costs include plantation expenditures incurred from the stage of land clearing up to the stage of maturity. New planting expenditure and replanting expenditure are recognised as bearer plants and measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Bearer plants are amortised using the straight-line method over the estimated productive years. Freehold land has unlimited useful life and is not amortised. Leasehold land is amortised over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The amortisation of leasehold plantation land is capitalised as part of the cost of bearer plants from the stage of land clearing up to the stage of maturity. Immature bearer plants and capital work-in-progress are not amortised or depreciated. Amortisation or depreciation commences when the bearer plants mature or when the capital work-in-progress assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

The principal depreciation/amortisation rates for the current and comparative periods are as follows:

Long term leasehold land	**Over the lease period ranging from 62 to 931 years**
Bearer plants	**5% per annum**
Buildings	**2% to 40% per annum**
Plant and machinery	**3⅓% to 40% per annum**
Vehicles	**5% to 25% per annum**
Equipment, fittings, etc.	**2½% to 50% per annum**

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

3.4 Leases

(a) Operating leases

Leases are classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(b) Prepaid lease payments

Leases of land which in substance are an operating lease, short term leasehold land and land use rights are classified as prepaid lease payments which are amortised over the lease period ranging from 14 to 88 years for the current and comparative periods.

3.5 Biological assets

(a) Agriculture produce

The agriculture produce growing on bearer plants of the Group comprises fresh fruit bunches (“FFB”) prior to harvest and are measured at fair value less costs to sell under biological assets. Any gains or losses arising from changes in fair value less costs to sell of the produce are recognised within cost of sales in profit or loss.

Management has deliberated on the oil content of such unharvested FFB and concluded that since the oil content of unharvested FFB accrues exponentially only from 15 days prior to harvest, such unharvested FFB more than 15 days prior to harvest are excluded from valuation as their fair values are considered negligible. Therefore, quantity of unharvested FFB up to 15 days prior to harvest is used for valuation purpose. The fair value of unharvested FFB is determined based on market approach, which takes into consideration the market prices of FFB and crude palm oil, where appropriate, adjusted to the estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell.

(b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not fully determinable and costs incurred in relation to the crops are considered to be reasonable approximation of fair value at the date.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

3.6 Financial assets

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

Financial assets are recognised initially at their fair values plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

The Group categorises financial assets as follows:

(a) Financial assets at fair value through profit or loss
Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Financial assets at fair value through other comprehensive income ("FVOCI")
Financial assets at FVOCI category comprises investments in equity securities instruments that are not held for trading.

Financial assets measured at FVOCI are subsequently measured at fair values with the gain or loss recognised in other comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is not subsequently transferred to profit or loss.

(c) Financial assets at amortised cost
Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

All financial assets, except for those measured at fair value through profit or loss and those measured at FVOCI, are subject to review for impairment (Note 3.12(a)).

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.7 Embedded derivatives
An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.8 Intangible assets
These assets consist mainly of trade marks and patents which are stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Trade marks - 5 to 15 years
Patents - 7 to 20 years

NOTES TO THE FINANCIAL STATEMENTS

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.9 Inventories

(a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is measured at the lower of cost and net realisable value.

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are stated in the statement of financial position at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of profit or loss and other comprehensive income over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in the statement of profit or loss and other comprehensive income is shown as progress billings.

(c) Developed properties held for sale, inventories of produce, stores and materials and nursery

Inventories of developed properties held for sale, which are held for sale, are stated at the lower of costs and net realisable value. Costs consist of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Inventories of produce, stores and materials are measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring these inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories of nursery consist of seedlings remaining in the nursery for eventual field planting and are stated at the lower of costs and net realisable value. Cost of seeds and seedlings includes the cost of treatment and cultivation.

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

3.10 Short term funds

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of more than three months.

3.11 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and fixed income trust funds which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3.12 Impairment

(a) Financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt financial assets not held at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due in accordance with the contracts and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the original effective interest rate of the assets.

NOTES TO THE FINANCIAL STATEMENTS

The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial assets. For those in which the credit risk has not increased significantly since initial recognition of the financial assets, 12-month ECL is recognised. For those in which credit risk has increased significantly, lifetime ECL is recognised.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime ECL. During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables.

The Group considers available, reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating/assessment
- External credit rating/assessment (where available)
- Actual or expected significant changes in the operating results of the debtor (where available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation
- Significant increase in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor

Impairment for other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint venture are recognised based on the general approach within MFRS 9 using ECL model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, 12-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays and past due information.

The probabilities of non-payments by other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint venture are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the 12-month or lifetime ECL for the other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint venture.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint venture, appropriate forward looking information and significant increase in credit risk.

(b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.13 Financial liabilities

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

Financial liabilities are recognised initially at their fair values plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the term of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amortisation, where appropriate.

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15 Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(b) Unfunded defined benefit plans

(i) The Group provides for retirement benefits for eligible employees in Malaysia on unfunded defined benefit basis in accordance with the terms of the unions' collective agreements. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the end of the reporting period, the length of service to date and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by MFRS 119 *Employee Benefits* has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

(ii) Subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. The obligations of the defined benefit plans are calculated as the present values of obligations at end of the reporting period using the projected unit credit method which is based on the last drawn salaries at the end of the reporting period, age and the length of service.

Service and interest costs are recognised in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

(iii) A subsidiary in Germany provides for retirement benefits for its eligible employees on unfunded defined benefit basis. The obligations of the defined benefit plans are determined annually by an independent qualified actuary. The discount rate is determined using the yield of first class corporate bonds at the valuation date and in the same currency in which the benefits are expected to be paid.

Service and interest costs are recognised immediately in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income.

(c) Funded defined benefit plan

A subsidiary in Switzerland operates a funded defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the subsidiary.

The calculation of the funded defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE FINANCIAL STATEMENTS

(d) **Short term employee benefits**
Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

3.16 Equity instruments
Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(a) **Ordinary shares**
Ordinary shares are classified as equity.

(b) **Treasury shares**
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.17 Contingent liabilities
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.18 Revenue and other income
(a) **Revenue from contracts with customers**
Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or sevices promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) **Sale of goods**
The Group's revenue is derived mainly from its plantation and manufacturing operations. In the plantation operations, the Group sells agricultural produce such as crude palm oil, fresh fruit bunches, palm kernel, refined palm oil related products, rubber, etc. In the manufacturing operations, revenue is derived mainly from sales of oleochemicals and non-oleochemicals products.

Revenue from sales of goods are recognised (net of discount and taxes collected on behalf) at the point in time when control of the goods has been transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer, or upon delivery of the goods on board vessels or tankers for onward delivery to the customers.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

The Group has taken advantage of the practical expedients not to account for significant financial components where the time difference between receiving consideration and transferring control of promised goods or services to the customer is one year or less.

(ii) **Property development**
Contracts with customers may include multiple promises to customers and are therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each separate performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

NOTES TO THE FINANCIAL STATEMENTS

The revenue from property development is measured at the fixed transaction price agreed under sale and purchase agreement ("SPA"). When the Group determines that it is not probable that the Group will collect the consideration to which the Group is entitled to in exchange for the properties, the Group will defer the recognition of revenue from such sales of properties and consideration received from the customer is recognised as contract liability. For such properties, the Group recognises revenue when it becomes probable that the Group will collect consideration to which it will be entitled to in exchange for the properties sold.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for work perfomance completed todate.

The promised properties are specifically identifed by its plot, lot and parcel number and its attributes (such as size and location) as attached in its layout plan in the SPA. The purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised properties for another use is substantive and therefore the promised properties sold to the purchasers do not have an alternative use to the Group. The Group has the right to payment for performance completed todate, is entitled to continue to transfer to the customer the development units promised, and has the right to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the contract costs incurred todate to the estimated total costs for the contract.

For sale of completed properties, the Group recognises revenue when the control of the properties has been transferred to the purchasers, being when the properties have been handed over to the purchasers (i.e. upon delivery of vacant possession).

(iii) **Services**
Revenue from services rendered is recognised in profit or loss when the services are rendered.

(b) Other revenue

(i) **Dividend income**
Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(ii) **Interest income**
Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) **Rental income**
Rental income is recognised based on the accruals basis.

(iv) **Government grants**
Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

In the case of the Group, revenue comprises sales to third parties only.

NOTES TO THE FINANCIAL STATEMENTS

3.19 Research and development expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred except where a clearly-defined project is undertaken and it is probable that the development expenditure will give rise to future economic benefits. Such development expenditure is capitalised and amortised on a straight-line basis over the life of the project from the date of commencement of full scale commercial business operations.

3.20 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

3.21 Earnings per share

The Group presents basic earnings per share data for its shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share, if any, is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year adjusted for the effects of dilutive potential ordinary shares.

3.22 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.23 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers				
Sale of goods				
Palm products	**6,250,774**	7,736,327	**674,839**	801,706
Rubber	**87,466**	99,909	**87,466**	99,909
Manufacturing	**8,736,938**	10,107,796	**-**	-
Others	**142,944**	102,220	**98**	110
	15,218,122	18,046,252	**762,403**	901,725
Property development	**170,359**	177,676	**-**	-
Rendering of services	**1,182**	2,682	**-**	-
	15,389,663	18,226,610	**762,403**	901,725
Other revenue				
Rental income from storage of bulk liquid	**26,459**	22,284	**-**	-
Interest income from financial assets not at fair value through profit or loss	**67,792**	80,248	**71,348**	77,544
Dividend income (Note 8)	**49,973**	54,811	**284,437**	388,250
	144,224	157,343	**355,785**	465,794
	15,533,887	18,383,953	**1,118,188**	1,367,519
Timing of recognition of revenue from customers				
At point in time	**15,259,955**	18,058,599	**762,403**	901,725
Over time	**129,708**	168,011	**-**	-
	15,389,663	18,226,610	**762,403**	901,725

Disaggregation of revenue from contracts with customers which has been presented based on geographical location of customers is set out in Note 42.

5. OPERATING PROFIT

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- BDO PLT				
current year	**831**	-	**295**	-
non-audit work	**10**	-	**10**	-
- KPMG Malaysia				
current year	**-**	885	**-**	265
under/(over) provision in prior year	**24**	(19)	**-**	-
audit related work	**-**	426	**-**	426
non-audit work	**-**	2	**-**	2
- overseas affiliates of BDO International				
current year	**1,219**	126	**-**	-
under provision in prior year	**8**	-	**-**	-
audit related work	**15**	-	**-**	-
- overseas affiliates of KPMG				
current year	**389**	792	**-**	-
over provision in prior year	**(12)**	(5)	**-**	-
non-audit work	**-**	148	**-**	-
- other auditors				
current year	**761**	1,878	**-**	-
under provision in prior year	**30**	13	**-**	-
audit related work	**29**	67	**-**	-
non-audit work	**30**	611	**-**	-
Lease rentals				
- land and buildings	**28,015**	28,666	**1,394**	1,506
- plant and machinery	**41,307**	40,557	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Depreciation of property, plant and equipment (Note 12)	**548,139**	521,273	**77,653**	73,068
Amortisation of prepaid lease payments (Note 13)	**12,498**	6,905	**21**	21
Amortisation of intangible assets (Note 16)	**3,504**	2,395	**-**	-
Net change in fair value of biological assets (Note 23)	**2,175**	13,859	**1,297**	9,940
Impairment of				
- property, plant and equipment (Note 12)	**99,419**	21,625	**-**	-
- prepaid lease payment (Note 13)	**32,235**	-	**-**	-
- trade receivables (Note 24)	**7,524**	1,813	**-**	-
- other receivables (Note 25)	**1,814**	-	**-**	-
- advances to subsidiaries	**-**	-	**2,661**	-
Property, plant and equipment written off	**2,256**	3,090	**146**	911
Prepaid lease payments written off	**6,025**	-	**-**	-
Personnel expenses (excluding key management personnel)				
- salary	**1,220,162**	1,116,804	**233,143**	209,504
- employer's statutory contributions	**123,381**	114,201	**15,911**	16,369
- defined contribution plans	**13,707**	10,568	**-**	-
Research and development expenditure	**17,166**	23,922	**13,687**	14,597
Retirement benefits provision (Note 33)	**47,782**	43,704	**2,097**	611
Write down of inventories	**61,978**	43,183	**5,608**	3,219
Write off of				
- trade receivables	**123**	165	**-**	-
- other receivables	**335**	-	**-**	-
Reversal of impairment of				
- trade receivables (Note 24)	**(6,757)**	(5,356)	**-**	-
- advances to subsidiaries (Note 17)	**-**	-	**-**	(2,387)
Write back of slow moving inventories	**(3,000)**	(1,208)	**-**	-
Write back of inventories written down to net realisable value	**(7,624)**	(7,874)	**-**	-
Amortisation of deferred income (Note 32)	**(8,188)**	(7,926)	**-**	-
Deferred income written off (Note 32)	**(1,019)**	-	**-**	-
Gain on disposal of property, plant and equipment	**(2,065)**	(2,391)	**(446)**	(580)
Surplus on government acquisition of land	**(91,209)**	(24,034)	**(91,209)**	(24,034)
Surplus on disposal of land	**(2,513)**	(2,445)	**-**	-
Net (gain)/loss in foreign exchange	**(65,594)**	228,470	**24,344**	47,936
Rental income from land and buildings	**(1,930)**	(1,933)	**(1,367)**	(1,182)
Gain on redemption of fixed income trust funds	**(1,591)**	(25)	**(201)**	(25)
Surplus on liquidation of subsidiaries	**-**	-	**-**	(20,277)

6. FINANCE COSTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss				
Interest expense				
Term loans	**14,357**	12,986	**529**	-
Bank overdraft and other interest	**36,837**	48,327	**-**	-
Inter-company interest	**-**	-	**312**	474
	51,194	61,313	**841**	474
Profit payment on Islamic medium term notes	**114,474**	113,630	**114,474**	113,630
	165,668	174,943	**115,315**	114,104

NOTES TO THE FINANCIAL STATEMENTS

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Short term benefits				
Directors' remuneration				
Fees provided	**1,882**	2,016	**1,882**	1,971
Other emoluments	**10,217**	9,379	**10,217**	9,379
Benefits-in-kind	**137**	137	**137**	137
	12,236	11,532	**12,236**	11,487

Key management personnel comprises Directors of the Group entities, who have authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

8. DIVIDEND INCOME

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Gross dividends from:				
Equity instruments				
Investment in unquoted shares	**1,695**	565	**1,695**	565
Investment in shares quoted in Malaysia	**477**	236	**-**	-
Investment in shares quoted outside Malaysia	**42,722**	52,861	**17,243**	17,076
Fixed income trust funds	**5,079**	1,149	**2,165**	1,149
Unquoted subsidiaries	**-**	-	**256,818**	362,625
Unquoted associates	**-**	-	**6,516**	6,835
	49,973	54,811	**284,437**	388,250

9. TAX EXPENSE

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Components of tax expense				
Current tax expense				
Malaysian taxation	**89,533**	152,753	**11,150**	60,305
Overseas taxation	**106,927**	142,220	**3,080**	1,405
	196,460	294,973	**14,230**	61,710
(Over)/Under provision of tax expense in respect of previous years				
Malaysian taxation	**(18,593)**	(8,893)	**(15,875)**	(8,274)
Overseas taxation	**12,009**	9,043	**-**	-
	(6,584)	150	**(15,875)**	(8,274)
	189,876	295,123	**(1,645)**	53,436
Deferred tax				
Origination and reversal of temporary differences	**(15,290)**	21,098	**7,706**	6,257
Relating to changes in tax rate	**(1,731)**	-	**-**	-
Under provision in respect of previous years	**340**	12,250	**-**	-
	(16,681)	33,348	**7,706**	6,257
	173,195	328,471	**6,061**	59,693

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Reconciliation of effective tax expense				
Profit before taxation	**823,928**	988,788	**409,432**	581,392
Taxation at Malaysian income tax rate of 24% (2018: 24%)	**197,743**	237,309	**98,264**	139,534
Effect of different tax rates	**(14,372)**	(646)	**-**	-
Withholding tax on foreign dividend and interest income	**22,239**	18,706	**3,080**	1,405
Expenses not deductible for tax purposes	**93,713**	123,262	**21,475**	41,492
Tax exempt and non-taxable income	**(99,439)**	(63,314)	**(97,598)**	(110,961)
Tax incentives	**(4,756)**	(3,548)	**(3,285)**	(3,503)
Deferred tax assets/(liabilities) not recognised during the year	**2,144**	(1,714)	**-**	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(19,011)**	(420)	**-**	-
Tax effect on associates' and joint ventures' results	**(2,056)**	839	**-**	-
Recognition of deferred tax assets not taken up previously	**(532)**	(62)	**-**	-
Effect of changes in tax rates on deferred tax	**(1,731)**	-	**-**	-
(Over)/Under provision of tax expense in respect of previous years	**(6,584)**	150	**(15,875)**	(8,274)
Under provision of deferred tax in respect of previous years	**340**	12,250	**-**	-
Others	**5,497**	5,659	**-**	-
Tax expense	**173,195**	328,471	**6,061**	59,693

The Company is able to distribute dividends out of its entire distributable reserves under the single tier company income tax system.

10. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company of RM617,505,000 (2018: RM609,366,000) for the Group and RM403,371,000 (2018: RM521,699,000) for the Company by the weighted average number of 1,064,965,692 (2018: 1,064,965,692) shares of the Company in issue during the year.

Diluted earnings per share equals basic earnings per ordinary share.

11. DIVIDENDS

	Group and Company	
	2019	2018
	RM'000	RM'000
Dividends recognised in the current year are:		
Final single tier dividend of 30 sen per share for the financial year ended 30 September 2018 was paid on 5 March 2019 (2018: final single tier dividend of 35 sen per share for the financial year ended 30 September 2017 was paid on 13 March 2018)	**319,490**	372,738
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2019 was paid on 6 August 2019 (2018: interim single tier dividend of 15 sen per share for the financial year ended 30 September 2018 was paid on 7 August 2018)	**159,745**	159,745
	479,235	532,483

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2018: 1,064,965,692).

A final single tier dividend of 35 sen (2018: 30 sen) per share amounting to RM372,738,000 (2018: RM319,490,000) ("Final Dividend") has been declared by the Directors in respect of the financial year ended 30 September 2019. The Directors have also determined that the Dividend Reinvestment Plan ("DRP") as stated in Note 30(iv) to the financial statements will apply to the entire portion of the Final Dividend.

The issue price of the new shares of the Company to be issued pursuant to the DRP will be determined on a price fixing date ("Price Fixing Date") based on the 5-day volume weighted average market price ("VWAMP") of the Company shares immediately preceding the Price Fixing Date, with a discount of 7% to the theoretical ex-dividend VWAMP.

NOTES TO THE FINANCIAL STATEMENTS

Under the DRP, shareholders of the Company will have the following options:

(i) to elect to participate in the reinvestment option by reinvesting the entire electable portion for the new shares of the Company;

(ii) to elect to participate in the reinvestment option by reinvesting part of the electable portion for the new shares of the Company and to receive the balance of the electable portion in cash; or

(iii) to elect not to participate in the reinvestment option and thereby receive the entire Final Dividend entitlement in cash.

The Company will submit an application to Bursa Malaysia Security Berhad ("Bursa Securities") for the listing of and quotation for the new shares of the Company on the Main Market of Bursa Securities pursuant to the DRP.

The payment for the Final Dividend will be made within one month from the books closure date which will be announced in due course.

The Final Dividend will be recognised in the subsequent financial year.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Bearer Plants RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Cost									
At 1 October 2017 as previously stated	921,664	252,262	-	1,402,659	5,005,900	399,840	474,734	201,866	8,658,925
Effect on adoption of MFRSs	-	-	3,465,835	-	-	-	-	-	3,465,835
At 1 October 2017 as restated	921,664	252,262	3,465,835	1,402,659	5,005,900	399,840	474,734	201,866	12,124,760
Reclassification	-	-	-	28,442	159,337	1,568	3,445	(192,792)	-
Additions	29,371	-	232,156	28,004	106,956	32,252	13,884	154,114	596,737
Acquisitions through business combination	30,366	-	182,236	21,831	103,457	1,563	107,675	33,072	480,200
Disposals	(415)	(297)	-	(82)	(3,123)	(9,371)	(810)	-	(14,098)
Written off	-	-	(23,698)	(3,152)	(14,436)	(5,236)	(9,673)	(729)	(56,924)
Currency translation differences	(37,265)	(489)	(200,822)	(90,217)	(148,333)	(18,838)	(20,945)	(9,449)	(526,358)
At 30 September 2018	**943,721**	**251,476**	**3,655,707**	**1,387,485**	**5,209,758**	**401,778**	**568,310**	**186,082**	**12,604,317**
Reclassification	-	-	**76,492**	**42,608**	**80,832**	**916**	**(61,810)**	**(139,038)**	-
Additions	-	-	**324,457**	**30,511**	**109,907**	**31,144**	**16,223**	**123,754**	**635,996**
Disposals	**(17,917)**	-	**(3,452)**	**(16,005)**	**(7,465)**	**(7,275)**	**(771)**	-	**(52,885)**
Written off	-	-	**(36,908)**	**(5,212)**	**(14,478)**	**(9,846)**	**(15,170)**	**(529)**	**(82,143)**
Currency translation differences	**(21,624)**	**(316)**	**111,112**	**17,684**	**(71,489)**	**9,087**	**11,433**	**1,277**	**57,164**
At 30 September 2019	**904,180**	**251,160**	**4,127,408**	**1,457,071**	**5,307,065**	**425,804**	**518,215**	**171,546**	**13,162,449**

NOTES TO THE FINANCIAL STATEMENTS

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Bearer Plants RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Accumulated depreciation/ amortisation and impairment losses									
At 1 October 2017									
Accumulated depreciation/ amortisation									
As previously stated	-	65,982	-	605,896	2,034,432	335,299	303,929	-	3,345,538
Effect on adoption of MFRSs	-	-	1,101,911	-	-	-	-	-	1,101,911
As restated	-	65,982	1,101,911	605,896	2,034,432	335,299	303,929	-	4,447,449
Accumulated impairment losses	-	8,027	-	3,505	78,234	-	2,769	-	92,535
At 1 October 2017 as restated	-	74,009	1,101,911	609,401	2,112,666	335,299	306,698	-	4,539,984
Reclassification	-	-	-	(4,479)	4,479	-	-	-	-
Depreciation/Amortisation charge	-	2,952	126,036	55,312	278,785	23,648	39,097	-	525,830
Impairment loss	-	-	-	-	21,625	-	-	-	21,625
Disposals	-	-	-	(19)	(1,860)	(8,163)	(494)	-	(10,536)
Written off	-	-	(23,698)	(2,149)	(13,902)	(5,344)	(8,741)	-	(53,834)
Currency translation differences	-	(187)	(50,336)	(31,508)	(66,616)	(15,816)	(10,860)	-	(175,323)
At 30 September 2018									
Accumulated depreciation/ amortisation	-	68,903	1,153,913	623,144	2,236,435	329,624	323,003	-	4,735,022
Accumulated impairment losses	-	7,871	-	3,414	98,742	-	2,697	-	112,724
	-	**76,774**	**1,153,913**	**626,558**	**2,335,177**	**329,624**	**325,700**	-	**4,847,746**
Reclassification	-	-	-	**5,274**	**(5,217)**	**6**	**(63)**	-	-
Depreciation/Amortisation charge	-	**2,952**	**142,107**	**58,095**	**288,601**	**23,029**	**38,436**	-	**553,220**
Impairment loss	-	-	**97,043**	**2,235**	**103**	-	**38**	-	**99,419**
Disposals	-	-	**(2,692)**	**(4,470)**	**(4,933)**	**(6,940)**	**(766)**	-	**(19,801)**
Written off	-	-	**(36,675)**	**(4,530)**	**(14,060)**	**(9,767)**	**(14,855)**	-	**(79,887)**
Currency translation differences	-	**(49)**	**29,727**	**6,168**	**(32,842)**	**7,730**	**1,897**	-	**12,631**
At 30 September 2019									
Accumulated depreciation/ amortisation	-	**71,828**	**1,285,179**	**684,357**	**2,467,985**	**343,682**	**347,654**	-	**5,200,685**
Accumulated impairment losses	-	**7,849**	**98,244**	**4,973**	**98,844**	-	**2,733**	-	**212,643**
	-	**79,677**	**1,383,423**	**689,330**	**2,566,829**	**343,682**	**350,387**	-	**5,413,328**
Carrying amounts									
At 1 October 2017	921,664	178,253	2,363,924	793,258	2,893,234	64,541	168,036	201,866	7,584,776
At 30 September 2018	943,721	174,702	2,501,794	760,927	2,874,581	72,154	242,610	186,082	7,756,571
At 30 September 2019	**904,180**	**171,483**	**2,743,985**	**767,741**	**2,740,236**	**82,122**	**167,828**	**171,546**	**7,749,121**

	2019 RM'000	2018 RM'000
Depreciation/Amortisation charge for the year is allocated as follows:		
Recognised in statement of profit or loss (Note 5)	**548,139**	521,273
Capitalised in bearer plants	**5,081**	4,557
	553,220	525,830

NOTES TO THE FINANCIAL STATEMENTS

Impairment testing

Property, plant and equipment are tested for impairment by comparing the carrying amount with their recoverable amounts. The recoverable amounts of property, plant and equipment are determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering periods ranging from five years to twenty years.

There are three subsidiaries which used cash flow projections covering periods of fifteen to twenty years due to long period of gestation of their businesses.

Impairment loss

The impairment loss of the Group on property, plant and equipment amounted to RM99,419,000 together with impairment loss of RM32,235,000 (Note 13) on prepaid lease payments for financial year ended 30 September 2019 was due to cessation of plantation operations of an estate in Liberia. Recent High Carbon Stock and High Conservation Value assessments have shown that there is limited plantable area in this estate, thus making it no longer feasible to continue operations.

For financial year ended 30 September 2018, impairment loss of RM21,625,000 was due to under performance of a specialised oleochemical plant.

The impairment losses were included in other operating expenses.

Company	**Freehold Land RM'000**	**Long Term Leasehold Land RM'000**	**Bearer Plants RM'000**	**Buildings RM'000**	**Plant and Machinery RM'000**	**Vehicles RM'000**	**Equipment, Fittings, Etc RM'000**	**Capital Work-In-Progress RM'000**	**Total RM'000**
Cost									
At 1 October 2017									
As previously stated	821,669	238,539	-	183,378	242,551	90,226	78,066	5,976	1,660,405
Effect on adoption of MFRSs	-	-	1,073,898	-	-	-	-	-	1,073,898
As restated	821,669	238,539	1,073,898	183,378	242,551	90,226	78,066	5,976	2,734,303
Reclassification	-	-	-	(4,695)	7,438	-	-	(2,743)	-
Additions	-	-	64,435	3,883	4,744	10,658	2,261	5,981	91,962
Disposals	(415)	(328)	-	(133)	(332)	(2,557)	-	-	(3,765)
Written off	-	-	(23,698)	(1,589)	(2,603)	(971)	(1,746)	(729)	(31,336)
At 30 September 2018	**821,254**	**238,211**	**1,114,635**	**180,844**	**251,798**	**97,356**	**78,581**	**8,485**	**2,791,164**
Reclassification	-	-	-	**7,857**	**(5,952)**	**8**	**6,026**	**(7,939)**	-
Additions	-	-	**80,586**	**9,355**	**6,142**	**10,513**	**5,050**	**4,653**	**116,299**
Disposals	**(613)**	-	**(3,452)**	-	-	**(1,791)**	**(3)**	-	**(5,859)**
Written off	-	-	-	**(1,512)**	**(5,475)**	**(3,756)**	**(1,262)**	**(9)**	**(12,014)**
At 30 September 2019	**820,641**	**238,211**	**1,191,769**	**196,544**	**246,513**	**102,330**	**88,392**	**5,190**	**2,889,590**

NOTES TO THE FINANCIAL STATEMENTS

Company	Freehold Land RM'000	Long Term Leasehold Land RM'000	Bearer Plants RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Accumulated depreciation									
At 1 October 2017									
As previously stated	-	32,196	-	124,774	191,909	77,947	63,768	-	490,594
Effect on adoption of MFRSs	-	-	468,977	-	-	-	-	-	468,977
As restated	-	32,196	468,977	124,774	191,909	77,947	63,768	-	959,571
Depreciation/ Amortisation charge	-	3,036	41,764	6,609	12,315	6,158	4,876	-	74,758
Reclassification	-	-	-	(4,479)	4,479	-	-	-	-
Disposals	-	(31)	-	(133)	(331)	(2,557)	-	-	(3,052)
Written off	-	-	(23,698)	(1,589)	(2,427)	(971)	(1,740)	-	(30,425)
At 30 September 2018	-	**35,201**	**487,043**	**125,182**	**205,945**	**80,577**	**66,904**	-	**1,000,852**
Depreciation/ Amortisation charge	-	**3,037**	**45,240**	**7,499**	**11,143**	**6,958**	**5,991**	-	**79,868**
Reclassification	-	-	-	**5,279**	**(5,279)**	-	-	-	-
Disposals	-	-	**(2,692)**	-	-	**(1,791)**	-	-	**(4,483)**
Written off	-	-	-	**(1,500)**	**(5,357)**	**(3,753)**	**(1,258)**	-	**(11,868)**
At 30 September 2019	-	**38,238**	**529,591**	**136,460**	**206,452**	**81,991**	**71,637**	-	**1,064,369**
Carrying amounts									
At 1 October 2017	821,669	206,343	604,921	58,604	50,642	12,279	14,298	5,976	1,774,732
At 30 September 2018	821,254	203,010	627,592	55,662	45,853	16,779	11,677	8,485	1,790,312
At 30 September 2019	**820,641**	**199,973**	**662,178**	**60,084**	**40,061**	**20,339**	**16,755**	**5,190**	**1,825,221**

	2019 RM'000	2018 RM'000
Depreciation/Amortisation charge for the year is allocated as follows:		
Recognised in statement of profit or loss (Note 5)	**77,653**	73,068
Capitalised in bearer plants	**2,215**	1,690
	79,868	74,758

Certain property, plant and equipment of the Group with a total carrying amount of RM129,845,000 (2018: RM139,848,000) as at end of the financial year ended 30 September 2019 were charged to banks as security for borrowings (Note 34).

The details of the properties held by the Group are shown on pages 211 to 217.

NOTES TO THE FINANCIAL STATEMENTS

13. PREPAID LEASE PAYMENTS

	2019 RM'000	2018 RM'000
Group		
Land leases at cost		
At beginning of the year	**457,666**	386,976
Additions	**8,562**	5,317
Acquisitions through business combination	**-**	81,634
Written off	**(6,104)**	-
Currency translation differences	**7,911**	(16,261)
At end of the year	**468,035**	457,666
Accumulated amortisation and impairment losses		
At beginning of the year		
Accumulated amortisation	**62,787**	57,606
Accumulated impairment losses	**19,759**	19,759
	82,546	77,365
Amortisation charge	**12,498**	6,905
Impairment loss (Note 12)	**32,235**	-
Written off	**(79)**	-
Currency translation differences	**579**	(1,724)
At end of the year		
Accumulated amortisation	**75,680**	62,787
Accumulated impairment losses	**52,099**	19,759
	127,779	82,546
Carrying amounts	**340,256**	375,120

	2019 RM'000	2018 RM'000
Company		
Land leases at cost		
At beginning/end of the year	**1,504**	1,504
Accumulated amortisation		
At beginning of the year	**804**	783
Amortisation charge	**21**	21
At end of the year	**825**	804
Carrying amounts	**679**	700

Impairment testing

Impairment testing on prepaid lease payments is similar to that of property, plant and equipment as disclosed in Note 12.

The details of the prepaid lease payments of the Group are shown on pages 211 to 217.

NOTES TO THE FINANCIAL STATEMENTS

14. INVENTORIES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Land held for property development	**1,108,296**	1,100,407	**-**	-
Current				
Property development costs	**144,761**	140,621	**-**	-
Developed properties held for sale, inventories of produce, stores and materials and nursery	**1,979,323**	2,144,362	**63,996**	57,766
	2,124,084	2,284,983	**63,996**	57,766
	3,232,380	3,385,390	**63,996**	57,766

(a) Land held for property development

	Group	
	2019	2018
	RM'000	RM'000
Freehold land at cost		
At beginning of the year	**1,068,286**	1,067,095
Additions	**-**	1,191
At end of the year	**1,068,286**	1,068,286
Development expenditure at cost		
At beginning of the year	**32,121**	24,376
Additions	**7,889**	7,745
At end of the year	**40,010**	32,121
Total	**1,108,296**	1,100,407

The details of the land held for property development by the Group are shown on page 216.

(b) Property development costs

	Group	
	2019	2018
	RM'000	RM'000
Property development costs comprise:		
Land costs	**25,868**	17,874
Development costs	**523,772**	365,840
	549,640	383,714
Costs incurred during the year:		
Land costs	**-**	7,994
Development costs	**98,315**	157,932
	98,315	165,926
	647,955	549,640
Costs recognised as an expense in profit or loss:		
Previous years	**(353,591)**	(225,834)
Current year	**(88,178)**	(127,757)
Transfer to inventories of developed properties held for sale	**(61,425)**	(55,428)
	144,761	140,621

NOTES TO THE FINANCIAL STATEMENTS

(c) Developed properties held for sale, inventories of produce, store and materials and nursery

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
At cost				
Inventories of produce	**192,778**	212,134	**37,716**	24,875
Finished goods	**430,105**	900,298	**-**	-
Work-in-progress	**470,155**	244,608	**-**	-
Developed properties held for sale	**33,749**	53,503	**-**	-
Stores and materials	**592,876**	343,631	**14,985**	18,509
Nursery	**28,773**	46,112	**7,849**	7,187
	1,748,436	1,800,286	**60,550**	50,571
At net realisable value				
Inventories of produce	**37,469**	130,959	**3,446**	7,195
Finished goods	**141,944**	208,045	**-**	-
Work-in-progress	**51,265**	4,863	**-**	-
Developed properties held for sale	**209**	209	**-**	-
	230,887	344,076	**3,446**	7,195
	1,979,323	2,144,362	**63,996**	57,766
Recognised in profit or loss				
Inventories recognised as cost of sales	**12,883,653**	15,328,566	**507,504**	511,468
Write down of inventories	**61,978**	43,183	**5,608**	3,219
Write back of slow moving inventories	**(3,000)**	(1,208)	**-**	-
Write back of inventories written down to net realisable value	**(7,624)**	(7,874)	**-**	-

The Group writes down its obsolete or slow moving inventories based on assessments of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories.

15. GOODWILL ON CONSOLIDATION

	Group	
	2019	2018
	RM'000	RM'000
Cost		
At beginning of the year	**315,304**	324,686
Currency translation differences	**1,532**	(9,382)
At end of the year	**316,836**	315,304

Impairment testing
For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to the Group's business segments as follows:

	Group	
	2019	2018
	RM'000	RM'000
Plantation	**137,058**	134,965
Manufacturing	**179,775**	180,336
Property development	**3**	3
	316,836	315,304

Impairment testing
Goodwill is tested for impairment by comparing the carrying amount with the recoverable amounts of the cash generating units ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period of 5 years.

Key assumptions used in the value in use calculations are:

(i) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used ranged from 4.5% to 12.2% (2018: 5.2% to 11.6%);

(ii) the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and

(iii) profit margins are projected based on historical profit margin achieved.

In assessing the value in use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

16. INTANGIBLE ASSETS

	Group	
	2019	2018
	RM'000	RM'000
Cost		
At beginning of the year	**74,284**	65,488
Additions	**3,405**	1,762
Acquisitions through business combination	**-**	9,322
Currency translation differences	**(2,059)**	(2,288)
At end of the year	**75,630**	74,284
Accumulated amortisation and impairment losses		
At beginning of the year		
Accumulated amortisation	**43,796**	42,841
Accumulated impairment losses	**7,130**	7,322
	50,926	50,163
Amortisation charge	**3,504**	2,395
Currency translation differences	**(881)**	(1,632)
At end of the year		
Accumulated amortisation	**46,422**	43,796
Accumulated impairment losses	**7,127**	7,130
	53,549	50,926
Carrying amounts	**22,081**	23,358

The amortisation of intangible assets amounting to RM3,504,000 (2018: RM2,395,000) is included in administration expenses.

These assets consist mainly of trade marks and patents.

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY/TO SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Investments in subsidiaries		
Unquoted shares at cost	**4,427,802**	4,457,352
Impairment in value of investments		
At beginning/end of the year	**(146,100)**	(146,100)
	4,281,702	4,311,252
Capital contribution to subsidiaries	**289,341**	316,300
Impairment in capital contribution		
At beginning of the year	**-**	(2,387)
Reversal of impairment	**-**	2,387
At end of the year	**-**	-
	289,341	316,300
Total investments in subsidiaries	**4,571,043**	4,627,552

The amounts due from subsidiaries are deemed as capital contribution to subsidiaries as the repayment of these amounts are neither fixed nor expected.

Details of the subsidiaries are shown in Note 41.

Amounts owing by subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Non-current assets	**1,340,353**	1,303,700
Current assets	**180,385**	126,745
	1,520,738	1,430,445

The management reviewed the expected repayments from subsidiaries and hence classified certain amounts owing by subsidiaries as non-current.

Amounts owing by subsidiaries net of impairment loss of RM2,661,000 (2018: Nil) are trade and non-trade, unsecured, non-interest bearing and repayable within next twelve months except for a total amount of RM1,325,489,000 (2018: RM1,302,410,000) repayable after twelve months under non-current assets and RM146,405,000 (2018: RM78,275,000) under current assets, which are subject to interest charge ranging from 1.4% to 6.3% (2018: 1.4% to 6.3%) per annum and trade transactions which are subject to normal trade credit terms.

Amounts owing to subsidiaries
Amounts owing to subsidiaries are trade and non-trade, unsecured, payable within twelve months and non-interest bearing.

18. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Shares at cost				
In a quoted corporation	**1,315,361**	-	**-**	-
In unquoted corporations	**88,277**	80,974	**33,225**	25,725
	1,403,638	80,974	**33,225**	25,725
Post-acquisition reserves	**85,572**	72,689	**-**	-
	1,489,210	153,663	**33,225**	25,725

On 30 July 2019, Synthomer Plc ("Synthomer") became an associate of the Group through the subscriptions of rights issue and new shares in Synthomer.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 September 2019, the Group did not have any associate which was individually material to the Group, except for Synthomer. As at 30 September 2018, the Group did not have any associate which was individually material to the Group.

Synthomer is a public listed company in United Kingdom with financial year ending 31 December, and the financial statements are only published half-yearly, i.e. 30 June and 31 December.

The latest published financial information of Synthomer was for 6-month period ended 30 June 2019, on which Synthomer has not become an associate of the Group. Hence, the financial information of Synthomer is not disclosed in the following summary:

	Group	
	2019	2018
	RM'000	RM'000
Summary of financial information of associates other than Synthomer:		
Non-current assets	**996,073**	989,426
Current assets	**627,165**	467,979
Non-current liabilities	**(51,646)**	(57,968)
Current liabilities	**(310,649)**	(206,216)
Revenue	**972,027**	670,348
Profit for the year	**36,435**	27,362
Other comprehensive income/(loss)	**237**	(764)
Total other comprehensive income	**36,672**	26,598
Dividends received from associates	**10,288**	6,641

Details of the associates are shown in Note 41.

19. INVESTMENTS IN JOINT VENTURES

	Group	
	2019	2018
	RM'000	RM'000
Shares at cost		
In unquoted corporations	**59,257**	59,257
Amounts owing by joint ventures	**163,040**	161,233
	222,297	220,490
Post-acquisition reserves	**(65,479)**	(60,076)
	156,818	160,414

The Group did not have any joint venture which was individually material to the Group as at 30 September 2019 and 30 September 2018.

	Group	
	2019	2018
	RM'000	RM'000
Summary of financial information of joint ventures:		
Non-current assets	**163,614**	167,760
Current assets	**323,504**	331,234
Non-current liabilities	**(271,933)**	(271,810)
Current liabilities	**(227,627)**	(228,822)
Revenue	**1,057,874**	1,264,906
Loss for the year	**(12,437)**	(27,628)

The amounts owing by joint ventures are deemed as capital contribution to the joint ventures as the repayments of these amounts are neither fixed nor expected.

No expected credit loss is recognised arising from amount owing by joint ventures as the amount is negligible.

Details of the joint ventures are shown in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER INVESTMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Debt instrument at fair value through profit or loss	**13,966**	-	**-**	-
Equity instruments at fair value through other comprehensive income	**397,984**	2,390,731	**432,129**	748,344
	411,950	2,390,731	**432,129**	748,344
(a) Debt instrument at fair value through profit or loss				
In an overseas quoted corporation	**13,966**	-	**-**	-
(b) Equity instruments at fair value through other comprehensive income				
In unquoted corporations	**8,769**	7,790	**7,853**	7,002
In Malaysia quoted corporations	**13,242**	13,042	**-**	-
In overseas quoted corporations	**375,973**	2,369,899	**424,276**	741,342
	397,984	2,390,731	**432,129**	748,344

During the financial year, Synthomer became an associate of the Group (Note 18).

21. OTHER RECEIVABLE

Other receivable represents advances to plasma plantation projects.

Plantation subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantation under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8% (2018: 8%) per annum.

These advances are recoverable from the plasma farmers directly either by netting off against the purchase consideration of the fresh fruit bunches purchased from the plasma farmers or through bank loans obtained by the plasma farmers.

No expected credit loss is recognised arising from the advances to plasma plantation project as the amount is negligible.

22. DEFERRED TAXATION

Recognised deferred tax assets and liabilities are attributable to the following:

	Liabilities		Assets		Net	
	2019	2018	**2019**	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Group						
Property, plant and equipment						
Capital allowances	**295,625**	274,645	**(105,290)**	(79,927)	**190,335**	194,718
Biological assets	**14,034**	14,619	**-**	-	**14,034**	14,619
Unutilised tax losses	**-**	-	**(99,020)**	(68,176)	**(99,020)**	(68,176)
Provision for retirement benefits	**-**	-	**(108,804)**	(57,499)	**(108,804)**	(57,499)
Other items	**19,761**	14,493	**(28,730)**	(59,727)	**(8,969)**	(45,234)
Tax liabilities/(assets)	**329,420**	303,757	**(341,844)**	(265,329)	**(12,424)**	38,428
Set off of tax	**95,183**	110,667	**(95,183)**	(110,667)	**-**	-
Net tax liabilities/(assets)	**424,603**	414,424	**(437,027)**	(375,996)	**(12,424)**	38,428
Company						
Property, plant and equipment						
Capital allowances	**162,622**	155,406	**-**	-	**162,622**	155,406
Other items	**3,898**	4,210	**(9,419)**	(10,221)	**(5,521)**	(6,011)
Tax liabilities/(assets)	**166,520**	159,616	**(9,419)**	(10,221)	**157,101**	149,395
Set off of tax	**(9,419)**	(10,221)	**9,419**	10,221	**-**	-
Net tax liabilities	**157,101**	149,395	**-**	-	**157,101**	149,395

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

	Property, Plant and Equipment			Other			Provision	Other	
	Capital Allowances RM'000	Revaluation RM'000	Biological Assets RM'000	Taxable Temporary Differences RM'000	Unutilised Tax Losses RM'000	Unabsorbed Capital Allowances RM'000	for Retirement Benefits RM'000	Deductible Temporary Differences RM'000	Total RM'000
Group									
At 1 October 2017									
As previously stated	(49,294)	93,205	-	11,242	(110,878)	(18,340)	(51,989)	(54,684)	(180,738)
Effect on adoption of MFRSs	184,896	(93,205)	17,099	-	-	-	-	-	108,790
As restated	135,602	-	17,099	11,242	(110,878)	(18,340)	(51,989)	(54,684)	(71,948)
Recognised in profit or loss	74,441	-	(1,392)	3,365	11,524	(63,413)	(9,086)	5,659	21,098
Recognised in equity	-	-	-	-	-	-	(1,379)	-	(1,379)
Acquisitions through business combination	41,908	-	-	-	(2,424)	(7)	(444)	(170)	38,863
(Over)/Under provision in respect of previous years	(949)	-	-	-	24,114	(1,270)	1,677	(11,322)	12,250
Currency translation differences	23,643	-	(1,088)	(114)	9,488	3,103	3,722	790	39,544
At 30 September 2018	**274,645**	**-**	**14,619**	**14,493**	**(68,176)**	**(79,927)**	**(57,499)**	**(59,727)**	**38,428**
Recognised in profit or loss	**32,431**	**-**	**(8,722)**	**5,128**	**(22,919)**	**(21,614)**	**(32,699)**	**33,105**	**(15,290)**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**(19,465)**	**-**	**(19,465)**
(Over)/Under provision in respect of previous years	**(299)**	**-**	**7,642**	**-**	**(4,894)**	**267**	**31**	**(2,407)**	**340**
Changes in tax rates	**(1,731)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,731)**
Currency translation differences	**(9,421)**	**-**	**495**	**140**	**(3,031)**	**(4,016)**	**828**	**299**	**(14,706)**
At 30 September 2019	**295,625**	**-**	**14,034**	**19,761**	**(99,020)**	**(105,290)**	**(108,804)**	**(28,730)**	**(12,424)**

Deferred tax assets include an amount of RM74,564,000 (2018: RM57,890,000) which relates to unutilised tax losses and unabsorbed capital allowances of certain subsidiaries that suffered losses in the current and previous financial years. The Group has concluded that the deferred tax assets are recoverable through estimated future taxable profits based on the approved business plans and budgets of these subsidiaries.

	Property, Plant and Equipment			Other	
	Capital Allowances RM'000	Revaluation RM'000	Biological Assets RM'000	Deductible Temporary Differences RM'000	Total RM'000
Company					
At 1 October 2017					
As previously stated	7,283	3,350	-	(13,777)	(3,144)
Effect on adoption of MFRSs	143,037	(3,350)	6,595	-	146,282
As restated	150,320	-	6,595	(13,777)	143,138
Recognised in profit or loss	5,086	-	(2,385)	3,556	6,257
At 30 September 2018	**155,406**	**-**	**4,210**	**(10,221)**	**149,395**
Recognised in profit or loss	**7,216**	**-**	**(312)**	**802**	**7,706**
At 30 September 2019	**162,622**	**-**	**3,898**	**(9,419)**	**157,101**

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2019	2018
	RM'000	RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	**502,371**	462,673
Deductible temporary differences	**2,096**	1,292
Tax incentives	**64,991**	1,795
Unutilised tax losses	**364,006**	441,777
Property, plant and equipment	**(808,334)**	(695,738)
	125,130	211,799

The reinvestment allowance of a subsidiary amounting to RM17,626,000 (2018: Nil) will expire in year 2025.

	Group	
	2019	2018
	RM'000	RM'000
Unutilised tax losses of RM50,534,000 (2018: RM2,594,000) will expire as follows under the respective tax legislation of countries in which certain subsidiaries domicile:		
Year of expiry		
2019	**-**	2,471
2020	**119**	123
2023	**370**	-
2025	**43,990**	-
2026	**6,055**	-
	50,534	2,594

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a subsidiary on the taxable temporary differences as the subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM756,421,000 (2018: RM720,221,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

23. BIOLOGICAL ASSETS

	Group	**Company**
	RM'000	**RM'000**
Plantation development expenditure (included under non-current assets)		
Cost		
At 1 October 2017		
As previously stated	**3,045,026**	**735,741**
Effect on adoption of MFRSs	**(3,045,026)**	**(735,741)**
As restated	**-**	**-**
Accumulated amortisation		
At 1 October 2017		
As previously stated	**420,988**	**-**
Effect on adoption of MFRSs	**(420,988)**	**-**
As restated	**-**	**-**
Carrying amounts	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

	Unharvested Fresh Fruit Bunches RM'000	Livestock RM'000	Growing Crops RM'000	Total RM'000
Current Assets – At fair value				
Group				
At 1 October 2017				
As previously stated	-	4,296	33,510	37,806
Effect on adoption of MFRSs	78,910	-	-	78,910
As restated	78,910	4,296	33,510	116,716
Changes in fair value less cost to sell	(15,019)	1,160	-	(13,859)
Increase due to crop sowing	-	-	37,300	37,300
Increase due to purchases and births	-	2,211	-	2,211
Decrease due to sales	-	(1,704)	-	(1,704)
Transfer to profit or loss	-	-	(31,033)	(31,033)
Currency translation differences	(4,330)	(454)	(3,380)	(8,164)
At 30 September 2018	**59,561**	**5,509**	**36,397**	**101,467**
Changes in fair value less cost to sell	**(4,333)**	**2,158**	**-**	**(2,175)**
Increase in crop sowing	**-**	**-**	**37,140**	**37,140**
Increase due to purchases and births	**-**	**1,526**	**-**	**1,526**
Decrease due to sales	**-**	**(3,815)**	**-**	**(3,815)**
Transfer to profit or loss	**-**	**-**	**(35,489)**	**(35,489)**
Currency translation differences	**1,980**	**(301)**	**(2,071)**	**(392)**
At 30 September 2019	**57,208**	**5,077**	**35,977**	**98,262**

	Unharvested Fresh Fruit Bunches RM'000
Company	
At 1 October 2017	
As previous stated	-
Effect on adoption of MFRSs	27,480
As restated	27,480
Changes in fair value less cost to sell	(9,940)
At 30 September 2018	**17,540**
Changes in fair value less cost to sell	**(1,297)**
At 30 September 2019	**16,243**

The biological assets of the Group and of the Company comprise of:

(a) Unharvested fresh fruit bunches ("FFB")
During the financial year, the Group and the Company harvested approximately 4.1 million mt (2018: 3.9 million mt) and 1.1 million mt (2018: 1.1 million mt) of FFB respectively. The quantity of unharvested FFB of the Group and of the Company as at 30 September 2019 included in the fair valuation of unharvested FFB was 175,402 mt (2018: 174,666 mt) and 42,986 mt (2018: 44,275 mt) respectively.

If the FFB selling price changes by 5%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM3.6 million (2018: RM3.8 million) and RM967,000 (2018: RM956,000) respectively.

(b) Livestock
Livestock mainly comprised of sheep and cattle.

During the financial year, the Group produced 9,851 (2018: 9,232) sheeps and 188 (2018: 195) cattle. The quantity of sheep and cattle of the Group as at 30 September 2019 included in the fair valuation of livestock was 27,499 head (2018: 27,110 head) and 485 head (2018: 502 head) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(c) Growing crops
Growing crops mainly comprise of wheat, canola and barley.

During the financial year, the Group harvested 58,880 mt (2018: 38,867 mt) of wheat, 11,680 mt (2018: 18,416 mt) of canola and 32,878 mt (2018: 10,000 mt) of barley. Area of crops sown for the financial year were 16,070 hectares (2018: 18,837 hectares) for wheat, 8,778 hectares (2018: 7,590 hectares) for canola and 8,439 hectares (2018: 8,974 hectares) for barley.

The fair value of the Group and of the Company's biological assets, which are estimated using unobservable inputs, is categorised within Level 3 of the fair value hierarchy with the exception of livestock which are on Level 2 (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between all 3 levels of the fair value hierarchy during the financial year (2018: no transfer in either directions).

None of the biological assets of the Group and of the Company as at 30 September 2019 and 2018 were pledged as securities for liabilities.

24. TRADE RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Trade receivables	**1,272,953**	1,412,853	**26,597**	25,880
Allowance for impairment losses	**(47,577)**	(47,494)	**-**	-
	1,225,376	1,365,359	**26,597**	25,880

Included in the trade receivables are amounts owing by related parties of RM17,014,000 (2018: RM123,191,000).

The loss allowance as at end of the reporting period is determined as follows:

	Gross RM'000	**Expected Credit Loss Rate %**	**Allowance for Impairment Loss RM'000**	**Net RM'000**
Group				
2019				
Not past due	**1,048,016**	**1.1**	**12,052**	**1,035,964**
Past due 1 - 90 days	**187,738**	**3.4**	**6,368**	**181,370**
Past due more than 90 days	**37,199**	**78.4**	**29,157**	**8,042**
	1,272,953	**3.7**	**47,577**	**1,225,376**
2018				
Not past due	1,183,417	1.0	11,378	1,172,039
Past due 1 - 90 days	198,208	4.4	8,800	189,408
Past due more than 90 days	31,228	87.5	27,316	3,912
	1,412,853	3.4	47,494	1,365,359
Company				
2019				
Not past due	**26,597**	**-**	**-**	**26,597**
2018				
Not past due	25,880	-	-	25,880

NOTES TO THE FINANCIAL STATEMENTS

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group	
	2019	2018
	RM'000	RM'000
At beginning of the year	**47,494**	27,846
Effect on adoption of MFRSs	**-**	24,466
As restated	**47,494**	52,312
Impairment losses	**7,524**	1,813
Reversal of impairment	**(6,757)**	(5,356)
Impairment losses written off	**(103)**	(209)
Currency translation differences	**(581)**	(1,066)
At end of the year	**47,577**	47,494

No expected credit loss is recognised arising from the trade receivables of the Company as the amount is negligible.

The allowance account in respect of trade receivables is used to record impairment losses which were included in other operating expenses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's and the Company's normal trade credit term ranges from 7 to 180 (2018: 7 to 180) days and 7 to 60 (2018: 7 to 60) days respectively. Other credit terms are assessed and approved on a case-by-case basis.

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Other receivables	**516,621**	227,592	**26,847**	20,936
Allowance for impairment losses	**(1,812)**	-	**-**	-
	514,809	227,592	**26,847**	20,936
Indirect tax receivables	**216,510**	262,445	**-**	-
Prepayments	**71,879**	60,097	**7,469**	4,026
Refundable deposits	**23,910**	37,794	**860**	853
	827,108	587,928	**35,176**	25,815

The movements in allowance for impairment losses of other receivables during the year were:

	Group	
	2019	2018
	RM'000	RM'000
Beginning of the year	**-**	-
Impairment losses	**1,814**	-
Currency translation differences	**(2)**	-
At end of the year	**1,812**	-

No expected credit loss is recognised arising from the other receivables of the Company as the amount is negligible.

NOTES TO THE FINANCIAL STATEMENTS

26. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000
Contract assets		
Accrued billings	**14,867**	48,737
Contract liabilities		
Progress billings	**(1,688)**	-
Advances from customers	**(89,551)**	(54,842)
	(91,239)	(54,842)
Total	**(76,372)**	(6,105)

(a) Accrued billings, progress billings and advances from customers

Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billings to the customers. Contract liabilities are recognised as revenue when performance obligations are satisfied.

(b) The movements in the contract assets and (contract liabilities) are as follows:

	Group 2019 RM'000	Group 2018 RM'000
At beginning of the year	**(6,105)**	-
Effect on adoption of MFRSs	**-**	(57,644)
As restated	**(6,105)**	(57,644)
Net revenue recognised during the financial year	**240,508**	227,821
Net progress billings issued during the financial year	**(205,918)**	(122,194)
Cash received in advance	**(105,014)**	(54,762)
Currency translation differences	**157**	674
At end of the year	**(76,372)**	(6,105)

(c) Unsatisfied performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have duration of more than one year.

	Group 2019 RM'000	Company 2019 RM'000
Revenue is expected to be recognised from contracts with customers:		
Within one year	**44,792**	**-**
Between 1 to 2 years	**11,373**	**-**
Between 2 to 5 years	**164**	**-**
	56,329	**-**

No expected credit loss is recognised arising from contract assets as the amount is negligible.

NOTES TO THE FINANCIAL STATEMENTS

27. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

	Contract/Notional Amount Net long/(short) RM'000	Assets RM'000	Liabilities RM'000
Group			
2019			
Forward foreign exchange contracts	**(989,875)**	**3,692**	**(1,854)**
Commodities future contracts	**(108,565)**	**30,275**	**(18,704)**
Total derivative financial instruments		**33,967**	**(20,558)**
2018			
Forward foreign exchange contracts	(889,141)	967	(11,817)
Commodities future contracts	68,675	68,243	(52,402)
Total derivative financial instruments		69,210	(64,219)
Company			
2019			
Forward foreign exchange contracts	**(25,562)**	**-**	**(104)**
Commodities future contracts	**(122,231)**	**1,767**	**-**
Total derivative financial instruments		**1,767**	**(104)**
2018			
Forward foreign exchange contracts	(11,359)	-	(389)
Commodities future contracts	(31,322)	1,302	(353)
Total derivative financial instruments		1,302	(742)

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign currencies on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

The Group does not have any other financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

28. SHORT TERM FUNDS

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Deposits with licensed banks	**1,659,171**	195,579	**1,506,551**	134,046

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have insignificant risk of changes in fair value with original maturities of more than three months.

The effective interest rates per annum of deposits with licensed banks at the end of the reporting dates were as follows:

	Group		Company	
	2019	2018	**2019**	2018
Deposits with licensed banks	**1.88% to 7.75%**	1.53% to 6.00%	**1.88% to 3.70%**	1.53% to 4.27%

The maturities and repricing of deposits with licensed banks at the end of the reporting dates were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Maturities above 3 months to 1 year				
Deposits with licensed banks	**1,659,171**	195,579	**1,506,551**	134,046

NOTES TO THE FINANCIAL STATEMENTS

Deposit with licensed bank of the Group amounting to RM10,205,000 (2018: RM11,275,000) as at 30 September 2019 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

No expected credit loss is recognised arising from short term funds as the amount is negligible.

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Deposits with licensed banks	**1,230,973**	883,028	**787,141**	377,922
Fixed income trust funds	**328,811**	53,584	**85,925**	51,084
Cash and bank balances	**480,853**	341,163	**2,189**	2,811
	2,040,637	1,277,775	**875,255**	431,817

Deposits with licensed banks and investment in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances as at 30 September 2019 was RM96,600,000 (2018: RM32,327,000) held under Housing Development Accounts. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group		Company	
	2019	2018	**2019**	2018
Deposits with licensed banks	**0.33% to 7.55%**	0.35% to 7.55%	**1.28% to 3.67%**	1.23% to 3.70%
Fixed income trust funds	**3.32% to 3.70%**	3.50% to 3.63%	**3.32% to 3.70%**	3.50% to 3.63%

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Maturities of 3 months or below				
Deposits with licensed banks	**1,230,973**	883,028	**787,141**	377,922
Fixed income trust funds	**328,811**	53,584	**85,925**	51,084
	1,559,784	936,612	**873,066**	429,006

No expected credit loss is recognised arising from deposits with licensed banks and cash and bank balances as the amount is negligible.

30. SHARE CAPITAL

	Group		Company	
	Number of Shares	**RM'000**	**Number of Shares**	**RM'000**
Issued and fully paid				
At 1 October 2017 as previously stated	1,067,504,692	1,184,764	1,067,504,692	1,067,790
Effect on adoption of MFRSs	-	(116,974)	-	-
At 1 October 2017 as restated / 30 September 2018 / 30 September 2019	**1,067,504,692**	**1,067,790**	**1,067,504,692**	**1,067,790**

(i) Of the total 1,067,504,692 (2018: 1,067,504,692) issued and fully paid shares, 2,539,000 (2018: 2,539,000) are held as treasury shares by the Company. As at 30 September 2019, the number of outstanding shares in issue and fully paid is 1,064,965,692 (2018: 1,064,965,692).

NOTES TO THE FINANCIAL STATEMENTS

(ii) During the financial year ended 30 September 2018, certain subsidiaries used the amount standing to the credit of their share premium accounts to provide for the premium paid on redemption of their redeemable preference shares which were issued before 31 January 2017 in accordance with Section 618(3) of the Companies Act 2016.

(iii) The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 19 February 2019. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

(iv) The shareholders of the Company via Annual General Meeting held on 19 February 2019 approved the renewal of the authority for the Directors of the Company to allot and issue new shares in the Company in relation to the Dividend Reinvestment Plan that provides the shareholders of the Company the option to elect to reinvest, in whole or in part, their cash dividend entitlements in the new shares of the Company.

31. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Non-distributable				
Capital reserve	**278,574**	267,159	**-**	-
Exchange fluctuation reserve	**(4,397)**	(39,509)	**-**	-
Fair value reserve	**633,528**	1,496,757	**353,332**	669,547
Retained earnings – cost of treasury shares	**13,447**	13,447	**13,447**	13,447
	921,152	1,737,854	**366,779**	682,994
Distributable				
Capital reserve	**859,295**	869,756	**1,087,296**	1,087,296
Retained earnings	**7,525,615**	7,504,957	**3,482,155**	3,558,019
	8,384,910	8,374,713	**4,569,451**	4,645,315
	9,306,062	10,112,567	**4,936,230**	5,328,309

Included under the non-distributable reserves is an amount of RM13,447,000 (2018: RM13,447,000) which was utilised for the purchase of the treasury shares and is considered as non-distributable.

Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues and reserve capitalised on redemption of redeemable preference shares by subsidiaries. Distributable capital reserve comprises surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

Fair value reserve comprises the cumulative net change in the fair value of equity instruments measured at fair value through other comprehensive income until the investments are derecognised.

32. DEFERRED INCOME

	Group	
	2019 RM'000	2018 RM'000
Government grants		
At cost		
At beginning of the year	**160,140**	150,662
Received during the year	**907**	9,826
Written off	**(1,019)**	-
Currency translation differences	**(472)**	(348)
At end of the year	**159,556**	160,140
Accumulated amortisation		
At beginning of the year	**33,189**	25,489
Amortisation charge	**8,188**	7,926
Currency translation differences	**(337)**	(226)
At end of the year	**41,040**	33,189
Carrying amounts	**118,516**	126,951
Deferred income is disclosed under:		
Non-current liabilities	**110,320**	119,004
Current liabilities	**8,196**	7,947
	118,516	126,951

NOTES TO THE FINANCIAL STATEMENTS

The subsidiaries, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects. The construction of these projects was completed as at end of the financial year.

Another subsidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are amortised over the life of the assets.

33. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Present value of funded obligations	**263,705**	244,415	**-**	-
Fair value of plan assets	**(246,167)**	(235,687)	**-**	-
	17,538	8,728	**-**	-
Unfunded obligations	**520,942**	458,339	**23,994**	24,168
Present value of net obligations	**538,480**	467,067	**23,994**	24,168

Defined benefit obligations

(i) The Group's plantation operations in Malaysia operate defined benefit plans based on the terms of the union's collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the union's collective agreements.

The present value of these unfunded defined benefit obligations as required by MFRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. Accordingly, no further disclosures as required by the standard are made.

(ii) All the plantation subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.

(iii) A subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2019.

(iv) A subsidiary in Switzerland, Kolb Distribution AG, makes contributions to a funded defined benefit plan that provides pension benefits for employees upon retirement. The assets of the plan are held as a segregated fund and administered by trustees.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 31 August 2019 and subsequently a roll-forward of the obligations and the plan assets to 30 September 2019 was calculated. The plan assets are stated at their market value as at 30 September 2019.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

NOTES TO THE FINANCIAL STATEMENTS

The Group expects RM20,789,000 in contributions to be paid to the defined benefit plans in the next financial year.

Movement in Net Defined Benefit Liabilities	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
Group				
At 1 October 2017	248,079	457,587	(226,534)	479,132
Included in profit or loss				
Service cost	6,620	23,505	-	30,125
Interest cost/(income)	1,678	13,318	(1,537)	13,459
Administration cost	120	-	-	120
	8,418	36,823	(1,537)	43,704
Included in other comprehensive income				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	(9,274)	6,286	-	(2,988)
- Demographic assumptions	(1,343)	-	-	(1,343)
- Experience assumptions	4,864	4,488	-	9,352
Return on plan assets excluding interest income	-	-	(5,781)	(5,781)
	(5,753)	10,774	(5,781)	(760)
Other				
Contribution paid by employer	-	(23,723)	(7,379)	(31,102)
Employee contributions	5,321	-	(5,321)	-
Benefits paid	(3,748)	-	3,748	-
Acquisitions through business combination	-	1,814	-	1,814
Currency translation differences	(7,902)	(24,936)	7,117	(25,721)
At 30 September 2018	**244,415**	**458,339**	**(235,687)**	**467,067**
Included in profit or loss				
Service cost	**6,205**	**26,190**	**-**	**32,395**
Interest cost/(income)	**2,380**	**15,187**	**(2,301)**	**15,266**
Administration cost	**121**	**-**	**-**	**121**
	8,706	**41,377**	**(2,301)**	**47,782**
Included in other comprehensive income				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	**34,788**	**54,306**	**-**	**89,094**
- Demographic assumptions	**(8,197)**	**3,163**	**-**	**(5,034)**
- Experience assumptions	**(2,075)**	**(1,543)**	**-**	**(3,618)**
Return on plan assets excluding interest income	**-**	**-**	**(14,765)**	**(14,765)**
	24,516	**55,926**	**(14,765)**	**65,677**
Other				
Contribution paid by employer	**-**	**(24,704)**	**(7,444)**	**(32,148)**
Employee contributions	**5,390**	**-**	**(5,390)**	**-**
Benefits paid	**(18,689)**	**-**	**18,689**	**-**
Currency translation differences	**(633)**	**(9,996)**	**731**	**(9,898)**
At 30 September 2019	**263,705**	**520,942**	**(246,167)**	**538,480**

The amount of remeasurement loss of RM46,212,000 (2018: gain RM2,139,000) recognised in the other comprehensive income is net of deferred tax assets of RM19,465,000 (2018: deferred tax assets RM1,379,000) (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2019	2018
	RM'000	RM'000
Plan assets		
Plan assets comprise:		
Equity funds quoted in Switzerland	**42,222**	36,058
Equity funds quoted in the United States of America	**25,171**	24,560
Other equity funds	**5,902**	5,532
Bond funds quoted in Switzerland	**61,348**	56,203
Other bond funds	**27,965**	24,872
Real estate funds quoted in Switzerland	**54,014**	51,312
Cash and cash equivalents	**9,170**	17,418
Other assets	**20,375**	19,732
	246,167	235,687

Fair value of the plan assets is based on the market price information and in the case of quoted securities is the published bid price.

The pension fund's board of trustees is responsible for the risk management of the funds. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

	Company	
	2019	2018
	RM'000	RM'000
Unfunded obligations		
Movements in the unfunded defined benefit obligations		
At beginning of the year	**24,168**	24,137
Benefits paid	**(2,271)**	(580)
Expense recognised in profit or loss		
Service cost	**2,097**	611
At end of the year	**23,994**	24,168

	Group	
	2019	2018
	%	%
Actuarial assumptions		
Principal actuarial assumptions of the funded plan operated by the subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	**(0.2)**	0.7
Future salary increases	**1.0**	1.0
Principal assumptions of the unfunded plans used by plantation subsidiaries in Indonesia:		
Discount rate	**8.2**	8.3
Future salary increases	**6.0 to 7.5**	4.0 to 8.0
Principal actuarial assumptions of the unfunded plan operated by the subsidiary in Germany:		
Discount rate	**0.7**	1.8
Future salary increases	**3.0**	3.0
Future pension increases	**1.8**	1.8

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 14.8 years (2018: 13.9 years).

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	Group	
	Defined Benefit Obligation	
	Increase RM'000	Decrease RM'000
2019		
Discount rate (0.25% movement)	**(27,332)**	**29,007**
Future salary growth (0.25% movement)	**7,565**	**(6,003)**
Life expectancy (1 year movement)	**31,190**	**(31,237)**
2018		
Discount rate (0.25% movement)	(22,253)	24,262
Future salary growth (0.25% movement)	5,210	(4,791)
Life expectancy (1 year movement)	23,644	(23,589)

Although the analysis does not account for the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

34. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Non-current				
Secured				
Term loan	**27,676**	35,085	**-**	-
Unsecured				
Term loans	**542,157**	427,014	**-**	-
Islamic medium term notes	**4,600,000**	2,600,000	**4,600,000**	2,600,000
	5,142,157	3,027,014	**4,600,000**	2,600,000
	5,169,833	3,062,099	**4,600,000**	2,600,000
Current				
Secured				
Term loan	**5,648**	10,198	**-**	-
Unsecured				
Bank overdrafts	**120,857**	89,034	**-**	-
Term loans	**120,966**	175,439	**-**	-
Export credit refinancing	**8,329**	83,620	**-**	-
Bankers' acceptance	**230,268**	427,614	**-**	-
Revolving credit	**420,713**	164,534	**30,000**	-
Trade financing	**442,212**	270,675	**-**	-
	1,343,345	1,210,916	**30,000**	-
	1,348,993	1,221,114	**30,000**	-
Total borrowings	**6,518,826**	4,283,213	**4,630,000**	2,600,000

(a) During the financial year ended 30 September 2012, the Company had issued RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("1st Programme") at par with a profit rate of 4.0% per annum.

Salient features of the 1st Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
- The tenure of the 1st Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 1st Programme.

NOTES TO THE FINANCIAL STATEMENTS

- The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 1st Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 1st Programme.

(b) During the financial year ended 30 September 2015, the Company had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("2nd Programme") at par with a profit rate of 4.58% per annum.

During the financial year ended 30 September 2016, the Company had issued the balance of the 2nd Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 2nd Programme are as follows:

- The 2nd Programme shall comprise Ringgit denominated Islamic Medium Term Notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic Medium Term Notes ("Non-Ringgit Sukuk") issuances.
- The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 2nd Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
- The tenure of the 2nd Programme is 12 years from the date of the first issuance under the programme. The tenure of the Ringgit Sukuk/Non-Ringgit Sukuk issued under the 2nd Programme shall be more than 1 year and up to 12 years, provided that the maturity of the Ringgit Sukuk/Non-Ringgit Sukuk shall not exceed the tenure of the 2nd Programme.
- The Ringgit Sukuk/Non-Ringgit Sukuk under the 2nd Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
- The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 2nd Programme.

(c) During the financial year ended 30 September 2019, the Company had issued 2 tranches of RM1.0 billion each of Sukuk Wakalah Islamic Medium Term Notes (“Sukuk Wakalah”) under the RM2.0 billion Sukuk Wakalah Islamic Medium Term Notes Programme (“3rd Programme”), at par with profit rate of 3.75% per annum for the 10 years tenure tranche and 3.95% per annum for the 15 years tenure tranche.

Salient features of the 3rd Programme are as follows:

- Total aggregate outstanding nominal value of the Sukuk Wakalah issued under the 3rd Programme shall not exceed RM2.0 billion.
- The tenure of the 3rd Programme is 20 years from the date of the first issuance under the programme. The tenure of the Sukuk Wakalah issued under the 3rd Programme shall be more than 1 year and up to 20 years, provided that the maturity of the Sukuk Wakalah shall not exceed the tenure of the 3rd Programme.
- The Sukuk Wakalah under the 3rd Programme shall be issued under the Shariah principle of Wakalah Bi Al-Istithmar.
- The periodic distribution rate shall be determined at the point of issuance. For the Sukuk Wakalah with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 3rd Programme.

(d) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas subsidiary with carrying amount of RM129,845,000 (2018: RM139,848,000) as at 30 September 2019.

(e) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM962.7 million (2018: RM657.2 million) issued by the Company. The bank overdraft facilities are renewable annually.

NOTES TO THE FINANCIAL STATEMENTS

(f) The interest/profit rates per annum applicable to borrowings for the year were as follows:

	Group		Company	
	2019	2018	**2019**	2018
Bank overdrafts	**0.25% to 0.33%**	0.33% to 2.00%	**-**	-
Term loans	**0.71% to 4.36%**	0.71% to 4.02%	**-**	-
Trade financing	**2.45% to 3.82%**	1.70% to 2.81%	**-**	-
Export credit refinancing	**3.56% to 3.94%**	3.48% to 4.20%	**-**	-
Bankers' acceptance	**3.24% to 4.57%**	3.11% to 4.57%	**-**	-
Revolving credit	**1.00% to 9.15%**	1.00% to 8.75%	**4.27% to 4.63%**	-
Islamic medium term notes	**3.75% to 4.65%**	4.00% to 4.65%	**3.75% to 4.65%**	4.00% to 4.65%

(g) An amount of RM1,148,143,000 (2018: RM862,343,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

(h) Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

	Term Loans RM'000	Islamic Medium Term Notes RM'000	Short Term Borrowings RM'000	Total RM'000
Group				
At 1 October 2017	503,830	2,600,000	1,214,810	4,318,640
Cash flows				
Term loans received	218,800	-	-	218,800
Repayment of term loans	(57,277)	-	-	(57,277)
Net repayment of short term borrowings	-	-	(251,138)	(251,138)
Non-cash flows				
Currency translation differences	(17,617)	-	(17,229)	(34,846)
At 30 September 2018	**647,736**	**2,600,000**	**946,443**	**4,194,179**
Cash flows				
Term loans received	**245,468**	**-**	**-**	**245,468**
Issuance of Islamic Medium Term Notes	**-**	**2,000,000**	**-**	**2,000,000**
Repayments of term loans	**(175,642)**	**-**	**-**	**(175,642)**
Net drawdown of short term borrowings	**-**	**-**	**155,551**	**155,551**
Non-cash flows				
Currency translation differences	**(21,115)**	**-**	**(472)**	**(21,587)**
At 30 September 2019	**696,447**	**4,600,000**	**1,101,522**	**6,397,969**

	Islamic Medium Term Notes RM'000	Short Term Borrowings RM'000	Total RM'000
Company			
At 1 October 2017 and 30 September 2018	**2,600,000**	**-**	**2,600,000**
Issuance of Islamic Medium Term Notes	**2,000,000**	**-**	**2,000,000**
Net drawdown of short term borrowings	**-**	**30,000**	**30,000**
At 30 September 2019	**4,600,000**	**30,000**	**4,630,000**

35. TRADE PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Trade payables	**517,848**	555,142	**4,812**	6,439

Included in the trade payables are amounts owing to related parties of RM6,431,000 (2018: RM17,421,000).

The normal trade credit terms granted to the Group ranging from 7 to 90 (2018: 7 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS

36. OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Other payables	**410,800**	387,642	**48,649**	42,171
Accruals	**406,340**	384,850	**45,606**	55,131
Indirect tax payables	**24,603**	14,355	**-**	-
	841,743	786,847	**94,255**	97,302

37. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows (in addition to related party disclosures mentioned elsewhere in the financial statements):

	Company	
	2019	2018
	RM'000	RM'000
Sale of goods to subsidiaries	**150,743**	194,735
Purchase of goods from subsidiaries	**7,841**	11,535
Commission received from a subsidiary	**1,133**	1,501
Interest received from subsidiaries	**53,665**	51,535
Interest paid to subsidiaries	**312**	474
Rental received from a subsidiary	**545**	600
Management fees paid to subsidiaries	**12,236**	11,318
License fees paid to subsidiaries	**7,366**	11,236

(b) Significant related party transactions

Set out below are the significant related party transactions which are carried out in the mutually agreed terms for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
(i) Transactions with associates and joint ventures				
Sale of goods	**224,121**	310,373	**-**	-
Purchase of goods	**1,056,792**	1,268,263	**1,095**	790
Service charges paid	**2,726**	2,726	**915**	871
Research and development services paid	**13,687**	14,597	**13,687**	14,597
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest				
Sale of goods				
P.T. Satu Sembilan Delapan	**14,167**	13,630	**-**	-
Siam Taiko Marketing Co Ltd	**2,591**	3,224	**-**	-
Taiko Marketing Sdn Bhd	**6,968**	7,562	**-**	-
Taiko Marketing (Singapore) Pte Ltd	**3,551**	1,874	**-**	-
Storage tanks rental received				
Taiko Marketing Sdn Bhd	**4,132**	3,970	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Purchase of goods				
Borneo Taiko Clay Sdn Bhd	**4,619**	3,404	**-**	-
Bukit Katho Estate Sdn Bhd	**3,643**	4,457	**3,643**	4,457
Kampar Rubber & Tin Co Sdn Bhd	**5,554**	7,044	**5,554**	7,044
Kekal & Deras Sdn Bhd	**1,512**	1,577	**1,512**	1,577
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	**2,269**	1,001	**-**	-
Malay Rubber Plantations (M) Sdn Bhd	**5,859**	6,651	**5,859**	6,651
P.T. Agro Makmur Abadi	**52,946**	84,940	**-**	-
P.T. Bumi Karyatama Raharja	**3,044**	-	**-**	-
P.T. Java Taiko Mineralindo	**1,140**	-	**-**	-
P.T. Safari Riau	**20,394**	33,649	**-**	-
P.T. Satu Sembilan Delapan	**30,215**	17,198	**-**	-
Taiko Acid Works Sdn Bhd	**2,262**	2,362	**-**	-
Taiko Clay Marketing Sdn Bhd	**2,558**	2,320	**-**	-
Taiko Drum Industries Sdn Bhd	**3,689**	2,888	**37**	31
Taiko Marketing Sdn Bhd	**31,391**	50,217	**16**	-
Rental of office paid				
Batu Kawan Holdings Sdn Bhd	**4,646**	4,551	**1,251**	1,357
Management fees paid				
Farming Management Services Pty Ltd	**2,405**	2,327	**-**	-
Aircraft operating expenses and management services paid				
Smooth Route Sdn Bhd	**2,228**	1,936	**2,228**	1,936
Supply of contract labour and engineering works				
K7 Engineering Sdn Bhd	**1,825**	1,245	**-**	-
Yeow Brothers Engineering Sdn Bhd	**717**	956	**-**	-
IT Services				
E-Komoditi Sdn Bhd	**1,824**	-	**1,824**	-
(iii) Transactions between subsidiaries and non-controlling interests				
Sale of goods				
Mitsubishi Corporation	**42,980**	46,096	**-**	-
Mitsui & Co Ltd	**237,160**	349,788	**-**	-
Tejana Trading & Management Services Sdn Bhd	**-**	4,312	**-**	-
Purchase of goods				
Mitsubishi Gas Chemical Singapore Pte Ltd	**16,203**	17,283	**-**	-
P.T. Letawa	**-**	2,671	**-**	-
P.T. Tanjung Bina Lestari	**18,408**	27,851	**-**	-
P.T. Tanjung Sarana Lestari	**1,210,290**	1,328,873	**-**	-
Tejana Trading & Management Services Sdn Bhd	**-**	1,361	**-**	-

38. CAPITAL COMMITMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure				
Approved and contracted	**322,372**	124,864	**3,917**	5,574
Approved but not contracted	**882,148**	822,627	**102,657**	114,565
	1,204,520	947,491	**106,574**	120,139

NOTES TO THE FINANCIAL STATEMENTS

39. LEASE COMMITMENTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Lease as a lessee				
Total future minimum lease payments under non-cancellable operating leases are as follows:				
Less than 1 year	**36,417**	17,660	**1,238**	2,111
Between 1 and 5 years	**113,522**	49,662	**191**	1,419
More than 5 years	**120,137**	95,641	**-**	-
	270,076	162,963	**1,429**	3,530
Lease as a lessor				
Total future minimum lease income under non-cancellable operating leases are as follows:				
Less than 1 year	**1,921**	650	**1,686**	293
Between 1 and 5 years	**3,851**	1,312	**2,688**	361
More than 5 years	**893**	816	**-**	-
	6,665	2,778	**4,374**	654

40. CONTINGENT LIABILITIES – UNSECURED

(a) The Company has an unsecured contingent liability of RM962.7 million (2018: RM657.2 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain subsidiaries at 30 September 2019.

(b) The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

41. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) The names of subsidiaries, associates and joint ventures are detailed below:

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
PLANTATION					
PENINSULAR MALAYSIA					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	**51**	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	**100**	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	**100**	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	**100**	100	Refining of palm products
Taiko Plantations Sendirian Berhad	Malaysia	Malaysia	**100**	100	Management of plantations
Golden Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Fajar Palmkel Sdn Berhad	Malaysia	Malaysia	**100**	100	Kernel crushing
Rubber Fibreboards Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
SABAH					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	**63**	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	**85**	85	Processing and marketing of oil palm products

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
PLANTATION					
SABAH					
Golden Yield Sdn Bhd	Malaysia	Malaysia	**85**	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	**70**	70	Investment holding
INDONESIA					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	**95**	95	Plantation, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	**62**	62	Plantation
P.T. Bumi Makmur Sejahtera Jaya †	Indonesia	Indonesia	**95**	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	**92**	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	**95**	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	**95**	90	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	**60**	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	**92**	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	**95**	80	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	**95**	90	Plantation
P.T. Parit Sembada †	Indonesia	Indonesia	**90**	90	Plantation
P.T. Perindustrian Sawit Synergi †	Indonesia	Indonesia	**80**	75	Refining of palm products and kernel crushing
P.T. Putra Bongan Jaya †	Indonesia	Indonesia	**95**	95	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	**95**	95	Plantation, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	**65**	65	Plantation
P.T. KLK Agriservindo †	Indonesia	Indonesia	**100**	100	Management of plantation
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	**95**	95	Dormant
SINGAPORE					
Astra-KLK Pte Ltd †	Singapore	Singapore	**51**	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	**82**	82	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
Agro Putra Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Management of plantations
PAPUA NEW GUINEA					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	**82**	82	Dormant
UNITED KINGDOM					
Equatorial Palm Oil Plc #	United Kingdom	United Kingdom	**63**	63	Investment holding
GUERNSEY					
Equatorial Biofuels (Guernsey) Limited ††	Guernsey	Guernsey	**63**	63	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
PLANTATION					
MAURITIUS					
Liberian Palm Developments Limited ††	Mauritius	Mauritius	**82**	82	Investment holding
EBF (Mauritius) Limited ††	Mauritius	Mauritius	**82**	82	Investment holding
EPO (Mauritius) Limited ††	Mauritius	Mauritius	**82**	82	Investment holding
LIBERIA					
Liberia Forest Products Inc †	Liberia	Liberia	**82**	82	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	**82**	82	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	**82**	82	Management of plantation
Liberian Agriculture Developments Corporation †	Liberia	Liberia	**82**	82	Dormant
MANUFACTURING					
OLEOCHEMICALS					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of methyl esters
KLK Emmerich GmbH #	Germany	Germany	**100**	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	**80**	80	Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	**100**	100	Manufacturing of basic organic chemicals from agricultural products
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Trading and distribution of oleochemicals
KLK Tensachem SA †	Belgium	Belgium	**100**	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
MANUFACTURING					
OLEOCHEMICALS					
KLK Premier Capital Limited	British Virgin Islands	Malaysia	**80**	80	Investment holding and trading in commodities
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
NON-IONIC SURFACTANTS AND ESTERS					
Kolb Distribution AG #	Switzerland	Switzerland	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb AG #	Switzerland	Switzerland	**100**	100	Manufacturing of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV #	Netherlands	Netherlands	**100**	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV ††	Netherlands	Netherlands	**100**	100	Distribution of non-ionic surfactants and esters
Kolb France SARL ††	France	France	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH ††	Germany	Germany	**100**	100	Distribution of non-ionic surfactants and esters
KLK Kolb Specialties BV #	Netherlands	Netherlands	**100**	100	Manufacturing and distribution of non-ionic surfactants and esters
KLK Chemicals Holding Netherlands BV ††	Netherlands	Netherlands	**100**	100	Investment holding
GLOVE PRODUCTS					
KL-Kepong Rubber Products Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
PARQUET FLOORING					
B.K.B. Hevea Products Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
NUTRACEUTICAL, COSMETOCEUTICAL & PHARMACEUTICAL PRODUCTS					
Davos Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
STORAGE & DISTRIBUTION					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	**51**	51	Storing and distribution of bulk liquid

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
PROPERTY					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-K Holiday Bungalows Sendirian Berhad	Malaysia	Malaysia	**100**	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	**100**	100	Property management and property development
KLK Land Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Kompleks Tanjong Malim Sdn Bhd	Malaysia	Malaysia	**80**	80	Property development
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	**60**	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Coalfields Sdn Bhd (formerly known as KLK Security Services Sdn Bhd)	Malaysia	Malaysia	**100**	100	Dormant
INVESTMENT HOLDING					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	**100**	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	**100**	100	Investment holding
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
KLK Overseas Investments Limited ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
KLKI Holdings Limited †	England	England	**100**	100	Investment holding
Kuala Lumpur-Kepong Investments Limited (In Members' Voluntary Liquidation) ††	England	Malaysia	**100**	100	Dormant
Draw Fields Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
Ladang Perbadanan-Fima Berhad	Malaysia	Malaysia	**100**	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
OTHERS					
Somerset Cuisine Limited †	England	England	**100**	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd †	Australia	Australia	**100**	100	Farming
KLK Assurance (Labuan) Limited †	Malaysia	Malaysia	**100**	100	Offshore captive insurance
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant

\# Companies audited by member firms of BDO International.
†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.
† Companies not audited by BDO PLT.

NOTES TO THE FINANCIAL STATEMENTS

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

Associates	Country of Incorporation	Effective Ownership Interest and Voting Interest 2019	2018	Principal Activities
Applied Agricultural Resources Sdn Bhd	Malaysia	**50.0**	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	**40.0**	40.0	Property development
FKW Global Commodities (Pvt) Limited	Pakistan	**30.0**	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	**50.0**	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	**37.5**	37.5	Investment holding
MAPAK Edible Oils (Private) Limited	Pakistan	**30.0**	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	**30.0**	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	**22.8**	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products
Synthomer Plc *	United Kingdom	**20.1**	19.7	Speciality chemicals manufacturer
Joint ventures				
P.T. Kreasijaya Adhikarya	Indonesia	**50.0**	50.0	Refining of crude palm oil and bulking installation
Rainbow State Limited	British Virgin Islands	**50.0**	50.0	Owning and operating of aircraft

* During the financial year, Synthomer Plc ("Synthomer") became an associate of the Group through the subscriptions of rights issue and new shares in Synthomer.

(b) Acquisitions and disposals of subsidiaries

2019

Disposal and purchase of shares from non-controlling interests

During the financial year, the Group disposed the shares in the following subsidiaries for a cash consideration of RM1,373,000:

(i) 5% equity interest in P.T. Mulia Agro Permai;

(ii) 5% equity interest in P.T. Karya Makmur Abadi; and

(iii) 5% equity interest in P.T. Menteng Jaya Sawit Perdana.

Subsequently, the Group acquired additional shares in the following subsidiaries from their non-controlling interests for a cash consideration of RM46,429,000 pursuant to an out-of-court settlement with their non-controlling interests:

(i) 10% equity interest in P.T. Mulia Agro Permai;

(ii) 10% equity interest in P.T. Karya Makmur Abadi; and

(iii) 20% equity interest in P.T. Menteng Jaya Sawit Perdana.

The effect of the above equity transactions with non-controlling interests was summarised below:

	RM'000
Net consideration paid	**45,056**
Net liabilities acquired from non-controlling interests	**20,692**
	65,748
Realisation of incidental cost previously charged to profit or loss on partial disposal of shares in subsidiaries	**(115)**
Net effect on changes in shareholdings in subsidiaries to equity	**65,633**

NOTES TO THE FINANCIAL STATEMENTS

2018

Acquisition of subsidiaries

(i) On 28 February 2018, Kolb Distribution AG, a wholly-owned subsidiary of the Group, had completed the acquisition of 100% equity interest in KLK Kolb Specialties BV (formerly known as Elementis Specialties Netherlands BV) ("KKS") together with its surfactant chemicals assets and business in Delden, the Netherlands for a cash consideration of RM191,044,000.

The Delden site will expand the existing Kolb business portfolio in terms of product range and market coverage. The use of the Delden site as another hub for the Group's market penetration strategy will further accelerate growth in the Group's downstream chemical specialties business in Europe. KKS comes with a large established customer base and is expected to generate overall benefits to the Group's chemical business.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	183,721
Intangible assets	9,322
Inventories	35,549
Trade and other receivables	45,000
Cash and cash equivalents	11,089
Trade and other payables	(80,904)
Deferred tax liabilities	(12,733)
Total identifiable net assets	191,044
Purchase consideration settled in cash and cash equivalents	191,044
Fair value of identifiable net assets	(191,044)
Goodwill on consolidation	-
Purchase consideration settled in cash and cash equivalents	191,044
Cash and cash equivalents acquired	(11,089)
Net cash outflow arising from acquisition of a subsidiary	179,955

In the 7 months to 30 September 2018, the subsidiary contributed revenue of RM211.493 million and profit of RM3.459 million. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.818 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM814.551 million.

(ii) On 30 August 2018, the Company had completed the acquisition of 95% equity interest in P.T. Putra Bongan Jaya ("PBJ") for a cash consideration of RM58,819,000.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operation of oil palm plantation and participation in the crude vegetable oil industry. The acquisition is in the ordinary course of business of the Group and is also in line with the Company's business direction to expand its plantation land bank.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	287,725
Prepaid lease payments	66,227
Other receivables – Advance to Plasma plantation projects	10,691
Inventories	3,334
Trade and other receivables	22,616
Cash and cash equivalents	39,137
Trade and other payables	(52,634)
Provision for retirement benefit	(1,189)
Borrowings	(291,432)
Deferred tax liabilities	(22,560)
Total identifiable net assets	61,915

NOTES TO THE FINANCIAL STATEMENTS

	RM'000
Purchase consideration settled in cash and cash equivalents	58,819
Non-controlling interests	3,096
Fair value of identifiable net assets	(61,915)
Goodwill on consolidation	-
Purchase consideration settled in cash and cash equivalents	58,819
Cash and cash equivalents acquired	(39,137)
Net cash outflow arising from acquisition of a subsidiary	19,682

The Group incurred acquisition-related costs of RM149,000 related to professional fees which have been included in other operating expenses in profit or loss.

In the 1 month to 30 September 2018 the subsidiary contributed revenue of RM493,000 and incurred a loss of RM170,000. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.404 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM799.725 million.

(iii) On 7 September 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of the Group, had completed the acquisition of 95% equity interest in P.T. Bumi Makmur Sejahtera Jaya ("BMSJ") for a cash consideration of RM10,561,000.

The acquisition is in line with the Company's strategy to further increase the Group's oil palm plantation area in Indonesia.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	8,754
Prepaid lease payments	15,407
Other receivable – Advance to Plasma plantation projects	868
Inventories	377
Trade and other receivables	594
Cash and cash equivalents	4,173
Trade and other payables	(344)
Tax payable	(136)
Provision for retirement benefit	(625)
Borrowings	(14,381)
Deferred tax liabilities	(3,570)
Total identifiable net assets	11,117
Purchase consideration settled in cash and cash equivalents	10,561
Non-controlling interests	556
Fair value of identifiable net assets	(11,117)
Goodwill on consolidation	-
Purchase consideration settled in cash and cash equivalents	10,561
Cash and cash equivalents acquired	(4,173)
Net cash outflow arising from acquisition of a subsidiary	6,388

If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.401 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM803.855 million.

NOTES TO THE FINANCIAL STATEMENTS

Subscription of shares in a subsidiary
On 31 May 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of the Group, subscribed for 75% equity interest in P.T. Perindustrian Sawit Synergi ("PSS") for a cash consideration of RM46,780,000.

The purpose of PSS is to build, own and operate an integrated palm oil refinery complex which comprises of a new palm oil refinery plant and a new palm kernel crushing plant in East Kalimantan, Indonesia. The subscription of shares in PSS is in line with the Company's existing strategy to expand its involvement in downstream businesses by increasing its presence in the refinery and kernel crushing and strengthen its presence in East Kalimantan, Indonesia.

Incorporation of a subsidiary
Subsidiary incorporated during the financial year ended 30 September 2018 was as follows:

Subsidiary Incorporated	**Effective Group's Percentage Interest**	**Date of Incorporation**
KLK Chemicals Holding Netherlands BV	100	19 January 2018

(c) Material non-controlling interests
As at 30 September 2019 and 30 September 2018, other than the non-controlling interests in Scope Energy Sdn Bhd ("Scope Energy"), the Group does not have any other subsidiary which has non-controlling interests that are individually material to the Group.

	2019	2018
Non-controlling interests' percentage of ownership interest and voting interest in Scope Energy	**40%**	40%

	2019 RM'000	2018 RM'000
Carrying amount of non-controlling interests in Scope Energy	**361,023**	360,801
Profit allocated to non-controlling interests in Scope Energy	**223**	208

Summarised financial information (before inter-company elimination) of Scope Energy:

	2019 RM'000	2018 RM'000
(i) Summarised statement of financial position as at 30 September:		
Non-current assets	**883,888**	883,814
Current assets	**18,756**	18,248
Current liabilities	**(85)**	(60)
Net assets	**902,559**	902,002
(ii) Summarised statement of comprehensive income for the year ended 30 September:		
Dividend and interest income	**700**	663
Profit for the year	**556**	521
Total comprehensive income	**556**	521
(iii) Summarised cash flows for the year ended 30 September:		
Cash flows from operating activities	**(115)**	(147)
Cash flows from investing activities	**(16,373)**	439
Cash flows from financing activities	**-**	-
Net (decrease)/increase in cash and cash equivalents	**(16,488)**	292

(d) Dividends paid to non-controlling interests for the financial year ended 30 September 2019 were RM49,223,000 (2018: RM34,329,000).

NOTES TO THE FINANCIAL STATEMENTS

42. SEGMENT INFORMATION – GROUP

The Group has 5 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Group's Chief Executive Officer reviews internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

Plantation	Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products
Manufacturing	Manufacturing of oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid
Property development	Development of residential and commercial properties
Investment holding	Placement of deposits with licensed banks, investment in fixed income trust funds, investment in quoted and unquoted corporations and speciality chemicals manufacturing by an associate
Others	Farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.22.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2019							
Revenue							
Sale to external customers	6,338,240	8,763,397	170,359	117,765	144,126	-	15,533,887
Inter-segment sales	938,282	-	-	288,538	2,611	(1,229,431)	-
Total revenue	7,276,522	8,763,397	170,359	406,303	146,737	(1,229,431)	15,533,887
Results							
Operating results	400,371	434,551	43,921	38,009	34,580	-	951,432
Interest income	4,434	5,502	700	98,826	560	(42,230)	67,792
Finance costs	(17,028)	(55,144)	-	(128,104)	(7,622)	42,230	(165,668)
Share of profits of equity accounted associates, net of tax	11,339	713	2,734	-	-	-	14,786
Share of losses of equity accounted joint ventures, net of tax	(4,484)	-	-	-	(1,735)	-	(6,219)
Segment results	394,632	385,622	47,355	8,731	25,783	-	862,123
Corporate expense							(38,195)
Profit before taxation							823,928
Tax expense							(173,195)
Profit for the year							650,733
Assets							
Operating assets	6,648,142	6,493,297	1,506,728	3,059,430	498,395	-	18,205,992
Associates	92,944	8,501	72,403	1,315,362	-	-	1,489,210
Joint ventures	152,044	-	-	-	4,774	-	156,818
Segment assets	6,893,130	6,501,798	1,579,131	4,374,792	503,169	-	19,852,020
Tax assets							547,346
Total assets							20,399,366
Liabilities							
Segment liabilities	1,541,767	2,117,527	119,719	4,832,536	35,661	-	8,647,210
Tax liabilities							465,501
Total liabilities							9,112,711
Other information							
Depreciation of property, plant and equipment	281,873	253,842	846	44	11,534	-	548,139
Amortisation of prepaid lease payments	11,460	1,038	-	-	-	-	12,498
Non-cash expenses							
Property, plant and equipment written off	2,078	178	-	-	-	-	2,256
Retirement benefits provision	31,746	16,036	-	-	-	-	47,782
Amortisation of intangible assets	-	3,504	-	-	-	-	3,504
Impairment of property, plant and equipment	98,771	-	-	-	648	-	99,419
Impairment of prepaid lease payments	32,235	-	-	-	-	-	32,235
Impairment of trade receivables	3,499	4,025	-	-	-	-	7,524
Prepaid lease payments written off	6,025	-	-	-	-	-	6,025
Write down of inventories	43,087	18,806	-	-	85	-	61,978

NOTES TO THE FINANCIAL STATEMENTS

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2018							
Revenue							
Sale to external customers	7,836,236	10,130,080	177,676	135,059	104,902	-	18,383,953
Inter-segment sales	851,220	-	-	189,722	1,551	(1,042,493)	-
Total revenue	8,687,456	10,130,080	177,676	324,781	106,453	(1,042,493)	18,383,953
Results							
Operating results	838,908	437,436	34,984	50,091	12,203	-	1,373,622
Interest income	1,721	6,446	664	107,725	496	(36,804)	80,248
Finance costs	(9,477)	(63,766)	-	(129,076)	(9,428)	36,804	(174,943)
Share of profits of equity accounted associates, net of tax	7,122	1,007	2,190	-	-	-	10,319
Share of losses of equity accounted joint ventures, net of tax	(12,128)	-	-	-	(1,686)	-	(13,814)
Segment results	826,146	381,123	37,838	28,740	1,585	-	1,275,432
Corporate expense							(286,644)
Profit before taxation							988,788
Tax expense							(328,471)
Profit for the year							660,317
Assets							
Operating assets	6,248,157	6,503,993	1,477,059	3,311,662	554,484	-	18,095,355
Associates	72,268	7,726	73,669	-	-	-	153,663
Joint ventures	153,964	-	-	-	6,450	-	160,414
Segment assets	6,474,389	6,511,719	1,550,728	3,311,662	560,934	-	18,409,432
Tax assets							436,297
Total assets							18,845,729
Liabilities							
Segment liabilities	1,261,845	2,319,213	107,623	2,608,983	40,617	-	6,338,281
Tax liabilities							461,900
Total liabilities							6,800,181
Other information							
Depreciation of property, plant and equipment	261,192	247,414	911	32	11,724	-	521,273
Amortisation of prepaid lease payments	5,856	1,049	-	-	-	-	6,905
Non-cash expenses							
Property, plant and equipment written off	2,746	344	-	-	-	-	3,090
Retirement benefits provision	26,237	17,467	-	-	-	-	43,704
Amortisation of intangible assets	-	2,395	-	-	-	-	2,395
Impairment of property, plant and equipment	-	21,625	-	-	-	-	21,625
Impairment of trade receivables	-	1,813	-	-	-	-	1,813
Write down of inventories	31,741	11,408	-	-	34	-	43,183

NOTES TO THE FINANCIAL STATEMENTS

Additions to non-current assets, other than financial instruments (including investment in associates and joint ventures) and deferred tax assets, are as follows:

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Total RM'000
2019						
Capital expenditure	**504,448**	**123,218**	**255**	**-**	**16,637**	**644,558**
Land held for property development	**-**	**-**	**7,889**	**-**	**-**	**7,889**
Intangible assets	**-**	**3,405**	**-**	**-**	**-**	**3,405**
	504,448	**126,623**	**8,144**	**-**	**16,637**	**655,852**
2018						
Capital expenditure	407,371	137,680	1,366	-	55,637	602,054
Land held for property development	-	-	8,936	-	-	8,936
Intangible assets	-	1,762	-	-	-	1,762
	407,371	139,442	10,302	-	55,637	612,752

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments, investment in associates, joint ventures and deferred tax assets.

(i) Revenue from external customers by geographical location of customers

	2019 RM'000	2018 RM'000
Malaysia	**2,129,221**	2,510,775
Far East	**2,790,551**	4,104,179
Middle East	**326,303**	363,334
South East Asia	**3,830,126**	4,009,175
Southern Asia	**1,459,000**	1,753,317
Europe	**4,230,910**	4,811,824
North America	**312,774**	327,946
South America	**72,671**	66,679
Australia	**182,566**	131,323
Africa	**93,928**	142,651
Others	**105,837**	162,750
	15,533,887	18,383,953

(ii) Non-current assets other than financial instruments, investment in associates, joint ventures and deferred tax assets and additions to capital expenditure by geographical location of the assets

	Non-current Assets		Additions to Capital Expenditure	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Malaysia	**4,366,886**	4,298,890	**279,375**	252,742
Indonesia	**2,717,021**	2,523,059	**238,792**	156,997
Australia	**428,887**	450,308	**16,501**	55,532
People's Republic of China	**326,858**	357,841	**3,965**	3,390
Europe	**1,362,880**	1,463,704	**68,585**	63,012
Liberia	**327,859**	441,039	**37,079**	70,330
Others	**6,199**	35,919	**261**	51
	9,536,590	9,570,760	**644,558**	602,054

(c) There is no single customer with revenue equal or more than 10% of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments of the Group and of the Company are categorised as follows:

(i) Financial assets at amortised cost ("FA");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Fair value through other comprehensive income ("FVOCI"); and
(iv) Financial liabilities at amortised cost ("FL").

	Carrying Amounts RM'000	FA RM'000	FVTPL RM'000	FVOCI RM'000	FL RM'000
Group					
2019					
Financial assets					
Other investments	**411,950**	**-**	**13,966**	**397,984**	**-**
Trade receivables	**1,225,376**	**1,225,376**	**-**	**-**	**-**
Other receivables, net of prepayments and indirect tax	**772,699**	**772,699**	**-**	**-**	**-**
Contract assets	**14,867**	**14,867**	**-**	**-**	**-**
Derivative financial assets	**33,967**	**-**	**33,967**	**-**	**-**
Fixed income trust funds	**328,811**	**-**	**328,811**	**-**	**-**
Cash, deposits and bank balances	**3,370,997**	**3,370,997**	**-**	**-**	**-**
	6,158,667	**5,383,939**	**376,744**	**397,984**	**-**
Financial liabilities					
Borrowings	**6,518,826**	**-**	**-**	**-**	**6,518,826**
Trade payables	**517,848**	**-**	**-**	**-**	**517,848**
Other payables, net of indirect tax	**817,140**	**-**	**-**	**-**	**817,140**
Contract liabilities	**91,239**	**-**	**-**	**-**	**91,239**
Derivative financial liabilities	**20,558**	**-**	**20,558**	**-**	**-**
	7,965,611	**-**	**20,558**	**-**	**7,945,053**
2018					
Financial assets					
Other investments	2,390,731	-	-	2,390,731	-
Trade receivables	1,365,359	1,365,359	-	-	-
Other receivables, net of prepayments and indirect tax	468,212	468,212	-	-	-
Contract assets	48,737	48,737	-	-	-
Derivative financial assets	69,210	-	69,210	-	-
Fixed income trust funds	53,584	-	53,584	-	-
Cash, deposits and bank balances	1,419,770	1,419,770	-	-	-
	5,815,603	3,302,078	122,794	2,390,731	-
Financial liabilities					
Borrowings	4,283,213	-	-	-	4,283,213
Trade payables	555,142	-	-	-	555,142
Other payables, net of indirect tax	772,492	-	-	-	772,492
Contract liabilities	54,842	-	-	-	54,842
Derivative financial liabilities	64,219	-	64,219	-	-
	5,729,908	-	64,219	-	5,665,689

NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amounts RM'000	FA RM'000	FVTPL RM'000	FVOCI RM'000	FL RM'000
Company					
2019					
Financial assets					
Other investments	**432,129**	**-**	**-**	**432,129**	**-**
Trade receivables	**26,597**	**26,597**	**-**	**-**	**-**
Other receivables, net of prepayments and indirect tax	**27,707**	**27,707**	**-**	**-**	**-**
Amounts owing by subsidiaries	**1,520,738**	**1,520,738**	**-**	**-**	**-**
Derivative financial assets	**1,767**	**-**	**1,767**	**-**	**-**
Fixed income trust funds	**85,925**	**-**	**85,925**	**-**	**-**
Cash, deposits and bank balances	**2,295,881**	**2,295,881**	**-**	**-**	**-**
	4,390,744	**3,870,923**	**87,692**	**432,129**	**-**
Financial liabilities					
Borrowings	**4,630,000**	**-**	**-**	**-**	**4,630,000**
Trade payables	**4,812**	**-**	**-**	**-**	**4,812**
Other payables, net of indirect tax	**94,255**	**-**	**-**	**-**	**94,255**
Amounts owing to subsidiaries	**22,623**	**-**	**-**	**-**	**22,623**
Derivative financial liabilities	**104**	**-**	**104**	**-**	**-**
	4,751,794	**-**	**104**	**-**	**4,751,690**
Company					
2018					
Financial assets					
Other investments	748,344	-	-	748,344	-
Trade receivables	25,880	25,880	-	-	-
Other receivables, net of prepayments and indirect tax	21,789	21,789	-	-	-
Amounts owing by subsidiaries	1,430,445	1,430,445	-	-	-
Derivative financial assets	1,302	-	1,302	-	-
Fixed income trust funds	51,084	-	51,084	-	-
Cash, deposits and bank balances	514,779	514,779	-	-	-
	2,793,623	1,992,893	52,386	748,344	-
Financial liabilities					
Borrowings	2,600,000	-	-	-	2,600,000
Trade payables	6,439	-	-	-	6,439
Other payables, net of indirect tax	97,302	-	-	-	97,302
Amounts owing to subsidiaries	45,413	-	-	-	45,413
Derivative financial liabilities	742	-	742	-	-
	2,749,896	-	742	-	2,749,154

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss	**22,388**	6,142	**4,229**	2,366
Other investments				
- recognised in other comprehensive income	**(868,262)**	75,374	**(316,215)**	38,232
- recognised in profit or loss	**44,894**	53,662	**18,938**	17,642
	(823,368)	129,036	**(297,277)**	55,874
Financial assets at amortised cost	**82,153**	(172,518)	**44,832**	32,975
Financial liabilities at amortised cost	**(153,784)**	(182,804)	**(115,315)**	(114,104)
	(872,611)	(220,144)	**(363,531)**	(22,889)

NOTES TO THE FINANCIAL STATEMENTS

(c) Financial risk management
The Group has exposure to the following risks from the use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk
Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables
Risk management objectives, policies and processes for managing the risk
Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The Group and Company do not have any significant exposure to any individual customer.

The exposure of credit risk for trade receivables as at end of the reporting period by business segment was:

	Group		**Company**	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Plantation	**424,658**	413,006	**26,597**	25,880
Manufacturing	**756,820**	907,473	**-**	-
Property development	**41,449**	41,534	**-**	-
Others	**2,449**	3,346	**-**	-
	1,225,376	1,365,359	**26,597**	25,880

(ii) Investments and other financial assets
Risk management objectives, policies and processes for managing the risk
Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value was not material.

(iv) Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash and cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Group							
2019							
Borrowings	**6,518,826**	**0.25% to 9.15%**	**8,153,722**	**1,549,501**	**200,964**	**1,948,131**	**4,455,126**
Trade payables	**517,848**	-	**517,848**	**517,848**	-	-	-
Other payables	**817,140**	-	**817,140**	**817,140**	-	-	-
Contract liabilities	**91,239**	-	**91,239**	**91,239**	-	-	-
Derivative financial liabilities	**20,558**	-	**20,558**	**20,558**	-	-	-
	7,965,611		**9,600,507**	**2,996,286**	**200,964**	**1,948,131**	**4,455,126**
2018							
Borrowings	4,283,213	0.33% to 8.75%	4,974,459	1,341,341	217,924	1,650,267	1,764,927
Trade payables	555,142	-	555,142	555,142	-	-	-
Other payables	772,492	-	772,492	772,492	-	-	-
Contract liabilities	54,842	-	54,842	54,842	-	-	-
Derivative financial liabilities	64,219	-	64,219	64,219	-	-	-
	5,729,908		6,421,154	2,788,036	217,924	1,650,267	1,764,927

NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Company							
2019							
Borrowings	**4,630,000**	**3.75% to 4.65%**	**6,162,537**	**220,910**	**190,630**	**1,488,822**	**4,262,175**
Trade payables	**4,812**	-	**4,812**	**4,812**	-	-	-
Other payables	**94,255**	-	**94,255**	**94,255**	-	-	-
Derivative financial liabilities	**104**	-	**104**	**104**	-	-	-
Amounts owing to subsidiaries	**22,623**	-	**22,623**	**22,623**	-	-	-
	4,751,794		**6,284,331**	**342,704**	**190,630**	**1,488,822**	**4,262,175**
2018							
Borrowings	2,600,000	4.00% to 4.65%	3,278,902	113,630	113,630	1,297,822	1,753,820
Trade payables	6,439	-	6,439	6,439	-	-	-
Other payables	97,302	-	97,302	97,302	-	-	-
Derivative financial liabilities	742	-	742	742	-	-	-
Amounts owing to subsidiaries	45,413	-	45,413	45,413	-	-	-
	2,749,896		3,428,798	263,526	113,630	1,297,822	1,753,820

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

Risk management objectives, policies and processes for managing the risk

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

	Denominated in foreign currencies					
	USD	GBP	Euro	AUD	SGD	Rp
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Trade and other receivables	**282,189**	**9,078**	**244,143**	**2,302**	**1,065**	**42,312**
Short term funds	-	-	-	-	**6,551**	-
Cash and cash equivalents	**139,451**	**4,267**	**149,054**	**108**	**35,488**	**2**
Borrowings	**(188,287)**	-	**(166,558)**	-	-	-
Trade and other payables	**(61,523)**	**(169)**	**(140,959)**	**(1,849)**	**(3,325)**	-
Contract liabilities	**(33,299)**	-	**(10,930)**	-	-	-
Forward exchange contracts	**(665)**	-	**2,411**	**108**	**5**	-
Exposure in the statement of financial position	**137,866**	**13,176**	**77,161**	**669**	**39,784**	**42,314**
2018						
Trade and other receivables	358,318	12,010	303,785	3,926	651	3,057
Short term funds	-	-	-	-	6,446	-
Cash and cash equivalents	131,629	1,236	110,803	184	34,476	-
Borrowings	(186,695)	-	(199,465)	-	-	-
Trade and other payables	(63,158)	(330)	(168,116)	(482)	(2,827)	-
Contract liabilities	(30,662)	-	(7,163)	-	-	-
Forward exchange contracts	(10,504)	-	(347)	2	-	-
Exposure in the statement of financial position	198,928	12,916	39,497	3,630	38,746	3,057

NOTES TO THE FINANCIAL STATEMENTS

Company	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	PGK RM'000
	Denominated in foreign currencies					
2019						
Trade and other receivables	**6,068**	**5,232**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**69,325**	**110**	**81**	**75**	**40,823**	**-**
Amounts owing by subsidiaries	**347,025**	**234,605**	**159,782**	**192,620**	**330**	**574**
Forward exchange contracts	**(104)**	**-**	**-**	**-**	**-**	**-**
Other investment	**-**	**424,276**	**-**	**-**	**-**	**-**
Exposure in the statement of financial position	**422,314**	**664,223**	**159,863**	**192,695**	**41,153**	**574**
2018						
Trade and other receivables	7,165	5,476	-	-	-	-
Short term funds	-	-	-	-	6,446	-
Cash and cash equivalents	50,683	116	81	56	33,795	-
Amounts owing by subsidiaries	508,334	231,302	168,219	218,020	2,156	1,288
Forward exchange contracts	(389)	-	-	-	-	-
Other investment	-	741,342	-	-	-	-
Exposure in the statement of financial position	565,793	978,236	168,300	218,076	42,397	1,288

Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2019		2018	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
Functional currency/Foreign currency				
RM/GBP	**(267)**	**(21,214)**	(293)	(37,067)
RM/Euro	**6,438**	**-**	6,924	-
RM/USD	**34,476**	**-**	29,280	-
RM/SGD	**(2,064)**	**(276)**	(2,040)	(297)
CHF/Euro	**(3,496)**	**-**	(1,899)	-
Rmb/USD	**(3,333)**	**-**	(614)	-
Euro/USD	**(4,561)**	**-**	(7,721)	-
Rp/USD	**8,723**	**-**	8,546	-
USD/GBP	**(200)**	**-**	(21)	-
USD/RM	**(1,527)**	**-**	(690)	-
USD/Rp	**(2,094)**	**-**	(149)	-
SGD/USD	**(37)**	**-**	(1,081)	-
Company				
Functional currency/Foreign currency				
RM/GBP	**(11,997)**	**(21,214)**	(11,845)	(37,067)
RM/Euro	**(7,993)**	**-**	(8,415)	-
RM/USD	**(21,126)**	**-**	(28,290)	-
RM/SGD	**(2,058)**	**-**	(2,119)	-
RM/AUD	**(9,635)**	**-**	(10,904)	-
RM/PGK	**(29)**	**-**	(64)	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

Risk management objectives, policies and processes for managing the risk
The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic Medium Term Notes, long term and short term borrowings and trade financing facilities.

Exposure to interest rate risk
The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Fixed rate instruments				
Financial assets	**3,452,935**	1,335,017	**3,382,041**	1,523,482
Financial liabilities	**(5,370,683)**	(3,420,870)	**(4,630,000)**	(2,600,000)
	(1,917,748)	(2,085,853)	**(1,247,959)**	(1,076,518)
Floating rate instruments				
Financial assets	**310,607**	199,164	**469,470**	420,257
Financial liabilities	**(1,148,143)**	(862,343)	**-**	-
	(837,536)	(663,179)	**469,470**	420,257

Interest rate risk sensitivity analysis
Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments
A change of 50 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019		2018	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
Floating rate instruments				
Increase by 50 basis points	**(4,454)**	**-**	(3,292)	-
Decrease by 50 basis points	**4,454**	**-**	3,292	-

As the Company did not have any floating rate instruments as at 30 September 2019 and 30 September 2018, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

(iii) Debt and equity price risk
Debt and equity price risk arises from the Group's investments in debt and equity securities.

Risk management objectives, policies and processes for managing the risk
Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Debt and equity price risk sensitivity analysis
The analysis assumes that all other variables remain constant.

A 5% higher in debt and equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM20,159,000 (2018: RM119,147,000) and RM21,214,000 (2018: RM37,067,000) respectively. A 5% lower in debt and equity prices would have equal but opposite effect on equity.

NOTES TO THE FINANCIAL STATEMENTS

(iv) Commodity price risk
The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

Risk management objectives, policy and processes for managing the risk
The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forward in the physical market.

Commodity price risk sensitivity analysis
A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2019		2018	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
5% increase in commodities prices	**(4,792)**	**-**	3,506	-
5% decrease in commodities prices	**4,792**	**-**	(3,506)	-
Company				
5% increase in commodities prices	**(6,026)**	**-**	(1,573)	-
5% decrease in commodities prices	**6,026**	**-**	1,573	-

(g) Fair value of financial instruments
The carrying amounts of cash and bank balances, deposits with licensed banks, short term receivables and payables reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2019		2018	
	Carrying Amounts RM'000	**Fair Value RM'000**	Carrying Amounts RM'000	Fair Value RM'000
Group				
Other investments	**411,950**	**411,950**	2,390,731	2,390,731
Fixed income trust funds	**328,811**	**328,811**	53,584	53,584
Derivative financial instruments				
Forward foreign exchange contracts	**1,838**	**1,838**	(10,850)	(10,850)
Commodities future contracts	**11,571**	**11,571**	15,841	15,841
Other receivable – advance to plasma plantation projects	**233,980**	**233,980**	202,826	202,826
Borrowings	**(6,518,826)**	**(6,518,826)**	(4,283,213)	(4,283,213)
Company				
Other investments	**432,129**	**432,129**	748,344	748,344
Fixed income trust funds	**85,925**	**85,925**	51,084	51,084
Amounts owing by subsidiaries	**1,520,738**	**1,520,738**	1,430,445	1,430,445
Derivative financial instruments				
Forward foreign exchange contracts	**(104)**	**(104)**	(389)	(389)
Commodities future contracts	**1,767**	**1,767**	949	949
Borrowings	**(4,630,000)**	**(4,630,000)**	(2,600,000)	(2,600,000)
Amounts owing to subsidiaries	**(22,623)**	**(22,623)**	(45,413)	(45,413)

NOTES TO THE FINANCIAL STATEMENTS

Fair value hierarchy

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

	2019				2018			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group								
Fair value of financial instruments carried at fair value								
Other investments	**403,181**	**-**	**8,769**	**411,950**	2,382,941	-	7,790	2,390,731
Fixed income trust funds	**328,811**	**-**	**-**	**328,811**	53,584	-	-	53,584
Derivative financial instruments								
Forward foreign exchange contracts	**-**	**1,838**	**-**	**1,838**	-	(10,850)	-	(10,850)
Commodities future contracts	**11,571**	**-**	**-**	**11,571**	15,841	-	-	15,841
	743,563	**1,838**	**8,769**	**754,170**	2,452,366	(10,850)	7,790	2,449,306
Fair value of financial instruments not carried at fair value								
Other receivable – advance to plasma plantation projects	**-**	**-**	**233,980**	**233,980**	-	-	202,826	202,826
Borrowings	**-**	**-**	**(6,518,826)**	**(6,518,826)**	-	-	(4,283,213)	(4,283,213)
	-	**-**	**(6,284,846)**	**(6,284,846)**	-	-	(4,080,387)	(4,080,387)
Company								
Fair value of financial instruments carried at fair value								
Other investments	**424,276**	**-**	**7,853**	**432,129**	741,342	-	7,002	748,344
Fixed income trust funds	**85,925**	**-**	**-**	**85,925**	51,084	-	-	51,084
Derivative financial instruments								
Forward foreign exchange contracts	**-**	**(104)**	**-**	**(104)**	-	(389)	-	(389)
Commodities future contracts	**1,767**	**-**	**-**	**1,767**	949	-	-	949
	511,968	**(104)**	**7,853**	**519,717**	793,375	(389)	7,002	799,988
Fair value of financial instruments not carried at fair value								
Amounts owing by subsidiaries	**-**	**-**	**1,520,738**	**1,520,738**	-	-	1,430,445	1,430,445
Borrowings	**-**	**-**	**(4,630,000)**	**(4,630,000)**	-	-	(2,600,000)	(2,600,000)
Amounts owing to subsidiaries	**-**	**-**	**(22,623)**	**(22,623)**	-	-	(45,413)	(45,413)
	-	**-**	**(3,131,885)**	**(3,131,885)**	-	-	(1,214,968)	(1,214,968)

The following table shows a reconciliation of Level 3 fair value of other investments:

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
At beginning of the year	**7,790**	8,224	**7,002**	7,952
Net change in fair value	**979**	(434)	**851**	(950)
At end of the year	**8,769**	7,790	**7,853**	7,002

There were no transfers between all three levels of the fair value hierarchy during the financial year.

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

Level 1 Fair Value

Investments in quoted shares and commodities future contracts

The fair values of investments that are quoted in an active market and commodities future contracts are determined by reference to their quoted closing bid price at the end of the reporting period.

Fixed income trust funds

The fair value of fixed income trust funds is based on quoted price of the funds at the end of the reporting period.

Level 2 Fair Value

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on their quoted price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Level 3 Fair Value
Financial instruments not carried at fair value
Fair value of the following financial instruments not carried at fair value, which is determined for disclosure purposes, is calculated based on present value of future cash flows discounted at the market rate of interest at the end of the reporting date:
- Other receivables – advance to plasma plantation projects
- Borrowings
- Amounts owing by subsidiaries
- Amount owing to subsidiaries

Fair value of other unquoted investments is estimated based on adjusted net asset method.

Transfer between Level 1 and Level 2 fair values
There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

44. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	Group	
	2019	2018
	RM'000	RM'000
Total borrowings (Note 34)	**6,518,826**	4,283,213
Less: Short term funds (Note 28)	**(1,659,171)**	(195,579)
Less: Cash and cash equivalents (Note 29)	**(2,040,637)**	(1,277,775)
Net debt	**2,819,018**	2,809,859
Total equity	**11,286,655**	12,045,548
Net debt-to-equity ratio	**0.25**	0.23

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is not subject to any other externally imposed capital requirements other than as disclosed in Note 34 to the financial statements.

45. EXPLANATION OF TRANSITION TO MFRS

These are the first financial statements of the Group and the Company for the year ended 30 September 2019 prepared in accordance with MFRSs, including MFRS 1 *First Time Adoption of MFRS*, MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers*, MFRS 141 *Agriculture: Bearer Plants* and amendments to MFRS 116 *Property, Plant and Equipment*. The Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 October 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to reflect the financial impact on transition from FRS framework to MFRS framework as disclosed below:

(a) MFRS 1 *First Time Adoption of MFRS*
As provided in MFRS 1, first time adopters of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group and the Company have elected the applicable exemptions as follows:

(i) Exemption for business combinations
The Group has elected to apply MFRS 3 Business Combinations prospectively from the date FRS 3 Business Combinations was adopted on 1 October 2011. Business combinations that occurred prior to that date have not been restated. This election does not have any impact to the financial results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(ii) MFRS 15 *Revenue from Contracts with Customers*
The Group and the Company have elected the exemption in MFRS 1 which allows the Group and the Company not to restate any contracts that were completed before 1 October 2017. This election does not have any impact to the financial results of the Group and the Company.

(b) Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants*
Prior to the adoption of the amendments to MFRS 116 and MFRS 141, all new planting expenditure incurred on land clearing, planting and upkeep of trees to maturity was capitalised as plantation development expenditure and was not amortised except for those short land leases held in Indonesia where the plantation development expenditure was amortised using the straight-line method over the estimated productive years. Replanting expenditure was recognised in profit or loss in the year in which the expenditure was incurred. Agriculture produce which forms part of the bearer plants was not separately identified and recognised.

With the adoption of the amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are recognised as bearer plants under property, plant and equipment and measured at cost less accumulated depreciation. The agricultural produce that grows on bearer plants is measured at fair value less costs to sell. The changes in fair value less costs to sell of the produce is recognised in profit or loss.

(c) MFRS 9 *Financial Instruments*
Classification and measurement of financial assets, other than available-for-sale financial assets, and financial liabilities remain unchanged under MFRS 9.

Previously, the Group's and the Company's quoted and unquoted investments in equity instruments were classified as available-for-sale ("AFS") financial assets. Unquoted investments were measured at cost and quoted equity instruments were measured at fair value with fair value gains or losses recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain or loss recognised in OCI was reclassified from equity into profit or loss. These AFS financial assets satisfy the conditions for classification as financial assets at fair value through OCI under MFRS 9 with all subsequent changes in fair value being recognised in OCI and not subsequently transferred to profit or loss on derecognition.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. Under this new model, the Group and the Company are required to record ECL on all its financial assets at amortised cost, either on a 12-month or lifetime basis. The Group and the Company applies the simplified approach and record lifetime ECL on all trade receivables.

(d) MFRS 15 *Revenue from Contracts with Customers*
Prior to adoption of MFRS 15, the Group and the Company recognised revenue from contracts with customers when significant risks and rewards of ownership of goods and services had been transferred to the customers, recovery of the consideration was probable, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Upon adoption of MFRS 15, the Group and the Company recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group and the Company expects to be entitled in exchange for those goods and services. Revenue is recognised when a customer obtains control of goods and services, i.e. when the customer has the ability to direct the use of and obtain benefits from the goods and services.

NOTES TO THE FINANCIAL STATEMENTS

45.1 Reconciliation of Statement of Profit or Loss for the year ended 30 September 2018

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Group						
Revenue	18,400,500	-	-	(16,547)	-	18,383,953
Cost of sales	(16,156,446)	-	-	16,257	(72,264)	(16,212,453)
Gross profit	2,244,054	-	-	(290)	(72,264)	2,171,500
Other operating income	216,779	-	(10,980)	1,566	10,917	218,282
Distribution costs	(258,726)	-	-	-	-	(258,726)
Administration expenses	(536,338)	-	579	-	-	(535,759)
Other operating expenses	(369,951)	-	(177,330)	-	119,210	(428,071)
Operating profit	1,295,818	-	(187,731)	1,276	57,863	1,167,226
Finance costs	(174,943)	-	-	-	-	(174,943)
Share of profits of equity accounted associates, net of tax	10,319	-	-	-	-	10,319
Share of losses of equity accounted joint venture, net of tax	(13,814)	-	-	-	-	(13,814)
Profit before taxation	1,117,380	-	(187,731)	1,276	57,863	988,788
Tax expense	(313,276)	(182)	-	74	(15,087)	(328,471)
Profit for the year	804,104	(182)	(187,731)	1,350	42,776	660,317
Attributable to:						
Equity holders of the Company	753,328	(182)	(188,074)	1,126	43,168	609,366
Non-controlling interests	50,776	-	343	224	(392)	50,951
	804,104	(182)	(187,731)	1,350	42,776	660,317
Company						
Revenue	1,367,519	-	-	-	-	1,367,519
Cost of sales	(531,897)	-	-	-	(28,005)	(559,902)
Gross profit	835,622	-	-	-	(28,005)	807,617
Other operating income	66,582	-	-	-	-	66,582
Distribution costs	(12,310)	-	-	-	-	(12,310)
Administration expenses	(85,070)	-	-	-	-	(85,070)
Other operating expenses	(122,717)	-	-	-	41,394	(81,323)
Operating profit	682,107	-	-	-	13,389	695,496
Finance costs	(114,104)	-	-	-	-	(114,104)
Profit before taxation	568,003	-	-	-	13,389	581,392
Tax expense	(57,012)	-	-	-	(2,681)	(59,693)
Profit for the year	510,991	-	-	-	10,708	521,699
Attributable to:						
Equity holders of the Company	510,991	-	-	-	10,708	521,699
Non-controlling interests	-	-	-	-	-	-
	510,991	-	-	-	10,708	521,699

NOTES TO THE FINANCIAL STATEMENTS

45.2 Reconciliation of Statement of Other Comprehensive Income for the year ended 30 September 2018

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Group						
Profit for the year	804,104	(182)	(187,731)	1,350	42,776	660,317
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss						
Currency translation differences	(461,957)	(1)	189,256	(18)	(3,381)	(276,101)
Net change in fair value of other investments	76,672	-	(76,672)	-	-	-
Realisation on fair value of other investments	(2,278)	-	2,278	-	-	-
	(387,563)	(1)	114,862	(18)	(3,381)	(276,101)
Other comprehensive income that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity instruments	-	-	75,374	-	-	75,374
Remeasurement of defined benefit plans	2,139	-	-	-	-	2,139
	2,139	-	75,374	-	-	77,513
Total other comprehensive (loss)/income for the year	(385,424)	(1)	190,236	(18)	(3,381)	(198,588)
Total comprehensive income/(loss) for the year	418,680	(183)	2,505	1,332	39,395	461,729
Attributable to:						
Equity holders of the Company	388,950	(183)	2,150	1,109	40,299	432,325
Non-controlling interests	29,730	-	355	223	(904)	29,404
	418,680	(183)	2,505	1,332	39,395	461,729
Company						
Profit for the year	510,991	-	-	-	10,708	521,699
Other comprehensive income that will be reclassified subsequently to profit or loss						
Net change in fair value of other investments	39,183	-	(39,183)	-	-	-
Other comprehensive income that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity instruments	-	-	38,232	-	-	38,232
Total other comprehensive income/(loss) for the year	39,183	-	(951)	-	-	38,232
Total comprehensive income/(loss) for the year	550,174	-	(951)	-	10,708	559,931
Attributable to:						
Equity holders of the Company	550,174	-	(951)	-	10,708	559,931
Non-controlling interests	-	-	-	-	-	-
	550,174	-	(951)	-	10,708	559,931

NOTES TO THE FINANCIAL STATEMENTS

45.3 Reconciliation of Statement of Financial Position at 30 September 2018

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Group						
Assets						
Property, plant and equipment	5,254,777	-	-	-	2,501,794	7,756,571
Prepaid lease payments	375,120	-	-	-	-	375,120
Biological assets	2,689,160	-	-	-	(2,689,160)	-
Inventories	-	1,100,407	-	-	-	1,100,407
Land held for property development	1,100,407	(1,100,407)	-	-	-	-
Goodwill on consolidation	315,304	-	-	-	-	315,304
Intangible assets	23,358	-	-	-	-	23,358
Investment in associates	153,663	-	-	-	-	153,663
Investment in joint ventures	160,414	-	-	-	-	160,414
Available-for-sale investments	2,384,374	-	(2,384,374)	-	-	-
Other investments	-	-	2,390,731	-	-	2,390,731
Other receivable	202,826	-	-	-	-	202,826
Deferred tax assets	383,921	-	-	-	(7,925)	375,996
Total non-current assets	13,043,324	-	6,357	-	(195,291)	12,854,390
Inventories	2,098,250	186,733	-	-	-	2,284,983
Biological assets	41,906	-	-	-	59,561	101,467
Trade receivables	1,435,050	-	(20,954)	(48,737)	-	1,365,359
Other receivables, deposit and prepayments	634,040	(46,112)	-	-	-	587,928
Contract assets	-	-	-	48,737	-	48,737
Tax recoverable	60,301	-	-	-	-	60,301
Property development costs	140,621	(140,621)	-	-	-	-
Derivative financial assets	69,210	-	-	-	-	69,210
Short term funds	195,579	-	-	-	-	195,579
Cash and cash equivalents	1,277,775	-	-	-	-	1,277,775
Total current assets	5,952,732	-	(20,954)	-	59,561	5,991,339
Total assets	**18,996,056**	**-**	**(14,597)**	**-**	**(135,730)**	**18,845,729**
Equity						
Share capital	1,196,962	(129,172)	-	-	-	1,067,790
Reserves	10,241,427	202,292	(12,727)	-	(318,425)	10,112,567
	11,438,389	73,120	(12,727)	-	(318,425)	11,180,357
Less: Cost of treasury shares	(13,447)	-	-	-	-	(13,447)
Total equity attributable to equity holders of the Company	11,424,942	73,120	(12,727)	-	(318,425)	11,166,910
Non-controlling interests	885,905	-	(1,870)	-	(5,397)	878,638
Total equity	**12,310,847**	**73,120**	**(14,597)**	**-**	**(323,822)**	**12,045,548**
Liabilities						
Deferred tax liabilities	299,452	(73,120)	-	-	188,092	414,424
Deferred income	119,004	-	-	-	-	119,004
Provision for retirement benefits	467,067	-	-	-	-	467,067
Borrowings	3,062,099	-	-	-	-	3,062,099
Total non-current liabilities	3,947,622	(73,120)	-	-	188,092	4,062,594
Trade payables	555,142	-	-	-	-	555,142
Other payables	841,689	-	-	(54,842)	-	786,847
Contract liabilities	-	-	-	54,842	-	54,842
Deferred income	7,947	-	-	-	-	7,947
Borrowings	1,221,114	-	-	-	-	1,221,114
Tax payable	47,476	-	-	-	-	47,476
Derivative financial liabilities	64,219	-	-	-	-	64,219
Total current liabilities	2,737,587	-	-	-	-	2,737,587
Total liabilities	**6,685,209**	**(73,120)**	**-**	**-**	**188,092**	**6,800,181**
Total equity and liabilities	**18,996,056**	**-**	**(14,597)**	**-**	**(135,730)**	**18,845,729**

NOTES TO THE FINANCIAL STATEMENTS

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Company						
Assets						
Property, plant and equipment	1,162,720	-	-	-	627,592	1,790,312
Prepaid lease payments	700	-	-	-	-	700
Biological assets	735,083	-	-	-	(735,083)	-
Investment in subsidiaries	4,620,199	7,353	-	-	-	4,627,552
Investment in associates	25,725	-	-	-	-	25,725
Available-for-sale investments	741,701	-	(741,701)	-	-	-
Other investments	-	-	748,344	-	-	748,344
Amount owing by subsidiaries	1,303,700	-	-	-	-	1,303,700
Total non-current assets	8,589,828	7,353	6,643	-	(107,491)	8,496,333
Inventories	50,579	7,187	-	-	-	57,766
Biological assets	-	-	-	-	17,540	17,540
Trade receivables	25,880	-	-	-	-	25,880
Other receivables, deposit and prepayments	33,002	(7,187)	-	-	-	25,815
Amount owing by subsidiaries	126,745	-	-	-	-	126,745
Derivative financial assets	1,302	-	-	-	-	1,302
Short term funds	134,046	-	-	-	-	134,046
Cash and cash equivalents	431,817	-	-	-	-	431,817
Total current assets	803,371	-	-	-	17,540	820,911
Total assets	**9,393,199**	**7,353**	**6,643**	**-**	**(89,951)**	**9,317,244**
Equity						
Share capital	1,067,790	-	-	-	-	1,067,790
Reserves	5,553,227	8,685	6,643	-	(240,246)	5,328,309
	6,621,017	8,685	6,643	-	(240,246)	6,396,099
Less: Cost of treasury shares	(13,447)	-	-	-	-	(13,447)
Total equity	**6,607,570**	**8,685**	**6,643**	**-**	**(240,246)**	**6,382,652**
Liabilities						
Deferred tax liabilities	432	(1,332)	-	-	150,295	149,395
Provision for retirement benefits	24,168	-	-	-	-	24,168
Borrowings	2,600,000	-	-	-	-	2,600,000
Total non-current liabilities	2,624,600	(1,332)	-	-	150,295	2,773,563
Trade payables	6,439	-	-	-	-	6,439
Other payables	97,302	-	-	-	-	97,302
Amount owing to subsidiaries	45,413	-	-	-	-	45,413
Tax payable	11,133	-	-	-	-	11,133
Derivative financial liabilities	742	-	-	-	-	742
Total current liabilities	161,029	-	-	-	-	161,029
Total liabilities	**2,785,629**	**(1,332)**	**-**	**-**	**150,295**	**2,934,592**
Total equity and liabilities	**9,393,199**	**7,353**	**6,643**	**-**	**(89,951)**	**9,317,244**

NOTES TO THE FINANCIAL STATEMENTS

45.4 Reconciliation of Statement of Financial Position at 1 October 2017

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Group						
Assets						
Property, plant and equipment	5,220,852	-	-	-	2,363,924	7,584,776
Prepaid lease payments	309,611	-	-	-	-	309,611
Biological assets	2,624,038	-	-	-	(2,624,038)	-
Inventories	-	1,091,471	-	-	-	1,091,471
Land held for property development	1,091,471	(1,091,471)	-	-	-	-
Goodwill on consolidation	324,686	-	-	-	-	324,686
Intangible assets	15,325	-	-	-	-	15,325
Investment in associates	144,538	-	-	-	-	144,538
Investment in joint ventures	158,902	-	-	-	-	158,902
Available-for-sale investments	2,270,239	-	(2,270,239)	-	-	-
Other investments	-	-	2,277,603	-	-	2,277,603
Other receivable	210,272	-	-	-	-	210,272
Deferred tax assets	439,794	-	-	(80)	(7,364)	432,350
Total non-current assets	12,809,728	-	7,364	(80)	(267,478)	12,549,534
Inventories	1,796,929	194,959	-	(17,558)	-	1,974,330
Biological assets	37,806	-	-	-	78,910	116,716
Trade receivables	1,816,627	-	(24,466)	17,851	-	1,810,012
Other receivables, deposit and prepayments	697,762	(40,263)	-	-	-	657,499
Contract assets	-	-	-	280	-	280
Tax recoverable	38,642	-	-	-	-	38,642
Property development costs	154,696	(154,696)	-	-	-	-
Derivative financial assets	110,748	-	-	-	-	110,748
Short term funds	578,489	-	-	-	-	578,489
Cash and cash equivalents	1,462,687	-	-	-	-	1,462,687
Total current assets	6,694,386	-	(24,466)	573	78,910	6,749,403
Total assets	**19,504,114**	**-**	**(17,102)**	**493**	**(188,568)**	**19,298,937**
Equity						
Share capital	1,184,764	(116,974)	-	-	-	1,067,790
Reserves	10,397,158	190,277	(14,877)	(1,109)	(358,724)	10,212,725
	11,581,922	73,303	(14,877)	(1,109)	(358,724)	11,280,515
Less: Cost of treasury shares	(13,447)	-	-	-	-	(13,447)
Total equity attributable to equity holders of the Company	11,568,475	73,303	(14,877)	(1,109)	(358,724)	11,267,068
Non-controlling interests	871,567	-	(2,225)	(223)	(4,493)	864,626
Total equity	**12,440,042**	**73,303**	**(17,102)**	**(1,332)**	**(363,217)**	**12,131,694**
Liabilities						
Deferred tax liabilities	259,056	(73,303)	-	-	174,649	360,402
Deferred income	117,365	-	-	-	-	117,365
Provision for retirement benefits	479,132	-	-	-	-	479,132
Borrowings	3,067,168	-	-	-	-	3,067,168
Total non-current liabilities	3,922,721	(73,303)	-	-	174,649	4,024,067
Trade payables	795,316	-	-	(6,766)	-	788,550
Other payables	767,507	-	-	(49,333)	-	718,174
Contract liabilities	-	-	-	57,924	-	57,924
Deferred income	7,808	-	-	-	-	7,808
Borrowings	1,375,596	-	-	-	-	1,375,596
Tax payable	90,511	-	-	-	-	90,511
Derivative financial liabilities	104,613	-	-	-	-	104,613
Total current liabilities	3,141,351	-	-	1,825	-	3,143,176
Total liabilities	**7,064,072**	**(73,303)**	**-**	**1,825**	**174,649**	**7,167,243**
Total equity and liabilities	**19,504,114**	**-**	**(17,102)**	**493**	**(188,568)**	**19,298,937**

NOTES TO THE FINANCIAL STATEMENTS

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Company						
Assets						
Property, plant and equipment	1,169,811	-	-	-	604,921	1,774,732
Prepaid lease payments	721	-	-	-	-	721
Biological assets	735,741	-	-	-	(735,741)	-
Investment in subsidiaries	4,728,169	7,353	-	-	-	4,735,522
Investment in associates	25,725	-	-	-	-	25,725
Available-for-sale investments	702,517	-	(702,517)	-	-	-
Other investments	-	-	710,111	-	-	710,111
Amount owing by subsidiaries	1,331,771	-	-	-	-	1,331,771
Deferred tax assets	3,144	-	-	-	(3,144)	-
Total non-current assets	8,697,599	7,353	7,594	-	(133,964)	8,578,582
Inventories	39,891	7,302	-	-	-	47,193
Biological assets	-	-	-	-	27,480	27,480
Trade receivables	40,877	-	-	-	-	40,877
Other receivables, deposit and prepayments	35,386	(7,302)	-	-	-	28,084
Amount owing by subsidiaries	22,524	-	-	-	-	22,524
Derivative financial assets	463	-	-	-	-	463
Short term funds	383,629	-	-	-	-	383,629
Cash and cash equivalents	253,151	-	-	-	-	253,151
Total current assets	775,921	-	-	-	27,480	803,401
Total assets	**9,473,520**	**7,353**	**7,594**	**-**	**(106,484)**	**9,381,983**
Equity						
Share capital	1,067,790	-	-	-	-	1,067,790
Reserves	5,535,536	8,685	7,594	-	(250,954)	5,300,861
	6,603,326	8,685	7,594	-	(250,954)	6,368,651
Less: Cost of treasury shares	(13,447)	-	-	-	-	(13,447)
Total equity	**6,589,879**	**8,685**	**7,594**	**-**	**(250,954)**	**6,355,204**
Liabilities						
Deferred tax liabilities	-	(1,332)	-	-	144,470	143,138
Provision for retirement benefits	24,137	-	-	-	-	24,137
Borrowings	2,600,000	-	-	-	-	2,600,000
Total non-current liabilities	2,624,137	(1,332)	-	-	144,470	2,767,275
Trade payables	6,309	-	-	-	-	6,309
Other payables	106,200	-	-	-	-	106,200
Amount owing to subsidiaries	125,582	-	-	-	-	125,582
Tax payable	21,236	-	-	-	-	21,236
Derivative financial liabilities	177	-	-	-	-	177
Total current liabilities	259,504	-	-	-	-	259,504
Total liabilities	**2,883,641**	**(1,332)**	**-**	**-**	**144,470**	**3,026,779**
Total equity and liabilities	**9,473,520**	**7,353**	**7,594**	**-**	**(106,484)**	**9,381,983**

NOTES TO THE FINANCIAL STATEMENTS

45.5 Reconciliation of Statement of Cash Flow for the year ended 30 September 2018

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Group						
Cash flow from operating activities						
Profit before taxation	1,117,380	-	(187,731)	1,276	57,863	988,788
Adjustments for:						
Depreciation of property, plant and equipment	392,285	-	-	-	128,988	521,273
Amortisation of leasehold land	2,952	-	-	-	(2,952)	-
Amortisation of biological assets	68,792	-	-	-	(68,792)	-
Amortisation of prepaid lease payments	6,905	-	-	-	-	6,905
Amortisation of intangible assets	2,395	-	-	-	-	2,395
Amortisation of deferred income	(7,926)	-	-	-	-	(7,926)
Impairment of property, plant and equipment	21,625	-	-	-	-	21,625
Impairment in value of available-for-sale investments	579	-	(579)	-	-	-
Property, plant and equipment written off	3,090	-	-	-	-	3,090
Gain on disposal of property, plant and equipment	(2,391)	-	-	-	-	(2,391)
Surplus on government acquisition of land	(24,034)	-	-	-	-	(24,034)
Surplus on disposal of land	(2,445)	-	-	-	-	(2,445)
Surplus on disposal of available-for-sale investments	(2,566)	-	2,566	-	-	-
Retirement benefits provision	43,704	-	-	-	-	43,704
Impairment of trade receivables	463	-	1,350	-	-	1,813
Write-off of trade receivables	165	-	-	-	-	165
Reversal of impairment of trade receivables	(807)	-	(4,549)	-	-	(5,356)
Write down of inventories	43,183	-	-	-	-	43,183
Write back of slow moving inventories	(1,208)	-	-	-	-	(1,208)
Write back of inventories written down to net realisable value	(7,874)	-	-	-	-	(7,874)
Finance costs	174,943	-	-	-	-	174,943
Dividend income	(54,811)	-	-	-	-	(54,811)
Interest income	(80,248)	-	-	-	-	(80,248)
Exchange loss	75,214	-	188,943	13	-	264,170
Net change in fair value of derivatives	2,232	-	-	-	-	2,232
Net change in fair value of biological assets	-	-	-	-	13,859	13,859
Share of profits of equity accounted associates, net of tax	(10,319)	-	-	-	-	(10,319)
Share of losses of equity accounted joint ventures, net of tax	13,814	-	-	-	-	13,814
Operating profit before working capital changes	1,775,092	-	-	1,289	128,966	1,905,347
Working capital changes:						
Property development costs	16,474	-	-	-	-	16,474
Inventories	(345,013)	(5,849)	-	(15,548)	-	(366,410)
Biological assets	(7,743)	-	-	-	1,160	(6,583)
Trade and other receivables	463,177	5,849	-	64,541	-	533,567
Contract assets	-	-	-	(48,716)	-	(48,716)
Trade and other payables	(562,918)	-	-	(6,840)	(658)	(570,416)
Contract liabilities	-	-	-	5,274	-	5,274
Deferred income	9,826	-	-	-	-	9,826
Cash generated from operations	1,348,895	-	-	-	129,468	1,478,363
Interest paid	(171,983)	-	-	-	-	(171,983)
Tax paid	(350,420)	-	-	-	-	(350,420)
Retirement benefits paid	(31,102)	-	-	-	-	(31,102)
Net cash generated from operating activities	795,390	-	-	-	129,468	924,858

NOTES TO THE FINANCIAL STATEMENTS

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Cash flow from investing activities						
Purchase of property, plant and equipment	(364,581)	-	-	-	(227,599)	(592,180)
Payment of prepaid lease	(5,317)	-	-	-	-	(5,317)
Plantation development expenditure	(98,131)	-	-	-	98,131	-
Property development expenditure	(8,936)	-	-	-	-	(8,936)
Purchase of shares in subsidiaries, net of cash acquired	(206,025)	-	-	-	-	(206,025)
Purchase of other investments	(78,033)	-	-	-	-	(78,033)
Purchase of intangible assets	(1,762)	-	-	-	-	(1,762)
Proceeds from disposal of property, plant and equipment	5,214	-	-	-	-	5,214
Compensation from government on land acquired	25,404	-	-	-	-	25,404
Proceeds from disposal of other investments	7,591	-	-	-	-	7,591
Advance to joint ventures	(19,990)	-	-	-	-	(19,990)
Decrease in short term funds	375,106	-	-	-	-	375,106
Dividend received from associates	6,641	-	-	-	-	6,641
Dividend received from investments	47,402	-	-	-	-	47,402
Interest received	72,012	-	-	-	-	72,012
Net cash used in investing activities	(243,405)	-	-	-	(129,468)	(372,873)
Cash flow from financing activities						
Term loan received	218,800	-	-	-	-	218,800
Repayment of term loans	(57,277)	-	-	-	-	(57,277)
Net repayment of short term borrowings	(251,138)	-	-	-	-	(251,138)
Dividend paid to shareholders of the Company	(532,483)	-	-	-	-	(532,483)
Dividend paid to non-controlling interests	(34,329)	-	-	-	-	(34,329)
Issuance of shares to non-controlling interests	15,285	-	-	-	-	15,285
Decrease in other receivable	8,470	-	-	-	-	8,470
Net cash used in financing activities	(632,672)	-	-	-	-	(632,672)
Net decrease in cash and cash equivalents	(80,687)	-	-	-	-	(80,687)
Cash and cash equivalents at beginning of year	1,338,563	-	-	-	-	1,338,563
Currency translation differences on opening balances	(69,135)	-	-	-	-	(69,135)
Cash and cash equivalents at end of year	1,188,741	-	-	-	-	1,188,741

NOTES TO THE FINANCIAL STATEMENTS

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Company						
Cash flow from operating activities						
Profit before taxation	568,003	-	-	-	13,389	581,392
Adjustments for:						
Depreciation of property, plant and equipment	29,958	-	-	-	43,110	73,068
Amortisation of leasehold land	3,036	-	-	-	(3,036)	-
Amortisation of prepaid lease payments	21	-	-	-	-	21
Property, plant and equipment written off	911	-	-	-	-	911
Gain on disposal of property, plant and equipment	(580)	-	-	-	-	(580)
Surplus on government acquisition of land	(24,034)	-	-	-	-	(24,034)
Surplus on liquidation of subsidiaries	(20,277)	-	-	-	-	(20,277)
Retirement benefits provision	611	-	-	-	-	611
Exchange loss	47,111	-	-	-	-	47,111
Net change in fair value of biological assets	-	-	-	-	9,940	9,940
Net change in fair value of derivatives	(561)	-	-	-	-	(561)
Write down of inventories	3,219	-	-	-	-	3,219
Finance costs	114,104	-	-	-	-	114,104
Dividend income	(388,250)	-	-	-	-	(388,250)
Interest income	(77,544)	-	-	-	-	(77,544)
Operating profit before working capital changes	255,728	-	-	-	63,403	319,131
Working capital changes:						
Inventories	(13,906)	115	-	-	-	(13,791)
Trade and other receivables	20,688	(115)	-	-	-	20,573
Trade and other payables	(9,016)	-	-	-	(658)	(9,674)
Cash generated from operations	253,494	-	-	-	62,745	316,239
Interest paid	(113,857)	-	-	-	-	(113,857)
Tax paid	(62,135)	-	-	-	-	(62,135)
Retirement benefits paid	(580)	-	-	-	-	(580)
Net cash generated from operating activities	76,922	-	-	-	62,745	139,667
Cash flow from investing activities						
Purchase of property, plant and equipment	(27,527)	-	-	-	(62,745)	(90,272)
Subscription of shares in subsidiaries	(79,503)	-	-	-	-	(79,503)
Proceeds from disposal of property, plant and equipment	581	-	-	-	-	581
Compensation from government on land acquired	25,404	-	-	-	-	25,404
Redemption of redeemable preference shares by subsidiaries	116,980	-	-	-	-	116,980
Loan repayment to subsidiaries	(112,550)	-	-	-	-	(112,550)
Decrease in short term funds	249,583	-	-	-	-	249,583
Dividend received from subsidiaries	362,625	-	-	-	-	362,625
Dividend received from associates	6,449	-	-	-	-	6,449
Dividend received from investments	12,400	-	-	-	-	12,400
Interest received	79,785	-	-	-	-	79,785
Net cash generated from/(used in) investing activities	634,227	-	-	-	(62,745)	571,482

NOTES TO THE FINANCIAL STATEMENTS

	Previously stated under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated under MFRSs RM'000
Cash flow from financing activities						
Dividend paid to shareholders of the Company	(532,483)	-	-	-	-	(532,483)
Net cash used in financing activities	(532,483)	-	-	-	-	(532,483)
Net increase in cash and cash equivalents	178,666	-	-	-	-	178,666
Cash and cash equivalents at beginning of year	253,151	-	-	-	-	253,151
Cash and cash equivalents at end of year	431,817	-	-	-	-	431,817

46. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 10 December 2019.

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

In the opinion of the Directors, the financial statements set out on pages 116 to 204 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 and of their financial performance and cash flows for the financial year then ended.

On Behalf of the Board

R. M. ALIAS	**TAN SRI DATO' SERI LEE OI HIAN**
(Chairman)	(Chief Executive Officer)

10 December 2019

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

I, Leong Sean Meng (MIA: CA 6548), being the officer primarily responsible for the financial management of Kuala Lumpur Kepong Berhad, do solemnly and sincerely declare that the financial statements set out on pages 116 to 204 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared	)	
by the abovenamed at Ipoh in the	)	
State of Perak Darul Ridzuan this	)	
10th day of December 2019.	)	**LEONG SEAN MENG**

Before me,

MURUGAN A/L KRISHNAN
Commissioner for Oaths
Ipoh, Perak Darul Ridzuan,
Malaysia.

REPORT OF THE AUDITORS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KUALA LUMPUR KEPONG BERHAD

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Kuala Lumpur Kepong Berhad, which comprise the statements of financial position as at 30 September 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 204.

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 30 September 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance 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.

(a) Adoption of Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants*
The adoption of Amendments to MFRS 116 and MFRS 141 ("the Amendments") has resulted in a change in the accounting of the Group and of the Company for new planting expenditure and replanting expenditure ("bearer plants"). As disclosed in Note 45 to the financial statements, the transition to MFRS has been applied retrospectively and comparative figures of the Group and of the Company have been restated.

Bearer plants of the Group and of the Company as at 30 September 2019 amounted to RM2,743,985,000 and RM662,178,000 respectively as disclosed in Note 12 to the financial statements.

We determined this to be a key audit matter as the adoption of the Amendments has resulted in material adjustments being made to certain account balances, including the restatement of comparatives of the Group and of the Company.

Audit response
Our audit procedures included the following:

(i) with respect to bearer plants, obtained an understanding of management's identification of the costs of bearer plants that can be capitalised and verified the accuracy of these costs of bearer plants;

(ii) assessed whether the adjustments to the respective account balances and restatements have been made in accordance with the requirements set out in the MFRS 1 and Amendments to MFRS 116 and MFRS 141; and

(iii) assessed the adequacy of the disclosures related to the adoption of MFRS 1 and Amendments to MFRS 116 and MFRS 141.

REPORT OF THE AUDITORS

(b) Impairment assessment of the carrying amounts of property, plant and equipment and prepaid lease payments

The carrying amount of property, plant and equipment and prepaid lease payments of the Group amounted to RM7,749,121,000 and RM340,256,000 respectively, net of accumulated impairment losses of RM212,643,000 and RM52,099,000 respectively, which represented 72% of the net assets of the Group. As disclosed in Note 12 to the financial statements, the Group recognised impairment losses amounting to RM99,419,000 and RM32,235,000 in respect of property, plant and equipment and prepaid lease payments respectively.

We have focused on the impairment assessment as the process requires significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGUs") in determining their recoverable amounts. These key assumptions include projected profit margins and growth rates as well as determining appropriate pre-tax discount rates used for each of the CGUs.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) assessed the historical reliability of projections of the Group by comparing prior period projection to actual results for the financial year;

(ii) evaluated the reasonableness of the key assumptions applied by management in the projections by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable;

(iii) performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

(c) Annual impairment assessment of the carrying amount of goodwill on consolidation

Goodwill on consolidation of the Group is allocated to three (3) CGUs, which are plantation, manufacturing and property with a total carrying amount of RM316,836,000 as disclosed in Note 15 to the financial statements. In relation to this, management is required to perform impairment assessment on an annual basis.

We determined the impairment assessment of goodwill for the plantation and manufacturing CGUs to be a key audit matter because the determination of the recoverable amounts of goodwill for these CGUs requires management to exercise significant judgement and estimates about the future results and the key assumptions applied to cash flow projections of the CGUs, including projected growth rates, commodity prices and volumes, operational costs, appropriate pre-tax discount rates, as well as industry trends and past performances.

Audit response

Our audit procedures included the following:

(i) assessed the historical reliability of projections of the Group by comparing prior period projection to actual results for the financial year;

(ii) evaluated the reasonableness of the key assumptions applied by management in the projections by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable;

(iii) performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT OF THE AUDITORS

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 MFRSs, IFRSs, 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 ability of the Group and of the Company 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism 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 internal control of the Group and of the Company.

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

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

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

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

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

REPORT OF THE AUDITORS

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.

Report on Other Legal and Regulatory Requirements
In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 41 to the financial statements.

Other Matters

(a) As stated in Note 2 to the financial statements, Kuala Lumpur Kepong Berhad adopted the MFRSs on 1 October 2018 with a transition date of 1 October 2017. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 September 2018 and 1 October 2017, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30 September 2018 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibility as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 September 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 October 2018 do not contain misstatements that materially affect the financial position as at 30 September 2019 and the financial performance and cash flows for the financial year then ended.

(b) The financial statements of the Group and of the Company for the financial year ended 30 September 2018 were audited by another firm of chartered accountants whose report dated 7 December 2018 expressed an unmodified opinion on those statements.

(c) 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.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Rejeesh A/L Balasubramaniam
02895/08/2020 J
Chartered Accountant

Kuala Lumpur

10 December 2019

OTHERS

Replant at Ladang Rimmer, Sabah, Malaysia

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

PLANTATION

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA#	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KEDAH							
Ladang Pelam Baling	Freehold	–	2,960	Oil palm and rubber estate	–	37,389	1986 1992
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	33	30,249	1986
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	–	9,974	1986
PERAK							
Ladang Lekir Manjung	Freehold	–	3,307	Oil palm estate	–	167,362	2008
Ladang Changkat Chermin Manjung	Leasehold	2080	2,525	Oil palm estate and palm oil mill	36	85,648	2008
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	–	57,181	2008
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	1,007 333	Oil palm and rubber estate	–	59,096	1979* 2016
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	–	26,386	1986
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm estate	–	21,401	1992
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	–	12,308	1979* 1992
Ladang Allagar Trong	Freehold Leasehold	– 2908	525 248	Oil palm estate	–	9,246	1986
SELANGOR							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	39 44	20,670	1979*
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,394	Oil palm estate and palm oil mill	46	28,924	1979*
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	–	42,661	1979* 1985 2002
Fajar Palmkel Rawang	Freehold	–	16,000 sq m	Kernel crushing plant	–	9,070	2019
NEGERI SEMBILAN							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	–	38,510	1985
Ladang Batang Jelai Rompin	Freehold	–	2,050	Oil palm and rubber estate	–	26,915	1985
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill, rubber factory and biogas power plant	30 30 1	28,028	1985
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	–	31,995	1985
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	–	11,332	1985
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	–	18,236	1985

* Year of last revaluation
\# Titled area is in hectares except otherwise indicated

PROPERTIES HELD BY THE GROUP

AS AT 30 SEPTEMBER 2019

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
JOHOR							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	–	25,543	1979*
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate, palm oil mill and biogas power plant	13 3	34,061	1979*
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	46	31,279	1979*
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate	–	26,053	1979*
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	–	36,832	1979*
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	–	15,153	1979*
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	–	19,237	1988
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	–	8,586	1979*
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	–	10,162	1979*
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	–	8,951	1984
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	36	1,569	1985
PAHANG							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	–	22,831	1979*
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	–	23,674	1979*
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	–	12,774	1979*
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate	–	27,572	1992
Ladang Kemasul Mengkarak	Freehold	–	459	Oil palm and rubber estate	–	2,495	1983
KELANTAN							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Oil palm and rubber estate and rubber factory	19	32,269	1992
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	44	34,939	1992
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	951 1,155	Oil palm estate and palm oil mill	38	32,223	1981*
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	–	30,379	1992
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	–	7,704	1980*

* Year of last revaluation

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
SABAH							
TAWAU REGION							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	–	52,794	1991
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	–	14,100	1983
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	18	43,139	1983
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	–	18,342	1983
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	–	16,093	1983
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	–	36,843	1983
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate, palm oil mills and biogas power plant	32 & 36 7	29,410	1983
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	–	18,940	1989
LAHAD DATU REGION							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	–	34,230	1991*
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	21	13,600	1992
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	–	15,875	1993
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	–	30,801	1990*
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate	–	41,712	1991*
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	–	11,672	1993
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	19	11,343	1991*
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	16 12	9,968	1998
	Leasehold	2110	2	PKC warehouse	10	4,828	2007

INDONESIA

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
BELITUNG ISLAND							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery, kernel crushing plant and biogas power plant	20 6 6 6	55,390	1994
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	12	12,027	2003
Kebun Alam Karya Sejahtera	Hak Guna Usaha	2050 and 2053	2,335	Oil palm estate	–	53,008	2010

* Year of last revaluation

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
SUMATRA							
RIAU REGION							
Kebun Mandau	Hak Guna Usaha	2020	14,837	Oil palm estate, palm oil mill, kernel crushing plant refinery and biogas power plant	 16 12 6 6	162,980	1996
Kebun Nilo	Hak Guna Usaha Hak Guna Usaha	2028 2054	12,860 1,363	Oil palm estate and palm oil mills Oil palm estate	 17 & 8	186,833 14,062	1996 2005
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mills	 23	88,808	2009
NORTH SUMATRA REGION							
P.T. Langkat Nusantara Kepong **	Leased property	2039	21,371	Oil palm estate and palm oil mills	 5 & –	286,422	2009
EAST KALIMANTAN							
Kebun Jabontara Eka Karsa	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	 4	234,943	2006
Kebun Putra Bongan Jaya	Hak Guna Usaha Izin Lokasi	2044 2020	11,602 4,460	Oil palm estate –	– –	371,406	2018 2018
Kebun Malindomas Perkebunan	Hak Guna Usaha	2043	7,971	Oil palm estate	–	92,319	2007
Kebun Hutan Hijau Mas	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate, palm oil mill and biogas power plant	 11 3	93,269	2007 2009
CENTRAL KALIMANTAN							
Kebun Karya Makmur Abadi	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	 4	267,595	2007
Kebun Mulia Agro Permai	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	 6	175,036	2006
Kebun Menteng Jaya Sawit	Izin Lokasi	2020	3,059	Oil palm estate	–	40,796	2007

LIBERIA							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate, palm oil mill and bulking installation	 1 –	182,062	2013

** P.T. Langkat Nusantara Kepong operates on the property owned by the joint venture partner, P.T. Perkebunan Nusantara II

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

MANUFACTURING

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA#	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemical factory	10 to 13	38,966	2004
Palm-Oleo Rawang, Selangor	Freehold	–	13	Oleochemical, soap noodles and industrial amides factories	23 & 28	14,612	1991 1994
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemical factory	28 & 38	27,520	2007
B. K. B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	25	3,242	1994
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	35	15,240	2012
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	34	3,016	2009
INDONESIA							
P.T. KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemical factory	5	18,936	2011
BELGIUM							
KLK Tensachem SA Ougree	Freehold	–	10	Surfactant factory	12 to 89	21,491	2014
CHINA							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemical factory	14	35,203	2004
Shanghai Jinshan Jingwei Chemical, Jinshan, Shanghai	Leasehold	2052	2	Oleochemical factory	14	2,590	2008
GERMANY							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemical factory	26 to 66	14,997	2010
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemical factory	14 to 109	40,206	2015
NETHERLANDS							
KLK Kolb Specialties BV Delden	Freehold	–	17	Chemical specialty factory	16 to 72	47,776	2018
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	26	82,798	2007
SWITZERLAND							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	19 to 55	70,065	2007

Titled area is in hectares except otherwise indicated

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

PROPERTIES

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KL-Kepong Country Homes Ijok, Selangor	Freehold Freehold Leasehold	 – 2082, 2108 and 2117	110 666 11	Property development Property development operating as oil palm estate	– –	34,143 12,450	1979 1979 2010 2018
Colville Holdings Setul, Negeri Sembilan	Freehold	–	421	Property development operating as oil palm estate	–	10,429	1985
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	–	142,466	2004
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	–	13,017	1986
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	–	883,888	2016
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	–	7,732	1979
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	–	391	1979*
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	–	2,990	1979

* Year of last revaluation

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2019

OTHERS

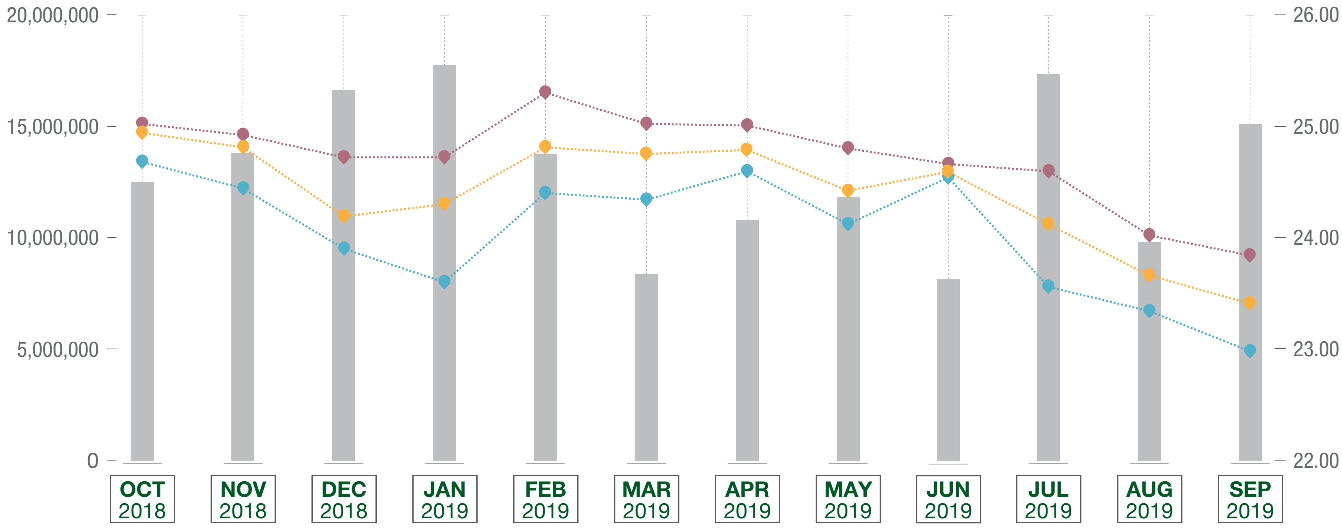
LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA#	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
Stolthaven (Westport) Klang, Selangor, Malaysia	Leased property	2024	12	Bulking Installation	5 & 21	13,984	2006 2014
Wisma Taiko 1, Jalan S.P. Seenivasagam Ipoh, Perak, Malaysia	Freehold Leasehold	– 2892	2,984 sq m 2,408 sq m	Head Office building	34	3,441 1,593	1983 2000
Kelkay Bulking Installation Port Klang, Selangor Malaysia	Leased property	Pending renewal	3,968 sq m	Bulking installation	44	313	1975 2014
INDONESIA							
SWP Bulking Installation Belitung Island, Indonesia	Hak Guna Bangunan	2035	20	Bulking installation and jetty	10 & 14 13	9,782	2005
P.T. Hutan Hijau Mas Berau, East Kalimantan Indonesia	Hak Pakai	2035	8	Jetty	5	1,616	2010
P.T. Steelindo Wahana Perkasa East Belitung, Indonesia	Hak Guna Bangunan	2026	49,875 sq m	Warehouse	20	2,262	2018
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung Tanjung Priok Jakarta Utara, Indonesia	Hak Guna Bangunan	2027	300 sq m	Office building	12	41	2007
AUSTRALIA							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal and cattle farm	–	82,450	2012 2013
Wyunga Farm Dandaragan Western Australia	Freehold	–	14,418	Cereal and cattle farm	–	96,433	2013 2014 2016
Erregulla Farm Mingenew Western Australia	Freehold	–	10,238	Cereal and sheep farm	–	35,954	2004* 2018
Tatchbrook Farm Arthur River Western Australia	Freehold	–	6,516	Cereal and sheep farm	–	50,415	2015 2016 2017
Warrening Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	–	27,924	2004* 2014
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	–	67,630	2013 2014

Titled area is in hectares except otherwise indicated
* Year of last revaluation

SHARE PRICE & VOLUME TRADED

TOTAL VOLUME TRADED
('000 SHARES)

SHARE PRICE
(RM)



	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019
	25.02	24.92	24.72	24.72	25.30	25.02	25.00	24.80	24.66	24.60	24.02	23.84
	24.68	24.44	23.90	23.60	24.40	24.34	24.60	24.12	24.54	23.56	23.34	22.98
	24.94	24.81	24.19	24.30	24.81	24.75	24.79	24.42	24.59	24.12	23.66	23.41
	12,465,200	13,778,800	16,597,800	17,714,200	13,722,400	8,343,300	10,784,600	11,820,200	8,126,700	17,349,000	9,802,500	15,104,900

LEGEND: Highest Price (RM) | Lowest Price (RM) | Average Closing Price (RM) | Total Volume ('000 Shares)

CHANGES IN SHARE CAPITAL

DATE OF ALLOTMENT	NO. OF SHARES ALLOTTED	TYPE OF ISSUE/CONSIDERATION	CUMULATIVE ISSUED & PAID-UP SHARE CAPITAL (RM)
06.07.73	2	Subscribers' shares	2
01.10.73	147,500,374	Issue of shares under a scheme of reconstruction	147,500,376
26.05.76	5,000,000	Allotment of shares to the minority shareholders of Kepong Plantations Bhd ("KPB") in exchange for their shareholdings in KPB	152,500,376
10.05.78	15,000,000	Bumiputera issue at RM1.15 per share	167,500,376
30.04.81	167,500,376	Bonus issue of one (1) for one (1)	335,000,752
31.03.84	43,000,000	Bumiputera issue at RM1.70 per share	378,000,752
17.11.86	43,900,000	Bumiputera issue at RM1.80 per share	421,900,752
19.03.87	1,800,000	Special issue of shares to KLK Group's employees at RM1.80 per share	423,700,752
15.08.92	51,500,000	Issue of shares to Batu Kawan Berhad ("BKB") at RM3.60 per share in satisfaction for the acquisition of BKB's plantation assets and two (2) wholly-owned subsidiaries	475,200,752
02.04.96	237,600,376	Bonus issue of one (1) for two (2)	712,801,128
29.10.98 & 30.10.98	(285,000)	Shares bought back and cancelled	712,516,128
08.03.07	354,988,564	Bonus issue of one (1) for two (2)	1,067,504,692

SHAREHOLDING STATISTICS
AS AT 3 DECEMBER 2019

Issued and Fully Paid-Up Capital – RM1,067,789,692 (including 2,539,000 treasury shares)
Class of Shares – Ordinary Shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	154	3,861	0.00
100 to 1,000	1,124	697,344	0.07
1,001 to 10,000	2,345	9,088,071	0.85
10,001 to 100,000	1,093	35,943,248	3.37
100,001 to less than 5% of issued shares	351	320,343,253	30.08
5% and above of issued shares	3	698,889,915	65.63
TOTAL	**5,070**	**1,064,965,692**	**100.00**

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL#
1.	Batu Kawan Berhad	500,901,527	47.03
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	133,771,188	12.56
3.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	64,217,200	6.03
4.	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (464016811369)	38,600,000	3.62
5.	AmanahRaya Trustees Berhad – Amanah Saham Malaysia	13,573,700	1.27
6.	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (West CLT OD67)	11,566,100	1.09
7.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	9,379,700	0.88
8.	AmanahRaya Trustees Berhad – Amanah Saham Malaysia 3	8,624,800	0.81
9.	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	8,497,050	0.80
10.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	7,756,731	0.73
11.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	7,500,000	0.70
12.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Emerging Markets Stock Index Fund	7,147,892	0.67
13.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Nomura)	5,904,000	0.55
14.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	5,508,700	0.52
15.	Yeoh Chin Hin Investments Sdn Berhad	4,633,500	0.44
16.	Kumpulan Wang Persaraan (Diperbadankan)	4,461,600	0.42
17.	AmanahRaya Trustees Berhad – Amanah Saham Malaysia 2 - Wawasan	4,312,600	0.40
18.	Cartaban Nominees (Asing) Sdn Bhd – GIC Private Limited for Government of Singapore (C)	4,308,050	0.40
19.	HSBC Nominees (Asing) Sdn Bhd – JPMBL SA for Robeco Capital Growth Funds	4,204,600	0.39

SHAREHOLDING STATISTICS
AS AT 3 DECEMBER 2019

	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL#
20.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Flexshares Morningstar Global Upstream Natural Resources Index Fund	3,508,000	0.33
21.	AmanahRaya Trustees Berhad – Public Islamic Dividend Fund	3,355,100	0.32
22.	Citigroup Nominees (Asing) Sdn Bhd – UBS AG	2,944,200	0.28
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd – BNYM SA/NV for People's Bank of China (SICL Asia EM)	2,939,200	0.28
24.	HSBC Nominees (Asing) Sdn Bhd – J.P. Morgan Securities Plc	2,860,750	0.27
25.	Pertubuhan Keselamatan Sosial	2,823,380	0.27
26.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera 2	2,794,400	0.26
27.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,485,100	0.23
28.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera 3 - Didik	2,324,200	0.22
29.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for MSCI Equity Index Fund B - Malaysia	2,241,386	0.21
30.	Cartaban Nominees (Asing) Sdn Bhd – BCSL Client AC PB Cayman Clients	2,150,552	0.20
	TOTAL	**875,295,206**	**82.18**

Note:

Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	NAME	NO. OF SHARES			% OF ISSUED SHARE CAPITAL#
		DIRECT INTEREST	DEEMED INTEREST	TOTAL	
1.	Batu Kawan Berhad	500,901,527	–	500,901,527	47.03
2.	Employees Provident Fund Board	146,250,688[a]	–	146,250,688	13.73
3.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	64,217,200	–	64,217,200	6.03
4.	Wan Hin Investments Sdn Berhad	448,500	500,901,527[b]	501,350,027	47.08
5.	Tan Sri Dato' Seri Lee Oi Hian	72,000	501,372,027[c]	501,444,027	47.09
6.	Dato' Lee Hau Hian	83,250	501,372,027[b]	501,455,277	47.09
7.	Grateful Blessings Foundation	–	501,372,027[b]	501,372,027	47.08
8.	Grateful Blessings Inc	–	501,372,027[b]	501,372,027	47.08
9.	Di-Yi Sdn Bhd	22,000	501,350,027[b]	501,372,027	47.08
10.	High Quest Anstalt	–	501,372,027[b]	501,372,027	47.08
11.	Cubic Crystal Corporation	–	501,372,027[b]	501,372,027	47.08
12.	High Quest Holdings Sdn Bhd	22,000	501,350,027[b]	501,372,027	47.08

Notes:

Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares

a Includes those held through Citigroup Nominees (Tempatan) Sdn Bhd

b Deemed interest by virtue of section 8(4) of the Companies Act 2016

c Deemed interest by virtue of section 8(4) of the Companies Act 2016. Nevertheless he does not have any economic or beneficial interest in the shares of KLK as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)

SHAREHOLDING STATISTICS
AS AT 3 DECEMBER 2019

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL[a]	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL[a]
	Shares in the Company				
1.	R. M. Alias	337,500	0.03	1,000[b]	–[c]
2.	Tan Sri Dato' Seri Lee Oi Hian	72,000	0.01	501,372,027[d]	47.08
3.	Dato' Lee Hau Hian	83,250	0.01	501,372,027[e]	47.08
4.	Dato' Yeoh Eng Khoon	335,000	0.03	4,764,850[f]	0.45
5.	Tan Sri Azlan Bin Mohd Zainol	–	–	–	–
6.	Quah Poh Keat	–	–	–	–
7.	Anne Rodrigues	1,500	–[c]	–	–
8.	Lee Jia Zhang	–	–	–	–

	NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL[g]	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL[g]
	Shares in the holding company, Batu Kawan Berhad				
1.	Tan Sri Dato' Seri Lee Oi Hian	1,143,155	0.29	210,335,705[h]	53.61
2.	Dato' Lee Hau Hian	1,541,530	0.39	209,138,980[i]	53.30
3.	Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250[f]	5.56
4.	Lee Jia Zhang	10,000	–[c]	–	–

Notes:

[a] Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares

[b] Deemed interest through the shares held by his child

[c] Less than 0.01%

[d] Deemed interest by virtue of section 8(4) of the Companies Act 2016. Nevertheless he does not have any economic or beneficial interest in the shares of KLK as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)

[e] Deemed interest by virtue of section 8(4) of the Companies Act 2016

[f] Deemed interest through the shares held by his spouse and children, and by virtue of section 8(4) of the Companies Act 2016

[g] Calculated based on 392,355,969 shares, which do not include 43,595,031 treasury shares

[h] Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of section 8(4) of the Companies Act 2016 although he does not have any economic or beneficial interest in the shares of Batu Kawan Berhad as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)

[i] Deemed interest through the shares held by his child and by virtue of section 8(4) of the Companies Act 2016

By virtue of their deemed interests in the shares of the Company and its holding company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the related corporations to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of the other Directors has any interest in the shares of its related corporations.

VOTING RIGHTS OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one (1) vote on a show of hand and in the case of a poll shall have one (1) vote for every share of which he is the holder.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

This report has been prepared with guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Guide 2018 (2nd Edition) and the Global Reporting Initiative ("GRI") Standards 2016 – Core option.

GRI is an internationally accepted framework for reporting an organisation's economic, environmental and social performance to a diverse set of stakeholders worldwide. For more information on GRI, please visit www.globalreporting.org.

GRI 101 : FOUNDATION 2016

GRI 102 : GENERAL DISCLOSURES 2016

DISCLOSURE		SECTION	PAGE NO.
Organisational Profile			
102-1	Name of organisation	Cover Page	Cover page
102-2	Activities, brands, products and services	Corporate Profile	5
102-3	Location of headquarters	Corporate Information	2
102-4	Location of operations	Location of the Group's Operations	8
102-5	Ownership and legal form	Corporate Information	2
102-6	Markets served	Management Discussion & Analysis	24
102-7	Scale of the organisation	• Corporate Profile • Management Discussion & Analysis • Workplace	5 24 75
102-8	Information on employees and other workers	Workplace	75
102-9	Supply chain	Marketplace	61
102-10	Significant changes to the organisation and its supply chain	There were no significant changes during the reporting period regarding size, structure, ownership or supply chain	–
102-11	Precautionary Principle or approach	Statement on Risk Management & Internal Control	102
102-12	External initiatives	• Marketplace • Community	61 81
102-13	Membership of associations	Marketplace	61
Strategy			
102-14	Statement from senior decision-maker	• Chairman's Statement • Management Discussion & Analysis	20 24
102-15	Key impact, risks and opportunities	• Materiality Matrix	52
Ethics and Integrity			
102-16	Values, principles, standards and norms of behaviour	Values	7
Governance			
102-18	Governance structure	• Sustainability Governance • Corporate Governance Overview Statement	51 87
102-19	Delegating authority	• Sustainability Governance • Corporate Governance Overview Statement	51 87
102-20	Executive-level responsibility for economic, environmental and social topics	• Profile of Key Senior Management • Corporate Governance Overview Statement	18 87
102-21	Consulting stakeholders on economic, environmental and social topics	Marketplace	61
102-22	Composition of the highest governance body and its committees	• Profile of Directors • Sustainability Governance	14 51
102-23	Chair of the highest governance body	Profile of Directors	14

GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI 102 : GENERAL DISCLOSURES 2016			
DISCLOSURE		**SECTION**	**PAGE NO.**
Governance			
102-24	Nominating and selecting the highest governance body	Corporate Governance Overview Statement	87
102-25	Conflicts of interest	Corporate Governance Overview Statement	87
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance Overview Statement	87
102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement	87
102-29	Identifying and managing economic, environmental and social impacts	Sustainability Policy	53
102-31	Review of economic, environmental and social topics	Sustainability Policy	53
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	51
102-33	Communicating critical concerns	Marketplace	61
102-35	Remuneration policies	Corporate Governance Overview Statement	87
102-36	Process for determining remuneration	Corporate Governance Overview Statement	87
Stakeholder Engagement			
102-40	List of stakeholder groups	Marketplace	55
102-41	Collective bargaining agreements	Workplace	76
102-42	Identifying and selecting stakeholders	• Materiality Matrix • Marketplace	52 55
102-43	Approach to stakeholder engagement	Marketplace	55
102-44	Key topics and concerns raised	Marketplace	55
Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial Statements	111
102-46	Defining report content and topic boundaries	Materiality Matrix	52
102-47	List of material topics	Materiality Matrix	52
102-48	Restatements of information	None	–
102-49	Changes in reporting	None	–
102-50	Reporting period	About This Report	51
102-51	Date of most recent report	Annual Report 2018	–
102-52	Reporting cycle	Annual	–
102-53	Contact point for questions regarding the report	• Marketplace • KLK Website	58 *www.klk.com.my*
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Content Index	222
102-55	GRI content index	Global Reporting Initiative Content Index	222
102-56	External assurance	We have opted to consider external assurance for a later reporting period. We will consult stakeholders in the future on the form of assurance they seek from us.	

GLOBAL REPORTING INITIATIVE CONTENT INDEX

MATERIAL TOPICS			
DISCLOSURE		**SECTION**	**PAGE NO.**
Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements	111
Indirect Economy Impacts			
203-1	Infrastructure investments and services supported	Community	81
203-2	Significant indirect economic impacts	Community	81
Anti-Corruption			
205-2	Communication and training about anti-corruption policies and procedures	KLK Website: • Code of Conduct and Ethics for the Company • Code of Conduct for Employees • Code of Conduct for Directors	*www.klk.com.my/governance-policies*
Materials			
301-1	Materials used by weight and volume	Environment	69
Energy			
302-1	Energy consumption within the organisation	Environment	69
302-2	Energy consumption outside of the organisation	Environment	69
302-3	Energy intensity	Environment	69
302-4	Reduction of energy consumption	Environment	69
Water			
303-1	Water withdrawal by source	Environment	69
303-3	Water recycled and reused	Environment	69
Biodiversity			
304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment	69
304-2	Significant impacts of activities, products and services on biodiversity	Environment	69
304-3	Habitats protected or restored	Environment	69
Emissions			
305-1	Direct (Scope 1) GHG emissions	Environment	69
305-3	Other indirect (Scope 3) GHG emissions	Environment	69
305-5	Reduction of GHG emissions	Environment	69
Effluents and Waste			
306-1	Water discharge by quality and destination	Environment	69
306-2	Waste by type and disposal method	Environment	69
306-4	Transport of hazardous waste	Environment	69
Occupation Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	Workplace	77
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Workplace	77
403-3	Workers with high incidence of high-risk of diseases related to their occupation	Workplace	77
Training and Education			
404-2	Programmes for upgrading employee skills and transition assistance programmes	Workplace	76

NOTICE OF MEETING

Notice is hereby given that the Forty-Seventh Annual General Meeting of Kuala Lumpur Kepong Berhad ("KLK" or "Company") will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak, Malaysia on Tuesday, 18 February 2020 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 30 September 2019 and the Directors' and Auditors' reports thereon.

2. To re-elect the following Directors who retire by rotation in accordance with Article 119 of the Company's Constitution:
   (i) R. M. Alias **(Ordinary Resolution 1)**
   (ii) Dato' Lee Hau Hian **(Ordinary Resolution 2)**
   (iii) Tan Sri Azlan Bin Mohd Zainol **(Ordinary Resolution 3)**

3. To approve the payment of Directors' fees for the year ended 30 September 2019 amounting to RM1,881,667 (2018: RM1,970,258). **(Ordinary Resolution 4)**

4. To approve the payment of Directors' benefits (other than Directors' fees) for the period from the Forty-Seventh Annual General Meeting to the Forty-Eighth Annual General Meeting to be held in 2021. **(Ordinary Resolution 5)**

5. To re-appoint Messrs. BDO PLT as Auditors of the Company for the financial year ending 30 September 2020 and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 6)**

As Special Business

To consider and, if thought fit, to pass the following Resolutions:

6. **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** **(Ordinary Resolution 7)**

   "THAT authority be given to the Company to buy back an aggregate number of shares in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that at the time of purchase, the aggregate number of shares which may be purchased and/or held by the Company as treasury shares pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company;

   THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

   (a) distribute the shares as share dividends to the shareholders; or

   (b) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or

   (c) transfer the shares or any of the shares for the purposes of or under an employees' shares scheme; or

   (d) transfer the shares or any of the shares as purchase consideration; or

   (e) cancel the shares or any of the shares; or

   (f) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

NOTICE OF MEETING

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such Authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority."

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Ordinary Resolution 8)**

"THAT approval be given to the Company and/or its subsidiary companies to enter into recurrent transactions of a revenue or trading nature with related parties which are necessary for the Company's and/or its subsidiaries' day-to-day operations and carried out in the ordinary course of business on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Appendix I of the Company's Circular to Shareholders dated 31 December 2019 ("the Mandate");

AND THAT the Directors be and are hereby empowered to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Mandate, with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT the Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016 (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting)."

8. **PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY ("KLK SHARES") IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN NEW SHARES ("DRP")** **(Ordinary Resolution 9)**

"THAT pursuant to the DRP approved by the shareholders at the Annual General Meeting ("AGM") held on 13 February 2018 and subject to the approval of the relevant authorities (if any), approval be and is hereby given to the Company to allot and issue such number of KLK Shares pursuant to the DRP until the conclusion of the next AGM, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said KLK Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of KLK shares immediately prior to the price-fixing date, which VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company."

NOTICE OF MEETING

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
YAP MIOW KIEN
Company Secretary

Ipoh, Perak
Malaysia.

31 December 2019

Notes:

(1) Members Entitled to Attend

Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at 11 February 2020 will be entitled to attend, speak and vote at the meeting.

(2) Appointment of Proxy

(a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(b) Where the proxy form is executed by a corporation, it must be either under its seal or under the hand of its officer or attorney duly authorised.

(c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.

(d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of Subsection 25A(1) of SICDA.

(f) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed and authorised must be deposited at the Registered Office of the Company, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

(3) Voting by Poll

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

(4) Explanatory Notes on Ordinary Businesses:

(i) Agenda 1 – Audited Financial Statements

This item is meant for discussion only as under section 340(1) of the Companies Act 2016, the Audited Financial Statements are to be laid at the Annual General Meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

NOTICE OF MEETING

(ii) Section 230(1) of the Companies Act 2016 provides amongst others, that the Directors' fees and any benefits payable to the Directors of the Company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the members' approval shall be sought at this Forty-Seventh Annual General Meeting on the Directors' remuneration in two (2) separate resolutions as below:

Ordinary Resolution 4 – Payment of Directors' Fees to the Non-Executive Directors

Payment of Directors' fees in respect of the financial year 2019 is as below:

	BOARD (RM) PER ANNUM	AUDIT AND RISK COMMITTEE (RM) PER ANNUM	OTHER BOARD COMMITTEES (RM) PER ANNUM
Non-Executive Chairman	480,000	30,000	20,000
Non-Executive Director/Member	240,000	25,000	15,000

Ordinary Resolution 5 – Payment of Directors' Benefits (excluding Directors' Fees)

The Directors' Benefits (excluding Directors' Fees) for the period from the Forty-Seventh Annual General Meeting to the Forty-Eighth Annual General Meeting to be held in 2021 comprise:

TYPE OF BENEFIT/ALLOWANCE	AMOUNT
Meeting Allowance (Board and Committees)	RM2,000 per meeting
Travelling (Overseas) Allowance	RM1,000 per day
Other Benefits	• Company car, petrol and driver • Discounts for purchase of Group/Company products • Business travel, medical, insurance coverage, and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties

(5) Explanatory notes on Special Businesses:

(i) Ordinary Resolution 7 – Proposed Renewal of Authority to Buy Back Shares

Ordinary Resolution 7 proposed under Item 6 of the Agenda, if passed, will empower the Directors of the Company to buy back the Company's own shares through Bursa Malaysia Securities Berhad at any time within the time period stipulated by utilising the funds allocated out of the audited retained profits of the Company.

(ii) Ordinary Resolution 8 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 8 proposed under Item 7 of the Agenda, if passed, will enable the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business which are necessary for the Group's day-to-day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company.

The procurement of the Proposed Shareholders' Mandate would reduce substantially administrative time, effort and expenses associated with the convening of separate general meetings to seek shareholders' approval as and when potential Recurrent Related Party Transactions arise.

(iii) Ordinary Resolution 9 – Proposed Renewal of Authority for Directors to Allot and Issue KLK Shares in relation to Dividend Reinvestment Plan

The shareholders had, at the Forty-Fifth Annual General Meeting held on 13 February 2018, approved the authority for the Directors to allot and issue KLK Shares in relation to Dividend Reinvestment Plan ("DRP") and such authority will expire at the conclusion of this Annual General Meeting.

Ordinary Resolution 9 proposed under Item 8 of the Agenda, if passed, will give authority to the Directors to allot and issue KLK Shares pursuant to the DRP in respect of any dividends declared, and such authority shall expire at the conclusion of the next Annual General Meeting of the Company.

The authority given for Ordinary Resolutions 7, 8 and 9 mentioned above unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on Ordinary Resolutions 7 and 8 is set out in the Circular to Shareholders of the Company dated 31 December 2019 which is available on the Company's website, *www.klk.com.my*.

NOTIS MESYUARAT

NOTIS DENGAN INI DIBERIKAN bahawa Mesyuarat Agung Tahunan Kuala Lumpur Kepong Berhad ("KLK" atau "Syarikat") yang Ke-Empat Puluh Tujuh akan diadakan di WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak, Malaysia pada hari Selasa, 18 Februari 2020 pada pukul 11.00 pagi untuk tujuan-tujuan berikut:

AGENDA

Sebagai Urusan Biasa

1. Untuk menerima Penyata Kewangan telah diaudit bagi tahun berakhir 30 September 2019 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya.

2. Untuk memilih semula para Pengarah berikut yang akan bersara mengikut giliran menurut Artikel 119 Perlembagaan Syarikat:
   (i) R. M. Alias **(Resolusi Biasa 1)**
   (ii) Dato' Lee Hau Hian **(Resolusi Biasa 2)**
   (iii) Tan Sri Azlan Bin Mohd Zainol **(Resolusi Biasa 3)**

3. Untuk meluluskan bayaran fi para Pengarah berjumlah RM1,881,667 bagi tahun berakhir 30 September 2019 (2018: RM1,970,258). **(Resolusi Biasa 4)**

4. Untuk meluluskan bayaran faedah para Pengarah (tidak termasuk fi para Pengarah) bagi tempoh dari Mesyuarat Agung Tahunan Syarikat yang Ke-Empat Puluh Tujuh sehingga Mesyuarat Agung Tahunan Syarikat yang Ke-Empat Puluh Lapan yang akan diadakan pada tahun 2021. **(Resolusi Biasa 5)**

5. Untuk melantik semula Tetuan BDO PLT sebagai Juruaudit Syarikat bagi tahun kewangan berakhir 30 September 2020 dan memberi kuasa kepada para Pengarah untuk menetapkan saraan Tetuan BDO PLT. **(Resolusi Biasa 6)**

Sebagai Urusan Khas

Untuk mempertimbangkan dan jika difikirkan sesuai, meluluskan Resolusi-Resolusi berikut:

6. **CADANGAN PEMBAHARUAN KUASA UNTUK MEMBELI BALIK SYER SYARIKAT** **(Resolusi Biasa 7)**

   "BAHAWA kuasa diberikan kepada Syarikat untuk membeli balik agregat syer Syarikat ("Kuasa untuk Membeli Balik Syer") sepertimana yang ditentukan oleh para Pengarah dari semasa ke semasa melalui Bursa Malaysia Securities Berhad berdasarkan terma dan syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk dengan syarat bahawa pada masa pembelian, bilangan agregat syer yang boleh dibeli dan/atau dipegang oleh Syarikat sebagai syer perbendaharaan menurut resolusi ini adalah tidak melebihi sepuluh peratus (10%) daripada jumlah modal syer terbitan dan berbayar Syarikat dan dana maksimum yang diperuntukkan kepada Kuasa untuk Membeli Balik Syer tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan telah diaudit;

   BAHAWA syer yang dibeli oleh Syarikat menurut Kuasa untuk Membeli Balik Syer boleh diuruskan oleh para Pengarah mengikut semua atau mana-mana cara yang berikut:

   (a) membahagikan syer tersebut sebagai dividen kepada para pemegang syer; atau

   (b) menjual semula syer tersebut atau mana-mana bahagian daripada syer itu melalui Bursa Malaysia Securities Berhad; atau

   (c) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu bagi tujuan atau di bawah perlaksanaan skim syer pekerja; atau

   (d) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu sebagai balasan pembelian; atau

   (e) membatalkan syer tersebut atau mana-mana bahagian daripada syer itu; atau

   (f) menjual, memindah milik atau selainnya menggunakan syer itu bagi lain-lain tujuan sepertimana yang dibenarkan oleh Akta Syarikat 2016.

NOTIS MESYUARAT

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan semua tindakan dan perkara yang berkaitan bagi memberi kesan sepenuhnya kepada Kuasa untuk Membeli Balik Syer untuk menyetujui dan mematuhi apa-apa syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) seperti yang mungkin dikenakan oleh pihak berkuasa yang berkaitan; DAN BAHAWA Kuasa tersebut akan bermula pada masa resolusi biasa ini diluluskan dan akan tamat pada penamatan Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya, berikutan kelulusan resolusi biasa ini atau penamatan tempoh di mana MAT yang berikutnya sepatutnya diadakan mengikut syarat undang-undang (melainkan ditarik balik lebih awal atau diubah melalui resolusi biasa pemegang syer Syarikat dalam mesyuarat agung), namun tidak boleh menggugat penyempurnaan pembelian oleh Syarikat sebelum tarikh akhir yang dinyatakan dan, dalam apa jua keadaan, menurut peruntukan garis panduan yang dikeluarkan oleh Bursa Malaysia Securities Berhad atau pihak berkuasa lain yang berkenaan."

7. **CADANGAN PEMBAHARUAN MANDAT PEMEGANG SYER UNTUK TRANSAKSI PIHAK BERKAITAN YANG BERULANG BAGI PENDAPATAN ATAU PERDAGANGAN** **(Resolusi Biasa 8)**

"BAHAWA kelulusan diberikan kepada Syarikat dan/atau syarikat subsidiarinya untuk menjalankan transaksi berulang yang melibatkan pendapatan atau perdagangan dengan pihak berkaitan di mana transaksi berulang ini adalah penting dan diperlukan bagi operasi harian Syarikat dan/atau subsidiarinya, dan hendaklah dilaksanakan di dalam urus niaga biasa dengan mengikut terma-terma komersial biasa di mana tidak memberi kelebihan kepada pihak yang berkaitan selain daripada yang biasanya tersedia kepada pihak umum dan tidak menggugat kepentingan pemegang syer minoriti sepertimana yang dinyatakan dalam Appendik I Surat Pekeliling Syarikat kepada Pemegang Syer bertarikh 31 Disember 2019 ("Mandat");

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan semua tindakan dan perkara (termasuk menandatangani semua dokumen yang diperlukan) yang dianggap perlu atau penting bagi melaksanakan sepenuhnya Mandat, termasuk mematuhi apa-apa syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan oleh pihak-pihak berkuasa yang berkenaan; DAN BAHAWA Mandat tersebut akan bermula selepas kelulusan resolusi biasa ini dan akan tamat pada masa penamatan Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya, berikutan kelulusan resolusi biasa ini atau penamatan tempoh di mana MAT yang berikutnya sepatutnya diadakan mengikut undang-undang, tetapi tidak dilanjutkan sepertimana yang dibenarkan menurut seksyen 340(4) Akta Syarikat 2016 (melainkan ditarik balik lebih awal atau diubah melalui resolusi biasa pemegang syer Syarikat dalam mesyuarat agung)."

8. **CADANGAN PEMBAHARUAN KUASA KEPADA PARA PENGARAH UNTUK MEMPERUNTUKKAN DAN MENERBITKAN SYER BIASA BARU SYARIKAT ("SYER KLK") BERHUBUNG DENGAN PELAN PELABURAN SEMULA DIVIDEN YANG MEMBERIKAN OPSYEN KEPADA PARA PEMEGANG SYER UNTUK MELABUR SEMULA DIVIDEN TUNAI KE DALAM SYER BARU KLK ("PELAN PELABURAN SEMULA DIVIDEN")** **(Resolusi Biasa 9)**

"BAHAWA menurut Pelan Pelaburan Semula Dividen yang telah diluluskan oleh para pemegang syer pada Mesyuarat Agung Tahunan ("MAT") yang diadakan pada 13 Februari 2018 dan tertakluk kepada kelulusan pihak berkuasa yang berkenaan (jika ada), Syarikat dengan ini diberi kuasa untuk memperuntukkan dan menerbitkan sejumlah Syer KLK mengikut Pelan Pelaburan Semula Dividen sehingga penamatan MAT yang berikutnya, tertakluk kepada terma dan syarat sebagaimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat DENGAN SYARAT harga terbitan Syer KLK tersebut akan ditetapkan oleh para Pengarah tidak melebihi sepuluh peratus (10%) diskaun dari nilai harga pasaran purata wajaran lima (5)-hari ("NHPPW") yang diselaraskan bagi syer KLK sejurus sebelum tarikh penetapan harga, yang mana NHPPW hendaklah diselaraskan ex-dividen sebelum menggunakan diskaun yang dinyatakan dalam penentuan harga terbitan;

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melakukan segala tindakan berkenaan dan melaksanakan semua urusniaga, pengaturan dan dokumen berkenaan sebagaimana perlu atau wajar untuk memberi kesan sepenuhnya kepada Pelan Pelaburan Semula Dividen dengan kuasa penuh untuk menerima sebarang syarat, pengubahsuaian, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan ataupun kesan daripada pelaksanaan syarat, pengubahsuaian, variasi dan/atau pindaan tersebut, sepertimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, anggap wajar dan demi kepentingan terbaik Syarikat."

NOTIS MESYUARAT

9. Untuk melaksanakan sebarang urusan lain yang mana notis sewajarnya telah diberikan menurut Akta Syarikat 2016.

Dengan Perintah Lembaga Pengarah
YAP MIOW KIEN
Setiausaha Syarikat

Ipoh, Perak
Malaysia.

31 Disember 2019

Nota:

(1) Kelayakan pemegang syer menghadiri mesyuarat

Hanya pemegang syer yang namanya terkandung di dalam Rekod Pendeposit atau Daftar Anggota pada 11 Februari 2020 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya.

(2) Pelantikan Proksi

(a) Pemegang syer Syarikat yang layak untuk hadir dan mengundi pada mesyuarat ini berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Seseorang proksi mungkin tetapi tidak semestinya pemegang syer Syarikat. Seseorang pemegang syer Syarikat tidak boleh melantik lebih daripada dua (2) proksi untuk menghadiri mesyuarat yang sama. Sekiranya pemengang syer Syarikat melantik dua (2) proksi, pelantikan tersebut dianggap tidak sah melainkan pemegang syer Syarikat telah menetapkan bahagian pegangannya yang akan diwakili oleh setiap proksi.

(b) Pelantikan proksi yang dilaksanakan oleh anggota korporat harus ditandatangani di bawah meteri atau ditandatangani oleh pegawainya atau perwakilan kuasa.

(c) Sekiranya seseorang pemegang syer Syarikat telah melantik proksi untuk menghadiri mesyuarat agung menghadiri mesyuarat agung tersebut, pelantikan proksi tersebut akan dianggap telah dibatalkan dan tidak sah dalam mesyuarat tersebut dan proksi itu tidak layak untuk menghadiri mesyuarat tersebut.

(d) Bagi nomini yang sah sebagai pemegang syer Syarikat sepertimana yang didefinisikan dalam Akta Perindustrian Sekuriti (Depositori Pusat) 1991 ("SICDA"), beliau adalah layak melantik tidak melebihi dua (2) proksi bagi setiap akaun sekuriti yang dipegangnya dalam syer biasa Syarikat, dalam unit berdasarkan kredit akaun sekuriti tersebut.

(e) Bagi nomini yang sah berkecualian sebagai pemegang syer Syarikat yang memegang syer biasa dalam Syarikat bagi beberapa pihak pemilik benefisial dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang. Nomini yang sah berkecualian merujuk kepada nomini yang sah yang didefinisikan di bawah SICDA yang dikecualikan daripada mematuhi peruntukan Subseksyen 25A(1) SICDA.

(f) Di mana pemegang syer atau nomini yang sah melantik dua (2) proksi, atau di mana nomini yang sah berkecualian melantik dua (2) atau lebih proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara pelantikan proksi tersebut.

(g) Surat cara pelantikan proksi dan kuasa wakil atau kuasa lain (jika ada) yang ditandatangani dan diiktiraf oleh kuasa perwakilan atau pihak berkuasa yang lain (jika ada) harus disampaikan ke Pejabat Berdaftar Syarikat, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia dalam tempoh tidak kurang dari dua puluh empat (24) jam sebelum masa yang ditetapkan bagi menjalankan pengundian.

(3) Mengundi melalui Pengundian

Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.

(4) Nota Penjelasan berkenaan Urusan-urusan Biasa:

(i) Agenda 1 – Penyata Kewangan yang telah Diaudit

Perkara ini bertujuan untuk perbincangan sahaja. Menurut seksyen 340(1) Akta Syarikat 2016, Penyata Kewangan yang telah diaudit hanyalah dibentangkan di Mesyuarat Agung Tahunan dan tidak memerlukan kelulusan rasmi daripada para pemegang syer. Oleh yang demikian, Agenda ini tidak akan dibentangkan untuk pengundian.

NOTIS MESYUARAT

(ii) Menurut Seksyen 230(1) Akta Syarikat 2016, pembayaran fi pengarah dan apa-apa faedah yang perlu dibayar kepada Pengarah Syarikat dan pengarah subdidiarinya hendaklah diluluskan pada suatu mesyuarat agung. Dalam hal ini, Lembaga Pengarah bersetuju untuk mendapatkan kelulusan daripada para pemegang syer bagi saraan Pengarah dalam resolusi-resolusi berikut pada Mesyuarat Agung Tahunan yang Ke-Empat Puluh Tujuh:

Resolusi Biasa 4 – Pembayaran Fi Pengarah kepada Pengarah Bukan Eksekutif

Pembayaran fi kepada Pengarah bagi tahun kewangan 2019, adalah seperti berikut:

	LEMBAGA PENGARAH (RM) SETIAP TAHUN	JAWATANKUASA AUDIT DAN RISIKO (RM) SETIAP TAHUN	JAWATANKUASA LEMBAGA (LAIN-LAIN) (RM) SETIAP TAHUN
Pengerusi Bukan Eksekutif	480,000	30,000	20,000
Pengarah Bukan Eksekutif/Ahli	240,000	25,000	15,000

Resolusi Biasa 5 – Pembayaran Faedah Pengarah (tidak termasuk fi Pengarah)

Faedah Pengarah (yang tidak termasuk Fi Pengarah) bagi tempoh dari Mesyuarat Agung Tahunan yang Ke-Empat Puluh Tujuh sehingga Mesyuarat Agung Tahunan yang Ke-Empat Puluh Lapan yang akan diadakan pada tahun 2021 terdiri daripada:

JENIS FAEDAH/ELAUN	AMAUN
Elaun Mesyuarat (Lembaga Pengarah dan Jawatankuasa Lain)	RM2,000 setiap mesyuarat
Elaun Perjalanan (Luar Negara)	RM1,000 setiap hari
Faedah lain	• Kereta syarikat, petrol dan pemandu • Diskaun untuk pembelian produk-produk Kumpulan/Syarikat • Perjalanan perniagaan, perubatan, perlindungan insurans, dan segala bayaran balik dan tuntutan bagi para Pengarah menjalankan tugasnya

(5) Nota Penjelasan berkenaan Urusan-urusan Khas:

(i) Resolusi Biasa 7 – Cadangan Pembaharuan Kuasa Beli Balik Syer

Resolusi Biasa 7 yang dicadangkan di bawah Agenda 6, jika diluluskan, akan memberi kuasa kepada para Pengarah Syarikat untuk membeli balik syer Syarikat melalui Bursa Malaysia Securities Berhad pada bila-bila masa dalam tempoh yang ditetapkan dengan menggunakan dana yang diperuntukkan daripada keuntungan tersimpan Syarikat yang telah diaudit.

(ii) Resolusi Biasa 8 – Cadangan Pembaharuan Mandat Pemegang Syer untuk Transaksi Pihak Berkaitan yang berulang melibatkan Pendapatan atau Perdagangan ("Cadangan Mandat Pemegang Syer")

Resolusi Biasa 8 yang dicadangkan di bawah Agenda 7, jika diluluskan, akan membolehkan Kumpulan melakukan Transaksi Dagangan Sering Berulang dengan Pihak-pihak yang Berkaitan dalam urusan perniagaan biasa yang diperlukan untuk operasi harian Kumpulan Syarikat dan dilakukan mengikut terma-terma komersial biasa yang tidak berat sebelah berbanding dengan yang tersedia ada untuk pihak umum dan tidak menggugat kepentingan para pemegang syer minoriti Syarikat.

Dengan memperolehi Mandat Pemegang Syer yang dicadangkan, masa pentadbiran, kesulitan dan perbelanjaan yang berkaitan dengan mengadakan mesyuarat agung yang berasingan akan dapat dijimatkan tanpa menjejaskan objectif Korporat Kumpulan Syarikat dan peluang perniagaan yang sedia ada kepada Kumpulan.

(iii) Resolusi Biasa 9 – Cadangan Pembaharuan Kuasa kepada Para Pengarah untuk Memperuntukkan dan Menerbitkan Syer KLK berhubung dengan Pelan Pelaburan Semula Dividen

Para pemegang syer telah meluluskan dan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer KLK di bawah Pelan Pelaburan Semula Dividen pada Mesyuarat Agung Tahunan yang Ke-Empat Puluh Lima yang telah diadakan pada 13 Februari 2018, dan kuasa tersebut akan tamat pada penamatan Mesyuarat Agung Tahunan Syarikat ini.

Resolusi Biasa 9 yang dicadangkan di bawah Agenda 8, jika diluluskan, akan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer KLK di bawah Pelan Pelaburan Semula Dividen selaras dengan mana-mana dividen diisytiharkan, dan kuasa tersebut habis tempoh pada penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang.

Kuasa yang diberikan untuk Resolusi Biasa 7, 8 dan 9 yang dinyatakan di atas, melainkan ditarik balik atau diubah pada mesyuarat agung, akan tamat pada penamatan Mesyuarat Agung Tahunan Syarikat yang berikutnya. Maklumat lanjut mengenai Resolusi Biasa 7 dan 8 dapat diperolehi dalam Surat Pekeliling kepada Pemegang Syer Syarikat bertarikh 31 Disember 2019 yang boleh didapati di laman web Syarikat, *www.klk.com.my*.

PROXY FORM

KLK

NO. OF SHARES HELD	CDS ACCOUNT NO.	TEL. NO.

I/We ____
(Full Name in Block Letters)

NRIC/Passport/Company No. ____

of ____

being (a) member(s) of KUALA LUMPUR KEPONG BERHAD hereby appoint

______________________________ NRIC/Passport No. ______________________
(Full Name in Block Letters)

*and/or ______________________________ NRIC/Passport No. ______________________
(Full Name in Block Letters)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak on Tuesday, 18 February 2020 at 11.00 a.m. and at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
	Re-election of Directors pursuant to Article 119 of the Company's Constitution:		
1	R. M. Alias		
2	Dato' Lee Hau Hian		
3	Tan Sri Azlan Bin Mohd Zainol		
4	Payment of Directors' fees		
5	Payment of Directors' benefits		
6	Re-appointment of Auditors and their remuneration		
7	Proposed Renewal of Authority to Buy Back Shares		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
9	Proposed Renewal of Authority for Directors to Allot and Issue New KLK Shares in relation to the Dividend Reinvestment Plan		

Please indicate with a tick (√) how you wish your vote to be cast

For appointment of two (2) proxies, percentage of shareholding to be represented by the proxies:	
	Percentage (%)
Proxy 1	
Proxy 2	

* Please delete if inapplicable.

____
Signature of Shareholder/Common Seal

Date: ______________________

Notes:

(a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(b) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of its officer or attorney duly authorised.

(c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.

(d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of Subsection 25A(1) of SICDA.

(f) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed and authorised must be deposited at the Registered Office of the Company, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia, not less than twenty-four (24) hours before the time appointed for taking of the poll.

(h) Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at 11 February 2020 will be entitled to attend, speak and vote at the meeting.

(i) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

Personal Data Privacy

By submitting the proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

FOLD HERE

AFFIX
STAMP HERE

THE COMPANY SECRETARY
KUALA LUMPUR KEPONG BERHAD
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh
Perak, Malaysia

FOLD HERE

DIRECTORY

PLANTATION

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS
(WITH EFFECT FROM 1 DECEMBER 2018)
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh, Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : *www.klk.com.my*

MAIN OFFICE (SABAH)
Mile 40, Tawau-Semporna Highway
91000 Tawau
Sabah, Malaysia
Tel : +6089-975 111
Fax : +6089-975 445
Email : sabah.admin@klk.com.my

MAIN OFFICE (INDONESIA)
Komplek Ruko Puri Mutiara
Sunter Griya, Blok C No. 3, 5, 6 & 7
Kel. Sunter Agung
Jakarta Utara 14350, Indonesia
Tel : +62 21 6531 0746
Fax : +62 21 6531 0749
Email : klk-jakarta@klk.co.id

MAIN OFFICE (LIBERIA)
Big-Joe Town
Lower Harlandsville
Buchanan City
Grand Bassa County
Republic of Liberia
Tel : +231 8 803 86594
Email : sn@epoil.co.uk

PROPERTY DEVELOPMENT

KLK LAND SDN BHD
Suite 1A-1, Level 1
Menara KLK
1 Jalan PJU 7/6
Mutiara Damansara
47810 Petaling Jaya
Selangor, Malaysia
Tel : +603-7726 1868
Fax : +603-7726 2868
Email : info@klkland.com.my

MANUFACTURING

GROUP MANUFACTURING CORPORATE OFFICE
Level 8, Menara KLK
1 Jalan PJU 7/6
Mutiara Damansara
47810 Petaling Jaya
Selangor, Malaysia
Tel : +603-7809 8833
Fax : +603-7725 9858
Email : enquiry@klkoleo.com
Website : www.klkoleo.com

PALM-OLEO SDN BHD
Lot 1245
Kundang Industrial Estate
48020 Rawang
Selangor, Malaysia
Tel : +603-6034 4800
Fax : +603-6034 1279

KSP MANUFACTURING SDN BHD
PALMAMIDE SDN BHD
Lot 1245
Kundang Industrial Estate
48020 Rawang
Selangor, Malaysia
Tel : +603-6034 1218
Fax : +603-6034 3090

KL-KEPONG OLEOMAS SDN BHD
25 Jalan Sungai Pinang 5/18
Fasa 2D
Taman Perindustrian Pulau Indah
42920 Pelabuhan Klang
Selangor, Malaysia
Tel : +603-3101 2633
Fax : +603-3101 3299

PALM-OLEO (KLANG) SDN BHD
Lot 1 & 2, Solok Waja 3
Bukit Raja Industrial Estate
P.O. Box 83
41710 Klang
Selangor, Malaysia
Tel : +603-3341 2115
Fax : +603-3342 7877

KOLB DISTRIBUTION AG
Maienbrunnenstrasse 1
CH-8908 Hedingen
Switzerland
Tel : +41 44 762 4646
Fax : +41 44 762 4600
Email : info@kolb.ch
Website : www.kolb.ch

KLK EMMERICH GmbH
Steintor 9
46446 Emmerich Am Rhein
Germany
Tel : +49 0 2822 720
Fax : +49 0 2822 72 276
Email : enquiry@klkoleo.com
Website : www.klkoleo.com/klkemmerich

KLK TENSACHEM SA
Rue de Renory 28
4102 Seraing (Ougree)
Belgium
Tel : +32 4 338 9400
Fax : +32 4 338 9503
Email : info@klkoleo.com
Website : www.tensachem.com

KLK OLEO (SHANGHAI) CO LTD
Room 1603-1604, 16th Floor
Liziyuan Tower
No. 4711, Jiao Tong Road
Pu Tuo District
Shanghai 200331, China
Tel : +86 21 3636 1130
Fax : +86 21 3636 1163
Email : enquiry@klkoleo.com.cn

KUALA LUMPUR KEPONG BERHAD
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh, Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Website : www.klk.com.my

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