Kulim (Malaysia) Berhad
(23370–V)

# We C.A.R.E
# Staying the Course

2009 ANNUAL REPORT

## Staying the Course

Kulim's desire and commitment to realise its stated objectives remain as strong as ever. In the face of uncertainty and challenges, we will do our utmost in **Staying the Course** to Deliver Value and achieve Sustainable Growth.

Our continual pledge towards enriching the communities and caring for the environment where we operate, defines our initiatives to generate profitability, guided by the underlying tenets of being responsible and ethical...

...which above everything else, resonate and exudes in our directional thrust that **WE CARE**.

## We C.A.R.E

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

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

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

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

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

We care, so we share…

Kulim (Malaysia) Berhad
(23370-V)

www.kulim.com.my

# VISION

## Delivering Value

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

# MISSION

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

We shall:

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

# C

## OUR **COMPETITIVE** SPIRIT WILL CONTINUE TO DRIVE US TO FORGE AHEAD EXPANDING OUR MARKET REACH AND GLOBAL PRESENCE.

Our vision is clear and resolute - to deliver value to our stakeholders. Imperative to the realisation of the set vision and ultimately our survival is our ability to compete in the fast-changing and dynamic market place. The thrust to our competitiveness lies in our far-sighted strategy, being driven by a customer-centric and market-oriented attitude, competent workforce, cohesive teamworking and more profoundly, a passion for excellence.

"A scenic backdrop of P07 in Sedenak Estate at dawn"

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# STATEMENT TO STAKEHOLDERS

**TAN SRI DATO' MUHAMMAD ALI HASHIM**
Chairman

**AHAMAD MOHAMAD**
Managing Director

*To all our stakeholders,*

ON BEHALF OF THE BOARD OF KULIM (MALAYSIA) BERHAD ("Kulim" OR "The Group") WE ARE PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2009.

## STAYING THE COURSE – A CONTINUING COMMITMENT

2009 has been a testing financial year. The world economy lapsed into recession in 2009 with Malaysia, in the beginning, being one of the worst affected economies in ASEAN. More than this, ecological issues persist, where progress when achieved, remained grudgingly slow paced. At the industry level, palm products prices suffered a decline. Against these backdrops the Group continued to perform commendably. The underlying stratagem of developing a diversified business portfolio beyond the traditional palm oils business to even out business cycles has proven its value. The tactical decision to acquire controlling stakes in both the Pizza Hut and KFC operations proved its worth, as in spite of palm products price decline, the Group registered a 46% increase in revenue, mainly due to the consolidation of KFC Holdings (Malaysia) Bhd's ("KFCH") accounts, with earnings before interest, tax ("EBIT") and extraordinary items ("EI") declining by 8% as compared to 2008, a lower rate of decline than otherwise. The 2009 Annual Report reflects upon our continuing commitment to hold steadfast to our fundamentals of delivering shareholders' value through long term commercial and environmental sustainability.

We remain committed to palm oil and have announced our plans to expand our planted area via organic growth as well as through acquisitions. We regard the Sustainable Palm Oil ("SPO") Programme as not just a certification prerequisite but as one of our operations and Corporate Responsibility ("CR") fundamentals. We embrace our majority shareholders' values of integrating business with serving a higher cause. We translate this as embracing sustainable use of land and water, advocating appropriate treatment of wildlife, enriching our multiple stakeholders, and leaving a lasting heritage for our future generations. Thus operationally, we have been active in ensuring that all activities and initiatives connected to the Principles and Criteria of Roundtable on Sustainable Palm Oil ("RSPO") are pursued and implemented in total. In 2009 the Group-owned plantations in Malaysia underwent a surveillance audit for continued RSPO certification. Similarly the Papua New Guinea's ("PNG") operations underwent the surveillance audit for continued RSPO certification while the newly acquired Ramu Agri-Industries Limited ("Ramu") and Solomon Islands ("SI") operations are undergoing the certification audit for RSPO.

The profile of the Group's business mix and share of revenue contributions by the Divisions changed when KFCH became a subsidiary on 2nd January 2009. With annual revenue of above RM2 billion, the consolidation of KFCH's results into Kulim's books caused the Group Total Revenue to increase by 46% from RM3.99 billion in 2008 to RM5.81 billion in 2009. The Foods & Restaurants Division has become the largest revenue

contributor at 48% (2008: 13%), surpassing the Plantations Division revenue which accounted for 28% (2008: 43%). Operating profit from the Foods & Restaurants Division jumped from a 7% contribution to the Group in 2008 to 42% in 2009. Plantations profit still accounts for the larger portion at 63% as against 86% in 2008.

We have a continuing commitment to growing our businesses so as to further increase our revenue and profit-making capacities. To that end, we are pleased to report that KFCH, following hard on the heels of its successes into Cambodia, will be spreading its wings into the relatively untapped and potentially lucrative Indian market centred in the cities of Mumbai and Pune. The move would further broaden and diversify our earnings base beyond Malaysian shores. The Foods & Restaurants Division as a whole expanded its network to widen customers reach by 21 and 39 new outlets (net of closures) in Malaysia for Pizza Hut and KFC respectively. During the year, KFC Cambodia increased its stores from four to seven.

The Group's 50.68% owned subsidiary, New Britain Palm Oil Limited ("NBPOL"), provided further testimony of our continuing commitment to growth when on 24th February 2010, NBPOL made an announcement to the London Stock Exchange ("LSE") that it had entered into a Share Purchase Agreement to acquire 80% of the shares in CTP (PNG) Limited ("CTP PNG") from CTP Holdings Pte Limited. CTP PNG is an established oil palm plantation company operating in PNG, producing crude palm oil and other palm products for the international market. CTP PNG will be acquired for a cash consideration of USD175 million or approximately USD8,670 per planted hectare. CTP PNG will be fully managed by NBPOL. The acquisition adds over 25,000 hectares of established and producing oil palm plantations in PNG covering three estates and five palm oil mills to the NBPOL and Kulim Group. This single acquisition will increase NBPOL's established plantation area by almost 50%.

> "THE GROUP'S UNDERLYING STRATAGEM OF DEVELOPING A DIVERSIFIED BUSINESS PORTFOLIO BEYOND THE TRADITIONAL PALM OILS BUSINESS TO EVEN OUT BUSINESS CYCLES HAS PROVEN ITS VALUE"

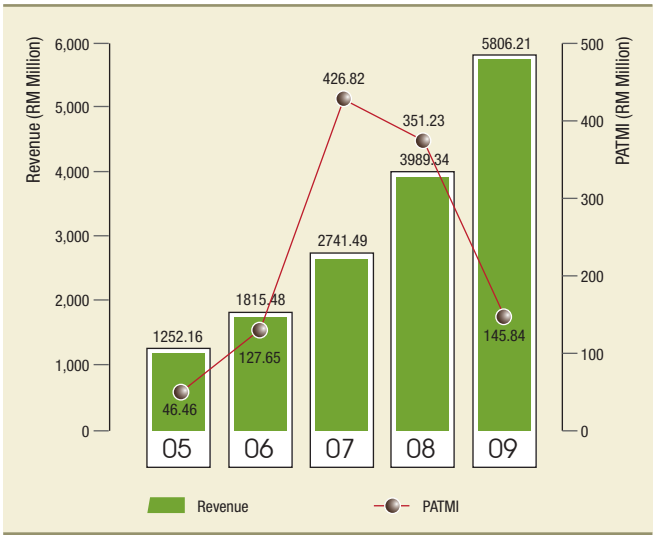
The remaining 20% of CTP PNG is held by The Independent Public Business Corporation of Papua New Guinea ("IPBC"). The IPBC is an independent entity in PNG established to hold the majority of state-owned commercial assets in trust and to manage those assets for the country. We welcome the joining with IPBC as a co-shareholder in CTP PNG, and look forward to further developing our long standing and positive relationship with them.

With the approval of the shareholders obtained at the EGM held on 15th April 2010, the transaction is expected to be completed before the end of the second quarter and contribute positively to the Group's earnings for the year 2010.

We are equally excited by the development in our Intrapreneur Ventures ("IV") Division. The acquisition of Orkim Sdn Bhd ("Orkim") by the Sindora Group, and the construction of additional shipping vessels by E.A. Technique (M) Sdn Bhd ("EA Technique"), the lead company in the Group that is involved in shipping, accorded the Group with a significant presence in the shipping business. All of Orkim's vessels, as well as the majority of the vessels owned by EA Technique, are on long term charter. Sindora Berhad ("Sindora") in April 2010 further announced the acquisition of 60% of Microwell Sdn Bhd ("Microwell"), a company that produces biofertilisers, a product that is expected to reduce our fertiliser costs, increase yields as well as being in line with the sustainable approach that we are championing. These would be the base for additional revenue and profits for the Group. At the same time, several companies set up by the Group in joint-venture with entrepreneurial talent from amongst its rank of employees, recorded profits in their maiden year of operations. More enterprises and intrapreneur candidates are currently being evaluated.

# STATEMENT TO STAKEHOLDERS CONTINUED

## GROUP 5 YEAR REVENUE vs PROFIT AFTER TAX AND MINORITY INTEREST (PATMI)




On 3rd March 2010, we announced the proposed disposal of our investment property, Menara Ansar, located in Johor Bahru, for RM105 million as a mean of unlocking the value of a non-core asset as well as realising the investment in the property. The divestment will be satisfied in part by cash of RM63 million and the remainder via the issuance of 42.9 million new units of Al-'Aqar KPJ Real Estate Investment Trust ("Al-'Aqar KPJ REIT") at an issue price of RM0.98 per unit. As at 6th May 2010, the Al-'Aqar KPJ REIT units are traded at RM1.04.

> OUR SUSTAINABILITY AGENDA AIMS TO DEVELOP AND BUILD SUSTAINABLE PALM OIL BUSINESSES THAT ARE PREMISED ON TRUST AND EFFICIENCY

The Al-'Aqar KPJ REIT which is the world's first listed Islamic REIT and Asia's first Healthcare REIT will be a good investment for the Group as it has over the last two years been providing stable and respectable dividends to its shareholders of 8.1 sen in 2008 and 7.32 sen in 2007. The divestment would also allow the Group to utilise the proceeds to repay part of its borrowings.

We also announced that we had received several proposals for the purchase of our equity in Natural Oleochemicals Sdn Bhd ("NatOleo"). The investments in NatOleo had provided us with substantial returns as well as a respected profile in the industry. However, the changing scenario within the oleochemicals industry requires us to seriously consider these proposals.

## SUSTAINABLE PALM OIL

Our Sustainability Report is an integral segment in this Annual Report. The Sustainability Report brings together the Group's Sustainability Initiatives for its present and future directions. It is intended to be useful and informative to all stakeholders as well as being a communication tool to various interested parties on the Group's approach to the social, environmental and economic aspects of its businesses.

The Kulim Sustainability Handbook which was published in 2007 is the base treatise, which sets out broad outlines of our Sustainability Policies and Practices. This document is distributed to all staff and is translated into Standard Operating Procedures, Guidance Documents and basis for training throughout the Group's operations.

In October 2008, we became the first company in the Plantation Industry to commence Sustainability Reporting via our Sustainability Report 2007/2008. The Global Reporting Index ("GRI") G3 guidelines are still being used as the basis of 2008/2009 reporting. The contents are further underlined via the Principles of Accountability's AA1000AS standard of responsiveness, materiality and completeness.

We established in 2009 a Sustainability and Quality Council with the main objective of integrating sustainability within the Group's businesses. The Council is also responsible for developing strategies and action plans for overall sustainability engagement.

On the world front, climate change and Greenhouse Gas ("GHG") emissions took centre stage at the Copenhagen Summit in December 2009. At the national level, the Malaysian Prime Minister made a commitment to reduce emissions by up to 40% by 2020. Within the palm oil industry, reduction in GHG became the focal area of the RSPO during its 7th Roundtable Conference in Kuala Lumpur. We are committed to playing our part in meeting national and global reduction targets. We have actively participated in the RSPO's GHG Working Group, a group which was set up to provide recommendations for the integration of GHG standards within the RSPO Certification Standards.

The Group is currently developing Clean Development Mechanism ("CDM") projects at its palm oil mills. These initiatives had been long delayed when the separation with the initial technology provider selected became a long drawn–out affair. Implementation of CDM at the mills will significantly reduce the emission of methane gas. Captured methane gas will be used to generate power (electricity) for usage at the estates and mills with potential to provide further cost savings.

Our sustainability agenda aims to develop and build sustainable palm oil businesses that are premised on trust and efficiency as well as addressing longer term challenges that the industry is facing. We affirmed that this shall be a continuing commitment. As the first Malaysian palm oil producer to achieve certification of 100% of its estates and mills, we have demonstrated our ongoing commitment to meet the needs of a consistently sustainable operating model. Our aim is to create long term value for our customers, investors and society as a whole.

## REVIEW OF EXTERNAL BUSINESS ENVIRONMENT

The global economy, which grew by 3.0% in 2008, was reported to decline by 0.8% in 2009, the first time that global output has shrunk in more than 60 years. Global trade in goods and services posted a decline of close to 10% in 2009, the largest drop in 80 years, as countries curtailed their consumption of and expenditure on durable and investment goods.

By June 2009, petroleum prices had dropped by more than 50% from their mid-2008 peak, while non-oil commodity prices had fallen by about 30%. Though these declines provided some relief, oil prices at around USD70 per barrel at the end of June 2009 remained substantially higher than their levels before the spike in 2008.

In Europe, Central Asia, Latin America and the Caribbean, the gross domestic product is expected to contract. Most economies across developing Asia, however, have proved to be more resilient than initially feared. Many regional Governments successfully introduced stimulus packages to alleviate the situation. Similar timely measures implemented by the Malaysian Government helped reduced the 2009 real GDP contraction to -1.7% (2008: 4.6%).

Whilst growth continued to be affected by weak external demand and private investment activity, there are increasing signs that the global economy has stabilised and that recovery is taking place. However, we expect further improvement to the Malaysian economy given the political and organisational will of the Malaysian government to see a better Malaysia and ameliorate the human, economic and environmental impact of the crisis via the implementation of the New Economic Model.

# SEGMENT AND CORPORATE DEVELOPMENT HIGHLIGHTS

## PLANTATIONS DIVISION

THE PLANTATIONS DIVISION IS DRIVEN BY "VISION 30:30": THE TARGET OF RAISING FRUIT YIELDS TO 30 TONNES PER HECTARE AND PALM PRODUCT EXTRACTION RATES ("PPER") TO 30%. THIS HAS SEEN THE TOTAL AVERAGE YIELD AND PPER OF THE GROUP INCREASED FROM 22.63 TONNES PER HECTARE AND 26.50% IN 2006 TO 23.97 TONNES PER HECTARE AND 27.14% BY THE END 2009, IN SPITE OF SIZEABLE NEW PLANTINGS AND AN ACCELERATED REPLANTING PROGRAMME.

### Malaysian Plantations

In 2009, the Malaysian Plantations Division swapped the Sindora-owned Sg. Simpang Kiri Estate with Sime Darby Plantations Sdn Bhd's ("SDP") Sg. Tawing Estate. The exchange came about by way of a mutual understanding between the two parties of the potential rationalisation benefits that could be gained in terms of location. On 14th August 2009, Sindora announced that all conditions precedent in relation to the exchange of the oil palm estates had been finalised, and on 1st September 2009 the swap was physically completed. The Group recorded RM7.9 million in extraordinary profit arising from the swap.

Fresh Fruit Bunch ("FFB") production in 2009 declined slightly by 0.01% as compared to the year before. The Malaysian plantations, recorded a lower yield of 21.22 tonnes per hectare, compared to the 22.70 tonnes achieved in 2008. This is typical of the shrinkage in Malaysian oil palm fruit production experienced in 2009, where the continuous dry weather affected palm fruit formation and bunch size.

The Oil Extraction Rate ("OER") and Kernel Extraction Rate ("KER") of Malaysian mills improved to 19.90% and 5.99%, respectively in 2009 as compared to 19.13% and 5.69%, respectively in 2008, mainly due to improved FFB quality, higher ripening standards and better loose fruit recovery. The improved OER was also the result of a continuous effort taken by all mills in the Group to improve process efficiencies. The Group's palm oil mills' capacity utilisation reached almost 100% in 2009.

### PNG and SI Plantations

2009 was the first year in which Ramu operations were accounted for in full by NBPOL, subsequent to the successful take-over in September 2008. Ramu added 35,000 hectares to NBPOL's land holdings and also contributed positively to NBPOL's FFB production albeit relatively small at this stage. In addition to oil palm, Ramu is also involved in cattle rearing and sugarcane plantations.

NBPOL witnessed a year-on-year increase in FFB and Crude Palm Oil ("CPO") production by 19.2% and 13.3%, respectively. Yearly productivity statistics for FFB produced, FFB processed, and oils produced were slightly above the annual targets as reflected by the improved yields and extraction rates. Extraction rates rose above the target of 23.50% in 3 out of the 6 mills in NBPOL, and the commissioning of the 5th vertical steriliser at Kumbango Palm Oil Mill resulted in much improved figures. Processing of CPO at the Kumbango Refinery remains demand driven, meeting international customers' requirements whilst production for local sales continue to be well focused.

On the sugarcane plantations, Ramu is the only sugar producer in PNG. In 2009, Ramu harvested 433,015 tonnes of cane from 7,512 hectares yielding 36,069 tonnes of sugar. This was an improvement over the two previous years where 430,757 tonnes of cane was harvested in 2008 and 371,793 tonnes in 2007.

Oil palm seed sales in 2009 were challenging as a result of new development of oil palm plantations being curtailed, mainly in Indonesia, due to the global financial crisis earlier this year. Considerable effort continues to be made in contacting and networking with existing and new clients. A total of 18.9 million seeds were produced with 4.5 million seeds sold during the year. Although still slow, sales are now showing good signs of recovery.

During the third quarter of 2009, the West New Britain operations underwent a surveillance audit for continued RSPO and ISO 14000 certification: the first combined audit of its type within the industry. Work is also in progress at both Ramu and Guadalcanal Plains Palm Oil Limited ("GPPOL") in the SI for RSPO certification. This would give the Group's operations in PNG and SI full RSPO certification should these sites be successful.

### Palm Oil Refinery in Liverpool, United Kingdom

Good progress on the construction and fitting out has been achieved at the Group's Palm Oil Refinery in Liverpool, UK, and production is expected to commence on time in Spring 2010. The refinery will have a dedicated supply source from NBPOL's certified sustainable plantations and so the palm oil will be fully segregated and traceable from seed to finished product. NBPOL has entered into a minimum two-year supply agreement to provide United Biscuits, a leading branded snacks business, with significant quantities of segregated, traceable and certified sustainable palm oil of the highest quality.

> "THE GLOBAL OLEOCHEMICALS INDUSTRY CONTINUES ITS CHOPPY RIDE IN A TIME OF UNBALANCED MARKET FUNDAMENTALS"

## MANUFACTURING DIVISION

### Oleochemicals and Biodiesel Operations

The global oleochemicals industry continues its choppy ride in a time of unbalanced market fundamentals compounded by industry restructuring. Demand softened in 2009 due to a combination of the economic slowdown, the reluctance of many buyers to buy into a market when prices were falling, and a need by end-users to reduce inventory and maximise cash holdings.

With the exception of soap noodles, other oleochemical products, fatty acids, glycerine, esters and palm wax, showed a decline in production and sales volume as compared to 2008. Selling prices of fatty acids and its by-product glycerine were down by 30% and 62%, respectively, against the previous year. While feedstock costs declined in the range of between 28% - 38%, the substantial decrease in selling price put a downward pressure on the earnings of the Oleochemicals business. As sales are mostly denominated in USD, the weakening of the dollar in 2009 adversely affected earnings of the Oleochemicals segment resulting in a RM32 million foreign exchange loss during the year.

A contract to supply 29,000 tonnes of biodiesel to a major oil company was completed during the year. In addition, the commissioning of a new glycerine refining plant at Tanjung Langsat was completed, with commercial production commencing in August 2009. The refining cost was, however, higher than the refining facilities at Pasir Gudang due to the non-availability of natural gas.

# STATEMENT TO STAKEHOLDERS CONTINUED

> WE ARE HOWEVER FOCUSED... ENSURING THAT OUR VESSELS HAVE SECURED LONG TERM CHARTERS BEFORE THEY ARE CONSTRUCTED.

## FOODS & RESTAURANTS DIVISION

The Foods & Restaurants Division had a poor start in 2009 when the economic malaise was exacerbated by anti-American sentiment coupled with the Influenza A H1N1 outbreak caused consumer numbers to be low. The low numbers in turn caused severe competition among the market players for the remaining turnout. Nevertheless, a winning combination of strategic management decisions, dedicated staff and the continued expansion of our restaurant network resulted in the early setback being overcome and the Division moving on to record its best year ever in terms of revenue and profits. In particular, revenue increased to RM2.8 billion from RM532.8 million in 2008 inclusive of the effect of consolidating KFCH results for the year. Similarly, profits increased to RM230.3 million against RM97.7 million in 2008.

Having expanded to Cambodia in 2007, we further widened our geographical footprints when on 30th April 2009, KFCH announced it had accepted an offer from Yum! Restaurants (India) Pvt. Ltd, as part of the initial agreement, to operate the KFC franchise business in Mumbai and Pune in India. The entry into India is also expected to provide KFCH with the opportunity to diversify its earnings base and reduce its current dependency on the Malaysian and Singaporean markets. Besides the earnings diversification, India will provide a new frontier to KFCH as the Indian market is considered under developed with only over 1,200 brand restaurants catering to a population of 1.13 billion.

Network expansion continued in 2009 with a total of 92 new stores opened for all our product brands. This brought the total number of outlets to 904 by end of 2009, from 812 in December 2008.

## INTRAPRENEUR VENTURES

### Shipping Business

We are conscious of the apprehension held by the investing public about prospects in the shipping business in general. We are however focused on the clean petroleum product shipping sector, ensuring that our vessels have secured long term charters before they are constructed. Thus in 2009 we continued to expand our shipping business. On 6th May 2009, Sindora and its subsidiary, EA Technique, entered into separate conditional subscription and shareholders agreements with Orkim and Orkim's existing shareholders to acquire, in several stages, up to 51% of the enlarged issued and paid-up share capital of Orkim for a total cost of RM27.1 million. As of 31st December 2009, both Sindora and EA Technique owned 37.8% of Orkim's equity with RM20.7 million disbursed. The exercise is expected to be fully completed in January 2011. Substantial benefits from the economies of scale of its operation, post-merger will boost the shipping business profit margins.

Orkim brought along seven long-term charter contracts ranging from 7 to 13 years with two leading Malaysia-based major oil companies to transport petroleum products. Additionally, EA Technique in 2009 secured a 10 years long term contract with an option to continue for another three years from a major oil company with a combined worth of more than RM400 million over the period.

To fulfill these contractual obligations, Orkim has seven vessels under construction to be delivered in 2010. On the other hand, EA Technique is expecting to take delivery of another three tankers and four support vessels by the end of 2010. Upon delivery of all these vessels by end 2010, our shipping business will have a total of 24 vessels by 2011, emerging as the second largest domestic shipping company in terms of carrying capacity in the clean petroleum product segment after MISC Berhad.

## Other Intrapreneur Businesses

Another acquisition in 2009 with the potential of having a significant impact to our performance was the purchase via Sindora of 60% equity in Microwell for RM4.5 million. Microwell is set-up to produce biofertiliser suitable for oil palm and other agricultural crops. Its usage is expected to reduce dependency on conventional chemical fertilisers while being in line with the requirement of the RSPO, on top of its ability to boost the production yield and enhance soil fertility at a more cost effective rate.

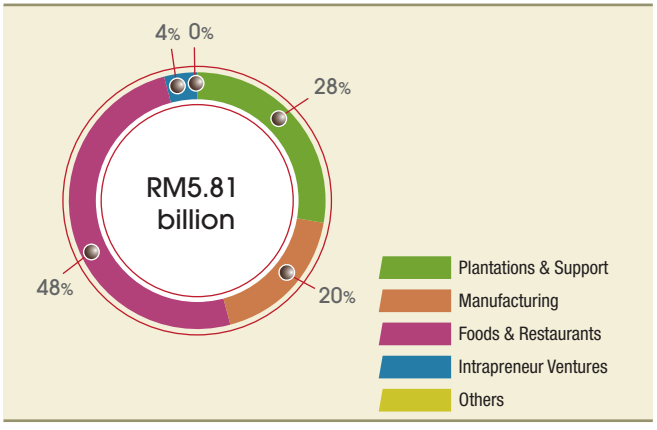
In the year under review, the IV Business was strongly challenged which subsequently impacted its contribution to the Group. Under the Sindora Group, there were markdown of RM3.2 million in stocks by Sindora Timber Sdn Bhd, the impairment of RM2.7 million of investment goodwill in EA Technique and the loss of RM5.9 million on the disposal of MT Nautica Segamat.

However, there were outstanding performances from Pro Office Solutions Sdn Bhd and Tepak Marketing Sdn Bhd with record PBT of RM3.5 million and RM1.8 million respectively. Despite the decrease in pre-tax profit compared to 2008, EA Technique contributed the most to the Sindora's IV Business bottomline at RM7.8 million.

In July 2009, Sindora disposed off Willis (Malaysia) Sdn Bhd for a gain of RM4.7 million. Sindora intends to re-enter the insurance broking business and is currently evaluating several potential acquisition proposals. The disposal of MM Vitaoils Sdn Bhd, which was scheduled to be completed by the end of 2009 has been further delayed and is now expected to be finalised in 2010.

Meanwhile, the Intrapreneurship Programme under Kulim continued to prosper during the year with Kulim Nursery Sdn Bhd, Special Appearance Sdn Bhd and JTP Montel Sdn Bhd showing great potential, recording profits in their maiden year of operations. Kulim Civilworks Sdn Bhd, in its second year of operation showed the most notable improvement with PBT of RM1.7 million (2008: RM0.3 million), whilst Kulim Livestock Sdn Bhd, also in the second year of operation doubled its PBT to RM0.2 million. Edaran Badang Sdn Bhd, which is involved in trading of agricultural machinery also recorded a higher PBT of RM0.5 million as compared to RM0.2 million in 2008. A total of four new Intrapreneur companies have been incorporated during the year, bringing a total of 14 IV companies directly under Kulim by the end of 2009.

SEGMENT REVENUE 2009



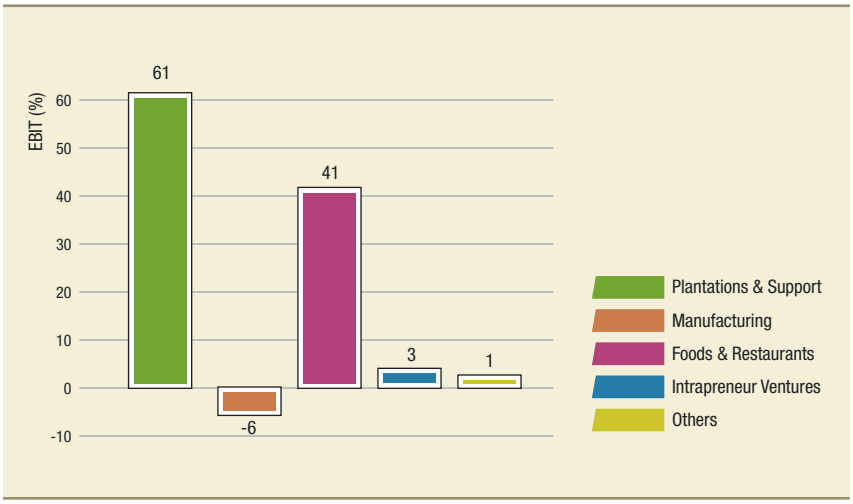

The Intrapreneurship Programme under the Foods & Restaurants Division is primarily focused on Integrated Poultry Farming to help fulfil the growing requirement for birds. 162 hectares of land were purchased in Sedenak, Johor, as sites for 16 intrapreneur bird farms over the next two years. By end of 2009, eight intrapreneur farms were fully operational, producing 50,000 birds in one cycle of production. Under KFCH, the programme is extended via RasaMas restaurants with six RasaMas Intrapreneurs established in 2009.

We are committed to ensure that the companies we set-up under our Intrapreneur Scheme contribute positively to the Group. Several corrective actions have been taken to improve the overall performance and we expect this segment to feature significantly in the future.

# STATEMENT TO STAKEHOLDERS CONTINUED

> THE PLANTATIONS DIVISION IS STILL THE MAIN CONTRIBUTOR TO OUR 2009 EBIT

EBIT BY BUSINESS SEGMENT




## GROUP FINANCIAL RESULTS

### Revenue

The inclusion of KFCH into the Group has resulted in significant changes to the core segments' contributions to total revenue versus the previous year. Foods & Restaurants Division emerged as the largest contributor generating 48% (2008: 13%) of total revenue. Plantations Division became the second largest contributor with 28% (2008: 43%), Manufacturing Division provided 20% (2008: 39%) and IV Division made a 4% contribution, equal to its 2008 performance.

The Group recorded an increase in revenue of RM1.82 billion, or 46%, from RM3.99 billion in 2008 to RM5.81 billion in 2009. Key revenue highlights for the year are as follows:

- The consolidation of KFCH resulted in a 5 fold increase in revenue contribution by the Foods & Restaurants Division, from RM532.75 million in 2008 to RM2.76 billion in 2009.

- Much improved contribution from the IV Division from RM154.23 million in 2008 to RM228.31 million in 2009.

Contribution from the Plantations Division declined by 6%, posting revenues of RM1.62 billion in 2009 versus RM1.72 billion in 2008 mainly due to lower average palm products prices. The revenue contribution from Malaysian operations was 5% lower at RM507.97 million in 2009 compared to RM534.56 million in 2008.

The CPO price rose in the prior year tracking the surge in the global petroleum oil price. From a peak of RM4,179 per tonne in early March 2008, CPO price dropped to a low of RM1,403 per tonne in late November 2008. In contrast, the prices of palm products had been fairly constant throughout 2009, ranging from RM2,100 to RM2,500 per tonne. The Malaysian Plantation operations achieved CPO and PK average selling prices of RM2,167 and RM1,052 per tonne in 2009, compared to RM2,530 and RM1,545 in 2008, respectively.

The declining price trend in 2009 equally affected the plantation operations in PNG and SI. In the year under review, despite an increase in production as a result of the full year consolidation of Ramu, NBPOL Group posted a 8% decrease in revenue. This was mainly due to a lower average CPO price of USD710 per tonne in 2009 as compared to USD926 in the previous year.

Likewise, the Manufacturing Division also suffered a 24% decline in revenue in 2009 as a result of lower product prices and the softening of demand.

### Profitability

The key highlights of the Group's profitability are:

- EBIT excluding EI decreased by 8%, from RM628.74 million in 2008 to RM580.43 million in the year under review. Consequently, EBIT excluding EI, margin in 2009 deteriorated to 10% from 16% recorded in the previous year.

- Pre-tax profit margin also declined to 9% from 17% in 2008. Pre-tax profit decreased from RM667.85 million in 2008 to RM521.87 million in 2009, a reduction of RM145.98 million or 22%.

- EI included in the operating profit of 2009 were much lower at RM6 million as compared to RM93 million in 2008. 2009's EI comprised mainly of gains on the disposal of Willis by Sindora at RM4.8 million, gains on the estate swap with SDP of RM7.9 million and gains on disposal of a vessel, Nautica Segamat, by EA Technique of RM2.1 million. The gains were offset by impairment of ships of RM8.8 million.

Despite the change in the revenue mix, the Plantations Division is still the main contributor to our 2009 EBIT excluding EI, albeit accounting for a smaller share of 61% (2008: 85%); the Foods & Restaurants Division was the second largest contributor at 41% (2008: 7%); while the IV Division contributed 3% (2008: 3%), and other operations made up the

remaining 1%. The Manufacturing Division recorded a loss from operations of approximately 6% of total EBIT excluding EI, compared to a positive contribution of 4% in 2008.

The Malaysian Plantations faced a challenging year in 2009, with lower CPO prices coupled with increased operational costs resulting in an operating profit of RM82.70 million, 32% lower than the RM121.08 million recorded in 2008. Similarly, the Plantation Operations in PNG and SI also recorded lower profit from operations of RM282.47 million, down by 20% from RM354.19 million in 2008.

The operating profit from the Foods & Restaurants Division posted a whopping 399% increase from RM48.50 million in 2008 to RM242.22 million in 2009. This was mainly due to the one-off effect of KFCH's full year accounts consolidation.

Profits from the restaurants in Malaysia improved on the strength of continuing network expansion as well as the introduction of innovative new products and promotions from Pizza Hut and KFC. Likewise in Singapore, introduction of new products and the re-launch of the KFC breakfast menu helped to boost revenue. Profits from Singapore operations, however, were slightly dampened by the increased cost of imported poultry products and cost of value-driven promotions. While KFC Cambodia registered encouraging sales, profitability was affected by start-up costs and the high cost of imported raw materials. The integrated poultry business registered a decline in profitability primarily attributed to the higher cost of ingredients, packaging materials and general operating expenses.

Our Manufacturing Division posted an operating loss of RM34.08 million in 2009 compared to a profit of RM29.66 million in 2008. Forex losses, lower sales volumes and declines in the prices of fatty acids and glycerine by 57% adversely impacted the operating margin.

The IV Division posted a 22% decrease in operating profit, mainly due to the sluggish performance of wood-based products segment which has posted an operating loss of RM4.57 million in 2009 compared to RM0.54 million profit recorded in 2008.

Finance cost incurred for the year under review was RM76.83 million, a 9% increase over last year's RM70.62 million. Interest cover decreased slightly to 7.79 times as compared to 10.46 times in the previous year due to lower EBIT recorded this year. Earnings per share declined from 117.04 sen to 47.22 sen, reflecting the lower profit attributed to shareholders.

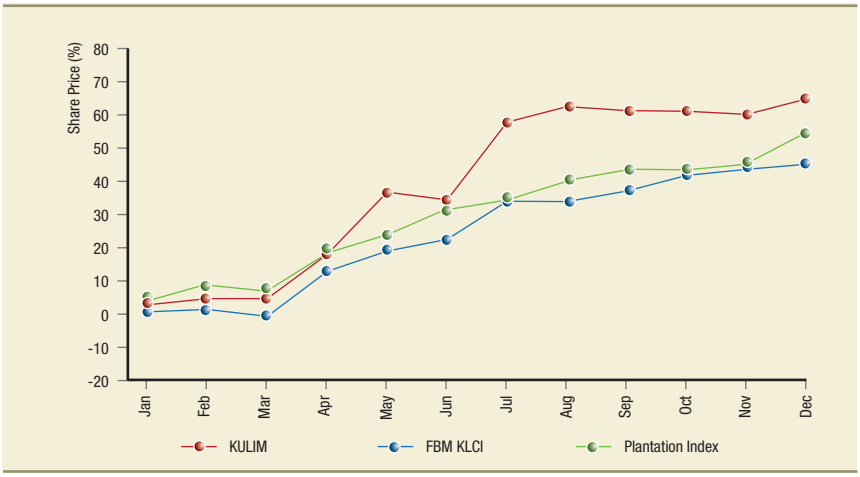
## Balance sheet

The key balance sheet highlights were:

- The Group's cash position as at the end of 2009 reduced by 9% to RM405.23 million from RM445.48 million recorded a year before, mainly due to cash utilised for construction of the refinery in Liverpool, UK and repayment of borrowings.
- The Group's total borrowings stood at RM1.71 billion, a 17% increase from last year's RM1.46 billion, mainly attributable to consolidation of KFCH's borrowings and increased borrowings by Sindora and QSR Brands Bhd ("QSR").
- Gross and net gearing remained fairly constant at 0.34 times and 0.26 times, respectively (2008: 0.34 and 0.24, respectively).

The Group's shareholders' funds improved slightly by 4% to RM3.37 billion, as at 31st December 2009, from RM3.25 billion a year ago. Net assets per share also increased from RM10.53 to RM10.58.

KULIM SHARE PRICE MOVEMENT 2009




Kulim: 64.85%
FBM KLCI: 45.17%
Plantation Index: 53.59%

"KULIM'S SHARE PRICE OUTPERFORMED THE FBM KLCI AND THE PLANTATION INDEX... FOR 2009."

# STATEMENT TO STAKEHOLDERS CONTINUED

## RETURNS TO SHAREHOLDERS

We have been making a concerted effort to unlock the value of our company and its listed subsidiaries. Consistent with the gradual improvement in market sentiment during the year, Kulim's share price appreciated gradually from RM4.58 at closing on 31st December 2008 to RM7.55 at the close of 31st December 2009, representing annual capital growth of 64.85%. Kulim's share price outperformed the FBM KLCI and the Plantation Index, whose improvements for 2009 were 45.17% and 53.59%, respectively. Market capitalisation also improved from RM1.41 billion in December 2008 to RM2.41 billion in December 2009, a 70.92% advance.

Similarly, NBPOL's share price also improved significantly by 158.22% from GBP1.58 (RM7.90) on 31st December 2008 to GBP4.08 (RM22.44) on 31st December 2009. Turning to the Group's other listed subsidiaries, KFCH's share price registered positive growth of 36.21%, whilst prices of QSR and Sindora declined by 0.67% and 24.12%, respectively.

There was no share buy-back activity carried out in 2009 in view of the price volatility. However, we believe that share buy-back will continue to remain a practical strategy to impart a fairer valuation to our shares and therefore we would evaluate and resume the exercise at opportune times.

In 2009, a total of 1,562.35 million units (2008: 204.29 million units) of Kulim shares were traded on the stock exchange with 9.18 million units of warrants converted during the year, bringing RM22.30 million worth of fresh capital into the company (2008: 10.60 million units). As the warrants expired on 30 June 2009, there were 49,374 warrant units not exercised and deemed void. Under the Employee Share Option Scheme ("ESOS"), 1.04 million units were exercised in 2009 which raised RM2.12 million of fresh capital (2008: 1.3 million units). ESOS options expired on 26th August 2009 with a total of 914,600 units not exercised and cancelled.

Kulim's Investor Relations Programme continued actively during the year to keep shareholders and analysts informed with the latest updates about the Group. There were altogether 15 local meetings, 6 conference calls and 1 overseas meeting conducted during the year. The share of foreign shareholding in Kulim decreased slightly from 19% in December 2008 to 18% in December 2009, mainly driven by weak foreign sentiment as a result of the worldwide financial turmoil.

## AWARDS AND RECOGNITIONS

We were awarded several accolades in 2009, most notably the Malaysia Sustainability Reporting Awards ("MaSRA") 2009, as Winner of the Best First Time Reporter and Commendation for Reporting on Strategy and Governance. Our 2008 Annual Report also received the Malaysian National Annual Corporate Report Award ("NACRA") 2009 under the following categories: Winner of Industry Excellence Awards (Main Board) – Plantations and Mining; and Silver Award for the Most Outstanding Annual Report. We also collected the Gold Award in The Global CSR Awards 2009 for Environmental Excellence that was awarded by Pinnacle Group International and the Management Excellence of Occupational Health and Safety Awards 2009 for Johor, awarded by the Ministry of Human Resources.

Subsidiary companies under QSR picked up an array of awards and industry recognitions during 2009. Pizza Hut was awarded the BrandLaureate Award 08/09 in the Best Brand Category Food & Beverage Pizzas and the Trusted Brand 2009 Gold Award under the Family Restaurant Category from Reader's Digest as voted by their consumers. Similarly, KFCH collected the Franchisee of the Year award from Yum! Restaurants International and the Best Brand in the Fast Food Category at the BrandLaureate 08/09. To top it all off, KFCH was once again recognised as a brand leader by winning the Reader's Digest Most Trusted Brands award.

In the year under review, Sindora was awarded the Certificate of Compliance on the Malaysian Palm Oil Board ("MPOB") Codes of Practice in November 2009. The code encourages palm oil players to comply and embrace recommended procedures throughout the production chain to gain universal acceptance. Metro Parking (M) Sdn Bhd, an Intrapreneur company under Sindora, was recognised with the Asia Pacific Entrepreneur Excellence Award and Malaysia Independence Award by Star Company and Power Brand Malaysia, respectively.

## RSPO CERTIFICATION

Following the successful RSPO certification of NBPOL in late 2008, the Malaysian Operations were awarded RSPO certification in January 2009. In January 2010 the Group-owned plantations and mills in Malaysia passed the first surveillance audit for continued RSPO certification. Similarly, during the year, the PNG plantations and mills have successfully undergone the first surveillance audit. NBPOL is now preparing for its operations in SI and the newly acquired Ramu, to undergo RSPO certification audits in 2010. Likewise the Malaysian plantations are also embarking on the certification audit for the Group-managed oil palm estates and mills belonging to Johor Corporation.

## HUMAN CAPITAL DEVELOPMENT

We continue to commit resources to develop our human capital. We are conscious that it is a process that is dynamic and continually evolving with emerging challenges.

Our Performance Management System ("PMS") measures the individual employee's performance against critical targets, in particular the Key Performance Indicators ("KPI"). The Peers and Reverse Feedback ("PARFEED") appraisal system is achieving its objective of complementing the top down appraisal system to provide a more well-rounded assessment of individual employee's performance and feedback to further improve performance in the areas of teamwork, communication, leadership and organisational values.

> "PARAMOUNT INTERNATIONAL COLLEGE WILL SERVE THE NEED TO STRENGTHEN OUR TRAINING AND DEVELOPMENT PROGRAMMES IN HOSPITALITY, CULINARY ARTS AND RESTAURANT MANAGEMENT."

The annual gathering of employees or *Pedoman*, is an avenue for the management to provide highlights and updates on the Group's performance, the challenges being faced and the Group's future direction. An ethics declaration form has been introduced as a whistle-blowing instrument to promote a positive working culture and for employees to declare any wrong-doings. Enforcement against the abuse of illegal substances at the workplace has been carried out in line with the aspiration of the company to be a drug free organisation.

Formal training programmes directly relevant towards enhancing our operational management capability were emphasised, including the Advanced Certificate in Plantation Operations Management and the Certificate in Plantation Practices Management, organised in collaboration with Universiti Teknologi Malaysia and the Certificate in Intrapreneurship, organised in collaboration with Universiti Teknologi MARA. Our Malaysian Plantation operations spent RM1.07 million or 4.15% of payroll towards training and recorded an average training man-day of 4.62 per employee.

Kulim has also allocated RM1 million aimed at promoting Life Long Learning via part-time and distance learning. This is to equip employees with tools for expanding their knowledge and skills to meet the challenges of the future. As at the end of 2009, the Plantations Division employed 18,412 personnel, representing a 27.08% increase over the previous year.

QSR, mindful of the need to fully develop human capital, acquired Paramount International College ("PIC") in January 2010. PIC will serve the need to strengthen our training and development programmes in hospitality, culinary arts and restaurant management. QSR has allocated RM1 million for employees of the Group who wish to further their education in these specialised fields.

# STATEMENT TO STAKEHOLDERS CONTINUED

## EMPLOYEES' BENEFITS

Central to Kulim's success is its people. We believe that effective training, coaching and guidance are instrumental in achieving the Group's vision of "Delivering Value" to its stakeholders. We are focused on identifying and promoting internal talent, whilst simultaneously always on the look-out for talented people who can be nurtured and developed with the appropriate knowledge, expertise and mindset to become the Group's prime assets.

In the Group's plantations, employees enjoy a wide range of benefits and subsidies. Free housing is matched with either free or largely subsidised utilities including water and electricity. Basic healthcare is provided with free medical screening, supplies for normal illnesses and anti-malarial fogging. Malaysian estates provide land for primary schools where needed and school children are provided with an annual uniform subsidy and transport, either fully or partially subsidised. Places of worships such as mosques and temples are also on site.

In PNG and SI, the Group's medical facilities services comprise 4 main medical centres and 33 aid posts/day clinics in or near each housing compound manned by over 80 staff. In 2009, 2 new clinics were constructed at Ramu. NBPOL has the largest concentration of people and its 50 health professionals, nursing officers and community health workers, are led by two highly qualified doctors. The medical team at Ramu is headed by a Chief Medical Officer who is a fully qualified surgeon as well as a general practitioner, supported by a visiting 'houseman' from the University of PNG.

In SI, 3 registered nurses look after each clinic. Referrals are handled by the Good Samaritan Hospital that is less than 10 minutes away from all housing compounds. The company pays for all medical costs and provides all transport.

NBPOL provides educational facilities and financial assistance with school fees for its employees' children. The company runs two International schools, one at NBPOL and one at Ramu. These schools enrol children of both expatriate and national executive staff with intakes up to Year 6. Teaching staff are both expatriate and nationals. School fees are 90% subsidised for up to 3 children in any one year and transport is also provided.

> "KULIM HAS BEEN APPOINTED AS A PARTNER IN THE JOHOR WILDLIFE CONSERVATION PROJECT"


## CARING FOR THE COMMUNITY

In 2009, three "We Care, We Share" initiatives were launched, expanding upon the Group's RSPO efforts towards People and Planet: Kulim Wildlife Defenders ("KWD"), Kulim Wildlife Defenders Junior ("KWD Jr.") and Women OnWards ("WoW").

KWD is an initiative to preserve wildlife in Johor, Malaysia as a part of our commitment to the RSPO certification obtained in January 2009. In collaboration with Johor National Park Corporation ("JNPC") and Wildlife Conservation Society ("WCS"), the 'Tigers Forever' project was initiated. The main objective is to help prevent illegal hunting and poaching of wildlife from Endau-Rompin National Park and the surrounding areas. The KWD project will educate the Group's employees on the importance of wildlife conservation for future generations. This is in line with our policy of balancing business achievements with societal and environmental concerns. In recognition of its effort, Kulim has been appointed as a partner in the Johor Wildlife Conservation Project which was officially launched by DYAM Tengku Mahkota Johor (now DYMM Sultan Johor) on 15th June 2009.

KWD was extended with the launch of KWD Jr. in January 2010 aimed at instilling a greater appreciation for the environment amongst the younger generation and will provide an avenue for future generations to learn about the importance of wildlife in the world's eco-system.

WoW is an internal programme with a special focus on women issues. The programme aims to create awareness amongst Kulim's personnel, employees' spouses and their dependants on issues such as sexual harassment, domestic violence and women's rights as well as a channel to propel to greater heights the already significant contribution from our female team members.

The New Britain Palm Oil Foundation Limited, was established in 1997 to contribute to the health and welfare of the community in and around the Group's operations in West New Britain. In 2009, USD181,516 was spent by the Foundation on various building and infrastructure projects including 7 schools and 2 hospitals.


Direct assistance to the social development of the province was provided in SI through the 2004 MOU between the company and the Guadalcanal Provincial Government. In 2009, Guadalcanal Plains Palm Oil Ltd. ("GPPOL") of SI committed 500,000 Solomon Dollars to the Provincial Government for community development projects in and around the Guadalcanal Province.

Pizza Hut Malaysia's promise to help the nation's children continued through the 'Newspaper in Education' ("NIE") programme. This sees the company teaming up with The Star newspaper to advance the use of newspapers in schools. The main purpose of NIE is to improve reading, spelling and writing abilities. In 2009, the programme was expanded to cover 380 schools across the country.

Another social initiative saw Pizza Hut Malaysia carried out its nationwide charity pizza deliveries during Chinese New Year and Ramadhan. Pizza Hut Malaysia delivered almost 5,000 pizzas to residents from 97 orphanages, old folks and charity homes all over Malaysia. In addition, KFC's quarterly 'Projek Penyayang' gave out more than 32,000 meals to over 150 charity homes nationwide.

2009 saw a new milestone reached with the creation of 'Yayasan Amal Bistari' ("Yayasan") by the Foods & Restaurants Division. The Yayasan will consolidate all future CR programmes within Pizza Hut and KFC. This will see benefits accruing from improved economies of scale and increased strategic alignment. This exercise will also ensure the Group maximises its financial productivity and increases its potential for charitable giving.

## PROSPECTS AND PLANS

Indicators show that the world economy is gradually emerging from the 2008 recession. The World Bank's annual Global Economic Prospects report for 2010 warns that the fragile recovery poses special risks for developing countries including stiffer borrowing costs, reduced credit and tighter capital flows. The report said that growth in developing countries may be reduced by between 0.2 and 0.7 percentage points over the next five to seven years as economies adjust to tighter financial conditions. The global economy is expected to resume growth in 2010 at around 2.7% and then strengthen in 2011 to 3.2%. This compares to the estimated economic contraction in 2009 of 2.2%.

With the global economy slowly recovering, the Asian Development Bank ("ADB") expects Malaysia's economy to return to growth in 2010. In its special assessment of the region, the international development finance institution has forecasted Malaysia's GDP to grow by 4.5% in 2010.

Observers hold mixed views in terms of the price outlook for CPO in 2010. While some industry analysts expect an exciting year for the CPO price as a result of the contracting production experienced towards the end of 2009, others are predicting prices will remain constant, hovering around the RM2,300 to RM2,500 level, on the assumption that the shrinkage in palm oil production will be temporary and the expectation that other vegetable oils such as soybean would remain flat in 2010.

Energy and fertiliser costs in particular are off their highs in 2009. These positive factors are expected to prevail throughout 2010 and would have a direct positive impact on the plantations performance save for any adverse weather impact on estate yields. NBPOL's newly acquired plantation assets in Ramu and new planting and replanting areas in West New Britain and SI are gradually bringing in more crop as they age into their prime and are expected to contribute to higher production and better results. CTP's proportionate results are also expected to contribute positively in 2010. Barring the unexpected, the Plantations Division's performance for the coming year is anticipated to surpass the performance recorded in 2009.

The Group's early adoption of RSPO principles and their application on the ground has given us a first mover advantage that will be rewarded as we seek to realise RSPO premium from our fully-certified plantation operations, and the commencement of NBPOL's refinery in Liverpool, UK.

In February 2010, we have extended the RSPO programme to the smallholders who sell their FFB to two of our mills in Malaysia. This programme has been initiated in collaboration with Malaysian Palm Oil Board ("MPOB").

## STATEMENT TO STAKEHOLDERS CONTINUED

The Group's "Vision 30:30" to increase yield and improve palm products extraction rates continues with usage of proven Dami planting materials in the Group's replanting programme and concerted efforts at the estates and mills to improve operational standards and processes. Potential savings from the Clean Development Mechanism ("CDM") project will be found in terms of electricity generation from methane gas captured from palm oil effluent handling operations. Fertiliser costs that have been locked-in for 2010 requirements are expected to contribute to lower production costs.

Expansion in PNG and SI is set to continue in 2010 with a total of 8,500 hectares identified for new planting. Of this, 6,000 hectares are located west of NBPOL's existing operations in West New Britain Province with the remainder in Ramu. Further expansion through the outgrower scheme is also being undertaken. New milling capacities are being added through the construction of a new mill located to the north of Numundo Plantation which is targeted to be operational in time for the peak crop period in January - July 2011 and the expansion of Kumbango mill capacity to 60 tonnes per hour ("TPH") from 40 TPH using vertical sterilisers.

As mentioned earlier, CTP will add over 25,000 hectares of mature oil palms and five palm oil mills to the existing business. Besides the increase in absolute hectarage and milling capacity, the proposed acquisition is also expected to give rise to synergies in terms of reduced unit costs particularly with regard to logistical costs.

The Group is looking forward to the commencement of delivery of 200,000 tonnes per annum to the new refinery plant in Liverpool, UK from Spring 2010. The potential of expanding sales beyond the domestic refiners to export markets will be explored. By drawing on feedstock from fully certified operations in Malaysia, PNG and SI, the commencement of the refinery plant will herald Kulim and NBPOL as the first plantation group in the world with a refinery that processes only certified, fully traceable sustainable palm oil, catering to the growing demand in the European Union ("EU").

At the time of this report, we have not made a decision as to whether to sell our oleochemical operations. We expect the oleochemicals business to remain challenging owing to fluctuating feedstock prices and downward pressure on selling prices of fatty acids and glycerine. The biodiesel operation has resumed production in early 2010 following the end of the low demand during winter season in the EU. The Malaysian biodiesel plant has signed a 42,000 tonnes contract with a major oil company to supply Cold Soak Filter Test ("CSFT") biodiesel for delivery from February to July 2010. The Singapore biodiesel plant has suffered severe losses and at the time of writing we have relinquished our shares in Nexsol (Singapore) Pte Ltd while at the same time assuming full ownership of the Malaysian plant. We believe that biodiesel mandates will be introduced by more and more countries, thus creating a demand for biodiesel capacities.

The Foods & Restaurants segment, now the major contributor to the Group's revenue, will see an expansion in product lines to include both franchise and in-house products, under the brand of Ayamas, Rasamas and Life, and the introduction of new and innovative menus. Market expansion is planned both locally by opening up more new stores in secondary towns and in the east coast and regionally with outlets planned in Cambodia, Mumbai and Pune.

Opportunities will be seized to increase Intrapreneurship involvement by employees upstream in contract farming and downstream by inducting operators of Rasamas and Ayamas outlets and developing a push-cart concept. An increase in capacity of the Johor plant, currently at 25,000 birds per day to a maximum capacity of 40,000 birds per day is needed to match demand. Building capacity up on related side-orders and condiments will start with bakery and mayonnaise. The Group's newly acquired college will cater for the growing requirement for fresh trainees in the operations and front line services side of the business.

2010 will see the IV Division completing the disposal of MM Vitaoils Sdn Bhd, the acquisition of an insurance brokerage company to replace Willis (Malaysia) Sdn Bhd that was disposed off in 2009, and the take-over of Microwell Sdn Bhd, a company dealing in the production of biofertilisers.

We are excited with all the prospects.

> WE ARE ACUTELY AWARE OF OUR DUTY TO BUILD ON THESE INITIATIVES AND TO CONTINUE TO IMPROVE OUR FINANCIAL AND OPERATIONAL PERFORMANCE

## WORDS OF APPRECIATION

2009 was a pivotal year for the Group with the consolidation of KFCH into the accounts changing the profile of the whole Group. Existing operations were also expanded and enhanced, new initiatives undertaken and decisions taken to explore new avenues for growth. We are acutely aware of our duty to build on these initiatives and to continue to improve our financial and operational performance to ensure Kulim continues to be both a great company and a great investment. Caring for the planet and building a sustainable model for the future is now part of Kulim's culture. The ultimate objective remains what it has always been – to maximise long-term shareholders' value.

We have high expectations of our management and staff, and in this respect they have always delivered. Their continuous hard work, dedication, commitment and loyalty have ensured that our businesses remain amongst the top performers in their respective industries. Our dynamism and synergy as a team have enabled us to forge forward to achieve our vision as a progressive, efficient, profitable and a highly regarded corporate organisation. For your unmitigated support and continuous fervour, we thank you.

To our stakeholders, we wish to extend our gratitude for your forbearance, patience and support during a turbulent economic period in the world that is still rather uncertain. Your faith in our efforts throughout the years and your belief in our capabilities to deliver value have been our principal source of strength, and will similarly be the principal source of energy driving us forward. We also extend our hands in gratitude to all our partners, associates, friends and well-wishers who have all contributed their part in all the respective locations that we operate. We wish to also thank the relevant Government bodies in Malaysia, PNG, SI, Singapore, Cambodia, Brunei, Philippines, India, the UK and other countries where we operate for assisting in the smooth running of our operations.

Last but not least, we wish to express our appreciation to our fellow Board members for their guidance, expertise and wisdom in jealously guarding the highest standards of ethics, integrity and professionalism in the stewardship of the Group. We know that you will continue to be ever vigilant as together we chart the Group towards reaching our vision of being a corporation that continues to excel in delivering quality and adding value, not only to our customers and stakeholders, but also to society at large. We congratulate and are very proud that one of our directors, YB Datin Paduka Siti Sa'diah Sheikh Bakir was awarded the prestigious CEO OF THE YEAR 2009, the first woman recipient of the Award. Working together with them, we know that our other Directors are equally knowledgeable and talented, and we look forward to the Board's sustained contribution to the Group's common cause and active participation in managing the challenges and sharing in the excitement of further growing Kulim's businesses at home and abroad going forward. On behalf of the Board, we thank all of you for your unfailing support of all that Kulim has been able to achieve.

While there is some cause for optimism, the global recovery remains soft, with some downside risks. The Group has stepped up to the new challenges and we are transforming into a more dynamic, flexible, and innovative institution. Our strategy of diversifying our earnings base and building momentum has reached a pivotal phase. An exciting journey lies ahead. We invite you to join us as we navigate the present uncertain economic landscape to greater market shares in all our ventures, improve our return on shareholder's equity, and show that WE CARE for our employees, the community and the environment that nurtures us all.

TAN SRI DATO' MUHAMMAD ALI HASHIM
Chairman

AHAMAD MOHAMAD
Managing Director

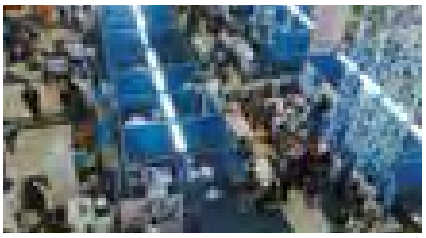
# CORPORATE EVENT HIGHLIGHTS 2009

## JANUARY 2009

### 31 January 2009

*Pedoman* 2009, an annual gathering of Group employees was held at Persada Johor International Convention Centre, Johor Bahru.

## FEBRUARY 2009



### 28 February 2009

Kulim participated in *Karnival Kerjaya* 2009, a yearly career fair organised by the Ministry of Human Resources, held at Plaza Kotaraya, Johor Bahru.

## MAY 2009

### 7 May 2009

Investor relations roadshow accompanied by KAF-Seagroatt & Campbell Securities in Singapore.

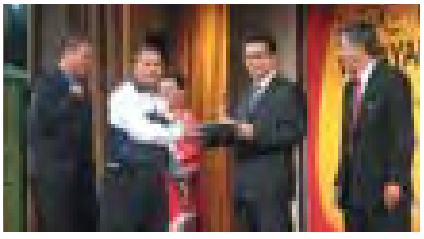
### 26 May 2009

Kulim's 34th Annual General Meeting was held at Persada Johor International Convention Centre, Johor Bahru.

## JUNE 2009

### 13 June 2009

*Gerak Kemas Perdana* 2009, an annual event initiated by the 5S Committee to promote the adoption of 5S "house-keeping" philosophy by focusing on effective work place organisation.



### 22 - 23 June 2009

Kulim participated in the East Region Innovative Creative Circle ("ICC") Convention 2009 at Primula Beach Resort, Kuala Terengganu, an annual event organised by Malaysia Productivity Corporation ("MPC").

### 3 July 2009

The graduation ceremony of Advanced Certificate in Plantation Management Operations Management ("Adv. CPOM") and the Certificate in Plantation Practices Management ("CPPM") held at Akademi Kemahiran & Latihan Insan ("AKLI"), Kota Tinggi.

## JULY 2009

### 4 July 2009

*Kembara Mahkota Johor - Jelajah Pedalaman* 2009, a riding expedition led by DYAM Tengku Mahkota Johor (now DYMM Sultan Johor) into Johor's interior and wildlife conservation project. Basir Ismail Estate and Tereh Complex were selected as pit stops for the programme.

# AUGUST 2009

## 13 – 16 August 2009

Kulim participated in Malaysia International Commodity Conference and Showcase ("MICCOS") 2009 organised by the Ministry of Plantation Industries and Commodities at Malaysia Agro-Exposition Park, Serdang.


## 13 August 2009

Malaysia Sustainability Reporting Awards ("MaSRA") prizing ceremony was held at Hilton Central. Kulim was awarded as Winner for the Best First Time Reporter and Commendation for Reporting on Strategy and Governance.

## 18 August 2009

Kulim participated in the MPC National Convention 2009 at Kuala Lumpur Convention Centre, an annual event organised by MPC, Kulim has won Overall Champion, 1st Place for Service Category and was awarded 3 stars through Kuntum Benih.

# SEPTEMBER 2009

## 1 September 2009

Estate swap between Sg. Simpang Kiri Estate of Sindora and Sg. Tawing Estate of Sime Darby Plantations Sdn Bhd was held at Sime Darby's Cha'ah Estate.

# DECEMBER 2009

## 1 December 2009

National Annual Corporate Report Awards ("NACRA") prizing ceremony was held at Sime Darby Convention Centre, Kuala Lumpur. Kulim was awarded Silver Award for Most Outstanding Annual Report and Winner for Industry Excellence Award (Main Board) – Plantations and Mining.

## 2 - 4 December 2009

Kulim participated in *Hari Mekar* Johor Corporation 2009, an annual event organised by Johor Corporation to promote total quality initiative, held at Persada Johor International Convention Centre, Johor Bahru.

# SUSTAINABILITY EVENT HIGHLIGHTS 2009

## JANUARY 2009

### 10 January 2009

The launching of "We Care, We Share" programme at Kelab Sukan & Rekreasi Tiram ("KSRT"), in line with the Government's call to promote work-life balance via participation in community programme.

### 24 January – 14 March 2009

Inter Region Sports Carnival for all operating units organised by KSRT to promote commitment to healthy lifestyle for employees.

## FEBRUARY 2009

### 18 - 24 February 2009

NatOleo co-hosted the 14th Pasir Gudang International Kite Festival, recognised as the world's largest annual kite festival.

## MARCH 2009

### 14 March 2009

*Program Akademi Masjid* 2009, a programme opened to employees' children at Kulim Corporate Office and from surrounding estates. Activities include colouring contest, *khat* writing and *adzan*.

### 28 March 2009

*Majlis Maulidur Rasul*, a religious programme attended by Group employees and surrounding local community, held at Masjid Jamek Ladang Ulu Tiram, Johor Bahru.

## APRIL 2009

### 4 April 2009, 16 May 2009, 8 August 2009

The Occupational Safety and Health ("OSH") Campaigns were held at various regions of Kulim's operating units. The campaign was jointly-organised by Kulim and various government agencies such as the Fire Department and Jabatan Pembangunan Wanita Negeri Johor.

### 24 - 26 April 2009

Sultan Iskandar Challenge Trophy, an annual shooting competition jointly organised by Johor Clay Target Shooting Association ("JCTSA") and Majlis Sukan Negeri Johor ("MSNJ"), was held at Johor Clay Target Shooting Club, REM Estate.

# MAY 2009

## 30 May 2009

*Program Rekreasi: Kembara Keluarga Mesra Alam*, an expedition programme jointly organised by Persatuan Rekreasi Keluarga Johor Corporation and KSRT to Taman Negara Endau Rompin, Pahang.

## 30 May - 1 June 2009

Through KSRT, Kulim participated in Relay For Life, a yearly event to raise funds for the National Cancer Society of Malaysia ("NCSM"). The event was held at MSN Training Centre, Bukit Jalil.

# JUNE 2009

## 13 June – 25 July 2009

Kulim participated in Johor Corporation Sports Carnival 2009 and was declared as the overall champion.

# AUGUST 2009

## 16 August 2009

The launching of *Tijarah Ramadhan* (Season 5) was held at Pacific Hotel, Kuala Lumpur, officiated by the Minister in the Prime Minister's Department, YB. Mejar Jeneral (B) Dato' Jamil Khir bin Haji Baharom.

## 16 August 2009

A ceremony to handover an ambulance donated by Kulim to Briged Waqaf Johor Corporation was held at Bukit Layang-layang, Pasir Gudang.

## 22 August – 12 September 2009

In conjunction with the month of Ramadhan, *Ihya Ramadhan*, a series of religious talks was held at KSRT Club House, attended by the Group's employees and community from the surrounding area.

# NOVEMBER 2009

## 28 November 2009

*Ibadah Qurban* 2009 was held at Masjid Jamek Ladang Ulu Tiram and attended by the Group's employees and surrounding local community.

# DECEMBER 2009

## 12 December 2009

In conjunction with the school holidays, an educational trip to Tereh Complex for employees' children was organised by KSRT to expose the participants with Kulim's estate and mill operations.

# RECOGNITIONS AND ACCREDITATIONS

## AWARDS RECEIVED IN 2009

| | AWARDED BY | RECEIVING COMPANY/OPERATING UNIT |
|---|---|---|
| Certification for "Sustainable Palm Oil Producer" | Executive Board of RSPO | Kulim (Malaysia) Berhad - Plantations in Malaysia |
| Global CSR Awards 2009<br>• Gold Award for Best Environmental Excellence Award | Pinnacle Group International | Kulim (Malaysia) Berhad |
| CICM Responsible Care Awards 2007/2008<br>Category: Oleochemicals<br>1. Distribution Code - Merit<br>2. Process Safety Code – Merit<br>3. Employee Health and Safety Code – Merit<br>4. Product Stewardship Code – Gold | Chemical Industries Council Of Malaysia (CICM) | Natural Oleochemicals Sdn Bhd |
| Malaysia Sustainability Reporting Awards (MaSRA) 2009<br>• Shortlisted<br>• Winner of Best First Time Reporter<br>• Commendation : Reporting on Strategy and Governance | ACCA Malaysia | Kulim (Malaysia) Berhad |
| NACRA 2009<br>• Silver Award for Most Outstanding Annual Report<br>• Winner of Industry Excellence Award (Main Board) - Plantations and Mining | National Annual Corporate Report Award | Kulim (Malaysia) Berhad |
| MPOB Code of Practice 2009 for:<br>• Good Agricultural Practice<br>• Oil Palm Nursery<br>• Mill Operations | Malaysia Palm Oil Board (MPOB) | Sindora Estate<br>Sindora Palm Oil Mill |
| 2009 South East Asia Frost and Sullivan Growth Strategy Excellence Award for Oleochemicals | Frost and Sullivan | Natural Oleochemicals Sdn Bhd |
| ISO 9001:2008 Certification | SIRIM QAS International Sdn Bhd | SIM Manufacturing Sdn Bhd |
| National MPC 2009<br>• Overall Champion<br>• 1st Place for Service Category<br>• 3-Star Award | Malaysia Productivity Corporation (MPC) | Kulim (Malaysia) Berhad |
| National MPC 2009 – 3-Star Award | Malaysia Productivity Corporation (MPC) | Kulim (Malaysia) Berhad<br>Kulim Montel Farm - Tereh Selatan Estate |
| National MPC 2009 – 3-Star Award | Malaysia Productivity Corporation (MPC) | Kulim (Malaysia) Berhad<br>Sindora Palm Oil Mill |

# PAST AWARDS

## 2008

| | AWARDED BY | RECEIVING COMPANY/OPERATING UNIT |
|---|---|---|
| Good Manufacturing Practice (GMP) | MOODY International | Natural Oleochemicals Sdn Bhd<br>Dubois Natural Esters Sdn Bhd |
| NACRA 2008<br>• Winner of Industry Excellence Award (Main Board) - Plantations and Mining<br>• Silver Award for Best Annual Report in Bahasa Malaysia | National Annual Corporate Report Award | Kulim (Malaysia) Berhad |
| ACCA MESRA 2008<br>– Shortlisted | ACCA Malaysia | Kulim (Malaysia) Berhad |
| Anugerah Kecemerlangan Pengurusan Keselamatan dan Kesihatan Pekerjaan Negeri Johor 2008 | Ministry of Human Resources | Selai Estate |
| New Company of the Year Award – 2008 | London Stock Exchange | New Britain Palm Oil Limited |
| Certification for "Sustainable Palm Oil Producer" | Executive Board of RSPO | New Britain Palm Oil Limited |
| National MPC 2008 -<br>3rd Placing for Service Category, 3-Star Award | Malaysia Productivity Corporation (MPC) | Kulim (Malaysia) Berhad<br>Sindora Estate |
| National MPC 2008 - 3-Star Award | Malaysia Productivity Corporation (MPC) | Kulim (Malaysia) Berhad<br>Sindora Palm Oil Mill |

## 2007

| | AWARDED BY | RECEIVING COMPANY/OPERATING UNIT |
|---|---|---|
| ACCA MESRA 2007<br>– Shortlisted | ACCA Malaysia | Kulim (Malaysia) Berhad |
| HALAL Certification | Jabatan Kemajuan Islam Malaysia | Dubois Natural Esters Sdn Bhd<br>Natural Soaps Sdn Bhd |

## 2006

| | AWARDED BY | RECEIVING COMPANY/OPERATING UNIT |
|---|---|---|
| Quality Assurance Capability – 100% Achievement | Procter & Gamble (P&G) | Natural Oleochemicals Sdn Bhd |
| Sijil Akreditasi Makmal Malaysia<br>(SAMM – MS ISO-IEC 17025:2005) | Department of Standards Malaysia | Natural Oleochemicals Sdn Bhd |

## 2005

| | AWARDED BY | RECEIVING COMPANY/OPERATING UNIT |
|---|---|---|
| Anugerah Kualiti Industri Negeri Johor 2005 | Johor Government Under the Secretariatship of SIRIM | Natural Oleochemicals Sdn Bhd |
| Occupational Health and Safety Management System – OHSAS 18001:1999 | SIRIM QAS International Sdn Bhd | Natural Oleochemicals Sdn Bhd |
| HALAL Certification | Jabatan Kemajuan Islam Malaysia | Natural Oleochemicals Sdn Bhd |
| ISO / IED 17025 Certification | Department of Standards Malaysia | Ulu Tiram Central Labarotary |

# FINANCIAL CALENDAR

## QUARTERLY RESULTS
ANNOUNCEMENT DATE

| | |
|---|---|
| 1st Quarter<br>26th MAY 2009 | 2nd Quarter<br>27th AUGUST 2009 |
| 3rd Quarter<br>25th NOVEMBER 2009 | 4th Quarter<br>25th FEBRUARY 2010 |

## DIVIDENDS
ENTITLEMENT DATE

| | |
|---|---|
| GROSS 15% | For The Year Ended 31st Dec 2008<br>FINAL<br>30th JUNE 2009 |
| GROSS 20% | For The Year Ended 31st Dec 2009<br>INTERIM<br>15th JANUARY 2010 |

## ANNUAL REPORT & GENERAL MEETING

| |
|---|
| ISSUE OF ANNUAL REPORT 2008<br>4th MAY 2009 |
| 34th ANNUAL GENERAL MEETING<br>26th MAY 2009 |

## SHARES AND WARRANTS

| Event | Units Listed and Quoted | Listing Date |
|---|---|---|
| 1. ESOS – listing and quotation of new ordinary shares of RM0.50 each | 33,700 | 29.01.2009 |
| | 25,200 | 25.02.2009 |
| | 125,000 | 26.03.2009 |
| | 74,800 | 27.04.2009 |
| | 100,600 | 28.05.2009 |
| | 241,600 | 25.06.2009 |
| | 230,950 | 27.07.2009 |
| | 164,400 | 25.08.2009 |
| | 43,500 | 07.09.2009 |
| **TOTAL OPTIONS EXERCISED IN 2009** | **1,039,750** | |

| Event | Units Listed and Quoted | Listing Date |
|---|---|---|
| 2. Exercise of warrants 2004/2009 – listing of new ordinary shares of RM0.50 each | 7,680 | 14.01.2009 |
| | 4,250 | 03.02.2009 |
| | 140,000 | 10.03.2009 |
| | 1,000 | 17.03.2009 |
| | 40,000 | 23.03.2009 |
| | 42,150 | 27.03.2009 |
| | 127,780 | 31.03.2009 |
| | 138,050 | 07.04.2009 |
| | 284,500 | 10.04.2009 |
| | 850 | 17.04.2009 |
| | 66,730 | 22.04.2009 |
| | 14,900 | 27.04.2009 |
| | 25,600 | 28.04.2009 |
| | 3,123,200 | 8.05.2009 |
| | 228,230 | 13.05.2009 |
| | 269,740 | 18.05.2009 |
| | 24,350 | 21.05.2009 |
| | 46,840 | 28.05.2009 |
| | 120,056 | 08.06.2009 |
| | 7,410 | 09.06.2009 |
| | 349,750 | 10.06.2009 |
| | 305,114 | 15.06.2009 |
| | 112,564 | 17.06.2009 |
| | 87,897 | 19.06.2009 |
| | 283,589 | 22.06.2009 |
| | 246,177 | 23.06.2009 |
| | 129,619 | 26.06.2009 |
| | 372,130 | 29.06.2009 |
| | 1,637,936 | 01.07.2009 |
| | 939,145 | 09.07.2009 |
| **TOTAL WARRANTS CONVERTED IN 2009** | **9,177,237** | |

# IN THE NEWS

Rundingan dengan pembeli sudah bermula

## Kulim terokai pasaran Eropah

JOHOR BAHRU

## Kulim's UK refinery to boost viability in European market

## OSK raises call on Kulim on expected strong results

OSK Research has raised its recommendation on shares of Kulim (M) Bhd as it expects the plantation group to post stronger earnings this year.

The stock is now a "trading buy" from "neutral" before, and its new target price is RM7.50 from RM6.90 previously.

Yesterday, Kulim's shares rose by 10 sen to close at RM5.40.

Kulim's Johor operations received the Roundtable on Sustainable Palm Oil (RSPO) certification earlier this year after subsidiary New Britain Palm Oil Ltd was recognised for sustainable palm oil production since September 2008.

In a note to investors yesterday, senior analyst [illegible] said the Kulim [illegible]

**Plantation statistics**

| | Planted area (ha) | FFB output (000 tonnes) |
|---|---|---|
| Malaysia | 35,261 | 604 |
| PNG | 41,022 | 765 |
| Solomon Island | 6,361 | 91 |
| Total | 82,644 | 1,460 |

Source: OSK Research

Malaysia, Papua New Guinea (PNG) and Solomon Island produced 1.46 million tonnes. This [illegible] subsidiary [illegible] Ltd, [illegible] million [illegible] Kulim's [illegible] palm [illegible] which [illegible] gave its [illegible]

## Kulim secures RM430m loan

## Kulim allocates RM5mil for CR programme

ULU TIRAM: Kulim (M) Bhd is allocating about RM5mil for its corporate responsibility (CR) activities this year.

Managing director Ahamad Mohamad said the company had recently launched "the rate, [illegible]

## Kulim hasil teknik baru proses sawit jimat tenaga, masa

Cetuskan tanggapan tidak menyerlah di Malaysia

## Kulim hebat di luar negara

## Trigger for mindset change

## Kulim tumpu kesedaran tambah kualiti kehidupan

JOHOR BAHRU: Kulim (Malaysia) Bhd kini menumpukan program yang memberi kesedaran kepada wanita dan generasi muda bagi menambah baik hidup mereka serta alam sekeliling menerusi program Women On Wards

## CPO upswing bodes well for Kulim

## Kulim unique among plantation players

"Early morning tall palm harvesting in Ulu Tiram Estate"

# SECTION 2

## About Kulim

# A

## WE ATTRIBUTE THIS SUCCESS TO OUR ABILITY TO EFFECTIVELY EXECUTE OUR STRATEGIES - OUR BIASNESS TOWARDS **ACTION**.

Kulim has been in existence for a good 75 years. We have grown and progressed from a humble beginning into becoming a successful diversified corporate organisation. We take great effort to ensure our goals and strategies are translated into actionable performance measures, consistent with our mission to become the most progressive corporate organisation.

# CORPORATE PROFILE
## STAYING THE COURSE - A CONTINUING COMMITMENT

"Kulim's Corporate Office in Ulu Tiram"

### THE FOUNDATION OF KULIM

KULIM (MALAYSIA) BERHAD'S ("Kulim") CORPORATE HISTORY DATES BACK TO 1933 WHEN IT WAS FIRST INCORPORATED IN THE UNITED KINGDOM AS KULIM RUBBER PLANTATIONS LTD. KULIM WAS LATER INCORPORATED AS A PUBLIC LIMITED COMPANY AND WAS LISTED ON THE MAIN BOARD OF KUALA LUMPUR STOCK EXCHANGE (NOW KNOWN AS THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD) IN 1975. SINCE JOHOR CORPORATION BECAME THE MAJOR SHAREHOLDER OF KULIM IN 1976, KULIM HAS INCREASED ITS INTEREST IN THE PLANTATION INDUSTRY THROUGH ACQUISITION OF PLANTATION ASSETS AND CONTROLLING STAKES IN MALAYSIAN AND REGIONAL PLANTATION COMPANIES. CURRENTLY EMPLOYING CLOSE TO 49,000 PEOPLE, 62% OF THE STAFF ARE IN MALAYSIA AND THE REMAINING CONTINGENT ARE SPREAD ACROSS PAPUA NEW GUINEA, THE SOLOMON ISLANDS, SINGAPORE, BRUNEI, CAMBODIA, INDIA, AND THE UNITED KINGDOM. OVER THE YEARS, KULIM HAS EVOLVED AND NOW FOCUSES ON FOUR CORE BUSINESS OPERATIONS – OIL PALM PLANTATIONS, OLEOCHEMICALS, FOODS & RESTAURANTS AND INTRAPRENEUR VENTURES. OUR DIVERSIFIED BUSINESS PORTFOLIO IS A PROGRESSIVE DEVELOPMENT FROM OUR TRADITIONAL BUSINESS OF PALM OIL, PURSUED IN LINE WITH OUR AIM TO SUSTAIN VALUE CREATION FOR ALL OUR STAKEHOLDERS VIA THE ADOPTION OF A BALANCED BUSINESS MIX.

# CORE BUSINESSES

## PLANTATIONS

Kulim is recognised as one of the leading palm oil companies in the world with a unique geographical footprint – in Malaysia, PNG and SI. Kulim was amongst the earliest plantations in the world to be certified as a sustainable palm oil producer when its operations in West New Britain, PNG and Malaysia were awarded the RSPO certification in 2008 and early 2009 respectively. Our management and growth strategy is fundamentally guided by "Vision 30:30" – fruit yields of 30 tonnes per hectare and combined palm products extraction rates of 30%, and sustainable development principles.

## OLEOCHEMICALS

Kulim's involvement in oleochemicals began in 1994 through a subsidiary, Natural Oleochemicals Sdn Bhd. The Division is a culmination of the Group's strategy to counter the wide fluctuation in earnings derived from its plantation operations. It also allows the Group to move along the palm oil value chain and be involved in more niche and profitable downstream activities. Our products are certified *Halal* and *Kosher*, and conform to international standards such as Good Manufacturing Practice ("GMP"), ISO 9001:2000, Hazard Analysis and Critical Control Point ("HACCP") and Occupational Health and Safety Accreditation Scheme ("OHSAS") 18001. More than 90% of our products are exported to various countries across the world.

## FOODS & RESTAURANTS

Kulim's subsidiary, QSR Brands Bhd ("QSR") is currently the leading, fully integrated quick service restaurant enterprise in Malaysia, Singapore, Brunei and Cambodia. It has also recently broadened its base into Mumbai and Pune, India. In January 2009, KFCH officially became a subsidiary of QSR. Our vision is to be the largest integrated food services group in the ASEAN region based on consistent quality products and exceptional customer-focused service. We also operate a host of auxiliary activities that support the Group's core restaurant business, encompassing feed mills, breeder farms, hatchery, contract broiler farms, poultry processing and other processing plants, sauce and seasoning manufacturing. Our integrated operation safeguards the integrity of the supply chain and ensures all products sold are *Halal*. Our aggressive and innovative product marketing, and customer service strategies will continue to be our key performance drivers.

## INTRAPRENEUR VENTURES

In line with the value-added approach, one of our principal growth thrusts is the Intrapreneur Ventures ("IV") Division, which is involved in a diverse range of businesses. Our IV Division is spearheaded by Sindora Berhad ("Sindora") and complemented by Kulim's and KFCH's intrapreneur companies. The IV companies are subject to a systematic and rigorous process of selection, management and control to ensure they continue to deliver value and returns to shareholders. The IV companies will be developed and nurtured to become leading players in their respective industries and transformed into strategic business divisions of the Group. The Group's IV companies are involved in businesses ranging from shipping and logistics, parking management services, facilities management and civil works, agricultural machinery, production house and event management, trading of tropical fruits, manufacturing of rubber products and integrated poultry farming.

# CORPORATE PROFILE CONTINUED

## BALANCED BUSINESS STRATEGY

Diversified into four core businesses, our strategy is to invest in businesses that offer superior long-term potential for growth and profitability that will collectively minimise earnings fluctuations so as to enable the Group to provide attractive returns to our shareholders.

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

| CORE BUSINESS | INDUSTRY | POINT IN LIFE-CYCLE | INCOME DERIVATION | PRODUCT NATURE |
|---|---|---|---|---|
| Plantations | Palm Oils – Industrial Intermediaries | New Life-cycle | Forex-based | Basic Commodity |
| Oleochemicals | | New Life-cycle | Forex-based | Intermediate Commodity |
| Foods & Restaurants | Fast Foods – End Consumers | Growing | Mostly RM-based | Non-commodity, New Lifestyles |
| Intrapreneur Ventures | Mixed | Growing | Mixed | Non-commodity |

## KULIM AND SUSTAINABILITY

As a socially and environmentally responsible corporate citizen, Kulim embraces the principles of sustainable development and has continued to work towards demonstrating sustainability throughout our operations. We recognise sustainability as an opportunity to change the way we do our business. Our Sustainable Palm Oil ("SPO") Programme defines its ultimate objective as to improve Kulim's business performance and profitability as well as positioning Kulim as a world leader in SPO. Our efforts with regards to sustainable development will continue to guide our business.

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

## OUR PROMISE, WE CARE

Kulim has laid solid foundations for its future growth and will continue to adapt its approach to the ever-changing needs of its businesses and environment. The Group will build upon its strength of experience and expertise in its established core businesses of palm oil and oleochemicals and harness the potential for growth in foods and restaurants as well as IV sectors. Guided by a clear vision of where it is heading and a strong governance culture, the Group is well-positioned to capitalise on emerging opportunities in the market place, locally and globally, to deliver value to all its stakeholders.

With the end of the downturn in sight, we need to stay the course, and be ready for the recovery. Great global businesses deliver the same product, with the same quality, all over the world, because they have a great strategy, perfectly executed. This means taking the time to work on developing systems to make each of our core businesses run more efficiently. By taking the knowledge and expertise that is currently inside each of our businesses and transforming it into a system that works more efficiently, we can multiply our productivity while investing in training our most precious resource, our people, to work more effectively. Our vision is clear, to deliver value to our stakeholders. Our spirit of caring is integral to delivering that prosperity.

# CORPORATE MILESTONE

## THE BEGINNING

### 1933
Incorporation of Kulim Rubber Plantations Ltd ("KRPL") in the United Kingdom ("UK") on 4th July.

### 1947
KRPL began operations with a 190 hectares of rubber plantation in Johor, Malaysia.

## REBRANDING AND RESTRUCTURING

### 1970
On 16th July, KRPL changed its name to Kulim Group Limited ("KGL") and listed its shares on the London Stock Exchange ("LSE").

### 1973
KRPL's businesses expanded from oil palm and rubber plantations, to include property development in the UK, hotels in the Trinidad and Tobago islands in the Carribean and a rubber plantation in Nigeria.

### 1975
Incorporation of Kulim (Malaysia) Sdn Bhd on 3rd July, later made public as Kulim (Malaysia) Berhad ("Kulim") on 18th August. On 14th November, Kulim was listed on the main board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad).

### 1976
The Johor State Economic Development Corporation (now known as Johor Corporation or JCorp) became a shareholder of Kulim.

### 1977
KGL withdrew from the LSE and became a subsidiary of Kulim. KGL transferred to Kulim all its assets and liabilities and divested its assets in the UK.

### 1979
Kulim ventured into property development through its wholly-owned subsidiary, Advance Development Sdn Bhd ("ADSB").

## CONSOLIDATING WHILE CONTINUING TO GROW

### 1980
Kulim disposed off Minister Bay Hotel Limited in Trinidad and Tobago.

### 1982
Kulim disposed off Mount Irvine Bay Hotel Limited in Trinidad and Tobago.

### 1986
Tan Sri Dato' Muhammad Ali Hashim was appointed as Chairman of Kulim.

### 1988
Kulim acquired 60% of Selai Sdn Bhd.

### 1989
Kulim acquired Labis Bahru Estate, a 2,110 hectares of oil palm and rubber estate.

### 1990
Kulim disposed off its entire equity in Waterside Rubber Estates Ltd, Nigeria to focus on its Malaysian plantations.

### 1993
Kulim acquired 49% of Yule Catto Plantations Sdn Bhd, now known as Mahamurni Plantations Sdn Bhd ("MPSB"), which owns 7,033 hectares of oil palm with a palm oil mill and rubber estate.

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

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

# CORPORATE MILESTONE CONTINUED

## 1994
Kulim diversified into the oleochemicals business by acquiring 91.38% of Natural Oleochemicals Sdn Bhd ("NatOleo") in July.

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

## 1995
NatOleo entered into a joint-venture with Stearinerie Dubois Fils, a French company to produce specialty esters. NatOleo took 55% equity in the new company, Dubois Natural Esters Sdn Bhd ("DNE").

## 1996
Kulim's regional expansion began with the acquisition of a 90% stake in New Britain Palm Oil Limited ("NBPOL") in Papua New Guinea ("PNG").

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

Johor Land Berhad ("JLand") became a Kulim's subsidiary and was subsequently listed on the main board of KLSE.

## 1997
Commissioning of DNE's ester plant and expansion of the fatty acid plant from 45,000 tonnes per annum ("TPA") to 150,000 TPA.

## 1998
New Britain Nominees Ltd was incorporated by NBPOL as a vehicle for its employees, outgrowers and traditional landowners to acquire NBPOL shares allowing them to participate in NBPOL's future growth and prosperity.

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

## DIVERSIFYING AND "GEARING UP" FOR GROWTH

## 2000
Kulim acquired the remaining 40% stake in Selai Sdn Bhd.

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

## 2001
Kulim disposed off 3,104 acres of land in Ulu Tiram Estate for RM313.7 million.

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

## 2004
Kulim made an entry into Kalimantan, Indonesia when it acquired 100% equity in EPA Management Sdn Bhd ("EPA").

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

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

## 2004
Kulim entered into a joint-venture with TopPlant Laboratories Sdn Bhd, to own 60% of the equity in the new company, Kulim TopPlant Sdn Bhd, for the production of high-yielding oil palm clones using tissue culture technology.

## 2005
Kulim acquired a 52% stake in QSR Brands Bhd ("QSR"), the operator of Pizza Hut and the controlling shareholder of KFC Holdings (Malaysia) Bhd ("KFCH").

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

## 2006
Kulim completed a capital distribution-in-specie of its entire holding of JLand shares in March, signalling the Group's exit from the property business.

Kulim divested all of the Group's plantations in Sumatra in March.

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

## 2007
Secondary listing of NBPOL in the LSE in December for realisation of NBPOL's true earnings potential in the trading market.

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

"Continuity in stills....the young and the mature" in PNG

## SUSTAINABLE GROWTH

### 2008

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

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

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

Construction commenced on NBPOL's 200,000 TPA refinery plant in UK with an estimated cost of GBP17 million.

QSR's foray into Cambodia for KFC restaurants.

### 2009

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

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

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

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

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

# GROUP SIGNIFICANT SUBSIDIARIES AS AT 31 MARCH 2010

## PLANTATIONS AND SUPPORT

- 100% Kulim Plantations (Malaysia) Sdn Bhd
- 100% Ulu Tiram Manufacturing Company (Malaysia) Sdn Bhd
- 100% Mahamurni Plantations Sdn Bhd
- 100% Selai Sdn Bhd
- 100% EPA Management Sdn Bhd
- 94% Kumpulan Bertam Plantations Berhad
- 51% New Britain Palm Oil Limited
  - 100% Dami Australia Pty Ltd
    - 50% PT Damitama Mas Sejahtera
  - 100% Ramu Agri-Industries Limited
  - 80% Guadalcanal Plains Palm Oil Limited
  - 80% CTP (PNG) Limited
- 60% Kulim TopPlant Sdn Bhd

## MANUFACTURING

- 91% Natural Oleochemicals Sdn Bhd
  - 100% Natural Soaps Sdn Bhd
  - 60% Natural Wax Sdn Bhd
  - 55% Dubois Natural Esters Sdn Bhd
- 100% Kulim Energy Sdn Bhd
  - 51% Nexsol (Malaysia) Sdn Bhd
- 100% Skellerup (Industries) Malaysia Sdn Bhd
  - 90% SIM Manufacturing Sdn Bhd

## FOODS & RESTAURANTS

- 61% QSR Brands Bhd
  - 100% Pizza Hut Holdings (Malaysia) Sdn Bhd
    - 100% Pizza Hut Restaurants Sdn Bhd
    - 100% Multibrand QSR Holdings Pte Ltd
      - 100% Pizza Hut Singapore Pte Ltd
- 55% Kampuchea Food Corporation Limited
- 50% KFC Holdings (Malaysia) Bhd
  - 100% KFC Restaurants Holdings Sdn Bhd
  - 100% Roaster's Chicken Sdn Bhd
  - 100% Ayamas Food Corporation Sdn Bhd
  - 100% Region Food Industries Sdn Bhd



## INTRAPRENEUR VENTURES

- 77% Sindora Berhad
  - 51% E.A. Technique (M) Sdn Bhd
    - 18% Orkim Sdn Bhd
  - 20% Orkim Sdn Bhd
  - 75% Metro Parking (M) Sdn Bhd
  - 75% Pro Office Solutions Sdn Bhd
  - 90% GranuLab (M) Sdn Bhd
  - 75% Epasa Shipping Agency Sdn Bhd

### Under Kulim (Malaysia) Berhad

- 90% JTP Trading Sdn Bhd
  - 90% JTP Montel Sdn Bhd
- 100% The Secret of Secret Garden Sdn Bhd
- 95% Cita Tani Sdn Bhd
- 90% Renown Value Sdn Bhd
- 90% Kulim Nursery Sdn Bhd

### Under EPA Management Sdn Bhd

- 100% Extreme Edge Sdn Bhd
- 95% AKLI Resources Sdn Bhd
- 90% Kulim Livestock Sdn Bhd
- 90% Superior Harbour Sdn Bhd
- 90% Special Appearance Sdn Bhd
- 75% Edaran Badang Sdn Bhd
- 75% Kulim Civilworks Sdn Bhd

### Under KFC Holdings (Malaysia) Bhd

- 100% Roaster's Chicken Sdn Bhd
  - 90% Rasamas Tebrau Sdn Bhd
  - 90% Rasamas Wangsa Maju Sdn Bhd
  - 90% Rasamas Butterworth Sdn Bhd
  - 90% Rasamas Bukit Tinggi Sdn Bhd
  - 90% Rasamas Subang Sdn Bhd
  - 90% Rasamas Kota Bharu Sdn Bhd
- 100% Ayamas Food Corporation Sdn Bhd
  - 90% Semangat Juara Sdn Bhd
  - 90% Ayamas Farms & Hatchery Sdn Bhd
  - 90% Ayamas Feedmill Sdn Bhd

Malaysia | Papua New Guinea | Others

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chairman/Non-Independent Non-Executive Director
TAN SRI DATO' MUHAMMAD ALI HASHIM

Managing Director
AHAMAD MOHAMAD

Executive Director
JAMALUDIN MD ALI
WONG SENG LEE

Non-Independent Non-Executive Director
DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
KAMARUZZAMAN ABU KASSIM
ROZAN MOHD SA'AT

Independent Non-Executive Director
TAN SRI DATUK ARSHAD AYUB
KUA HWEE SIM
DATUK HARON SIRAJ
DR. RADZUAN A. RAHMAN

### SECRETARIES

**IDHAM JIHADI ABU BAKAR**
(MAICSA 7007381)
**NURALIZA A. RAHMAN**
(LS 0008565)

### REGISTERED OFFICE

Level 2,
Persada Johor International Convention Centre,
Jalan Abdullah Ibrahim,
80000 Johor Bahru, Johor Darul Takzim.
Tel : +607-219 2692 / 223 2692
Fax : +607-223 3175 / 227 3840

### AUDIT COMMITTEE

**TAN SRI DATUK ARSHAD AYUB**
Chairman / Independent Non-Executive Director

**KUA HWEE SIM**
Independent Non-Executive Director

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

### REGISTRAR

**Pro Corporate Management Services Sdn Bhd**
Suite 2, Tingkat 17,
Kompleks Tun Abdul Razak (KOMTAR),
Jalan Wong Ah Fook,
80000 Johor Bahru, Johor Darul Takzim.
Tel : +607-222 4044, 5044, 6044
Fax : +607-222 3044
Email : nursheila@jcorp.com.my

### PRINCIPAL BANKERS

**CIMB Bank Berhad**
**OCBC Bank (M) Berhad**
**Ambank (M) Berhad**
**RHB Bank Berhad**
**Malayan Banking Berhad**
**ANZ Banking Group**
**Citibank Berhad**
**HSBC Bank Malaysia Berhad**

### AUDITORS

**KPMG**

### WEBSITE

**www.kulim.com.my**

### STOCK EXCHANGE LISTING

| LISTED ENTITIES WITHIN THE GROUP | STOCK EXCHANGE | LISTED SINCE | STOCK CODE |
|---|---|---|---|
| Kulim (Malaysia) Berhad | Main Market of Bursa Malaysia Securities Berhad | 14 November 1975 | 2003 |
| QSR Brands Bhd | | 1 April 2004 | 9415 |
| Sindora Berhad | | 7 December 1995 | 6106 |
| KFC Holdings (Malaysia) Bhd | | 11 November 1988 | 3492 |
| New Britain Palm Oil Limited | Main Market – London Stock Exchange and Port Moresby Stock Exchange | 17 December 2007 | NBPO |
| | | 19 December 1999 | NBO |

"Smooth Journey...." a Probase road in Tereh Selatan Estate

# BOARD OF DIRECTORS

## TAN SRI DATO' MUHAMMAD ALI HASHIM

Chairman / Non-Independent Non-Executive Director

Aged 63, is a Non-Independent Non-Executive Director and the Chairman of Kulim (Malaysia) Berhad. Tan Sri was appointed to the Board on 6th July 1982. Tan Sri is the President and Chief Executive Officer of Johor Corporation ("JCorp"), the ultimate holding corporation of Kulim (Malaysia) Berhad, and has held that position since January 1982.

He graduated from the University of Malaya with a Bachelor of Economics (Honours) degree in 1969 and participated in the Senior Executive Programme, Stanford University, USA in 1985. Tan Sri was conferred the Honorary Doctorate of Management by Universiti Teknologi Malaysia ("UTM") on 19th August 2000; Honorary Doctorate in Entrepreneurship by Universiti Teknologi MARA ("UiTM") on 24th May 2007; Honorary Doctorate in Technology Management by Universiti Tun Hussien Onn Malaysia ("UTHM") on 2nd September 2007.

Tan Sri's tenacity, business acumen and entrepreneurial leadership has enabled JCorp to grow into one of Malaysia's leading conglomerates with more than 280 companies, 7 of which are listed on Bursa Malaysia Securities Berhad and another on the London Stock Exchange. Market capitalisation of JCorp's portion of PLC shares stood at RM10.4 billion at the end of 2009. This highly diversified Group offers meaningful career opportunities to more than 50,000 employees.

As President and CEO of JCorp Group, Tan Sri had also successfully steered the Group through extreme business challenges, especially when the JCorp Group was hard hit by the 1997 Asian Crisis. In 2006 - 2007, JCorp through Kulim (Malaysia) Berhad had also successfully acquired two PLC's namely QSR Brands Bhd and KFC Holdings (Malaysia) Bhd, overcoming a protracted hostile challenge. This had led to the exercise becoming one of Malaysian landmark corporate acquisitions.

JCorp has also successfully managed Malaysia's one and only 'market-driven' local authority, namely the Pasir Gudang Municipal Council ("PGMC") (previously known as Pasir Gudang Local Authority ("PGLA")), with Tan Sri as President with mayorial responsibilities since January 1982 up to July 2008. JCorp was the single most important agency responsible for Pasir Gudang's development into one of Malaysia's vibrant and dynamics industrial townships. PGMC made history by becoming the first business-driven Local Authority in Malaysia to issue a Mudharabah Bond rated triple 'A' by Ratings Agency Malaysia ("RAM"). After 32 years, JCorp has since ceased to manage the Pasir Gudang township.

Tan Sri sits as Chairman of KPJ Healthcare Berhad, QSR Brands Bhd, KFC Holdings (Malaysia) Bhd, Sindora Berhad and Damansara Realty Berhad which are JCorp's Group of companies listed on the Main Market of the Bursa Malaysia Securities Berhad.

Tan Sri is also active as a Council Member of Malaysian Industrial Development Authority ("MIDA"), President of the Malaysian Kite Council and President of Malaysian Yachting Association; Vice President of the Malaysian Islamic Chamber of Commerce ("MICC"), Chairman of the MICC Corporate Bureau and Chairman of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp. He is also the Chairman of Damansara REIT Managers Sdn Bhd and also the Chairman and/or Director of several other companies within the JCorp Group.

Other than as disclosed, Tan Sri does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## AHAMAD MOHAMAD
### Managing Director

Aged 57, is the Managing Director of Kulim (Malaysia) Berhad and was appointed to the Board on 24th January 1991.

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined Johor Corporation in June 1979 as a Company Secretary for various companies within the Johor Corporation Group. He was involved in many of Johor Corporation's projects, among others are the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex in Johor Bahru. At present, he is the Chief Executive of the Palm Oils Division of Johor Corporation. He is presently a member of the Board of Directors of KPJ Healthcare Berhad, New Britain Palm Oil Limited (Papua New Guinea), the Chairman of Natural Oleochemicals Sdn Bhd, and the Deputy Chairman of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd. He is also the Chairman and/or Director of several other companies within the Johor Corporation Group.

He is also active as the Vice Chairman of the Malaysian Islamic Chamber of Commerce ("MICC") Corporate Bureau, President of the Johor Corporation Football Club ("Johor FC"), Vice President of the Football Association of Malaysia and Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

# BOARD OF DIRECTORS CONTINUED

## TAN SRI DATUK ARSHAD AYUB
### Independent Non-Executive Director

Aged 81, was appointed to the Board on 31st January 1987. He is currently an Independent Non-Executive Director of Kulim (Malaysia) Berhad. He is the Chairman of the Audit Committee.

Tan Sri graduated with a Diploma in Agriculture in 1954 from Serdang Agricultural College, Selangor and with a Bachelor of Science (Honours) in Economics and Statistic in 1958 from University College of Wales, Aberystwyth, United Kingdom. He graduated with Post Graduate diploma in Business Administration IMEDE, now IMD Lausanne, Switzerland.

He had a distinguished career in the Malaysian Civil Service. Among the senior positions he had held were Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director General in the Economic Planning Unit of the Prime Minister's Department (1977 – 1978) and Secretary General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983).

Tan Sri also holds directorship in KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Malayan Flour Mills Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. Tan Sri is the Chairman and/or Director of several other companies among others include Bata Sdn Bhd, CSR Building Materials Sdn Bhd, PFM Capital Holdings Sdn Bhd and AmanahRaya-JMF Asset Management Sdn Bhd. He is also the Chairman and/or Director of several other companies.

He is presently the President of the Malaysian Rubber Products Manufactures Association ("MRPMA") and Chairman of Malaysian Rubber Export Promotion Council ("MREPC"). He is the Chairman of the Board of University of Malaya and a member of the Cooperative College Council.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## JAMALUDIN MD ALI
Executive Director

Aged 52, was appointed to the Board on 12th January 2001. He is currently an Executive Director of Kulim (Malaysia) Berhad. At present, he is the Managing Director of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd, a subsidiary of Kulim (Malaysia) Berhad.

He graduated with a Bachelor of Economics (Honours) from the University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow, Scotland in 1987. He started his career with Malayan Banking Berhad as Trainee Officer in 1982 and later served as International Fund Manager at Permodalan Nasional Berhad in 1991. He joined the Johor Corporation in 1992 and was appointed the Managing Director of Johor Capital Holdings Sdn Bhd in 1998. He then was appointed the Managing Director of Pelaburan Johor Berhad in 2000. He is also sits on the Board of various companies within the Johor Corporation Group. He was the Johor Corporation's Group Chief Operating Officer since 2001 until he was appointed as the Group Managing Director of QSR Brands Bhd on 7th June 2006 and KFC Holdings (Malaysia) Bhd on 2nd July 2006.

He is also active as a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## WONG SENG LEE
Executive Director

Aged 59, was appointed to the Board on 8th January 1996. He is currently an Executive Director of Kulim (Malaysia) Berhad. He is also the Managing Director of Natural Oleochemicals Sdn Bhd, an oleochemicals manufacturer and a subsidiary of Kulim (Malaysia) Berhad.

He qualified as a Certified Accountant in 1974 and is a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Company, he worked as a Trainee Accountant with Granville Enthoven & Company Limited, London from 1972 to 1973. From 1974 to July 1979, he joined an international audit firm in Singapore and left to join EPA Management Sdn Bhd as an Accountant. He was previously the Financial Controller for Kulim (Malaysia) Berhad Group.

He is presently a member of the Board of Directors of several other companies within the Johor Corporation Group.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

# BOARD OF DIRECTORS CONTINUED

## DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
### Non-Independent Non-Executive Director

Datin Paduka Siti Sa'diah Sheikh Bakir, aged 57, was appointed to the Board on 1st January 2005. She is currently a Non-Independent Non-Executive Director of Kulim (Malaysia) Berhad.

She graduated with a Bachelor of Economics degree from University of Malaya in 1974, and holds an MBA from Henley Management College London, United Kingdom.

Datin Paduka began her career with Johor Corporation ("JCorp") in 1974 and has been directly involved with JCorp's Healthcare Division since 1978. She held the post of the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd from 1989 until the listing of KPJ Healthcare Berhad in November 1994. At present she is the Managing Director of KPJ Healthcare Berhad, a post she has held since 1993.

Datin Paduka currently sits as the Chairman of various hospitals in the KPJ Group. She is also a Director of KFC Holdings (Malaysia) Bhd, QSR Brands Bhd, Puteri Hotels Sdn Bhd as well as Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health ("MSQH"), elected since its inception in 1997. Datin Paduka is also a Board member of MATRADE since 1999, a member of the Malaysia Productivity Council ("MPC") Consultative Panel on Healthcare since 2001, and a member of the National Patient Safety Council, Ministry of Health ("MOH") since 2003. Datin Paduka is an Independent Non-Executive Director of Bursa Malaysia Securities Berhad since April 2004. In 2009, Datin Paduka was appointed as a member of the Malaysian Healthcare Travel Council, under MOH.

On 12th March 2010, Datin Paduka was named the CEO of the Year 2009 by the New Straits Times Press and American Express. The award was presented by YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, the Prime Minister of Malaysia.

Other than as disclosed, she does not have any family relationship with any director and/or major shareholder of Kulim. She has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. She attended three (3) out of five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## KAMARUZZAMAN ABU KASSIM
### Non-Independent Non-Executive Director

Aged 46, was appointed to the Board on 1st January 2008. He is currently a Non-Independent Non-Executive Director of Kulim (Malaysia) Berhad. He is currently the Senior Vice President, Corporate Services and Finance of JCorp.

He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987. He embarked on his career as an Audit Assistant with Messrs K.E Chen & Associates in May 1988 and later joined Coopers & Lybrand (currently known as PricewaterhouseCoopers) in Johor Bahru. In December 1992, he left the firm and joined JCorp as a Deputy Manager, Corporate Finance Department. He left JCorp in 1999 to join Damansara Realty Berhad as the Executive Director until August 2006.

He is currently the Managing Director of Damansara Realty Berhad, a JCorp's company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp. He also sits as Director of Damansara REIT Managers Sdn Bhd. Besides that, he is also the Chairman and/or Director of several other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim. He has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## KUA HWEE SIM
### Independent Non-Executive Director

Aged 57, was appointed to the Board on 22nd January 1999. She is currently an Independent Non-Executive Director of Kulim (Malaysia) Berhad. She is also a member of the Audit Committee.

She is a Fellow of the Association of Chartered Certified Accountant (UK) and a Registered Accountant of Malaysia and Singapore. She has more than thirty five years of corporate and financial experience in several industries within Malaysia and overseas. She is currently a Director of Sindora Berhad, QSR Brands Bhd and KFC Holdings (Malaysia) Bhd which are Johor Corporation's subsidiaries listed on the Main Market of the Bursa Malaysia Securities Berhad. She is a member of Audit Committee of all listed companies mentioned. As a professional accountant she also provides financial training for companies within Malaysia.

Other than as disclosed, she does not have any family relationship with any director and/or major shareholder of Kulim. She has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. She attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

# BOARD OF DIRECTORS CONTINUED

## ROZAN MOHD SA'AT
### Non-Independent Non-Executive Director

Aged 50, was appointed to the Board on 1st January 2008. He is currently a Non-Independent Non-Executive Director of Kulim (Malaysia) Berhad. He is the Senior Vice President Intrapreneur Development of JCorp and the Managing Director of Sindora Berhad.

He holds a Bachelor of Economics (Honours) majoring in Statistics from Universiti Kebangsaan Malaysia. He started his career in 1983 as an Administrative Officer in Planning & Research Department of JCorp before being seconded as an Operations Manager in Sergam Berhad, a subsidiary of JCorp in 1986.

From 1987 to 1988, he served in the Corporate Communications Department, JCorp as an Administrative Officer. From 1988 to 1993, he was appointed as the Executive Director of several subsidiaries in JCorp Group. In 1994, he was appointed as the General Manager of JCorp's Tourism Division before assuming the post as Chief Executive of the same Division on 15th June 1996, a post which he held until his appointment as the General Manager, Business Development, JCorp beginning January 1999.

Prior to his appointment as the Managing Director of Sindora Berhad, he served as the Senior General Manager, Business Development of JCorp from 2000 until August 2002. He is also a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

## DATUK HARON SIRAJ
### Independent Non-Executive Director

Aged 65, was appointed to the Board of Kulim (Malaysia) Berhad on 9th January 2006 as an Independent Non-Executive Director.

He graduated with a Bachelor of Economics (Honours) degree in 1968 from the University of Manchester, United Kingdom and Master of Development Economics from Williams College, United States of America in 1975.

He had a distinguished career in the Malaysian Civil Service. Among the senior positions he had held were Assistant Controller of Ministry of Commerce and Industry (1969 – 1971), Principal Assistant Secretary Ministry of Primary Industries (1972 – 1974), Minister Counselor (Economic Affairs) at the Permanent Mission of Malaysia in Geneva, Switzerland (1980 – 1986), Director of Industrial Development Ministry of International Trade and Industry (1986 – 1987), Director of International Trade Ministry of International Trade and Industry (1987 – 1990), Deputy Secretary-General (Trade) Ministry of International Trade and Industry (1990 – 1992), Ambassador, Permanent Representative of Malaysia to United Nations and other International Organisations and Specialised Agencies in Geneva, Switzerland (1992 – 1996), Secretary General Ministry of Primary Industries (1996 – 2000) and as the Chief Executive Officer of Malaysian Palm Oil Promotion Council since 2001 until he retired in January 2006.

He also holds directorship in Scomi Group Berhad, Jerneh Asia Berhad, HSBC Amanah Takaful Sdn Bhd, Apex Communications Group Sdn Bhd and MM Vitaoils Sdn Bhd.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

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

Aged 66, was appointed to the Board on 1st November 2006. He is an Independent Non-Executive Director of Kulim (Malaysia) Berhad.

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

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

Currently, he holds directorships in Idaman Unggul Berhad, Inch Kenneth Kajang Rubber Pte Ltd and Kuwait Finance House (M) Berhad. Additionally, he sits on MARA Teknikal Universiti Sdn Bhd, Marditec Sdn Bhd and Kenanga Cergas Sdn Bhd.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all five (5) Board of Directors' Meetings of the Company in the financial year ended 31st December 2009.

# MANAGEMENT TEAM

1 2
3 4
5 6
7

## 1 AHAMAD MOHAMAD
### Managing Director

Aged 57, has been the Managing Director since 1993. He holds a Bachelor of Economics (Honours) from Universiti Malaya. He joined JCorp in June 1976 as a Company Secretary for various companies within JCorp Group. He was involved in many of JCorp's landmark projects including the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex in Johor Bahru. He is also presently the Chairman of Natural Oleochemicals Sdn Bhd, Deputy Chairman of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd, and a member of the Board of Directors for Kulim (Malaysia) Berhad, New Britain Palm Oil Limited (Papua New Guinea) as well as several other companies within JCorp and Kulim Group.

## 2 ZULKIFLI IBRAHIM
### Chief Operating Officer

Aged 52, has been the Chief Operating Officer since 3rd November 2003. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants since 1992. After serving various companies in the private sector since his graduation in 1983, he joined JCorp Group in 1990 as the Financial Controller of Sindora Berhad. In 1996, he was appointed the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He is also presently a member of the Board of Directors for Sindora Berhad, Natural Oleochemicals Sdn Bhd and several other companies within Kulim Group.

## 3 WONG SENG LEE
### Managing Director, Natural Oleochemicals Sdn Bhd

Aged 59, has been the Managing Director of Natural Oleochemicals Sdn Bhd since 1994. He qualified as a Certified Accountant in 1974 and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He is also a member of Malaysian Institute of Accountants and Institute of Certified Public Accountant of Singapore. He joined EPA Management Sdn Bhd as an Accountant in 1979 and was the Financial Controller for Kulim (Malaysia) Berhad prior to assuming his present position. He is presently a member of the Board of Directors of Kulim (Malaysia) Berhad and several other companies within Kulim Group.

## 4 SHEIK SHARUFUDDIN SHEIK MOHD
### Chief Financial Controller

Aged 56, appointed as Chief Financial Controller on 1st January 2002. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and has been a member of the Malaysian Institute of Accountants since 1982. He began his career with EPA Management Sdn Bhd as an Accountant in 1982 and has held various Financial and Corporate positions within the Group. He also sits on the Board of QSR Brands Bhd and several other companies within Kulim Group.

## 5 SYED ALI SYED AHMAD
### Group Human Capital Advisor

Aged 58, was appointed as the Group Human Capital Advisor since January 2008, covering the areas of human resource management, training, safety and security. He holds a Diploma in Business Studies from Universiti Teknologi MARA ("UiTM") and a Bachelor of Arts (Economics) from Wilmington College, United States of America. Prior to assuming his present position, he was the Director of General Services, EPA Management Sdn Bhd since 16th June 2003. Over the last 30 years, he has gained experience heading the human resource function in several large multi-national companies in various industries including newspaper, oil and gas, airline and shipbuilding. Currently, he also provides advisory on human resource practices and guides practitioners within JCorp Group of companies.

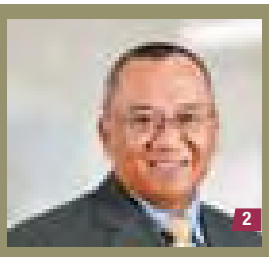
## 6 IR. IZHAR MAHMOOD
### Director, Plantation Operations

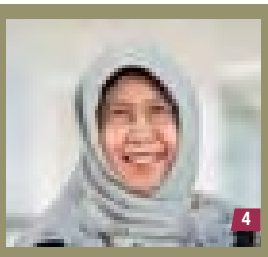
Aged 56, appointed as Director of Plantation Operations in 2008. Prior to this, he was the Director of Engineering Department, EPA Management Sdn Bhd from 10th May 2002 until his present appointment. He holds a First Grade Steam Engineer's Certificate and has been a member of the Board Engineer Malaysia ("BEM") since 1988. He holds a Bachelor in Engineering (Agriculture) from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He joined the Company on 1st July 1990 as a Mill Manager. He also sits on the Board of several other companies within Kulim Group.

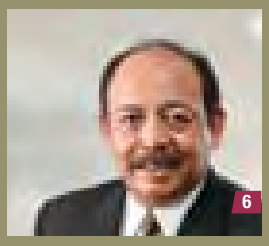
## 7 UMI KALTHOM SAMSU
### Chairman, Sustainability and Quality Council

Aged 58, was appointed as the Chairman of the Group's Sustainability and Quality Council in January 2009. Prior to this, she was the General Manager of Purchasing and Contract Department, EPA Management Sdn Bhd from 1997 to 2008. She graduated with a Diploma in Marketing in 1973 from Institute of Marketing London / Institut Teknologi MARA (now known as Universiti Teknologi MARA) and began her career with JCorp in September 1973 as an Assistant Marketing Officer. She joined Johor Estates Agency as an Assistant Marketing Officer in March 1976. She also sits on the Board of several other companies within Kulim Group.

# BOARD OF DIRECTORS OF KEY SUBSIDIARIES



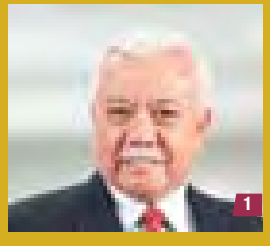


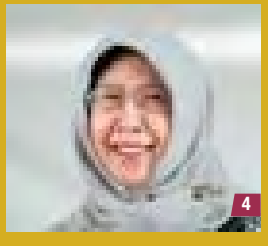
## QSR BRANDS BHD

1. **Tan Sri Dato' Muhammad Ali Hashim** Chairman
2. **Ahamad Mohamad** Deputy Chairman
3. **Jamaludin Md Ali** Managing Director
4. **Datin Paduka Siti Sa'diah Sheikh Bakir** Director
5. **Sheik Sharufuddin Sheik Mohd** Director
6. **YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail** Director
7. **Kua Hwee Sim** Director
8. **Dato' Dr. Ridzuan Mohd Akil** Director

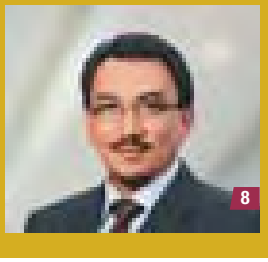
## KFC HOLDINGS (MALAYSIA) BHD

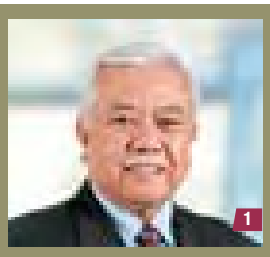
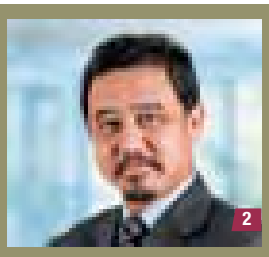
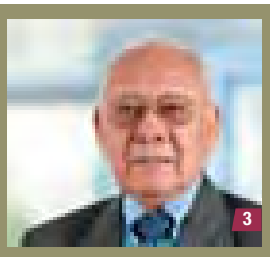
1. **Tan Sri Dato' Muhammad Ali Hashim** Chairman
2. **Ahamad Mohamad** Deputy Chairman
3. **Jamaludin Md Ali** Managing Director
4. **Datin Paduka Siti Sa'diah Sheikh Bakir** Director
5. **Kua Hwee Sim** Director
6. **Tan Sri Dato' Dr. Yahya Awang** Director
7. **Hassim Baba** Director
8. **Datuk Ismee Ismail** Director











## SINDORA BERHAD

1. **Tan Sri Dato' Muhammad Ali Hashim** Chairman
2. **Rozan Mohd Sa'at** Managing Director
3. **Tan Sri Datuk Arshad Ayub** Director
4. **Dato' Hj Hassan Hj Mohd Yunos** Director
5. **Kua Hwee Sim** Director
6. **Dr. Mohd Hafetz Ahmad** Director
7. **Dato' Ir. Abd Hak Md Amin** Director
8. **Halmi Jasmin** Director
9. **Zulkifli Ibrahim** Director

## NATURAL OLEOCHEMICALS SDN BHD

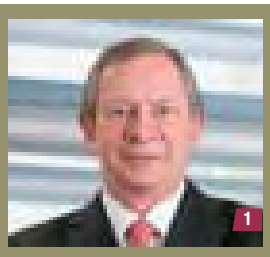
1. **Ahamad Mohamad** Chairman
2. **Wong Seng Lee** Managing Director
3. **Dr. Sanjeev K. Chaudhry** Director
4. **Ir. Izhar Mahmood** Director
5. **Abdul Rahman Sulaiman** Director
6. **Zulkifli Ibrahim** Director
7. **Tan Sri Dato' K.R. Somasundram** Director

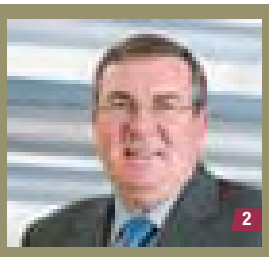


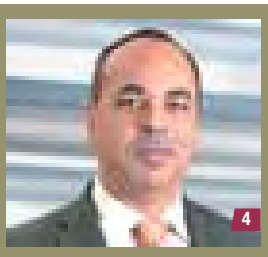




# BOARD OF DIRECTORS OF KEY SUBSIDIARIES CONTINUED








## NEW BRITAIN PALM OIL LIMITED

1. **Antonio Monteiro de Castro** Chairman
2. **Nicholas Thompson** Managing Director
3. **David Dann** Director
4. **Alan Chaytor** Director
5. **Ahamad Mohamad** Director
6. **Tan Sri Datuk Arshad Ayub** Director
7. **Michael St. Clair-George** Director
8. **Winifred Kamit CBE** Director
9. **Sir Joseph Tauvasa** Director

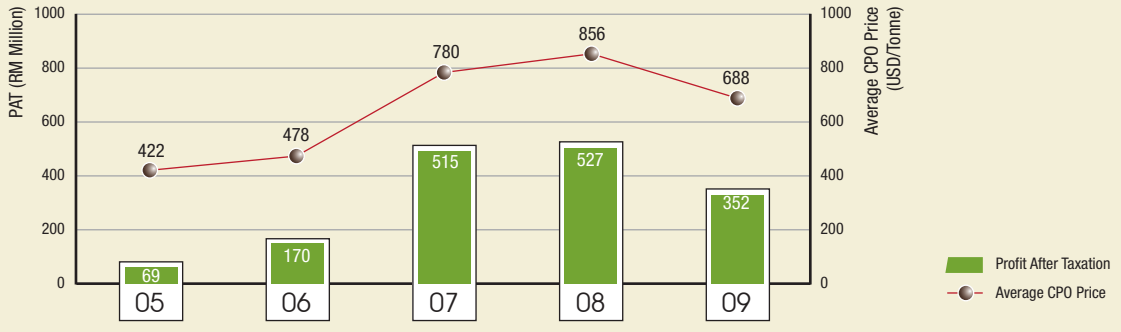
# SECTION 3

## Performance Highlights and Statistics

# GROUP 5-YEAR FINANCIAL STATISTICS

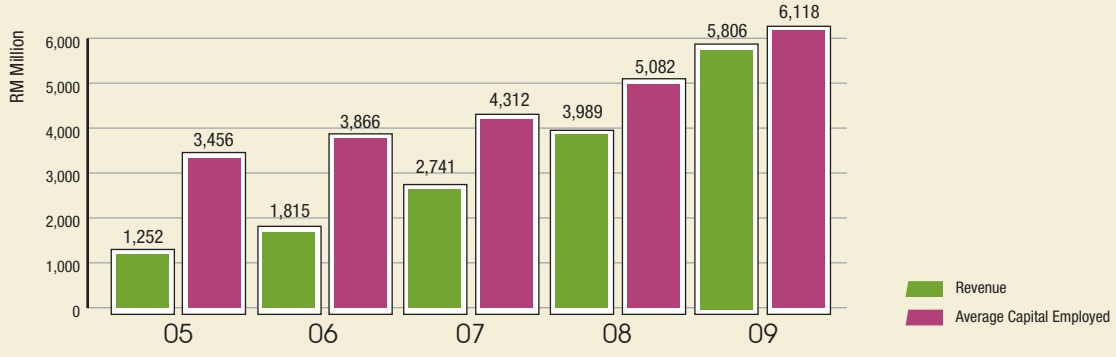
| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **INCOME STATEMENT HIGHLIGHTS (RM'000)** | | | | | |
| **Revenue** | 5,806,205 | 3,989,338 | 2,741,489 | 1,815,477 | 1,252,164 |
| **Segment %** | | | | | |
| Plantations | 28% | 43% | 42% | 45% | 57% |
| Manufacturing | 20% | 39% | 40% | 41% | 42% |
| Foods & Restaurants | 48% | 13% | 17% | 14% | 0% |
| Intrapreneur ventures | 4% | 4% | 0% | 0% | 0% |
| Others | 0% | 1% | 1% | 0% | 1% |
| **PROFIT FROM OPERATIONS** | | | | | |
| **(before Unallocated Expense/Income)** | 594,640 | 670,254 | 584,126 | 269,309 | 179,446 |
| **Segment %:** | | | | | |
| Plantations | 61% | 85% | 81% | 81% | 91% |
| Manufacturing | -6% | 4% | 10% | 8% | 9% |
| Foods & Restaurants | 41% | 7% | 8% | 9% | 0% |
| Intrapreneur ventures | 3% | 3% | 0% | 0% | 0% |
| Others | 1% | 1% | 1% | 2% | 0% |
| **Unallocated (expense) / income** | (12,281) | (9,929) | (5,698) | (5,206) | 14,652 |
| **Profit from operations** | 582,359 | 660,325 | 578,428 | 264,103 | 194,098 |
| Interest income | 12,332 | 16,993 | 6,281 | 6,218 | 3,556 |
| Finance costs | (76,836) | (70,622) | (69,014) | (58,129) | (34,064) |
| Share of results of associates | 4,010 | 61,154 | 43,098 | 22,886 | 5,633 |
| **PROFIT BEFORE TAXATION** | 521,865 | 667,850 | 558,793 | 235,078 | 169,223 |
| Taxation | (169,954) | (141,297) | (125,971) | (51,617) | (55,115) |
| **PROFIT AFTER TAXATION FROM** | | | | | |
| - Continuing operations | 351,911 | 526,553 | 432,822 | 183,461 | 114,108 |
| - Discontinued operation | - | - | 82,252 | (13,520) | (45,057) |
| **NET PROFIT FOR THE YEAR** | 351,911 | 526,553 | 515,074 | 169,941 | 69,051 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | 145,837 | 351,228 | 426,823 | 127,649 | 46,458 |
| Minority interest | 206,074 | 175,325 | 88,251 | 42,292 | 22,593 |
| **NET PROFIT FOR THE YEAR** | 351,911 | 526,553 | 515,074 | 169,941 | 69,051 |

## GROUP 5-YEAR PROFIT vs AVERAGE CPO PRICE



| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **BALANCE SHEET HIGHLIGHTS (RM'000)** | | | | | |
| **ASSETS EMPLOYED** | | | | | |
| Other non-current assets | 5,365,042 | 4,832,569 | 3,665,454 | 3,673,755 | 3,542,712 |
| Intangible assets | 891,691 | 320,906 | 288,159 | 285,029 | - |
| **Total Non-Current Assets** | 6,256,733 | 5,153,475 | 3,953,613 | 3,958,784 | 3,542,712 |
| Other current assets | 1,412,098 | 1,021,008 | 946,390 | 552,542 | 422,006 |
| Cash and cash equivalents | 405,227 | 445,476 | 648,307 | 138,917 | 180,101 |
| **Total Current Assets** | 1,817,325 | 1,466,484 | 1,594,697 | 691,459 | 602,107 |
| Other current liabilities | 844,355 | 500,129 | 313,870 | 246,376 | 161,470 |
| Loans and borrowings | 547,747 | 566,229 | 624,642 | 389,106 | 265,703 |
| **Total Current Liabilities** | 1,392,102 | 1,066,358 | 938,512 | 635,482 | 427,173 |
| | 6,681,956 | 5,553,601 | 4,609,798 | 4,014,761 | 3,717,646 |
| **FINANCED BY:** | | | | | |
| Share capital | 159,336 | 154,227 | 148,545 | 137,950 | 132,011 |
| Revaluation and translation reserves | 1,264,547 | 1,272,469 | 1,293,033 | 1,244,580 | 1,289,856 |
| Retained earnings, treasury shares and warrant reserve | 1,947,482 | 1,822,617 | 1,508,701 | 1,050,934 | 984,555 |
| Shareholders' equity | 3,371,365 | 3,249,313 | 2,950,279 | 2,433,464 | 2,406,422 |
| Minority interest | 1,699,037 | 1,020,621 | 759,739 | 373,009 | 179,847 |
| Long term borrowings | 1,157,484 | 899,444 | 666,547 | 932,380 | 870,830 |
| Other long term liabilities | 454,070 | 384,223 | 233,233 | 275,908 | 260,547 |
| | 6,681,956 | 5,553,601 | 4,609,798 | 4,014,761 | 3,717,646 |
| Average capital employed | 6,117,779 | 5,081,700 | 4,312,280 | 3,866,204 | 3,456,441 |
| Average shareholders' equity | 3,310,339 | 3,099,796 | 2,691,872 | 2,419,943 | 2,374,781 |

## GROUP 5-YEAR REVENUE VS AVERAGE CAPITAL EMPLOYED



# GROUP 5-YEAR FINANCIAL STATISTICS CONTINUED

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| CASH FLOW STATEMENT HIGHLIGHTS (RM'000) | | | | | |
| **Net profit for the year** | 351,911 | 526,553 | 515,074 | 169,941 | 69,051 |
| Adjustment for other non-cash items | 292,921 | 179,378 | (114,081) | 54,717 | 132,274 |
| Depreciation and amortisation | 297,163 | 174,366 | 117,515 | 91,441 | 84,938 |
| Changes in working capital | (110,630) | (75,483) | 72,489 | (68,523) | 3,479 |
| **Cash from/(used in) operations** | 831,365 | 804,814 | 590,997 | 247,576 | 289,742 |
| Interest and dividends received | 15,303 | 20,124 | 8,839 | 18,329 | 6,268 |
| Interest and tax paid | (218,355) | (118,397) | (128,688) | (125,238) | (97,358) |
| **Net cash flow from operating activities** | 628,313 | 706,541 | 471,148 | 140,667 | 198,652 |
| Purchase of property, plant and equipment | (749,158) | (391,516) | (321,874) | (348,434) | (360,720) |
| Acquisition of subsidiary | 91,661 | (292,872) | - | 92,681 | - |
| Proceed from discontinued operation | - | - | 435,585 | - | - |
| Other investing activities | 24,642 | 66,595 | (33,924) | 46,722 | (312,876) |
| **Net cash flow from investing activities** | (632,855) | (617,793) | 79,787 | (209,031) | (673,596) |
| (Repayments of)/Proceeds from loans and borrowings | 96,629 | (172,477) | (18,534) | 14,824 | 523,013 |
| Dividends paid to Kulim's shareholders | (17,545) | (16,710) | (15,440) | (19,508) | (14,157) |
| Other financing activities | (124,197) | (135,594) | 7,438 | (6,258) | (11,572) |
| **Net cash flow from financing activities** | (45,113) | (324,781) | (26,536) | (10,942) | 497,284 |
| **Net change in cash and cash equivalents** | (49,655) | (236,033) | 524,399 | (79,306) | 22,340 |

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| KEY FINANCIAL INDICATORS | | | | | |
| PROFITABILITY AND RETURNS | | | | | |
| Operating profit margin | 10.03% | 16.55% | 21.10% | 14.55% | 15.50% |
| PBT margin | 8.99% | 16.74% | 20.38% | 12.95% | 13.51% |
| Profit after tax and minority interest margin | 2.51% | 8.80% | 15.57% | 7.03% | 3.71% |
| Return on average shareholders' equity | 4.41% | 11.33% | 15.86% | 5.27% | 1.96% |
| Return on average capital employed | 2.38% | 6.91% | 9.90% | 3.30% | 1.34% |
| Net assets per share (RM) | 10.58 | 10.53 | 9.93 | 8.82 | 9.11 |
| SOLVENCY AND LIQUIDITY | | | | | |
| Gearing ratio (times) | | | | | |
| - Gross | 0.34 | 0.34 | 0.35 | 0.47 | 0.44 |
| - Net | 0.26 | 0.24 | 0.17 | 0.42 | 0.37 |
| Interest cover (times) | 7.79 | 10.46 | 9.10 | 5.04 | 5.97 |
| Current ratio (times) | 1.31 | 1.38 | 1.70 | 1.09 | 1.41 |
| FINANCIAL MARKET | | | | | |
| EPS (sen) | | | | | |
| - basic | 47.22 | 117.04 | 150.91 | 48.04 | 17.70 |
| - diluted | 47.22 | 114.96 | 144.66 | 44.19 | 17.59 |
| Gross dividend per share (sen) | 17.50* | 15.00 | 15.00 | 10.00 | 7.50 |
| Gross dividend rate (%) | 35%* | 30% | 30% | 20% | 15% |
| Gross dividend yield (%) | 2.65%* | 2.09% | 2.19% | 2.74% | 2.60% |
| Net dividend payout rate (%) | 24.32%* | 9.71% | 7.53% | 15.28% | 30.47% |
| Price-to-earnings ratio (times) | 13.98 | 6.13 | 4.54 | 7.60 | 16.27 |
| Price-to-book ratio (times) | 0.62 | 0.68 | 0.69 | 0.41 | 0.32 |

* Final dividend of 15% FYE 2009 is subject to the shareholders' approval at the AGM.

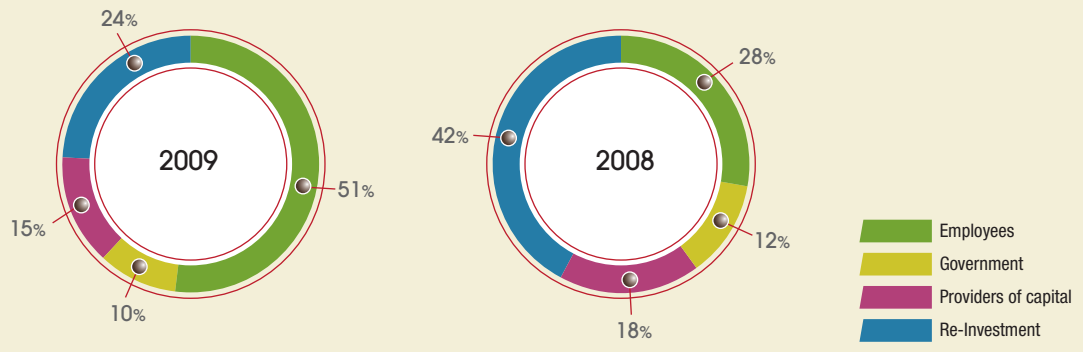
# GROUP QUARTERLY PERFORMANCE 2009

| | 2009 | | | |
|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 |
| **FINANCIAL PERFORMANCE (RM'000)** | | | | |
| **REVENUE** | **1,316,445** | **1,487,828** | **1,441,240** | **1,556,396** |
| Plantations | 31% | 26% | 27% | 28% |
| Manufacturing | 18% | 22% | 21% | 20% |
| Foods & Restaurants | 48% | 46% | 48% | 49% |
| Management and Other Services | 1% | 5% | 3% | 2% |
| Shipping Services | 2% | 1% | 1% | 1% |
| Others | 0% | 0% | 0% | 0% |
| **OPERATING RESULTS** | **144,076** | **122,678** | **140,723** | **173,130** |
| Plantations | 80% | 46% | 56% | 69% |
| Manufacturing | -21% | 5% | -1% | -7% |
| Foods & Restaurants | 36% | 46% | 42% | 42% |
| Management and Other Services | 2% | 0% | 6% | -8% |
| Shipping Services | 3% | 3% | -3% | 4% |
| Others | 0% | 0% | 0% | 0% |
| Associated companies | 2,015 | 2,157 | 183 | 114 |
| Investment income/Acquisition effect | 200 | (11,427) | 16,665 | 4,841 |
| **Profit before interest** | **146,291** | **113,408** | **157,571** | **178,085** |
| Add/(Less): | | | | |
| Interest income | 1,255 | 2,222 | 1,654 | 273 |
| Finance cost | (18,224) | (16,080) | (15,958) | (17,718) |
| **Profit before taxation** | **129,322** | **99,550** | **143,267** | **160,640** |
| **Earnings per share (sen)** | | | | |
| - basic | 8.07 | 10.01 | 14.15 | 12.28 |
| - diluted | 7.92 | 9.98 | - | - |
| **OPERATIONAL STATISTICS** | | | | |
| **FFB production (tonnes)** | | | | |
| - Malaysia | 131,885 | 137,020 | 159,921 | 175,159 |
| - PNG and SI | 266,610 | 274,750 | 239,416 | 259,049 |
| | **398,495** | **411,770** | **399,337** | **434,208** |
| **CPO production (tonnes)** | | | | |
| - Malaysia | 33,621 | 40,259 | 43,103 | 49,076 |
| - PNG and SI | 87,690 | 86,876 | 75,991 | 84,971 |
| | **121,311** | **127,135** | **119,094** | **134,047** |

# GROUP STATEMENT OF VALUE ADDED

| | 2009<br>RM '000 | 2008<br>RM '000 |
|---|---|---|
| Revenue | 5,806,205 | 3,989,338 |
| Purchase of goods and services | (4,168,592) | (3,039,580) |
| **Value added by the Group** | 1,637,613 | 949,758 |
| Other income and extraordinary items | 125,224 | 225,074 |
| Finance costs | (76,836) | (70,622) |
| Share of net results of associates | 4,010 | 61,154 |
| **Value added available for distribution** | 1,690,011 | 1,165,364 |
| **DISTRIBUTION** | | |
| **To employees** | | |
| Staff costs | 870,983 | 323,148 |
| **To the Government** | | |
| Taxation | 169,954 | 141,297 |
| **To providers of capital** | | |
| Dividends to shareholders | 40,971 | 33,478 |
| Minority interest | 206,074 | 175,325 |
| **To re-invest in the Group** | | |
| Depreciation and amortisation | 297,163 | 174,366 |
| Retained profit | 104,866 | 317,750 |
| | 1,690,011 | 1,165,364 |
| No. of employees at year end | 48,629 | 24,607 |
| Value added per employee (RM) | 33,676 | 38,597 |
| Wealth created per employee (RM) | 34,753 | 47,359 |
| No. of shares at year end ('000 units) | 318,672 | 308,454 |
| Value added per share (RM) | 5.14 | 3.08 |
| Wealth created per share (RM) | 5.30 | 3.78 |

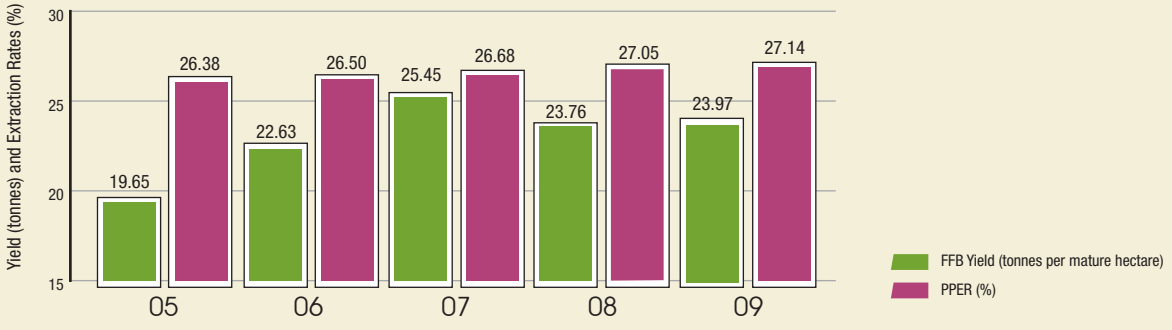
## VALUE ADDED DISTRIBUTION



# 5-YEAR PLANTATIONS STATISTICS
## GROUP

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **OIL PALM** | | | | | |
| **Production (tonnes)** | | | | | |
| Fresh fruit bunches | 1,643,811 | 1,460,600 | 1,426,430 | 1,419,784 | 1,380,215 |
| Crude palm oil | 501,587 | 431,149 | 387,531 | 363,750 | 373,280 |
| Palm kernel | 124,311 | 106,988 | 97,730 | 95,539 | 99,289 |
| FFB processed | 2,305,672 | 1,989,682 | 1,818,411 | 1,737,443 | 1,790,852 |
| **Yield and Extraction Rates** | | | | | |
| FFB yield (tonnes per mature hectare) | 23.97 | 23.76 | 25.45 | 22.63 | 19.65 |
| OER (%) | 21.75 | 21.67 | 21.31 | 20.99 | 20.84 |
| KER (%) | 5.39 | 5.38 | 5.37 | 5.51 | 5.54 |
| **Area Statement (hectares)** | | | | | |
| Oil palm | | | | | |
| - mature | 68,584 | 62,750 | 56,057 | 61,484 | 76,523 |
| - immature area | 15,289 | 19,894 | 12,960 | 26,896 | 22,050 |
| | 83,873 | 82,644 | 69,017 | 88,380 | 98,573 |
| Sugar | 8,200 | 8,193 | - | - | - |
| Other crops (excluding inter-row planted fruits) | 788 | 944 | 111 | 104 | 241 |
| | 8,988 | 9,137 | 111 | 104 | 241 |
| **Planted area** | 92,861 | 91,781 | 69,128 | 88,484 | 98,814 |
| Pasture | 9,729 | 11,014 | - | - | - |
| Reserve land, building sites etc | 22,234 | 21,756 | 13,778 | 57,551 | 80,957 |
| **Titled area** | 124,824 | 124,551 | 82,906 | 146,035 | 179,771 |

### GROUP FFB YIELD & PALM PRODUCT EXTRACTION RATES (%)



# 5-YEAR PLANTATIONS STATISTICS
## MALAYSIA

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **OIL PALM** | | | | | |
| **Production (tonnes)** | | | | | |
| Fresh Fruit Bunches (FFB) | | | | | |
| FFB produced - Processed by own mills | 461,834 | 444,109 | 390,707 | 433,259 | 441,345 |
| FFB produced - Sold to others | 142,151 | 159,935 | 131,766 | 139,003 | 108,925 |
| Total FFB produced | 603,985 | 604,044 | 522,473 | 572,262 | 550,270 |
| Purchased FFB | 372,437 | 296,135 | 170,329 | 213,490 | 183,968 |
| Total FFB processed | 834,271 | 740,244 | 561,036 | 646,749 | 625,313 |
| Crude palm oil | 166,059 | 141,634 | 105,216 | 121,527 | 120,576 |
| Palm kernel | 49,950 | 42,102 | 29,256 | 34,205 | 34,482 |
| **Yield and Extraction Rates** | | | | | |
| FFB yield (tonnes per mature hectare) | 21.22 | 22.70 | 22.65 | 25.61 | 22.65 |
| OER (%) | 19.90 | 19.13 | 18.75 | 18.79 | 19.28 |
| KER (%) | 5.99 | 5.69 | 5.21 | 5.29 | 5.51 |
| **Average Selling Price (RM per tonne)** | | | | | |
| Crude Palm Oil (locally delivered) | 2,167 | 2,530 | 1,774 | 1,456 | 1,432 |
| Palm Kernel (ex-mill) | 1,052 | 1,545 | 1,180 | 901 | 1,000 |
| **RUBBER** | | | | | |
| Production (kgs) | 626,760 | 360,463 | 70,746 | 170,562 | 342,228 |
| Yield per mature hectare (kgs) | 1,250 | 719 | 766 | 1,854 | 1,975 |
| Average selling prices (sen per kg) | 591 | 806 | 758 | 738 | 504 |
| **AREA STATEMENT (hectares)** | | | | | |
| Oil palm | | | | | |
| - mature | 28,317 | 27,941 | 22,525 | 22,346 | 24,297 |
| - immature | 6,649 | 7,320 | 6,254 | 7,469 | 5,923 |
| | 34,966 | 35,261 | 28,779 | 29,815 | 30,220 |
| **Other crops:** | | | | | |
| Rubber | 501 | 501 | 99 | 92 | 229 |
| Sentang | 28 | 28 | 12 | 12 | 12 |
| Fruits (inter-row planting with oil palm) | 396 | 466 | 393 | 495 | 377 |
| **Planted area** | 35,495 | 35,790 | 28,890 | 29,919 | 30,461 |
| Reserve land, building sites etc | 2,574 | 2,006 | 2,422 | 1,503 | 1,051 |
| **Titled area** | 38,069 | 37,796 | 31,312 | 31,422 | 31,512 |

# 5-YEAR PLANTATIONS STATISTICS
## PAPUA NEW GUINEA

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **OIL PALM** | | | | | |
| **Production (tonnes)** | | | | | |
| Fresh Fruit Bunches (FFB) | | | | | |
| FFB produced | 932,569 | 765,801 | 760,065 | 692,832 | 628,572 |
| Purchased FFB | 419,456 | 379,498 | 378,027 | 334,924 | 323,211 |
| FFB processed | 1,352,025 | 1,145,299 | 1,138,092 | 1,027,756 | 951,783 |
| Crude Palm Oil | 310,405 | 267,534 | 257,338 | 229,672 | 213,189 |
| Palm Kernel | 67,279 | 58,747 | 62,180 | 58,143 | 54,769 |
| Refined Palm Oil | 68,798 | 67,326 | 73,412 | 70,858 | 78,086 |
| Palm Olein | 34,443 | 38,844 | 42,001 | 42,057 | 51,658 |
| Palm Stearin | 11,537 | 13,501 | 11,540 | 11,178 | 15,228 |
| Crude Palm Kernel Oil | 27,625 | 23,219 | 25,571 | 23,789 | 21,090 |
| Oil palm seeds (million sold) | 4.51 | 15.09 | 3.54 | 3.57 | 12.38 |
| **Yield and Extraction Rates** | | | | | |
| FFB yield (tonnes per mature hectare) | 26.53 | 25.36 | 26.00 | 25.46 | 23.71 |
| OER (%) | 22.96 | 23.36 | 22.61 | 22.35 | 22.40 |
| KER (%) | 4.98 | 5.13 | 5.46 | 5.66 | 5.75 |
| **Average Selling Prices (Kina per tonne)** | | | | | |
| Crude Palm Oil (fob) | 1,721 | 2,181 | 1,878 | 1,150 | 1,049 |
| Refined Palm Oil (cif) | 2,444 | 2,896 | 2,778 | 1,508 | 1,387 |
| Palm Olein (cif) | 2,127 | 2,440 | 2,958 | 1,569 | 1,479 |
| Palm Stearin (cif) | 2,355 | 2,971 | 2,780 | 1,483 | 1,295 |
| Crude Palm Kernel Oil (fob) | 2,105 | 3,297 | 2,909 | 1,600 | 1,841 |
| Seeds (Kina per seed) | 2.10 | 1.97 | 1.57 | 1.63 | 1.30 |
| **AREA STATEMENT (hectares)** | | | | | |
| Oil palm | | | | | |
| - mature | 35,154 | 30,196 | 29,604 | 27,208 | 26,515 |
| - immature | 7,392 | 10,826 | 4,553 | 6,461 | 5,772 |
| | 42,546 | 41,022 | 34,157 | 33,669 | 32,287 |
| Sugar | 8,200 | 8,193 | - | - | - |
| Other crops | 259 | 415 | - | - | - |
| **Planted area** | 51,005 | 49,630 | 34,157 | 33,669 | 32,287 |
| Pasture | 9,729 | 11,014 | - | - | - |
| Reserve land, building sites etc | 18,444 | 18,534 | 10,557 | 11,045 | 12,427 |
| **Titled area** | 79,178 | 79,178 | 44,714 | 44,714 | 44,714 |

# 5-YEAR PLANTATIONS STATISTICS
## SOLOMON ISLANDS

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **OIL PALM** | | | | | |
| **Production (tonnes)** | | | | | |
| Fresh Fruit Bunches (FFB) | | | | | |
| FFB produced | 107,257 | 90,755 | 71,794 | 24,597 | - |
| Purchased FFB | 12,119 | 13,384 | 6,138 | 46 | - |
| Processed FFB | 119,376 | 104,139 | 77,932 | 24,643 | - |
| Crude Palm Oil | 25,123 | 21,981 | 17,152 | 5,427 | - |
| Palm Kernel | 7,082 | 6,139 | 4,567 | 1,242 | - |
| Crude Palm Kernel Oil | 3,098 | 2,744 | - | - | - |
| **Yield and Extraction Rates** | | | | | |
| FFB yield (tonnes per mature hectare) | 20.98 | 19.67 | 18.28 | 10.50 | - |
| OER (%) | 21.05 | 21.11 | 22.01 | 22.02 | - |
| KER (%) | 5.93 | 5.90 | 5.86 | 5.04 | - |
| **Average Selling Prices (Kina per tonne fob)** | | | | | |
| Crude Palm Oil | 1,746 | 2,850 | 2,014 | 1,710 | - |
| Palm Kernel Oil | 1,970 | 3,789 | - | - | - |
| **AREA STATEMENT (hectares)** | | | | | |
| Oil palm | | | | | |
| - mature | 5,113 | 4,613 | 3,928 | 3,953 | 6,282 |
| - immature area | 1,248 | 1,748 | 2,153 | 1,227 | - |
| **Planted area** | 6,361 | 6,361 | 6,081 | 5,180 | 6,282 |
| Reserve land, building sites etc | 1,216 | 1,216 | 799 | 1,414 | - |
| **Titled area** | 7,577 | 7,577 | 6,880 | 6,594 | 6,282 |

# OLEOCHEMICALS
## STATISTIC HIGHLIGHTS

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **NATURAL OLEOCHEMICALS SDN BHD GROUP** | | | | | |
| **FINANCIAL (RM MILLION)** | | | | | |
| Revenue | 1,104.42 | 1,539.37 | 1,094.84 | 728.90 | 523.71 |
| Operating profit | (20.62) | 33.22 | 63.16 | 22.91 | 15.43 |
| Profit before taxation (PBT) | (29.49) | 19.86 | 51.31 | 14.38 | 11.43 |
| Profit after taxation (PAT) | (22.55) | 15.73 | 38.32 | 10.94 | 8.15 |
| Profit after taxation and Minority Interest (PATMI) | (22.97) | 14.83 | 37.68 | 10.30 | 7.35 |
| Shareholders' equity | 308.19 | 351.57 | 357.16 | 230.23 | 232.69 |
| Total assets | 710.07 | 683.75 | 768.86 | 537.26 | 477.13 |
| PBT Margin (%) | (3%) | 1% | 5% | 2% | 2% |
| PATMI Margin (%) | (2%) | 1% | 3% | 1% | 1% |
| Return on Shareholders' Equity (%) | (7%) | 4% | 11% | 4% | 3% |
| **SALES VOLUME (TONNES)** | | | | | |
| - Fatty acid | 400,109 | 412,389 | 402,576 | 299,624 | 155,971 |
| - Glycerine | 41,697 | 37,675 | 46,724 | 36,750 | 23,135 |
| - Esters | 6,084 | 6,624 | 6,235 | 6,380 | 5,890 |
| - Soap noodles | 57,079 | 44,068 | 40,108 | 41,103 | 30,400 |
| - Palm wax | 21,058 | 20,838 | 6,545 | - | - |
| **PLANT UTILISATION (%)** | | | | | |
| - Fatty acid | 103 | 104 | 100 | 93 | 101 |
| - Esters | 88 | 103 | 93 | 87 | 78 |
| - Soap noodles | 112 | 102 | 94 | 93 | 73 |
| - Palm wax | 70 | 63 | 24 | - | - |

# FOODS & RESTAURANTS
# STATISTIC HIGHLIGHTS

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **QSR BRANDS BHD GROUP** | | | | | |
| **FINANCIAL (RM MILLION)** | | | | | |
| Revenue | 2,760.29 | 532.75 | 466.38 | 428.54 | 386.15 |
| Operating profit | 241.93 | 49.99 | 47.60 | 40.30 | 39.74 |
| Profit before taxation (PBT) | 230.26 | 97.74 | 80.19 | 65.83 | 19.48 |
| Profit after taxation (PAT) | 158.39 | 83.74 | 67.02 | 54.55 | 10.22 |
| Shareholders' equity | 687.14 | 633.68 | 476.52 | 425.88 | 377.53 |
| Total assets | 2,092.79 | 903.10 | 801.77 | 699.51 | 592.46 |
| PBT Margin (%) | 8% | 18% | 17% | 15% | 5% |
| PAT Margin (%) | 6% | 16% | 14% | 13% | 3% |
| Return on Shareholders' Equity (%) | 23% | 13% | 14% | 13% | 3% |
| **NO. OF PIZZA HUT OUTLETS** | | | | | |
| Malaysia | 208 | 187 | 168 | 151 | 135 |
| Singapore | 50 | 45 | 40 | 38 | 37 |
| | 258 | 232 | 208 | 189 | 172 |
| **NO. OF KFC OUTLETS** | | | | | |
| Malaysia | 475 | 436 | 403 | 368 | 343 |
| Singapore | 77 | 73 | 69 | 68 | 68 |
| Brunei | 9 | 8 | 7 | 7 | 7 |
| Cambodia | 7 | 2 | - | - | - |
| | 568 | 519 | 479 | 443 | 418 |
| **NO. OF RASAMAS OUTLETS** | | | | | |
| Malaysia | 40 | 34 | 22 | 15 | 14 |
| Brunei | 3 | 2 | - | - | - |
| | 43 | 36 | 22 | 15 | 14 |
| **NO. OF KEDAI AYAMAS OUTLETS** | 35 | 25 | 20 | 19 | 35 |
| | 904 | 812 | 729 | 666 | 639 |

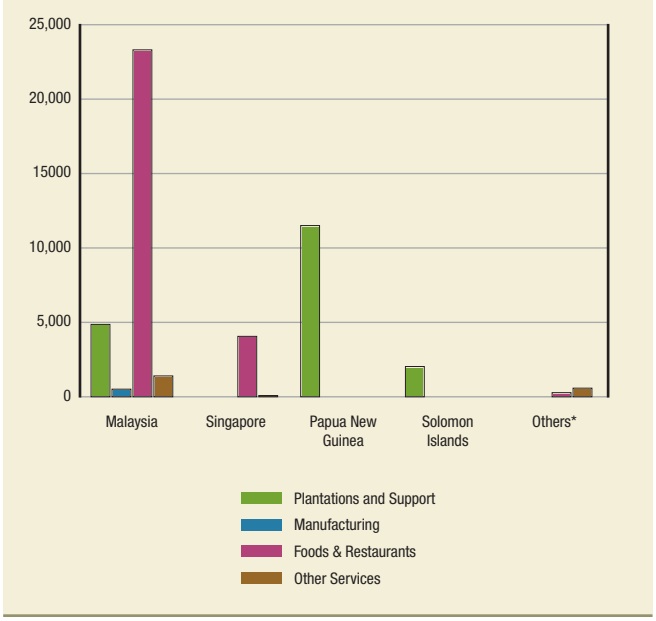
# HUMAN CAPITAL STATISTICS AS AT 31 DECEMBER 2009

| BY DIVISION | | | | | | |
|---|---|---|---|---|---|---|
| DIVISION | Malaysia | Singapore | Papua New Guinea | Solomon Islands | Others* | Total |
| Plantations and Support | 4,864 | - | 11,514 | 2,034 | - | 18,412 |
| Manufacturing | 511 | - | - | - | - | 511 |
| Foods & Restaurants | 23,311 | 4,061 | - | - | 278 | 27,650 |
| Other Services | 1,402 | 70 | - | - | 584 | 2,056 |
| | 30,088 | 4,131 | 11,514 | 2,034 | 862 | 48,629 |

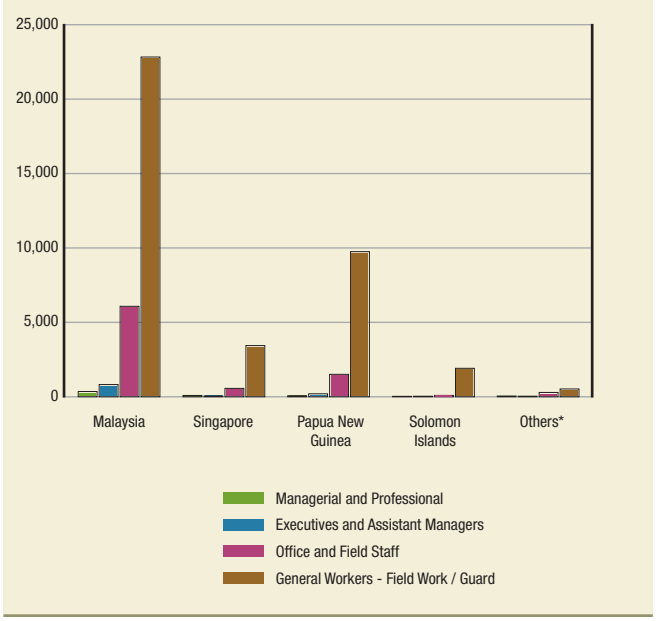
| BY CATEGORY | | | | | | |
|---|---|---|---|---|---|---|
| CATEGORY | Malaysia | Singapore | Papua New Guinea | Solomon Islands | Others* | Total |
| Managerial and Professional | 355 | 65 | 49 | 12 | 30 | 511 |
| Executives and Assistant Managers | 822 | 55 | 202 | 11 | 21 | 1,111 |
| Office and Field Staff | 6,081 | 566 | 1,510 | 89 | 284 | 8,530 |
| General Workers - Field Work/Guard | 22,830 | 3,445 | 9,753 | 1,922 | 527 | 38,477 |
| | 30,088 | 4,131 | 11,514 | 2,034 | 862 | 48,629 |

* Cambodia, Brunei, Philippines, Indonesia, Hong Kong and India.

## BY DIVISION




## BY CATEGORY



# SHAREHOLDING STATISTICS AS AT 30 APRIL 2010

Authorised Share Capital : RM200,000,000
Issued & Fully Paid-Up Capital : RM159,334,869 less RM3,160,550 Treasury Shares = RM156,174,319
Class of Shares : Ordinary Share of RM0.50 each

## VOTING RIGHT OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

## BREAK DOWN OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| Less than 100 | 319 | 5.86 | 10,928 | - |
| 100 – 1000 | 1,493 | 27.43 | 1,164,075 | 0.37 |
| 1,001 – 10,000 | 2,882 | 52.95 | 10,722,775 | 3.43 |
| 10,001 – 100,000 | 609 | 11.19 | 17,742,104 | 5.68 |
| 100,001 to less than 5% of Issued Capital | 137 | 2.52 | 113,678,741 | 36.40 |
| 5% and above of Issued Capital | 3 | 0.05 | 169,030,015 | 54.12 |
| **TOTAL** | **5,443** | **100.00** | **312,348,638** | **100.00** |

## TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

| | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | Mayban Noms (T) Sdn Bhd - A/C Johor Corporation (51401100634A) | 121,000,000 | 38.74 |
| 2 | Johor Corporation | 31,154,915 | 9.97 |
| 3 | HSBC Noms (A) Sdn Bhd - A/C NTGS LDN for Skagen Kon-Tiki Verdipapirfond | 16,875,100 | 5.40 |
| 4 | Kumpulan Waqaf An-Nur Berhad | 12,347,826 | 3.95 |
| 5 | Employees Provident Fund Board | 11,044,900 | 3.54 |
| 6 | AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia | 8,999,300 | 2.88 |
| 7 | AmanahRaya Trustees Berhad - A/C Amanah Saham Didik | 7,319,500 | 2.34 |
| 8 | AmanahRaya Trustees Berhad - A/C AS 1Malaysia | 6,933,900 | 2.22 |
| 9 | AmanahRaya Trustees Berhad - A/C Amanah Saham Wawasan 2020 | 5,939,100 | 1.90 |
| 10 | Johor Corporation | 5,619,600 | 1.80 |
| 11 | Citigroup Noms (A) Sdn Bhd - A/C CBNY for Dimensional Emerging Markets Value Fund | 2,761,625 | 0.88 |
| 12 | AmanahRaya Trustees Berhad - A/C PNB Structured Investment Fund | 2,673,900 | 0.86 |
| 13 | Tabung Amanah Warisan Negeri Johor | 2,105,800 | 0.67 |
| 14 | Citigroup Noms (T) Sdn Bhd - A/C ING Insurance Berhad (Inv-IL PAR) | 1,893,100 | 0.61 |
| 15 | Johor Corporation | 1,834,200 | 0.59 |
| 16 | AmanahRaya Trustees Berhad - A/C Skim Amanah Saham Nasional | 1,667,200 | 0.53 |
| 17 | HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct) | 1,609,903 | 0.52 |
| 18 | Cartaban Noms (A) Sdn Bhd - A/C SSBT Fund C021 for College Retirement Equities Fund | 1,604,527 | 0.51 |
| 19 | HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for GMO Emerging Markets Fund | 1,334,000 | 0.43 |

| | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 20 | Quarry Lane Sdn Bhd | 1,200,000 | 0.38 |
| 21 | Mayban Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family Fund) | 1,192,000 | 0.38 |
| 22 | Citigroup Noms (A) Sdn Bhd - A/C Exempt An for OCBC Securities Private Limited (Client A/C NR) | 1,123,187 | 0.36 |
| 23 | AmanahRaya Trustees Berhad - A/C Skim Amanah Saham Bumiputera | 1,069,000 | 0.34 |
| 24 | HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (NORGES BK NLEND) | 1,040,700 | 0.33 |
| 25 | Malaysia Noms (T) Sdn Bhd - A/C Zalaraz Sdn Bhd (01-00259-000) | 1,000,000 | 0.32 |
| 26 | AmanahRaya Trustees Berhad - A/C Amanah Saham Nasional 2 | 800,000 | 0.26 |
| 27 | Mayban Noms (T) Sdn Bhd - A/C Mayban Life Assurance Berhad (Non-Par Fund) | 800,000 | 0.26 |
| 28 | HSBC Noms (A) Sdn Bhd - A/C BNY Brussels for SEI Institutional Investments Trust Small Mid Cap Equity Fund | 690,700 | 0.22 |
| 29 | Mak Seng Fook | 683,600 | 0.22 |
| 30 | Citigroup Noms (A) Sdn Bhd - A/C UBS AG for Black River Long/Short Fund Ltd. | 660,000 | 0.21 |

## SUBSTANTIAL SHAREHOLDERS

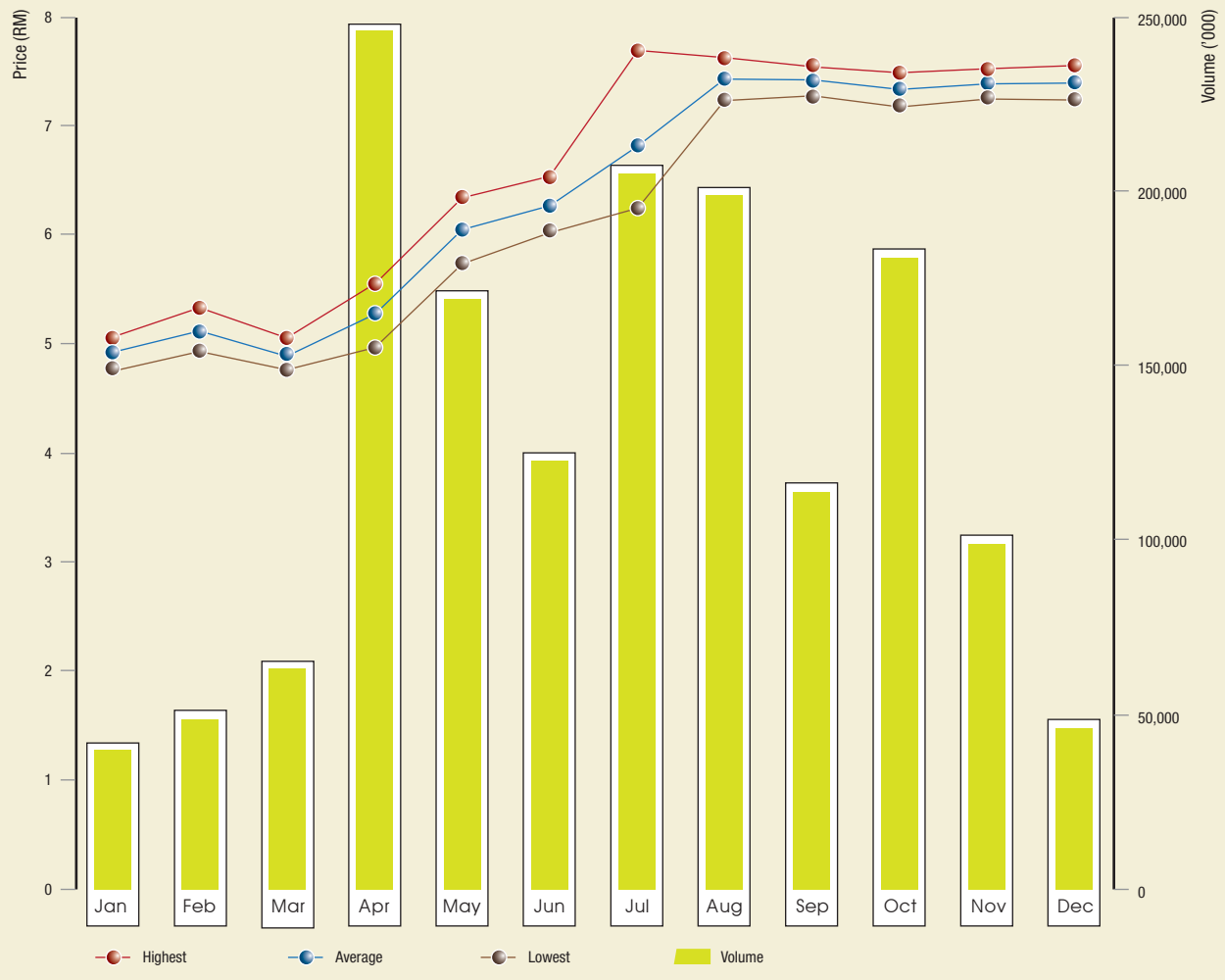
| | | DIRECT | | INDIRECT | |
|---|---|---|---|---|---|
| | NAME | NO. OF SHARES | % | NO. OF SHARES | % |
| 1 | Mayban Noms (T) Sdn Bhd - A/C Johor Corporation (51401100634A) | 121,000,000 | 38.74 | 38,771,340 | 12.41 |
| 2 | Johor Corporation - 3 a/cs | 38,608,715 | 12.36 | 121,162,625 | 38.79 |
| 3 | HSBC Noms (A) Sdn Bhd - A/C NTGS LDN for Skagen Kon-Tiki Verdipapirfond | 16,875,100 | 5.40 | - | - |

## ANALYSIS OF SHAREHOLDERS

| NAME | | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|---|
| Malaysian | - Bumiputra | 529 | 9.72 | 221,264,387 | 70.84 |
| | - Others | 4,006 | 73.60 | 38,250,736 | 12.25 |
| Foreigners | | 908 | 16.68 | 52,833,515 | 16.91 |
| **TOTAL** | | **5,443** | **100.00** | **312,348,638** | **100.00** |

# SHARE PRICE PERFORMANCE AND VOLUME TRADED 2009

| MONTH | CLOSING SHARE PRICE (RM) | | | VOLUME TRADED |
|---|---|---|---|---|
| | HIGHEST | AVERAGE | LOWEST | ('000) |
| JANUARY | 5.05 | 4.93 | 4.78 | 41,807 |
| FEBRUARY | 5.35 | 5.12 | 4.94 | 51,354 |
| MARCH | 4.98 | 4.91 | 4.80 | 65,545 |
| APRIL | 5.55 | 5.30 | 4.98 | 247,872 |
| MAY | 6.35 | 6.06 | 5.75 | 171,631 |
| JUNE | 6.55 | 6.28 | 6.05 | 125,140 |
| JULY | 7.70 | 6.83 | 6.25 | 207,886 |
| AUGUST | 7.61 | 7.45 | 7.25 | 201,090 |
| SEPTEMBER | 7.56 | 7.48 | 7.36 | 116,268 |
| OCTOBER | 7.50 | 7.41 | 7.35 | 183,765 |
| NOVEMBER | 7.50 | 7.41 | 7.35 | 101,398 |
| DECEMBER | 7.55 | 7.42 | 7.30 | 48,592 |



# SECTION 4

## Segment Reviews

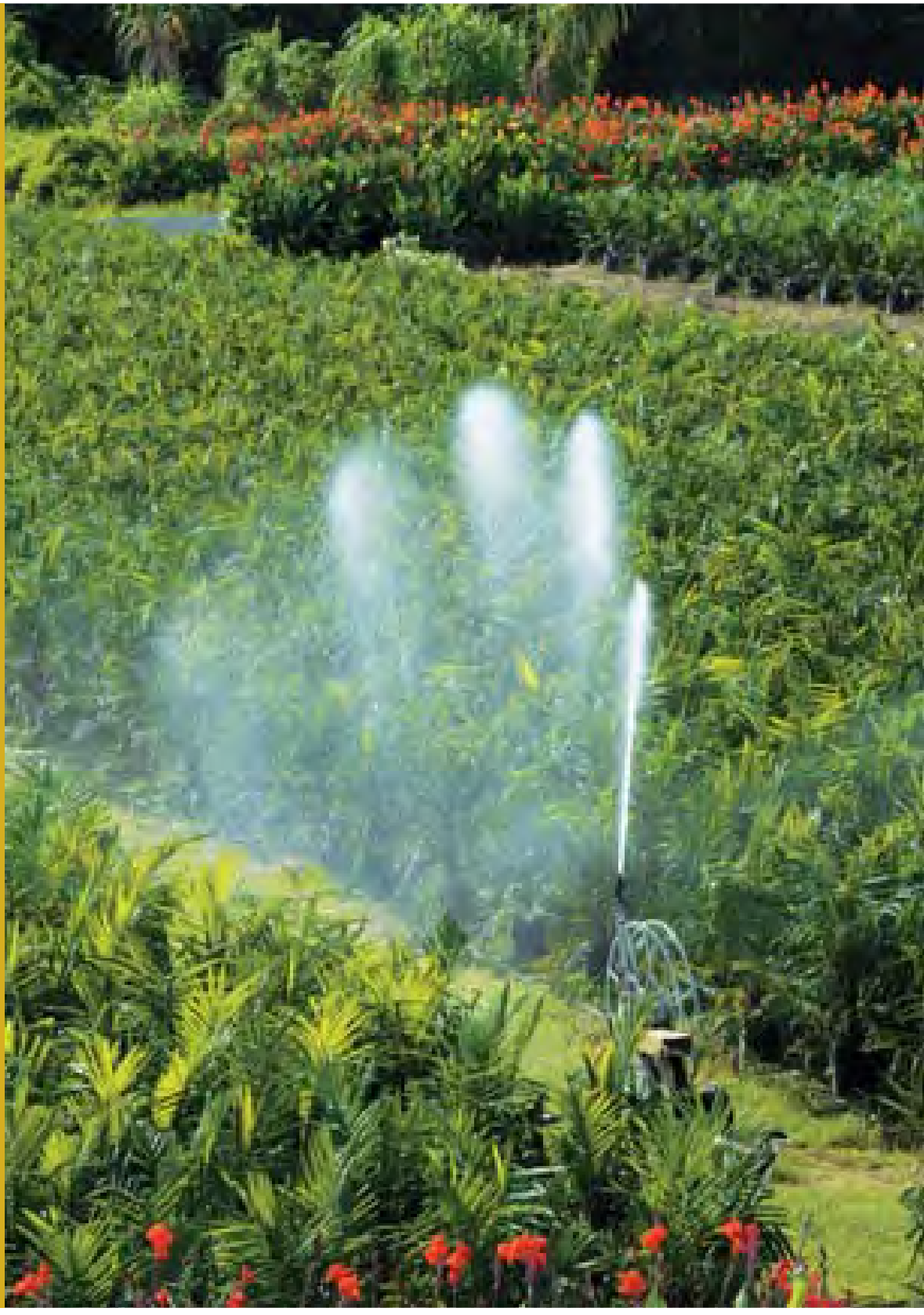
# R

## WE STRONGLY SUBSCRIBE AND UPHOLD THE THREE PILLARS OF **RESPONSIBLE** BUSINESS OPERATIONS - PEOPLE, PLANET AND PROFIT.

Corporate responsibility is the cornerstone to our business philosophy as we balance our economic aspirations with the well-being of our people, community and natural environment. We are proud of our Sustainability Policy, being an embodiment of our commitment to be responsible.

# SEGMENT REVIEWS

## PLANTATIONS



"Nurturing the young....." a nursery in PNG

"KULIM PLANS TO FURTHER EXPAND ITS PLANTATION IN PAPUA NEW GUINEA AND SOLOMON ISLANDS..."

TAN SRI DATO' MUHAMMAD ALI HASHIM,
THE NEW STRAITS TIMES, 27 MAY 2009

## INDUSTRY ENVIRONMENT

THE EARLY PART OF 2008 WITNESSED A COMMODITY BOOM THAT PROPELLED CRUDE PALM OIL ("CPO") PRICES TO RM4,450 PER TONNE IN MARCH THAT YEAR. THE BOOM HOWEVER, TURNED TO BUST VERY RAPIDLY, AND PRICES SPIRALED DOWNWARDS, SPILLING OVER INTO THE FIRST QUARTER OF 2009.

THE GLOBAL VEGETABLE OIL MARKET IN 2009 MADE A RATIONAL RETURN AND PRICES MOVED MUCH MORE GRADUALLY AGAINST THE MACRO-ECONOMIC BACKGROUND. INDUSTRIAL COMPETITION AND GOVERNMENTAL ADJUSTMENTS CONTINUED TO HAVE A SIGNIFICANT IMPACT ON THE MARKET DRIVING CHANGES OVER THE PAST YEAR, ESPECIALLY ON PRODUCTION, TRADE, PROCESSING, CONSUMPTION, PRICE AND THE BEHAVIOUR OF MARKET PLAYERS.

The food and industrial sectors again used more palm oil and palm oil fractions than any other vegetable oils. For 2008/09, palm oil alone accounted for 34% of global vegetable oils consumption. The usage of palm oil in the food and non-food usage segments continued to attract significant interest from industry. The drive to produce larger amounts of fuel from renewable sources should result in the increased use of palm oil in biofuel production, besides the forecasted increase in the food segment.

The year 2009 also witnessed major changes on the qualitative side of the palm oil supply chain. The growing awareness of consumers in the developed markets, especially in the EU, that their purchasing decisions have ethical, environmental and social consequences for the areas where palm oil is produced, is causing retailers, food and non-food manufacturers to make public declarations of their intent to source their raw material requirements from verifiable, sustainable producers. This development will benefit those plantation companies that have an established presence in the production of certified sustainable palm oil.

On the supply side, the decline in palm oil production in the period 2008/09 in Malaysia on account of biological stress was offset by major increases in Indonesia and other origins. The total palm oil production during the period 2008/09 increased to 44.26 million tonnes, higher by 4% over the previous year. The expected revival in Malaysian palm oil production coupled with continued expansion in Indonesia and projected production increase in other origins in 2009/10 will increase the total palm oil production by 7% over the previous year to 47.15 million tonnes.

CPO prices traded at RM2,242 per tonne during the first half of the year, supported by positive sentiments related to higher crude oil prices and supply tightness of vegetable oils in the world market as well as the low domestic palm oil stocks. However, during the second-half of the year bearish sentiments prevailed in the market influenced by the sharp decline in crude oil price as well as that of other vegetable oils prices, coupled with high palm oil stocks and fears of a continued global recession. This resulted in the monthly average CPO price declining below the RM2,200 per tonne level since September 2009. Palm oil prices traded quite widely during the year, with the highest monthly average CPO price recorded in May at RM2,744 and the lowest attained in January at RM1,842. The average CPO price in 2009 decreased by 19% or RM533 to RM2,245 against RM2,778 in the previous year.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## MALAYSIA

The year 2009 was a challenging one for the Malaysian palm oil industry amid the lingering effects of a weak global economy and issues on sustainability and protection of the environment associated with oil palm cultivation. Nevertheless, the industry still remained resilient, even recording a 3% rise in the exports of palm products, although export earnings declined by 24% to RM49.60 billion because of the relatively lower oil palm product prices traded in 2009.

The total oil palm planted area in the country increased by 5% to 4.69 million hectares in 2009. Among the regions, Sarawak registered the largest increase in planted area with a growth of 13%, followed by Peninsular Malaysia 3% and Sabah 2%. Sabah is still the largest oil palm planted State, accounting for 1.36 million hectares or 29% of the total planted area in the country.

CPO production in Malaysia declined to 17.56 million tonnes. Production was affected by biological stress from the bumper production of the previous year and the effects of heavy rainfall early this year in Sabah and Sarawak which curbed the harvest of fresh fruit bunches. The national average FFB yield per hectare fell 5% to 19.20 tonnes. On a regional basis, Sabah was the worst affected with average FFB yields declining by 8%, followed by Sarawak 6% and Peninsular Malaysia 1%. However, good agricultural and milling practices saw improvements in the average OER achieved, which rose to 20.49% as against 20.21% in 2008. All in all, the average oil yield per hectare declined by 3.7% to 3.93 tonnes on account of lower FFB yields.

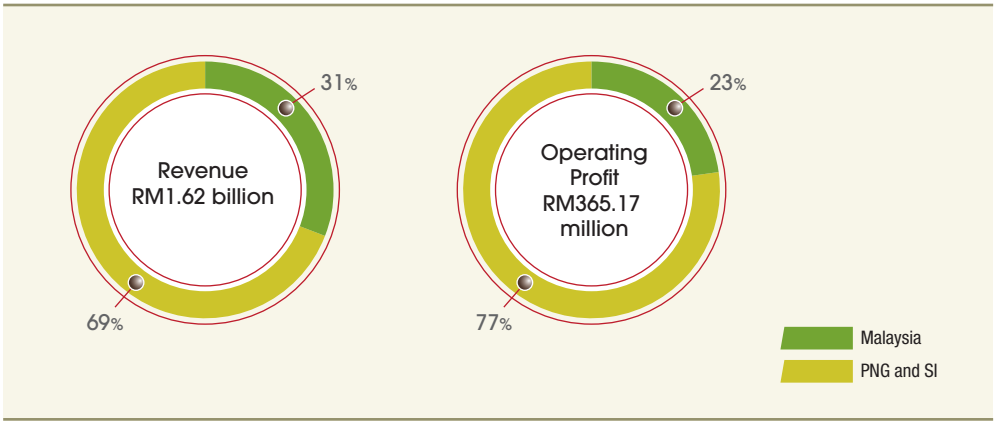
## PAPUA NEW GUINEA AND SOLOMON ISLANDS

The average CPO selling price achieved by NBPOL during the year was USD710 per tonne (2008: USD926). This was higher than the average CIF Rotterdam price for the year of USD683 per tonne, the difference reflecting forward sales made at higher prices. 2008 was an exceptionally high priced year, and NBPOL was able to take advantage of the environment into 2009 even through the financial crisis.

During 2009, freight rates driven largely by time chartering vessels with larger loading capacities as well as reduced fuel costs generally continued the downward trend that started in 2008. This reduced the company's average freight cost per tonne by 11% from 2008. While the use of smaller, higher cost vessels is necessary to maintain flow of products to certain ports, time chartering costs have continued to fall slightly in 2010.

In 2009, NBPOL sold 4.5 million seeds, down from the 15 million sold in 2008. This had a significant impact on profit for the period. The reduction in sales was due to the lack of buyers, mainly in Indonesia, as oil palm plantings ceased following the financial crisis. In the last quarter of 2009, buyers began to return and the order book again looks back to normal levels and stocks are sufficient for such an increase in sales.

## PLANTATIONS RESULTS 2009 - BY COUNTRY




## FINANCIAL RESULTS

Revenue from Plantations Division declined by 6% to RM1.62 billion from RM1.72 billion in 2008 due to the lower average price fetched for CPO during the year as compared to last year. Sindora and Ramu's results were consolidated in full in 2009 (in 2008, Sindora was consolidated for 8 months and Ramu for 2 months). The revenue composition remained unchanged from the previous year with 69% contributed by PNG and SI and 31% from Malaysia.

The average CPO price obtained for the Malaysia operations declined to RM2,167 per tonne as compared to RM2,530 per tonne fetched last year. This was in line with the global trend for CPO prices in 2009. Similarly, the local MPOB average CPO price for 2009 was RM2,245 per tonne.

A similar downward trend in CPO price was experienced by our PNG and SI operations. In 2009 the average CPO price secured was USD710 versus USD926 in 2008. Operating results from PNG and SI operations fell by 17% to RM282.47 million in 2009, as compared to RM342.35 million in 2008. The average exchange rate for Ringgit Malaysia was 37.85 US cents in 2009 as compared to last year's 37.66 US cents, a marginal increase which resulted in exchange gains of K4.99 million.

In line with the drop in revenue, the operating result from the Plantations Division suffered a 36% contraction in 2009 to RM365.17 million from RM568.01 million in 2008.

Ramu, in its first full year of consolidation in the accounts, contributed positively by recording a PBT of K13 million, mainly attributed to sugar activities. Palm oil operations still recorded a loss in 2009 due to the young age of the palms. Beef operations, although still in a loss making position performed better than budget mainly attributed to savings in ranching costs due to deferred programmes and a lower throughput of cattle at the abattoir.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## GROUP PLANTATIONS HIGHLIGHTS

| | 2009 | 2008 | Variance |
|---|---|---|---|
| **FFB Production ('000 tonnes)** | | | |
| Malaysia | 603.99 | 604.04 | (0.01%) |
| PNG | 932.57 | 765.80 | 21.8% |
| SI | 107.26 | 90.76 | 18.2% |
| **FFB Yield (tonnes/ha)** | | | |
| Malaysia | 21.22 | 22.70 | (6.5%) |
| PNG | 26.53 | 25.36 | 4.6% |
| SI | 20.98 | 19.67 | 6.7% |
| Industry - Peninsular Malaysia | 19.36 | 19.63 | (1.4%) |
| **CPO Production ('000 tonnes)** | | | |
| Malaysia | 166.06 | 141.63 | 17.3% |
| PNG | 310.41 | 267.53 | 16.0% |
| SI | 25.12 | 21.98 | 14.3% |
| **OER (%)** | | | |
| Malaysia | 19.90 | 19.13 | 4.0% |
| PNG | 22.96 | 23.36 | (1.7%) |
| SI | 21.05 | 21.11 | (0.3%) |
| Industry - Peninsular Malaysia | 19.93 | 19.61 | 1.6% |

## ESTATES PERFORMANCE

The Group's Vision 30:30, continued to pursue its two pronged strategy of organic growth and raising oil yields. The initiative has the objective of raising fruit yields to 30 tonnes per hectare and PPER to 30%. Total Group FFB and CPO production in 2009 was 1.64 million tonnes and 501,000 tonnes respectively, an increase of 13% and 16% respectively against 2008. The increase was mainly contributed by the PNG and SI operations, with the full year contribution from Ramu. There was no significant growth in FFB production from the Malaysian plantations despite the full year consolidation of Sindora in 2009 mainly due to a lower yield per hectare as experienced in general by palm oil producers in Malaysia.

The Malaysian estates produced 37% of total Group FFB (2008: 41%); PNG estates produced 56% (2008: 52%), whilst the SI estates' contribution remained level at 7%. The Group's oil palm planted area increased slightly to 83,873 hectares as compared to 82,644 hectares in 2008. As at 31 December 2009, there was no significant change to the proportion of the Group's planted area in each country compared to 2008: 42% in Malaysia, 51% in PNG and 7% in the SI.

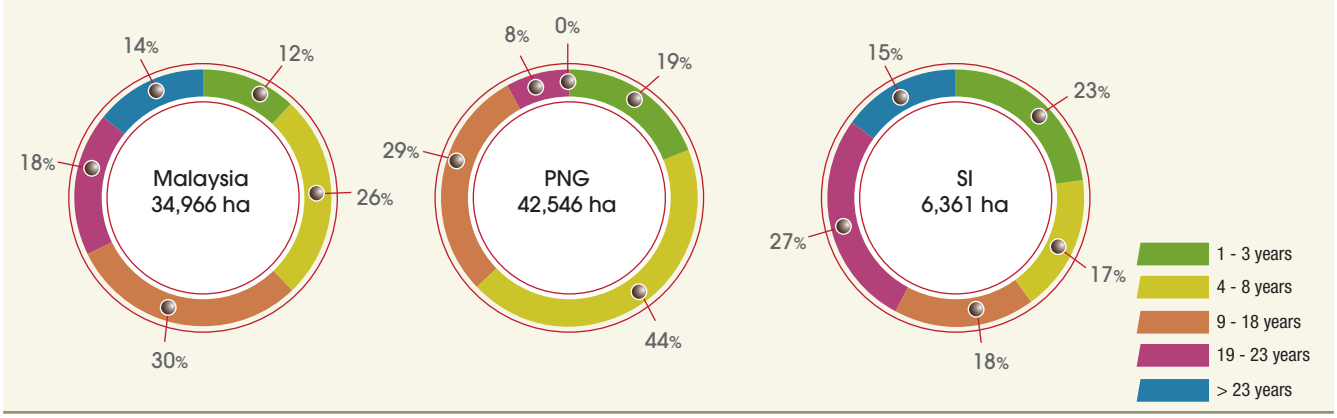
The Malaysian estates produced a total of 603,985 tonnes of FFB in 2009, down by 0.01% compared to 604,044 tonnes in 2008. The lower yield is believed to have mainly caused by the drier year with 1,623 mm of rainfall received over a 97 days period compared to 2,175 mm over 125 days in the previous year. The dry weather created moisture stress that affected bunch formation and size which led to fewer bunches and a lower average bunch weight. Yield per hectare dipped to 21.22 tonnes compared to 22.70 tonnes in 2008, still exceeding the average yield in Johor and Peninsular Malaysia at 18.88 tonnes per hectare and 19.36 tonnes respectively, and superior to the average yield in Malaysia of 19.20 tonnes for 2009.

Steps were taken to improve production and operations with the introduction of an incentive payment of 5 cents per kilogram of loose fruits to the harvesters to improve loose fruits collection which has successfully improved the OER achieved by the Group's Malaysian Plantations to 19.90% in 2009 against 19.13% in 2008. The Group has also implemented an OER incentive payment to reward achievement of higher OER rates than the stipulated targets.

## OIL PALM AREA STATEMENT

| | | Oil palm planted area | | | | Average palm age |
|---|---|---|---|---|---|---|
| | Titled area (ha) | Mature (ha) | Immature (ha) | Total (ha) | Total (%) | (years) |
| Malaysia | 38,069 | 28,317 | 6,649 | 34,966 | 42% | 12.8 |
| PNG | 79,178 | 35,154 | 7,392 | 42,546 | 51% | 8.2 |
| SI | 7,577 | 5,113 | 1,248 | 6,361 | 7% | 13.5 |
| Total | 124,824 | 68,584 | 15,289 | 83,873 | 100% | 10.5 |

PALM AGE PROFILES BY COUNTRY as at 31 December 2009




The Group has implemented mechanisation programmes to reduce dependency on labour. The internally developed Kulim Crane Free System programme to assist FFB loading and evacuation works in the fields has been expanded.

In PNG and SI, fruit production from the estates increased to approximately 1.04 million tonnes with a further 431,575 tonnes purchased from smallholder growers. Overall estate yields per hectare were very encouraging averaging 26 tonnes per hectare. The average estate yields in New Britain were 28 tonnes of FFB per hectare compared to 21 tonnes in the SI and 14 tonnes in Ramu. The yields at Ramu are affected by the very young age profile of the estates and are expected to rise significantly over the coming years as the palms reach full yielding capacity.

Weather conditions were generally good throughout the year with the exception of a prolonged monsoon season in New Britain at the start of the year. The year ended in New Britain with 3,254 mm of rainfall recorded at the Research Station, nearly 500mm below the annual average of 3,734 mm, with no soil moisture deficits recorded and higher than average sunshine hours. The 2009 growing season was ideal for oil palm cultivation and should bode well for the 2010 crop prospects.

## Replanting

To sustain higher production, the Group is committed towards improving the average age profile of its palms. Aggressive replanting strategies continued during the year with palms older than 22 years of age in PNG and SI, and 25 years for Malaysia, from the date of field planting, being felled and the areas replanted with the latest high yielding palm varieties.

In Malaysia 890.36 hectares were replanted as at December 2009 against the 965.21 hectares scheduled due to dry weather. By end of 2009, the Malaysian estates' average palm age increased marginally to 12.8 years from 12.6 years a year ago.

In West New Britain a total of 1,235 hectares were replanted in 2009 with the final Dami Oil Palm Research Station ("OPRS") trial planting completed at Kautu Estate. Overall PNG and SI have a very young age profile with a weighted average palm age of 8.9 years compared to 8.7 years last year.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## MILLS PERFORMANCE

The total CPO produced by the Group reached 501,587 tonnes (2008: 431,149 tonnes) an increase of 16.3% whilst total PK produced was 124,311 tonnes (2008: 106,988 tonnes) an increase of 16.2%. Total FFB processed by the Group climbed to 2,305,672 tonnes (2008: 1,989,682 tonnes) a rise of 15.9%.

The increase in palm products produced (CPO and PK) was mainly due to the full year contributions from Sindora and Ramu, and the improved extraction rates (OER and KER) to 21.75% as compared to 21.67% in 2008 whilst KER improved slightly to 5.39% from 5.38% in 2008. The total PPER improved to 27.14% (2008: 27.05%)

In Malaysia, total CPO produced was 166,059 tonnes, a 17.2% increase from 141,634 tonnes in 2008. PK produced was up by 18.6% to 49,950 tonnes in 2009 from 42,102 tonnes in 2008. In terms of yields, despite a drop in FFB yield per hectare, Malaysian mills recorded a significant improvement in OER to 19.90% in 2009 from 19.13% in 2008 while KER also improved to 5.99% in 2009 from 5.69% in 2008.

The percentage of external crop in 2009 increased by 3.2% to 31.6% mainly due to better terms offered to the outside suppliers, helping to increase mill utilisation, offset the decrease in Group estates FFB production and reduce unit production cost of the mill.

In PNG and SI, a record 1.47 million tonnes of fruits were processed (2008: 1.25 million tonnes) and 366,251 tonnes (2008: 315,478 tonnes), in aggregate, of CPO and Palm Kernel Oil ("PKO") produced. Crude oil production was 16% higher than the preceding year and PPER remained steady at approximately 28%.

OER at the mills were affected in the early part of 2009 by delays in transport and harvesting as production at times exceeded processing capacity. Unfortunately, the expansion of Kumbango Palm Oil Mill was not completed until after the peak cropping season causing severe strain on all operations. The end result for PNG was an average OER of 22.96%, a slight decrease from 2008 of 23.36%.

The expansion of Kumbango Palm Oil Mill's processing capacity from 40 to 60 tonnes of fruits per hour was completed during the year utilising 'Vertical Steriliser' technology which allowed the expansion to take place without affecting the mill's daily operations. Further expansion work on Kumbango Kernel Mill's second line combined with refurbishment of existing capacity was completed during 2009, increasing the PK processing capacity to 400 tonnes per day. OER at the new plant have also improved. Oil storage capacity at the Kimbe Bulk Terminal was also completed during the year, with storage capacity increased from 30,000 tonnes of oil products to 52,500 tonnes.

## Sugar Production

In 2009, Ramu harvested 433,015 tonnes of cane from 7,512 hectares yielding 36,069 tonnes of sugar. This was an improvement on the two previous years in terms of cane production, 430,757 tonnes of cane was harvested in 2008 and 371,793 tonnes of cane was harvested in 2007. However, sugar yields remain well below expectation and were indeed marginally lower than the 2008 which produced 36,621 tonnes of sugar.

Improved planting techniques incorporating a legume fallow period has reduced weed competition, this as well as increasing the area of cane that is replanted every year will go some way to increasing yields. The sugar factory has a processing capacity of 500,000 tonnes of cane which is more than sufficient for the foreseeable future. Overall sugar recovery improved in 2009 to 81% from 79% in 2008, this is still below the sugar recovery target of 82%.

## Beef Production

With the acquisition of Ramu, the Group is the largest producer of beef in PNG. The Ramu beef herd has approximately 14,000 heads of cattle. The completion of the Ramu feedlot during 2009 allows 1,000 cattle to be fed for 120 days prior to slaughter. The feedlot has enabled the operation to yield much better final carcass weights, averaging 245 kilograms cold dressed weight. Good efficiencies and standards in the abattoir combined with the improved weights have yielded much better quality in the final product that has commanded better prices.

The integrated cattle and beef operation in New Britain continued to perform well during 2009. Operating on only 677 hectares of pasture intercropped with oil palms the cattle herd ended the year with 3,826 heads. During the year, 1,537 females were exposed to the bull with 1,180 calves born yielding a 77% calving percentage. Continuing herd improvements are being sought by experimenting with new mineral rations for the cattle and supplementing the forage grass with corn or sorghum forage silage.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## RESEARCH & DEVELOPMENT

Over the many years, Research & Development ("R&D") has made considerable contributions in developing and pioneering best management practices in the plantations and in many instances, assisted in commercialising them. In R&D, the research work is divided into three areas:

- **Plantations** – focused on breeding, biotechnology, agronomy, plant protection, mechanisation and precision agriculture.
- **Processing & Engineering** – focused on process development, laboratory analytical services, engineering design, renewable energy and environment.
- **Sustainability** – focused on sustainable palm oil and quality systems.

The Group's R&D services are provided by the Kulim Agrotech Centre based in Kota Tinggi, Johor for its Malaysian operation, and by NBPOL's Dami OPRS based in the West New Britain Province, Papua New Guinea for PNG and SI operations.

### Precision Agriculture and Analytical Services

The Kulim Agrotech Information Systems ("KATIS") is an integrated system comprising of a Global Positioning System ("GPS"), Geography Information System ("GIS") and Oil Palm Monitoring Programme. The aim of precision agriculture is to vary the allocation of production inputs on a field-by-field or palm-by-palm basis so that each field within the plantation reaches the maximum economic yield. The system increases the accuracy of the area computation, yield gap analysis, planting material selection, nutrient management, natural resource management and other agronomic parameters. All the Group's estates in Malaysia have been mapped and digitised with agronomic and management data.

Utilising high resolution satellite images of up to 0.47m, R&D is looking forward to the next step of incorporating high resolution satellite imagery within the GPS digital map. This would enhance the efficiency of field management on such tasks as conducting accurate palm count inventory and assessing current land condition for better yield forecasting. The digital elevation model will give more precision to mapping new replanting areas and designing the construction of effective road systems, terraces and soil conservation as well as controlling replanting cost. The system will also be used to map and monitor progress and ensure development stays within boundaries.

The Ulu Tiram Central Laboratory ("UTCL") has been long established as an analytical Agronomic Service provider supporting the Group's plantations and mills. Its competency in testing fertilisers, foliar material, palm oil products, soil, effluent and domestic water samples is supported by the use of modern testing equipment such as Atomic Absorption Spectrophotometer, Flame Photometer, UV-spectrophotometer and Buchi Auto distillation to ensure reliable and accurate analytical results.

### Agronomy

The Group has always been committed to sustainable agricultural practices. However, we also believe that as with all good practices, they are expected to evolve and to be refined over time and to be measured against moving targets. Over the years, we have made significant improvements in enhancing yields, productivity and cost efficiency in order to optimise returns from our oil palm plantations in a manner that will ensure long term sustainability. These advances have been won through optimising the use of renewable resources, environmental friendly agricultural practices such as zero burning, soil and water conservation, site specific fertilisation, land application of digested palm oil mill effluent, integrated pest management, and by-product utilisation, including energy recycling.

Our practices are benchmarked against industry standards to further improve on the progress made thus far. Our Research Centre is carrying out field trials to investigate "Sustainable Agriculture" scientifically and practically, especially in maximising fertiliser-use efficiency and reducing soil erosion on sloping terrain. Shade-tolerant perennial legume species (Mucuna Bracteata) are being planted to promote nitrogen fixation, organic matter and soil conservation throughout the life span of the palms. Biodiversity which is an important component of sustainability is also greatly emphasised by the Company. Various species of timber trees, tropical fruit trees and flowers are planted around estate offices and housing complexes.

Biological control is integrated into pest management practices to minimise usage of pesticides. Beneficial plants are planted to attract natural predators for biological control of bagworms and other leaf-eating caterpillars which are major insect pests in oil palm plantations. Barn owl boxes are erected in the estates to increase the owl population for biological control of rats which can cause significant yield reduction.

In integrated weed management, herbicides are selectively used to eradicate noxious weeds. Soft grasses are maintained to prevent soil erosion. Where practical, mechanical weed control is practised to minimise use of herbicides. By-products from palm oil mills especially empty fruit bunches ("EFB") and effluent decanter cakes are used where necessary as organic fertilisers to enhance yields resulting in cost-effectiveness in our fertiliser practices. EFB fibre is used as biofuel for power generation in palm oil mills and refinery. This will certainly add value to our oil palm plantations and enhance competitiveness.

The Group has undertaken studies related to the inter-cropping of banana and pineapple under oil palm as well as recently researching Jatropha Curcas as an alternative source of biofuel. This hardy plant can grow on almost any marginal terrain, even on gravely, sandy and saline soils. The seeds contain 27 - 40% oil that can be processed to produce a high-quality biodiesel fuel usable in a standard diesel engine.

## Plant Breeding

The Plant Breeding Unit continues to increase the production of quality oil palm seeds with regard to yield and early maturity. In Malaysia, a total of 220 SIRIM certified selfed-duras that originated from Dami NBPOL were used as mother palms replacing old Kulim duras. Another 50 new mother palms were selected. Pollen of 18 SIRIM certified commercial pisiferas planted in Dami NBPOL were also used for production of commercial DxP seeds in Malaysia in an effort to improve oil extraction rates. During the year, a new set of progeny testing, which involved elite Dami duras and pisiferas, MPOB duras of OPGL selection, MPOB Avros pisifera, Kulim-Nigerian duras and Kulim duras were initiated. The objective of this trial is to find new sources of better duras and pisiferas for future planting materials and to serve as a source of good ortets for clonal propagation.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

A total of 100 MPOB Ganoderma tolerant DxP materials were field planted in one of our managed estates. Negotiations with MPOB progressed to progeny test the pisifera and self-pollinate the dura and tenera parental palms for genetic improvement. A Single Seed Descend ("SSD") programme involving ten each of MPOB-OPGL and Dami duras was initiated and is expected to be completed by the end of 2010. This programme is an alternative path to shorten the period of creating an in-bred line to a 5 year cycle instead of 10 year cycle using a standard selfing programme. 4 elite teneras of Kulim tenera x Dami pisifera ("TxP") were selected for tenera/pisiferas improvement programmes. The teneras were crossed with commercial Dami pisiferas for creation of Dami-based pisifera for commercial use. The Malaysian operations obtained Calabar pisifera pollen from Dami NBPOL as an exchange for MPOB-Angolan dura and pisifera pollen. Progeny testing of Calabar pisifera with Dami and MPOB-OPGL duras and introgression with elite teneras of half-blood Dami TxP were conducted.

In PNG, NBPOL's plant breeding and seed production operations based at Dami supply the planting material that is both high yielding and suited to its environment. The plant breeding strategy aims to deliver oil yields in excess of 9 tonnes per hectare on a consistent basis and the plant breeding programme is the foundation of the Group's "Vision 30-30".

The genetic base of the breeding population has also been expanded to include palms and pollen from Ghana, Nigeria and Elaeis Oleifera palms from Costa Rica. Palms from such diverse origins are being developed and tested to further exploit their genetic potential for specific traits associated with higher disease tolerance, "dwarf characteristics" and oil composition. In 2009, a total of 55 breeding trials covering a total of 729 hectares in six main breeding programmes for testing and evaluating genetic material continued to have their yield, vegetative growth and bunches recorded and analysed in detail. Two new trials are at pollination and seed production stages. A total of 29,406 individual bunches have been analysed in the year for yield and oil content.

## Seed Production

In Malaysia, a total of 2.4 million commercial DxP seeds were produced and 0.86 million germinated seeds were sold by the Malaysian Plant Breeding unit in 2009. In PNG and SI, seed sales in 2009 reached 4.5 million seeds, representing only 45.1% of the predicted sales target due to the effect of the global economic downturn affecting many Indonesian producers who reduced or halted planting programmes. PNG companies also cancelled orders in the third and fourth quarter of 2009. Clientele include companies from Honduras, Cameroon, Sri Lanka, Indonesia, Philippines, Thailand and Myanmar. Dami successfully maintained its ISO 9000:2000 quality management system for its seed production unit.

## Biotechnology

Advances in molecular biology have transformed biotechnology in recent years. In the past, crop improvement depended on selective breeding within species. Tissue culture, through which plants can be cloned from a single cell, has speeded up the process of making new varieties available. It allows rapid multiplication of uniform planting materials with desired characteristics. This enables improvement of planting materials using existing individuals which have all or most of the desired qualities such as good oil yield and composition, slow vertical growth and disease resistance.

The Group has accumulated considerable research and development experience on the use of tissue culture methodology to clone elite trees. Palms can be cloned both for increasing the number of elite breeding trees, and for improving the quality of new oil producing feedstock. Under the biotechnology programme for Malaysia-based operations, the collection of plant cultures continued through the year at the purpose-built production facility of Kulim TopPlant Sdn Bhd ("KTP") at REM Estate, which was commissioned in July 2007. In 2008, KTP was awarded BioNexus Status by the Malaysia BiotechCorp, the status of which carries significant tax incentives.

2009 saw a substantial increase in embryoid inventories and the production target for 2010 is set at 45,000 units with scheduled deliveries to four Group estates. The first batch of clones planted in April 2008 in Sedenak Estate have undergone ablation and are expected to come under harvesting in mid-2010. The plants are uniform and they flowered normally. The Company continues to hire production-related staff in tandem with increasing culture inventories and production targets.

In PNG, new palm sampling and propagation tissue culture technology was integrated into the existing production protocols at Dami OPRS. These techniques have significantly improved the speed and efficiency of establishing new cultures. Dami OPRS biotechnology research on 'suspension culture' (suspension in liquid) of tissue from elite-palms picked up pace in 2009. Tissue from suspension cultures has been carried through all the stages of embryo development and germination within one year. The first plants produced in this way are ready for transfer to the greenhouse (rametry) in early 2010.

23 new elite tenera ortets from the Dami OPRS advanced breeding program were sampled in 2009 and tissues from some of these are now multiplying in liquid suspension. This material will be used in early 2010 to begin forming plants for later use in clonal field trials.

Concurrent research is also being carried out to reduce the later steps in plant production with the goal of reducing costs of clonal material production. These new technologies, when evaluated through to plants in the field, have the potential to reduce the length of the tissue culture cycle by at least a year, allowing productive gains from elite clones to be realised sooner than previously possible. Recent improvements in the micro-propagation system developed at Dami offer the opportunity to significantly advance tissue culture research, complementing both the breeding programmes as well as seed production operations. More effort placed on this research is expected to yield further advances in the long term.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## HUMAN CAPITAL

Our people are our priority. This statement introduces the Group's People Policy and amply projects the Group's commitment to the continual development of its most prized assets.

As at the end of 2009, our plantation operations employed 18,412 personnel, representing a 27% increase over the previous year. The increase was mainly attributed to the expansion of NBPOL. The compositions by countries were: Malaysia at 4,864 (26%), PNG at 11,514 (63%) and SI at 2,034 (11%).

The Group acknowledges that creating and sustaining a winning culture through an effective and efficient human resource system and practices are prerequisites towards realising its vision, mission and objectives. However, we also recognise that the management of human capital within the plantation industry is unique and challenging, more so due to the different geographical locations that the Group operates in which require us to apply and adapt strategies, processes and systems that are appropriate to the local culture, customs and legislations. The highly labour intensive nature of the industry, is further challenged by the scarcity of supply as well as the difficulty in attracting capable workforce to work in rural areas. There is also a need to continually improve productivity as well as to create and promote a non-discriminatory, safe and healthy work environment. These are amongst the focus areas that need to be continuously and effectively addressed.

As a standard practice, the year 2009 began with the annual gathering of employees – *Pedoman* which carried the similar theme as in 2008; "Business Jihad"; reflecting the continuity in the Group's struggle in fulfilling its overall vision and mission. *Pedoman*, is an avenue for the management to provide highlights and updates on the Group's performance, the challenges faced and our future direction. The gathering also presents a unique opportunity for employees from all levels to make suggestions and raise questions. Awards were also presented for service milestones, educational certificates, quality and operational achievements. In essence, *Pedoman* signifies the company's commitment towards practising and nurturing a spirit of openness and transparency, the key pillars of our corporate culture.

Existing performance-based measures and initiatives were periodically reviewed and enhanced. Several new initiatives were implemented during the year to further strengthen our people management and instill a performance driven culture. The importance of evaluating each individual's performance objectively, fairly and systematically through Key Performance Indicators ("KPI") is an integral part of our Performance Management System ("PMS"). Sustainability related dimensions such as Safety and Health, participation in social and recreational activities as well as in NGOs will continue to be included in the assessment, reflecting the Group's genuine commitment to embrace the true spirit of corporate responsibility. Promotion criteria have also been refined further by adding the attributes of an ability to bring change and train others as pre-requisites towards delivering organisational excellence.

Another important initiative is the Peers and Reverse Feedback ("PARFEED") appraisal system, which was initiated in 2007 and further enhanced during the year under review. The initiative was well received and is achieving its objectives of complementing the top down appraisal system to provide a more well-rounded assessment of individual employee's performance. The feedback received guides employees to further improve performance in relevant areas of Teamwork, Communication, Leadership and Organisational Values.

An ethics declaration form has been introduced as a whistle-blowing instrument to promote a positive working culture and for employees to declare any wrong doings that might exist. 2009 saw 100% of employees providing their feedback, and where appropriate actions had and are being taken accordingly to address the issues raised.

Enforcement against the abuse of illegal substances at the workplace has been carried out since 2006 in line with the aspiration of the Group to be a drug free organisation. A new technique for detection was introduced during the year under review that enables detection of various illegal drug substances quickly and accurately. The Group will also implement an inspection programme to vet all internal grocery shops in the operating units for illegal medications and alcohol.

Training programmes in the form of formal courses, seminars, and workshops, held both internally and externally, continued to be provided during the year. 2009 saw further increase in the level of activities carried out at the Group's training centre in Kota Tinggi, Johor. The scope of training ranged from corporate culture familiarisation, awareness programme, productivity, effective communication, sustainability and executive development. Our Malaysian operations spent RM1.07 million or 4.15% of payroll towards training and recorded an average training man-day of 4.62 per employee.

Formal training programmes directly relevant towards enhancing our operational management capability were emphasised. The Advanced Certificate in Plantation Operations Management ("Adv. CPOM") and the Certificate in Plantation Practices Management ("CPPM") organised in collaboration with Universiti Teknologi Malaysia since 2006, went into its fourth year of implementation. In 2009, 17 employees graduated with Adv. CPOM and 14 employees with CPPM, bringing the cumulative total to date to 94 and 77 graduates respectively.

In support of the Group's Intrapreneurship Scheme, as a pre-requisite, the would-be Intrapreneurs from amongst the Group employees are required to complete a formal 6 months programme: the Certificate In Intrapreneurship ("CII") organised in collaboration with Universiti Teknologi MARA. CII is aimed at building and enhancing the employees' entrepreneurship skills and capabilities. In 2009, 2 employees successfully graduated bringing the cumulative total to date to 18. The Group also allocated a RM1 million provision aimed at promoting Life Long Learning via part-time and distance learning. This is to equip employees with tools for expanding their knowledge and skills to meet the challenges of the future.

The *Qurban* programme has become a highlight of the Group's practice of promoting the charitable spirit of sharing among its employees. The Malaysian operations in 2009 saw 226 employees pooling resources for the event with the beneficiaries not only confined to the less fortunate in the operating units but also to the surrounding communities. This is a noble way for employees to contribute towards realising the organisation's corporate responsibility agenda.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## OUR ACCREDITATIONS

| CERTIFICATIONS | RSPO | ISO 9001:2000 | ISO 14001:2004 | IEC 17025 |
|---|---|---|---|---|
| Receiving Company/ Operating Units | All Malaysian and PNG estates and mills | Malaysian operations<br>– Tereh Selatan Estate, Tereh Mill, Sedenak Mill, and Sindora Mill | All PNG operations and for Malaysian operations<br>– Sedenak Estate, Sindora Estate and Sindora Mill. | Ulu Tiram Central Laboratory (UTCL) |

## TOTAL QUALITY MANAGEMENT

The Group is committed to a set of management practices throughout the organisation, geared to ensure the organisation consistently meets or exceeds customer requirements. As a business enterprise we are confronted with the challenge of increasing shareholder value, which includes both quality and profits. Total Quality Management ("TQM") places strong focus on process measurement and controls as means of continuous improvement. The Group is committed to constantly transforming its work culture and environment to encompass and develop into one that adheres to measurable standards. Kulim's objective is to enhance the efficiency of operations and create a work culture that is systematic, structured and in compliance with international standards and operating regulations. TQM seeks to integrate all organisational functions from design, engineering, production, marketing, finance to customer service, to focus on meeting customer needs and organisational objectives.

TQM empowers the total organisation, every employee, with the responsibility of ensuring quality in their respective products and services, and management of their processes through the appropriate process improvement channels. TQM's aim is to "Get it right first time every time." To this end, the Group has put in place policies, systems and procedures that continually work towards enhancing operating standards. This is augmented by conducting regular quality-relevant training, initiatives and communication programmes, supported by an appropriate reward scheme so as to ensure employees possess the required skills and competence level and are constantly aware and committed to support the Group's quality strategy.

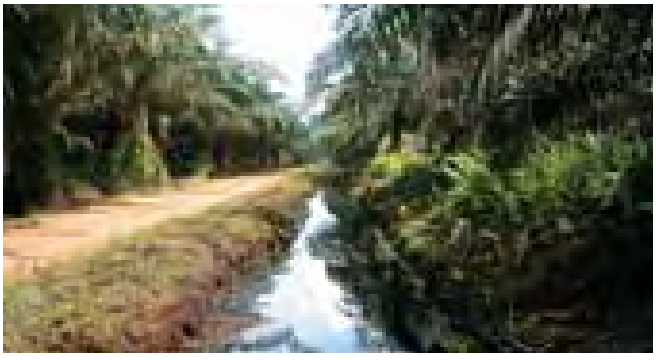
The Roundtable on Sustainable Palm Oil ("RSPO") certification received by the Group's plantation operations in Malaysia and PNG recently is a crucial milestone and a clear testament to this commitment. The achievement of attaining the RSPO certification is a culmination of the Group's long and continuous efforts towards obtaining and maintaining the current certifications such as ISO 9001 and ISO 14001. The scope of this effort also extends to the Group's managed operations. The ISO 14000 environmental management systems exist to help organisations minimise the impact of their operations to the environment (air, water, land, community and natural resources), comply with applicable laws and regulations, and other environmentally-oriented requirements. Efforts are also being put in to ensure that all operations are in line with the Occupational Health and Safety Assessment Series ("OHSAS") 18001 guidelines, which are geared towards reducing and preventing accidents and accident-related loss of lives, time and resources.

During the year under review, the Group successfully maintained the ISO 9001:2000 certifications at Tereh Selatan Estate, Tereh Palm Oil Mill, Sedenak Palm Oil Mill and Sindora Palm Oil Mill. Malaysian Standard ("MS") ISO 9001:2000 promotes the adoption of a process approach when developing, implementing and improving the effectiveness of a Quality Management System to enhance customer satisfaction by meeting customer requirements. To increase competencies throughout the Group steps are being taken to upgrade our MS ISO 9001:2000 certifications to the latest version of MS ISO 9001:2008. The transition is underway for the Malaysian operations to enhance standards to be in compliance with the latest version.

Sedenak Estate, Sindora Estate and Sindora Palm Oil Mill successfully underwent the surveillance audit for their Environmental Management System ISO 14001:2004 certification. More resources are being allocated to TQM to ensure comprehensive coverage and implementation of the standards. An auditing team comprising of 73 personnel is being trained to undertake the function of Group auditors for ISO certification and Quality review, inclusive of the 17 personnel qualified as Lead Assessors for ISO 9001:2008.

The awards and achievements received by the various operating units in 2009 and in prior years, are a testament to the Group's ongoing journey of quality management excellence. Each unit's compliance to the Standard Operating Procedures ("SOP") reflects their personal obligation to quality regardless of certification status. With such dedication, the Group is confident that each certified unit will continue to excel, perform and conform to international standards of excellence.

The Group's Suggestion Scheme "CEMPAKA", is a programme that provides a mechanism for employees to channel their suggestions and ideas for improvements. The scheme has since been enhanced with the introduction of a computerised monitoring system, the CEMPAKA Database System, as to ensure the methodical capturing, analysis and selection of all ideas contributed and subsequently their implementation monitoring. The scheme is strengthened by a monetary incentive system, as well as annual awards tied to the level of participation.



The Group has also developed and implemented other complementing initiatives such as the Innovative Creative Circles ("ICC"), and 5S System. Recognising the challenges posed by today's global competitive environment, the Group actively promotes the deployment of ICC methodology and tools within its work environment to provide avenues for breakthrough ideas, learning, knowledge-sharing and value creation along the entire value chain. The ICC has now become an integral part of enhancing operations. The Group organises annually its internal ICC competition and regularly participates in those organised at its holding company level Johor Corporation ("JCorp") and by the Malaysia Productivity Corporation ("MPC") at both the regional and national level.

In 2009 the two ICC groups presenting the best ideas, Kuntum Teratai and Kuntum Akrab, were invited to present their projects at the International Quality Convention in Cebu, Philippines. The year 2009 marked a historical achievement for our ICC activity when Kuntum Benih was awarded Champion for the Service Sector and the Overall Champion at the National ICC Convention 2009. *Hari Mekar*, the Company's quality convention, was successfully organised in October 2009.

In pursuit of our business goals, the Group is committed to and adopts TQM as an integral part of the overall strategy. The Group's TQM strategy is aimed at embedding quality awareness in all organisational processes to achieve customer satisfaction at continually lower costs.

# SEGMENT REVIEWS - PLANTATIONS CONTINUED

## PROSPECTS AND PLANS

The outlook for palm oil prices continues to remain strong in view of the global oils and fats supply tightness, coupled with the increase in vegetable oils demand amid the improving global economic situation. In 2010, CPO prices are expected to average in the range of USD650 to USD750 per tonne on a CIF Rotterdam basis.

The Group's crop production in Malaysia is expected to continue on a downtrend due to the on-going replanting programme of ageing palms and continuous dry weather. Nevertheless, the Group is banking on superior planting materials to replace the old palms as well as improvements in milling processes and crop quality to fuel the drive towards achieving its Vision 30:30. Kulim TopPlant laboratory, the Group's venture in tissue culture which produces clonal palms and the inclusion of the proven quality Dami material in the breeding section has placed the Group on the right path to achieving this vision.

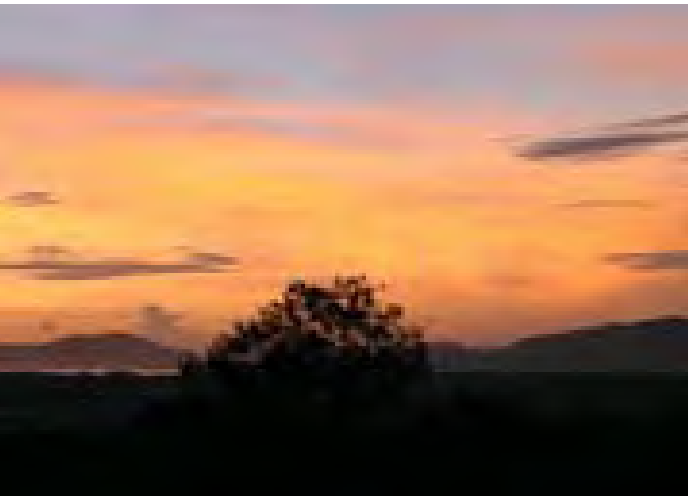
The Group is bracing itself for labour shortages in the coming years by introducing a foreign workers incentive scheme starting in early 2010 as an inducement to retain the foreign labours to stay longer than the minimum 2 years and also as a step to reduce the percentage of abscondment. A proposal to advance the expenses incurred by the foreign workers to enter the country is also being considered. Steps have been taken to encourage local workers from the surrounding villages to work in the estates by highlighting benefits in vacancy advertisements and providing transport allowance to access the estates.

The Malaysian operations will be replanting 1,269.73 hectares of its old palm areas in 2010 which is equivalent to 3.6% of its total planted area. This continuous replanting programme will further improve the age profile of oil palm in the Group estates to 10.5 years. PNG and SI however have a very young age profile with a weighted average palm age of 8.9 years compared to 8.7 years reported last year. Commercial plantings within the Group are usually retained for a period of 20-22 years. Currently there is a small area at GPPOL which is older than the normal age limit, but are targeted for replanting in the next three years.

The Group will continue to rehabilitate and replace ageing plant/machinery with the latest, more efficient and affordable technology currently available in the market to improve milling efficiencies and the recovery rate of palm products. Steps are also being taken to improve the effluent treatment plants with the latest proven technology to enable the mills to continue to comply with the stringent statutory and RSPO requirements.

Negotiations are being held with several interested parties to utilise biogas for power generation in at least two of the Group's Malaysian mills. These CDM projects are expected to take off before the end of 2010. Similarly, NBPOL had begun its CDM programme with the building of methane capture, treatment and power generation plants at four of its palm mills with the intention for this development to be ultimately rolled out to all palm mills in PNG and SI as a standard feature.

Progress to date has seen the completion of earthworks for the in-ground reactor pond at Kumbango with building and other layout details being finalised. With minimal adjustment, it is expected that these will be appropriate for the Mosa site as well. Most of the effluent handling equipment for both projects is now either on site, or in transit to site. Gas engine generators and methane flares are being shipped. Instrumentation for monitoring the process and CDM parameters is also on order. NBPOL is waiting for the auditors to provide the report arising from their validation visit for the certification of the projects to trade CERs. This is expected soon. Sites have been identified for the CDM workforce houses at both Mosa and Kumbango. Construction has been started at Mosa but there is no progress yet at Kumbango.



"OUR NEW REFINERY FACILITY IN LIVERPOOL WILL ONLY PROCESS SUSTAINABLE AND TRACEABLE PALM OIL, THUS BOOSTING OUR PRODUCTS MARKETABILITY IN EUROPE."

TAN SRI DATO' MUHAMMAD ALI HASHIM,
THE NEW STRAITS TIMES, 27 MAY 2009

The green energy from CDM biogas power plants will be used to reduce the consumption of diesel by using methane as fuel to generate electricity power for downstream value added processing and as fuel for boilers. This will save substantially on PK shell that can be sold to generate additional revenue and minimise black smoke and particulate emissions caused by burning of solid biomass.

Excellent progress has been made on the UK refinery project with the majority of the plant and equipment now in place, the staff hired and the first shipment of traceable sustainable oil from the Group's plantations currently in transit to Liverpool. Good progress has also been made in establishing links with and sales to customers particularly in the UK and this important strategic step ought to be ready to satisfy the significant demand for traceable sustainable oil from April 2010 onwards.

NBPOL's acquisition of 80% of the shares in CTP PNG from CTP Holdings Pte Limited is very exciting and will add over 25,000 hectares of mature oil palms to the existing business. The cost of the acquisition is at USD175 million with full management control by NBPOL. The plantations are not currently operating at the levels achieved by NBPOL at its current plantations and it will require time and effort to raise productivity and agricultural standards. However, the acquisition is expected to give rise to synergies in terms of reduced unit costs particularly with regard to logistical costs.

NBPOL remains well positioned to deliver further profitable growth. The robust fundamentals of the industry, together with the growing demand for the highest quality, traceable and certified sustainable palm oil, provide confidence in a strong future for the Group.

# SEGMENT REVIEWS

## OLEOCHEMICALS

"The world's largest oleochemicals production capacity in a single complex" - NatOleo in Pasir Gudang

## INDUSTRY ENVIRONMENT

2009 WAS ACKNOWLEDGED BY MANY AS ONE OF THE TOUGHEST YEARS FOR THE OLEOCHEMICALS INDUSTRY. THE YEAR UNDER REVIEW FOLLOWED HARD ON THE HEELS OF A PERIOD OF EXTREME VOLATILITY AND SOFTENING OF PRODUCT DEMAND IN THE GLOBAL OLECHEMICALS INDUSTRY THAT BEGAN IN THE SECOND HALF OF 2008, CAUSED BY THE WORLD ECONOMIC CRISIS THAT RESULTED IN A DECLINE IN EXPORTS.

The first half of 2009 saw an almost paralysed market causing demand for basic oleochemicals to plunge. The dismal business conditions, with a lack of pricing indicators, led to resistance to do business in the industry. Conditions remained dismal through the first half with a mild recovery starting to flow in the last quarter of the year. The decline in feedstock prices translated into lower product sale prices. On average, the price of CPKO, one of the industry's primary feedstock declined by 38% or RM1,471 to RM2,416 in 2009 from RM3,887 the previous year. Feedstock costs account for more than 81% of the industry's manufacturing costs.

In the US, overall demand for oleochemicals dropped by 20-30% in the first quarter of 2009, compared to the closing quarter of 2008. This led to a poor industry capacity utilisation rate of about 70% to 80% and very marginal overall profitability. Recovery has been very slow in the second half of 2009 with overall demand still below the first quarter levels.

Global utilisation of olechemical capacity is seen at the range of 60% to 65%. Capacity overhang continues to be one of the biggest challenges for the oleochemicals industry. While Europe and North America have had massive refining capacity closures over the years, Asia continues its expansion at a somewhat deferred pace attributed to the global economic slowdown.

The trend towards mergers and acquisition witnessed in 2008 within the oleochemicals industry has continued in 2009. Factors such as the unbalanced market fundamentals and heightening competition persisted in 2009. The uncertain market situation that had led to the softening of product demand spurred players to seek alliances in the form of global co-operation and joint ventures so as to optimise their global product mix as well as to provide customers with choices of feedstock types.

# SEGMENT REVIEWS - OLEOCHEMICALS CONTINUED

## RESULTS AND PERFORMANCE

For the year under review Natural Oleochemicals Sdn Bhd ("NatOleo") Group's revenue dropped by RM434.96 million, or 28% against the previous year, to RM1,104.42 million. The lower sales revenue resulted from the drop in product sale prices. A slightly higher sales volume was negated by the weakening of the USD exchange rate.

Key highlights for the year were:

- NatOleo Group recorded decreases in revenue from fatty acids by 28%, glycerine 51% and esters 38% but showed increases in revenue for soap noodles and wax by 4% and 203% respectively. Wax revenue improved sharply due to its change of operation from tolling activities to normal production sales with effect from April 2009.

- Fatty acids and esters recorded decreases in sales volumes. Glycerine, soap noodles and palm wax registered higher sales volumes due to growing demand.

- NatOleo Group's revenue in terms of product composition comprised of fatty acids contribution at 78%, glycerine 5%, esters 3%, soap noodles 11% and wax 3%.

- Trading continued as a complement to manufacturing as part of a strategy to protect and capture a greater market share. However, revenue from trading parcels from the various product ranges decreased substantially, down to RM12.7 million, from RM47.4 million in 2008.

- The fatty acids and glycerine plant operated at maximum capacity. The esters plant recorded a drop in the utilisation rate of 15% from last year due to the slower market demand. An improvement in throughput was recorded by palm wax, where demand has picked up. The higher volume of soap noodles was due to the better utilisation of its plant capacity due to growing demand from around the world.

NatOleo Group posted an operating loss of RM20.62 million for 2009. This represented a drop of 162% as compared to 2008's operating profit of RM33.22 million. Year-on-year declines in operating profit were seen at Natural Oleochemicals Sdn Bhd down by 188%, Dubois Natural Esters Sdn Bhd lower by 13% and Natural Soap Sdn Bhd down by 43%. The exceptional performer was Natural Wax Sdn Bhd which dramatically boosted their result by 946%, reflecting favourable margins secured following the sharp increase in the selling price of wax.

NatOleo Group's operating loss margin was severely impacted from the fall in selling prices, mainly for the fatty acids and glycerine products, which declined by 30% and 62%, respectively.

Apart from the challenging business environment during the financial year, characterised by the volatile movements of raw material costs and falling fatty acids selling prices, the losses were mainly caused by the following factors:

- RM17 million default contracts by several of its overseas buyers as the sales contracts were transacted on the back-to-back arrangement with earlier purchases of raw materials at higher prices, the Group as a consequence of the defaults had to resell the final products at much lower prices.

- Foreign exchange loss due to 2008 brought forward contracts that were cancelled and realised in 2009 at USD118 million at USD/RM 3.22 versus USD/RM3.44 amounting to RM26 million. The weakening of the Ringgit against the USD in 2009 contributed to an additional foreign exchange book loss of RM5.96 million.

The impact of the default contracts were felt mostly in the 1st quarter of 2009 with a recorded loss of RM26.83 million in that period. There was an improvement in the performance from the 2nd to 4th quarter which managed to reduce the loss to RM20.62 million for the year.

NatOleo Group's rigorous cost management discipline has in part minimised the adverse impact of the raw material costs. Manufacturing costs were lower by 1% from the previous year. Administrative and selling expenses were 33% lower than the previous year, owing to economies of scale. Freight costs for the year dropped by 7% in 2009, mainly due to the lower sales volume.

During the year, we continued to explore and invest in improvements and enhancements of processes, technology and capacity. A total of RM2.08 million was invested in 2009 in a new loop reactor for the palm methyl ester plant. The new capacity will allow the company to increase its input processing capacity in 2010.

# SEGMENT REVIEWS - OLEOCHEMICALS CONTINUED

## HUMAN CAPITAL

In tandem with the Division's focus on increasing its business operating efficiencies, human capital effectiveness, human resource training and development continued to receive prime attention and emphasis during 2009. The manpower count remained relatively stable at 511 as at year end, slightly lower compared to 515 in 2008, indicating the attainment of better workforce efficiency.

The relatively high turnover rate of approximately 18% annually among lower-level production employees remained the main area of focus for management. However, the rate has reduced compared to 20% in the previous year. This challenge is mainly attributable to the prime industry location that the company is operating in which provides abundant job opportunities for workers to choose from. The turnover rate of employees in the executive and professional categories continued to be low, indicative of the company's ability to provide job satisfaction.

During the year, reviews of the Executive/Staff Scheme of Service have kept terms at par with those in the local industry. Performance-driven pay and incentives anchored on challenging sets of KPI remain the core principles of our compensation scheme.

A total of RM127,000 was spent on training in 2009. This was lower than the RM148,000 spent in 2008, because the training fund was reduced as Pembangunan Sumber Manusia Berhad ("PSMB") halved the employer's monthly levy contribution from 1% to 0.5%, thereby limiting the training budget. On average, employees received 86 minutes of training per person, exceeding the internal target of 60 minutes. Production, quality and safety were the main focus of training and development programmes. The management also supports and encourages its employees in their pursuit of higher education. This is to ensure employees possess and continue to enhance their skills and competencies levels to meet the demands of an increasingly challenging work environment.

## PROSPECTS AND PLANS

The global long-term demand outlook for oleochemicals products remains encouraging. The use of basic oleochemicals and their derivatives have multifarious applications in the synthetic material, soap and detergent, personal care products and cosmetics, pharmaceutical and food industries. The Group's oleochemicals business stands to reap the benefits of encouraging demand for personal care products and cosmetics, one of the fastest growing industries, particularly in China. The propensity for growth in the personal care products will increase in tandem with the standard of living.

The market for glycerine, which is a co-product of fatty acids, has been generally weak for the whole of 2009. However there are hopes that there will be some pick up in 2010 for innovative high value uses of glycerine. There have been reports of potential demand for glycerine coming on stream in the next two years from new uses such as the manufacture of glycerine based Propylene Glycol ("PG") and Epichlorohydrin ("ECH"). If the situation improves, the oleochemicals industry as a whole would pick up and recover from the doom and gloom of the past two years.

Given the likely prospect of the continuation of the current higher prices, the Group expects comparatively higher revenue generation for 2010 against that achieved for 2009. Nevertheless the challenging operating outlook warrants a single minded focus on securing and sustaining a reasonable operating margin, supported by a cautious spending programme and tighter management of working capital. Management will seek to increase the proportion of its sales via formula-pricing basis so as to minimise its exposure to the risk associated with volatile prices.

The outlook for soap noodles for 2010 is anticipated to be encouraging given the prospect of the feedstock costs remaining low and the expectation of strong demand potential from personal care product buyers. Esters are expected to continue to be profitable as they are supported by the secured arrangements with established buyers from Europe. Wax demand from candle manufacturers was curtailed by anti-dumping restrictions in the US and Europe and there is a trend for customers to switch to paraffin wax.

# SEGMENT REVIEWS

## FOODS & RESTAURANTS


"Picture perfect ambience..."

## INDUSTRY ENVIRONMENT

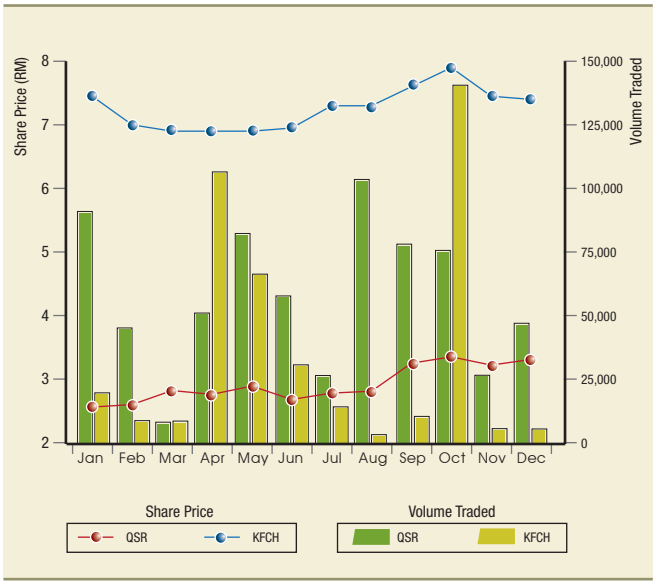
THE YEAR UNDER REVIEW BEGAN WITH THE ECONOMIES OF MOST OF OUR HOST NATIONS FALLING INTO RECESSION WITH TRADE SLOWING. GOVERNMENTS IN THE REGION INSTIGATED A RAFT OF STIMULUS PACKAGES IN ORDER TO TURN THE TIDE. IN MALAYSIA, GDP GROWTH FOR THE YEAR WAS RECORDED AT -1.7% BUT THANKS TO PRUDENT ECONOMIC DECISIONS, THE MALAYSIAN ECONOMY RECORDED A GROWTH OF 4.5% IN THE FOURTH QUARTER OF 2009.

Singapore also suffered economically during the year. Overall, GDP growth for 2009 registered at -2%, a sharp reversal from 2008's positive 1.4%. Although overall GDP for the year registered a decline, Singapore's economy rebounded and the third quarter saw expansion in all sectors of the economy. Growth was pervasive among the manufacturing and services sectors, while the level of construction activities remained high.

In Cambodia the economy took a battering during 2009 with most key sectors negatively impacted. Country wide, jobs were lost due to factory closures and foreign direct investment declined by more than 50% compared to 2008. Overall, Cambodia registered GDP growth of -2.6%, a significant drop from the positive 6.7% growth in 2008.

On 2nd January 2009, QSR acquired a further 865,000 shares in KFCH, increasing its total holding to 50.25%. This landmark event made KFCH a subsidiary company giving QSR majority control. With this control, the management has the capability to plot the company's course from a position of ownership security and operational stability.

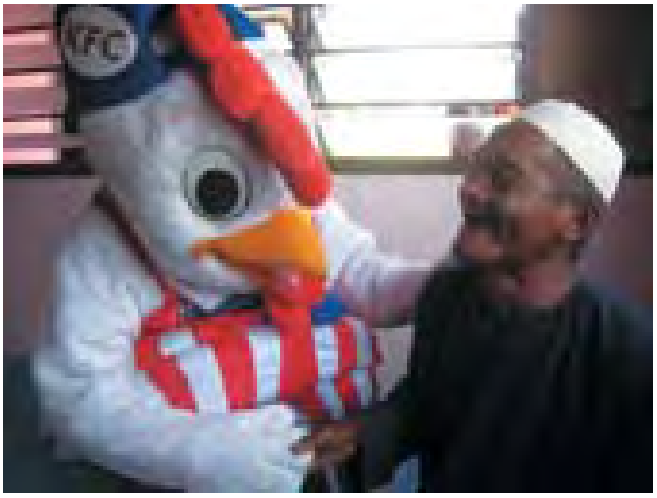
### SHARE PRICE MOVEMENT 2009 QSR AND KFCH




## RESULTS AND PERFORMANCE

A winning combination of strategic management decisions, dedicated staff and the continued expansion of the Group's restaurant network have resulted in another record year of revenue growth. In 2009, QSR Group recorded revenue of RM2.76 billion, representing an increase of 418% over 2008's RM532.75 million whilst profit before tax was recorded at RM230.26 million against RM97.74 million achieved in the prior year. The quantum leap in revenue and profit before tax for the current year is due to the full inclusion of KFCH.

# SEGMENT REVIEWS - FOODS & RESTAURANTS CONTINUED



## OPERATIONS PERFORMANCE

### Pizza Hut

For the year under review, revenue of Pizza Hut Malaysia increased by RM18.06 million, or 5%, to RM369.78 million from RM351.72 million in 2008. This increase was attributed to a network expansion of 21 new restaurants contributing to net incremental sales of RM33.20 million. Pizza Hut Singapore, however, achieved net sales of RM165.99 million, a reduction of RM10.18 million, or 6%, compared to 2008.

As at 31st December 2009, Pizza Hut Malaysia operated 208 restaurants nationwide whilst Pizza Hut Singapore operated 50 restaurants. Pizza Hut remains keenly aware of the need to offer customers a wide range of new products, special launches, and innovative promotions. In the face of the economic gloom, a concerted effort to rebrand Pizza Hut as a value destination defined many of the marketing initiatives carried out during 2009.

Pizza Hut Malaysia held in-store promotions such as Get More, Pay Less! and Pay A Little Get A Lot! while the Home Service section launched the HOT Pair Deals in conjunction with the successful Hot Campaign. Demonstrating an innovative streak, Pizza Hut launched a nationwide new delivery feature to boost consumer convenience: the Delivery Service with Wireless Credit/Debit Card Payment Facility. This involves delivery employees carrying portable credit card swipe machines with them on their rounds, allowing customers to pay for their pizzas with a credit or debit card. Pizza Hut was recognised by the Malaysia Book of Records as being the first pizza delivery service in the country to offer such service.

Another innovative, revenue-generating venture from Pizza Hut Malaysia that began operations in 2009 was the 'Hot on Wheels' mobile kitchen that travels across the country providing oven hot pizzas at outdoor functions and events. The results have been very encouraging so far with the two mobile kitchens in operation having delivered sales of over RM700,000. At the Dine-In level, the 'Value Layer' approach to product offerings continued. This was typified by the success of the 'Sensasi Delight' promotion in Malaysia, which was so popular that four different launch waves were carried throughout the year.

In Singapore, value driven promotions were introduced to boost revenue and to raise top-of-mind awareness for Pizza Hut dining. A positive who-dares-wins attitude was taken on promotions during this challenging year. As the economic gloom lifts, the strident effort and momentum achieved in 2009 is expected to carry through to 2010.

Our competitors in the fast food market have been making inroads with consumers by offering different types of meal choices. To answer to our competitors and offer our customers even more choices, we ran a soft launch of Super Subs on our delivery menu. Other great promotions throughout the year included the new Crispy-Thin Splitzza, and Twist 'N' Dunk Christmas Edition Pizza. Value promotions, the convenience of take-away options, new items and the commitment to our programme of growing our chain of outlets kept Pizza Hut Singapore in the limelight during a turbulent year.


## KFC

QSR expanded its KFC network with 49 new restaurants including five openings in Cambodia. KFC now operates a total of 475 restaurants in Malaysia and 77 restaurants in Singapore. QSR took a significant step in terms of international exposure when KFCH signed a Memorandum of Agreement with Yum! India to operate KFC restaurants in Mumbai and Pune. This strategic foothold in Mumbai and Pune is expected to spearhead our restaurant operations and other business investments and activities in India.

Both KFC Malaysia and KFC Singapore held successful product launches and exciting promotions during 2009. In Malaysia the new 'Jom Jimat' value meal, which provided a full meal plus a drink, proved so popular that it is now a permanent item on the menu. In Singapore, the 'Ultimate Value Box' was equally popular and almost immediately rated as one of our best-sellers. KFC Brunei launched a thematic campaign, 'Good things come together with KFC', to connect with customers in an intimate, emotional and personal way. By the end of the year, KFC Brunei was operating nine restaurants across the country, inclusive of one new store opening.

KFC's catering division was restructured during the year into new revenue stream by its corporatisation under the name of KFC Events Sdn Bhd ("KFC Events"). The company provides onsite catering at corporate events of all sizes, and has already served a host of big clients including Telekom Malaysia, Tenaga Nasional and Toyota Malaysia.

In 2009, RasaMas opened another six new restaurants in Malaysia and one in Brunei, bringing the total to 43. Performance was affected by the weak economic climate but a marked increase in brand awareness and customer numbers in 2010 is anticipated due to the success of our 'Syoknya RasaMas Roaster Cook-Off' reality television cookery contest.

Kedai Ayamas continued the drive to expand the Kedai Ayamas product range. Six new chicken products were launched including Crispy Fried Tom Yam Chicken, BBQ Combo, Chicken Frankfurters and Chicken Nuggets. Four new Bakers' Street products were also introduced to the market, namely Karipap Ayam, Samosa, Kasturi and Donat. As of 31st December 2009, we added 10 new Kedai Ayamas stores in Malaysia, bringing the total to 35 across the country.

KFC Marketing, which manages the sales and marketing side of the Integrated Poultry Operations, launched a strategy targeted at the lower socio-economic sections of Malaysian society, called Base of Pyramid ("BOP") with the introduction of a new range of products called 'Ayamas Jimat'. This value-price product range is made up of further processed products including chicken balls, nuggets and frankfurters amongst others.

A new strategic approach to reach further into the Malaysian marketplace called 'Sudut Ayamas' involved the placement of chest freezers, which are fully stocked with Ayamas products, and other Group products, into retail establishments all over Malaysia. The 'Sudut Ayamas' freezers are fully branded and are designed to grab the attention of consumers as they browse through the shops.

During the year under review, the Feedmill business produced 131,000 tonnes of feed, against 128,000 tonnes in 2008. The slight increase in feed tonnage produced was due to higher broiler production to meet the Division's increased chicken demand. At the Breeder Farms & Hatchery the production of day old chicks rose to 36 million in 2009, up one million from 2008's production. Hatching eggs production saw a rise to 45.5 million from 2008's 45.3 million, a slight increase of approximately 3%. These relatively constant rates were due to the facilities operating at full capacity.

# SEGMENT REVIEWS - FOODS & RESTAURANTS CONTINUED


## *HALAL* COMMITMENT

*Halal* compliance is one of the cornerstones of QSR's business. It is integral to the present success and future expansion of QSR Group's of companies. The Group's commitment to *Halal* compliance is not just confined internally; there are also regular participation in third party forums, sponsorship of trade conventions and contribution to think tanks, all associated with the promotion and improvement of *Halal* initiatives. This initiative will inspire confidence in the consumer markets allowing present and future customers to trust in the quality and source of food served.

QSR's *Shariah* and *Halal* Compliance Department conducts strict *Halal* audit controls across each subsidiary and business units. The audits cover all raw materials, manufacturing processes, incoming supplies and packaging. Unwavering efforts are made to avoid cross-contamination during the storing, handling, preparation, packaging and transportation of the products.

QSR has its own Shariah Advisory Council, made up of learned Islamic scholars from reputable institutions. This impartial body oversees the Group's adherence to *Halal* compliance by reviewing internal food management systems, inspecting restaurant and plant premises and ensuring the ingredients pass the stringent standards. In addition, the Council will also ensure that the products are *Halal* certified by Jabatan Kemajuan Islam Malaysia ("JAKIM").

## PROSPECTS AND PLANS

Looking forward, QSR Group's long-term business strategy will focus on enhancing the existing approach of brand development while expanding size and capabilities. The Group envisages to being the largest integrated food services group in the Asia-Pacific region with a focus on consistent quality products and exceptional customer-focused service.

A key component to the Group's success has been restaurant expansion and in 2010 this strategy is to be continued in Malaysia, Singapore, Cambodia and Brunei by opening at least 70 new Pizza Hut, KFC, RasaMas and Kedai Ayamas outlets. In India, the Group expects to open 12 new KFC restaurants across Mumbai and Pune, presenting access to consumers of the world's second most populous country.

Running parallel to restaurant expansion is the push for restaurant image enhancements for the older establishments. The Group recognises that consumers demand heightened levels of comfort and ambiance. A total of 50 Pizza Hut and KFC restaurants are scheduled to be revamped and refreshed in 2010. Image enhancement not only serves to improve brand experience for existing consumers but also attract new ones.

Projects such as 'Sudut Ayamas', 'Usahawan Bistari', 'Roti Impit' and the Intrapreneur Scheme generated increased revenue for QSR while diversifying the risk exposure. The momentum will be sustained by launching new variations, products and ventures to increase penetration in existing markets.

QSR remains interested in tapping into new markets and entering new territories. KFC Marketing division is also keeping its options open on the international expansion of its product range, especially to countries that have a demand for *halal* products.

During these turbulent economic times, the Group has remained faithful to the principles that have made it the region's largest restaurant chain, complemented by strategies such as new product development, restaurant expansion and cost saving initiatives. The ongoing investment has contributed to the Foods & Restaurants Division achieving record results once again, and will create further value and growth. The Division has proved its sustainability and endurance and is looking forward to even better results in the future.

# SEGMENT REVIEWS

## INTRAPRENEUR VENTURES

## INTRODUCTION

2009 WITNESSED A CHALLENGING YEAR FOR THE GLOBAL ECONOMY AND THE INTRAPRENEUR VENTURES ("IV") DIVISION WAS NOT SPARED FROM ITS IMPACT ESPECIALLY ON ITS ABILITY TO CONTRIBUTE TO THE GROUP'S BOTTOM LINE. BUSINESS GENERALLY BECAME MORE COMPETITIVE AND THE COST OF DOING BUSINESS INCREASED. LESSONS LEARNED FROM THE PREVIOUS ECONOMIC CRISIS AND THE DYNAMIC NATURE OF THE IV CONCEPT HAVE ENABLED OUR COMPANIES TO QUICKLY CHANGE AND ADOPT SUITABLE STRATEGIES NOT ONLY TO WITHSTAND CHALLENGES BUT ALSO TO CONTINUE TO PROSPER. FOCUS HAS BEEN GIVEN TOWARDS IMPLEMENTING STRATEGIES THAT HAS ENABLED THE IV DIVISION TO EMERGE FROM THE CURRENT CRISIS MUCH STRONGER AND MORE RESILIENT.

The Sindora Group of companies present the major vehicle and thrust of the IV Division's objectives of identifying and nurturing start-up companies from an idea to full commercialisation of innovative products and services. Through the IV concept, start-ups to already profitable and viable business enterprises are offered opportunities that allow them to leverage their growth by capitalising upon Sindora's formidable network as a public listed entity. A strategic priority is to acquire a majority interest in the selected intrapreneur companies so that they are taken under Sindora's wing as subsidiaries. Sindora also adopts exit and harvest strategies to realise and maximise returns on its investment when the opportunities arise. The proceeds from the harvest and disposal are ploughed back to finance future acquisitions of vibrant and profitable companies.

In 2009, Sindora expanded the new core business of EA Technique through the acquisition of Orkim, another shipping company, which is synergistic and complementary, promoting the emergence of the combined enterprises as one of the leading shipping companies in the clean product tanker category in Malaysia.

During the year under review, Sindora implemented its harvesting strategy through divestment of its investment in Willis (M) Sdn Bhd and AmanahRaya-JMF Asset Management Sdn Bhd.

The IV business is not limited to Sindora only; the programme has continued to expand vigorously under the Plantations Division. The incorporation of 4 new companies in the year under review has increased the total of IV companies under the Plantations Division to 14.

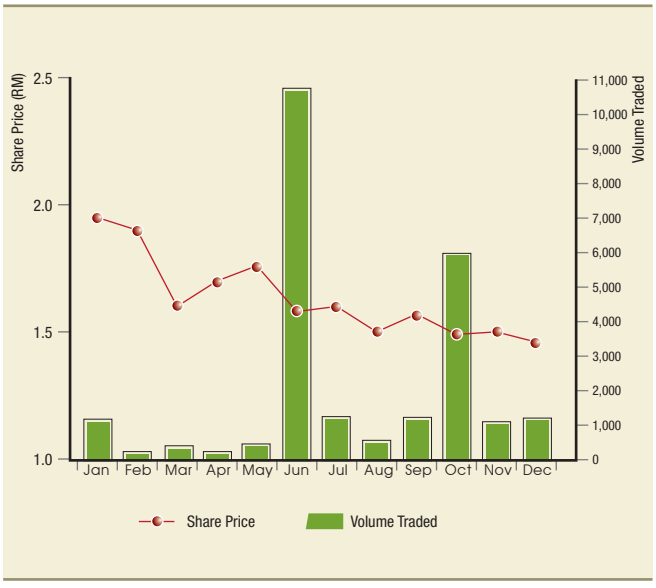
The Foods & Restaurants Division is looking at ways to create opportunities for highly talented and motivated employees to participate in the Group's Intrapreneurship Scheme. The strategic initiatives for the intrapraneur programme are based upon analysing QSR business needs from the procurement, supplies, logistics and other service angles to identify processes that can be extrapolated into IV. Promising areas to be considered are in supply chain management synergies and the use of the Ayamas brand as a platform for Intrapreneur programmes including RasaMas outlets and Ayamas open market sales and distribution.

"IT WOULD BENEFIT SINDORA TO INCREASE EFFICIENCY AND SYNERGY WITHIN THE GROUP THAT WOULD CONSEQUENTLY IMPROVE ITS PROFITABILITY."

TAN SRI DATO' MUHAMMAD ALI HASHIM,
THE NEW STRAITS TIMES, 31 MARCH 2009


# SEGMENT REVIEWS - INTRAPRENEUR VENTURES CONTINUED

## SHARE PRICE MOVEMENT 2009
## SINDORA




## RESULTS AND PERFORMANCE

Sindora Group's continued strong financial performance was achieved amid an environment of global financial and economic turmoil, and intense competition domestically and internationally.

Sindora Group achieved favourable results for the financial year ended 31st December 2009. Despite a decrease in revenue by 4% from RM351.19 million to RM336.48 million, PBT of the Group expanded remarkably by 35% to RM46.02 million from RM34.18 million in 2008. Net profit attributable to shareholders grew from RM26.27 million in 2008 to RM42.28 million in 2009, an improvement of 61%. As a consequence, earnings per share improved from 22.05 sen in 2008 to 45.66 sen in 2009 with net return on equity reaching 15% as compared to 11% in 2008.

The balance sheet of the Sindora Group continued to expand at a strong pace, with total assets expanding by RM120.03 million or 23% in 2009 and standing at RM637.63 million as compared to RM517.60 million in the previous year.

## KEY CORPORATE DEVELOPMENTS

### i. Acquisition of 51% Equity Interest in Orkim Sdn Bhd ("Orkim")

Sindora and EA Technique have geared up for the acquisition of a 51% equity interest in Orkim which is an investment holding company with the principal activities of ship owning and management, ship broking and marine consultancy services.

Orkim has entered into an understanding with a major oil company to provide and supply two 7,000 dead weight tonne ("dwt") vessels that will commence operations in the second quarter of 2010. The company has also been awarded five long-term 10-year contracts to supply three 9,500 dwt vessels and two 8,500 dwt vessels with another oil major in Malaysia. All these vessels are expected to commence operations by end 2010.

The acquisition of Orkim has enabled EA Technique to enlarge its operations and emerge as one of the leading players in Malaysia. As a group, EA Technique will have a diversified portfolio of customers that included among others, Shell and Petronas, and the transaction will realise a much lower average age profile of the fleet.

Substantial benefits from economies of scale of its operation post-merger will boost EA Technique's profit margin due to better terms and conditions with its suppliers and contractors and higher utilisation of resources. Furthermore, EA Technique will be able to fully utilise its shipyard facilities in Tanjung Langsat Port, Johor, that are expected to be operational by early 2011.

The acquisition of 51% equity in Orkim is done on staggered basis and as of 31st December 2009, both Sindora and EA Technique already owned 37.8% equity with RM20.7 million disbursed. The acquisition is scheduled to be concluded in January 2011 at the agreed total cost of RM27.1 million.

### ii. EA Technique secured Long Term Contracts worth RM400 million

EA Technique has secured a firm 10 years long-term contracts with an option to continue for another three years from a major oil company to provide the services of three oil tankers. The contracts have a combined value of more than RM400 million, thus, will improve the long-term prospects of the business. These contracts would require the company to invest RM200 million to construct two units of 10,000 dwt tankers and a unit of 9,000 dwt tanker. A tanker is being built by Johor Shipyard and Engineering Sdn Bhd ("JSE"), a wholly-owned subsidiary of EA Technique in Teluk Intan, Perak. Two units of 10,000 dwt vessels were outsourced for construction in China and both had undertaken maiden voyages in April and May 2010 respectively.

EA Technique had also secured seven-year contracts with an option to extend for another three years to provide four mooring boats at a total cost of RM8.0 million with a contract value of RM29.5 million.

### iii. Venturing into Shipyard and Ship Repair Activities

EA Technique has entered into an agreement with Tanjung Langsat Port Sdn Bhd ("TLPSB") for a 30-year lease of 20 acres of land for the purpose of embarking on a shipbuilding and ship repairs project at Tanjung Langsat Port, Johor. The facility is designed to accommodate the company's current requirement to service its vessels for repairs and building new tankers to meet future requirements.

The first phase of the development will involve an initial 10 acres and is expected to commence operations by early 2011. JSE will establish the facilities with the first phase's cost of investment is estimated at RM22 million.

# SEGMENT REVIEWS - INTRAPRENEUR VENTURES CONTINUED

## iv. Acquisition of Microwell Sdn Bhd ("Microwell") for Production of Biofertiliser

Sindora Group has identified a potential and strategic business for acquisition, Microwell, a company that has the expertise and know-how to formulate and produce biofertiliser suitable for oil palm plantation and other agricultural crops. The usage of biofertilisers in the long run will help to reduce dependency on conventional chemical fertilisers which is in line with the requirement of RSPO, on top of its ability to boost the production yield and soil fertility at a more cost effective rate.

The acquisition of Microwell was undertaken through the buy-out of 3.8 million units of Redeemable Cumulative Convertible Preference Shares ("RCCPS") from Commerce KNB Agro Teroka Sdn Bhd for RM4.5 million or RM1.18 per RCCPS. Simultaneously, Sindora converted 750,000 units of the RCCPS that enabled the company to own 60% equity in Microwell.

A 25,000 tonnes per annum production plant, costing RM36 million, is scheduled to be operational by early 2011 and would enable the Group to gain control of the biofertiliser and microbes technologies as well as technology in controlling Ganoderma disease currently overwhelming the oil palm plantations in Malaysia.

## v. Divestment of IV companies

**Divestment of Willis (M) Sdn Bhd ("Willis")**

Sindora harvested its 40% interest (400,000 shares) in Willis for a total consideration of USD4.0 million or USD10.00 per share or approximately RM14.2 million. The proceeds from this divestment as well as dividends received had enabled Sindora to recoup RM34.2 million from the initial investment of only RM4.5 million.

**Divestment of AmanahRaya-JMF Asset Management Sdn Bhd ("ARJMF")**

Besides Willis, Sindora also divested its remaining 20% equity in ARJMF for RM1.4 million in October 2009. As a result of this equity divestment, Sindora has gained a total return of RM10.6 million, including divestment proceeds and dividends, from initial investment of RM4.5 million in 2003.

The substantial proceeds from these disposals had strengthened the company's cashflow position and allowed the company to reinvest in other viable ventures.


## OPERATIONAL REVIEW AND PROSPECTS OF SELECTED KEY COMPANIES

### E.A. Technique (M) Sdn Bhd

EA Technique was not spared from the global economic turmoil which had also taken its toll on the shipping industry. The oil and gas industry has slowed down as global energy giants decreased their exploration and production work in many parts of the globe. A few of EA Technique's vessels suffered losses due to downward revision of contract rates by clients. The company registered revenues and PBT of RM71.59 million and RM7.81 million respectively in 2009 compared with RM81.51 million and RM11.1 million in 2008, a decrease of 12% and 30%, respectively.

The company has taken steps in expanding its business dimensions through the acquisition of Orkim commencing May 2009 and internal growth involving construction of new vessels as well as involvement in ship building and ship repairs. The acquisition of Orkim will enable EA Technique to increase its fleet of tankers and gain a direct network to other oil majors.

The deliveries of two new 10,000 dwt oil tankers which are being constructed in China and the other one unit by JSE, at a total cost of almost RM200 million is expected in mid-2010 and third quarter 2010, respectively. EA Technique has also constructed four new mooring boats costing RM8.0 million, of which two have been delivered in September 2009 while the remaining two are expected to be ready by second quarter 2010. Upon the delivery of all these new vessels, EA Technique will own 17 vessels with carrying capacity of more than 86,000 dwt with secured contracts worth more than RM500 million.

Orkim's first two brand new 7,000 dwt vessels were delivered in the first quarter 2010 and the other five vessels with a combined carrying capacity of 44,000 dwt are expected to be delivered and operational on staggered basis towards end 2010. Upon delivery of all the tankers under construction, EA Technique and Orkim will have a total combined fleet size of 24 tankers and support vessels with a total carrying capacity of 145,000 dwt.

The acquisition of Orkim and construction of new vessels by EA Technique will reduce the average vessels' age owned by the Group. Apart from increasing the carrying capacity, this would allow the Group's shipping arm to achieve better economies of scale which will allow it to be more cost effective, thus, gain competitive edge and emerge as one of the premier service providers in the clean product tanker category.

In its fleet renewal plan, EA Technique has reviewed its strategy involving disposals of single-hull vessels in line with the requirement by International Maritime Organisation of ship owners to use double-hull tankers that has prompted the company to dispose its aging and single-hull tankers.

In line with this, in the fourth quarter 2009, EA Technique had disposed its aging tanker, MT Nautica Segamat, a liquid petroleum gas carrier, for a total cash consideration of USD4.2 million (RM14.7 million) as part of the company's strategy to improve operational efficiency and cashflow position. The disposal had enabled EA Technique to register a gain of RM1.3 million. The proceeds were utilised to meet the company's working capital requirement.

In the last several years, EA Technique has undertaken strategies to diversify its income stream through involvement in niche segment by providing off-shore support vessels for port terminals and fast crew boats services, which had proven to be viable business ventures. Currently, EA Technique has two fast crew boats, two harbour tugboats and four mooring boats.

# SEGMENT REVIEWS - INTRAPRENEUR VENTURES CONTINUED

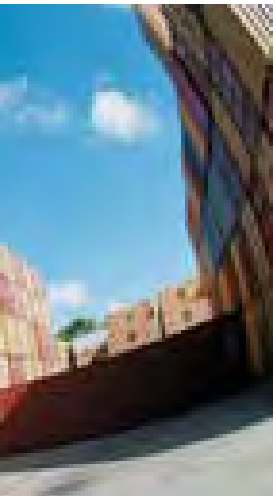
## Pro Office Solutions Sdn Bhd ("Pro Office")

Pro Office continued to perform successfully, enhancing its reputation for consistent service performance amongst competing bulk mailers and maintaining high levels of customers' loyalty. Pro Office is a Business Process Outsourcing ("BPO") company that provides total solutions in the Data and Document Processing ("DDP") industry. Pro Office is principally involved in the provision of integrated outsourcing solutions in DDP to telecommunication companies, financial institutions and insurance companies and a number of government-linked companies. DDP covers services ranging from data extraction, conversion, formatting of documents to data printing and preparation of printed documents for distribution via post. Pro Office has also diversified its services in other value added services such as Mailroom Management, Direct Marketing, Handmail/Admail and Courier/ Parcel Services.

Pro Office registered stellar financial performance with a PBT record of RM3.53 million on the back of RM31.59 million revenue, which was another milestone achieved by the company. Revenue and PBT grew by 31% and 90% respectively against corresponding period last year of RM24.17 million and RM1.87 million. 76% of revenue which amounted to RM24.01 million was contributed by bulk mailing activities that registered 4% growth from the previous year, followed by laser printing at 19% or RM6.10 million.

The commendable growth was attributed to new contracts being secured and renewed during the year and lower operating costs incurred in 2009 vis-à-vis 2008. For the year under review, contracts with major clients from the telecommunication service providers that represented almost 70% of the total revenue had been renewed. The company has also secured several major contracts from GLCs and corporate entities namely Perbadanan Nasional Berhad ("PNB"), MARA, Perbadanan Tabung Pendidikan Tinggi Nasional, ASTRO, MATRADE and KFCH.

In cognisance of the challenging competitive market conditions prevailing today in bulk mailing business, Pro Office continues to explore new initiatives that are synergistic to its current services. Pro Office is actively reviewing various possible business options including collaboration, mergers and/or acquisition of another service provider and even total divestment and harvest.



## EPASA Shipping Agency Sdn Bhd ("Epasa")

Based in Pasir Gudang, Johor, Epasa is principally involved as an agency for shipping and forwarding, management of container yard operations, and beginning July 2008, has diversified into haulage business. Other locations of operations are in Port of Tanjung Pelepas ("PTP") and Johor Bahru Customs Complex. The company has wide experience in handling variety of cargoes via sea, land and air. The company's container yard which covers an area of 6 hectares has the capacity to handle 15,000 TEUs per month.

In 2009, Epasa reported lower PBT by 40% to RM0.75 million compared to RM1.23 million registered in 2008, in the wake of the challenging conditions that prevailed in the logistics market especially in the first half of 2009. Its revenue declined 17% from RM10.13 million achieved in the previous year to RM8.37 million in the year under review. The logistics operation was the major contributor to the operating profit, followed by forwarding operation.

The total volume of TEUs handled for 2009 was 82,818 or an average of 6,901 per month, 17% lower compared to 99,890 TEUs recorded in the previous year. Mediterranean Shipping Line Sdn Bhd and China Shipping (M) Agency Sdn Bhd remained the company's two main customers which contributed about 76% to the logistics operation's income.

At present, the company owns 7 units of prime movers and 44 units of trailers at an investment of RM2.5 million. Currently, Epasa provides haulage requirements mainly in Pasir Gudang area and in future services will be extended beyond this vicinity. Due to its vast potential, the haulage operation will be given special emphasis to tap the growing demand within the ports of Pasir Gudang and Tg. Pelepas. This business segment is expected to contribute substantially to the growth and profitability as well as being the core activity of the company in the near future.

## Kulim Civilworks Sdn Bhd ("KCW")

Kulim Civilworks Sdn Bhd, incorporated under the Intrapreneurship Scheme in early 2008 is mainly involved in building maintenance, civil works and construction. Apart from managing buildings and other facilities owned by Kulim, the company also actively seeks other external opportunities to further expand its business. At still a tender young age, KCW is currently servicing contracts totalling in excess of RM5 million.

KCW registered a growth of 91% of revenue to RM6.40 million. PBT for the company also increased to surpass the one million mark recording RM1.7 million in only its second year of operation after registering RM0.3 million in the previous year. This was mainly attributed to the higher numbers of contract secured and delivered during the year.

## Kulim Nursery Sdn Bhd ("KNSB")

Incorporated in early 2009, KNSB involves in growing oil palm seedlings and ornamental plants. Its total of 35 hectare nurseries are strategically located around State of Johor to readily cater for the Group's oil palm seedling requirements as well as for smallholders and other oil palm plantation companies. The company's market for ornamental plants, on the other hand, includes government agencies, housing developers and individuals.

KNSB has managed to secure more than RM2.32 million in revenue primarily through the sales of oil palm seedlings to both internal and external markets. PBT in its first year of operation has also been encouraging at RM0.6 million.

# SEGMENT REVIEWS - INTRAPRENEUR VENTURES CONTINUED

## Edaran Badang Sdn Bhd ("EBSB")

Edaran Badang Sdn Bhd, a 75% subsidiary of EPA Management Sdn Bhd became a Kulim's Intrapreneur Company in 2006. From a company that mainly involves in the manufacturing and selling of three wheeler machines named Mechanical Buffalo ("MB") or 'BADANG' and its spare parts, EBSB has been expanding its business into other activities including selling and supplying of agriculture tools and equipments, Personnel Protective Equipments ("PPE") and machinery spare parts for oil palm plantations.

During the year under review, EBSB achieved sales of more than RM8.8 million continuing its positive growth from the preceding year's sales of RM6.4 million. On the back of the increased revenue, PBT for EBSB increased by 150% to RM0.5 million from RM0.2 million in 2008.

## Integrated Poultry Farming

In 2009, KFCH purchased 162 hectares of land in Sedenak, Johor, with the main objective to construct 16 Intrapreneur farms over the next two years. As of 31 December 2009, eight Intrapreneur farms were in operation with each producing 50,000 birds in one cycle of production. At full capacity, the farms in this area will be able to produce almost 1 million birds in one cycle of production.

## Ayamazz Sdn Bhd ("Ayamazz")

KFCH has collaborated with universities and colleges to give graduates the opportunity to pursue a career in business. The resulting venture under Ayamazz Sdn Bhd allows graduates to manage 'Roti Impit', or Hot Dog Stall stocked with Ayamas products. These graduates will undergo training in and around their respective campuses. Upon completion of their training they will be able to take the 'Roti Impit' carts into public places all over the country.

# SECTION 5

## Sustainability - The Journey Continues

# E

## OUR **ETHICAL** BUSINESS CONDUCTS ARE A CULMINATION OF MANAGEMENT PRACTICES THAT ESPOUSE TRANSPARENCY AND ACCOUNTABILITY.

Underlying our commitment to embrace the true spirit of Corporate Responsibility is our pledge to uphold the highest standards of ethics, integrity and professionalism. Ethics is our core value and embedded at the heart of our business as clearly set out in our Ethics Policy, to guide all our activities and conducts.


KULIM (M) BERHAD

# SUSTAINABILITY...
# THE JOURNEY CONTINUES

"A Lush of Greenery..." in Selai Estate

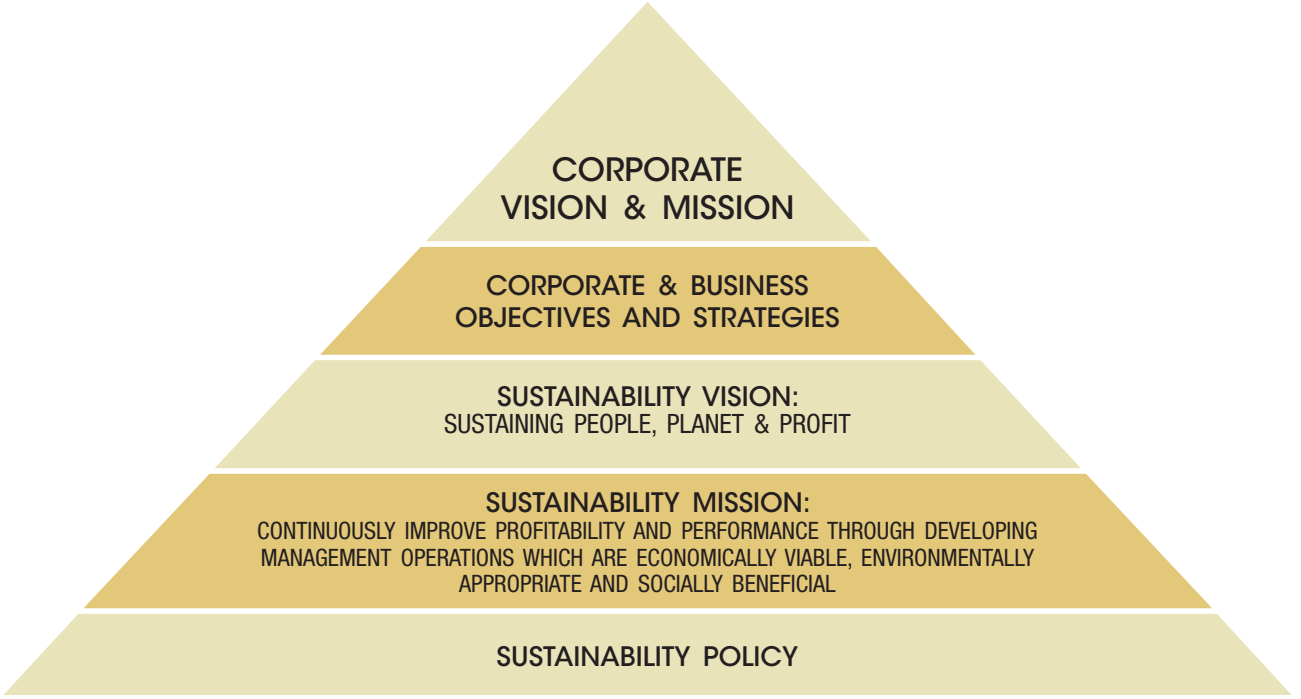
**KULIM OVER THE YEARS HAS DEVELOPED A STRATEGY WHICH FOCUSES ON DELIVERING HIGH QUALITY, SUSTAINABLE PALM OIL. THE GROUP BELIEVES THAT PEOPLE, PLANET AND PROFIT ARE INTERTWINED, SUSTAIN EACH OTHER AND HAVE TO BE REPRESENTED IN THE GROUP'S OVERALL BUSINESS STRATEGY.**

TO UNDERLINE THIS COMMITMENT, KULIM IS CHANELLING ITS ENERGY ON SUSTAINABLE GROWTH AND IMPROVED OPERATIONS. KULIM PLACES ALL EFFORTS ON INCREASING ITS STANDARDS TO CONTINUALLY BRING HIGHER YIELDS, HIGHER EXTRACTION RATES AND DEVELOPING INTO A WORLD CLASS PALM OIL PRODUCER WITH HIGH SUSTAINABILITY PERFORMANCE.

# PART I:
# SUSTAINABILITY IN CONTEXT


## POLICY FRAMEWORK

WE INTEGRATE OUR BUSINESS STRATEGY WITH SUSTAINABILITY THROUGH A COMMITMENT TO PEOPLE, PLANET AND PROFITS ("3Ps"). THE 3Ps GOVERN HOW WE CREATE SUSTAINABLE VALUE FOR ALL OUR STAKEHOLDERS. TO MEET OUR GOALS AND DELIVER THE SUSTAINABLE RETURNS EXPECTED OF US, WE EMBRACE A DEEP COMMITMENT TOWARDS BUILDING A FAIR, ETHICAL AND RESPONSIBLE COMPANY. THIS SITS AT THE HEART OF OUR SUSTAINABILITY APPROACH AND STRUCTURES OUR RELATIONSHIPS WITH OUR STAKEHOLDERS AND THE OPERATING ENVIRONMENT.




| PEOPLE POLICY | PLANET POLICY | PROFIT POLICY |
|---|---|---|
| **addresses:** | **addresses:** | **addresses:** |
| Core Labour Standards | Malaysian Palm Oil Association Environmental Charter | 'Business Jihad' |
| Occupational Safety and Health | Environmental Initiatives | Corporate Philosophy |
| Policy Statement on Drug Abuse | | Ethics Policy |
| Policy Statement on HIV/AIDS at the Workplace | | Profits with Responsibility |
| Policy Statement on Sexual Harassment | | Social Contributions |
| Grievance Policy | | Quality Policies for Estates and Mills |
| | | Production Charter (30:30) |
| | | Fraud Policy |

# PART I: SUSTAINABILITY IN CONTEXT CONTINUED

## SUSTAINABILITY POLICY

KULIM EMBRACES THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT AND THE COMPANY'S GOAL IS TO ENSURE THAT FUTURE GENERATIONS WILL CONTINUE TO BENEFIT FROM TODAY'S ACTIONS. KULIM DEFINES SUSTAINABLE DEVELOPMENT AS ENCOMPASSING SOCIAL RESPONSIBILITY, RESOURCE STEWARDSHIP, APPROPRIATE ENVIROMENTAL CONTROL AND THE CAPACITY TO PRODUCE EFFICIENTLY. THE GOAL OF SUSTAINABLE DEVELOPMENT WILL BE ACHIEVED BY BALANCING THE CONSIDERATIONS FOR PEOPLE, PLANET AND PROFIT IN ALL MANAGEMENT DECISIONS AND OPERATIONS.

Kulim is acutely conscious of its varied responsibilities in respect to People, Planet and Profit. Kulim is committed to continuous improvement of its performance. The implementation of a Sustainable Management System ("SMS") will provide the framework to realise these goals. The SMS will be wholly based on the Principles and Criteria set out by the RSPO.

Kulim will maintain a safe, healthy and viable working environment and conduct all operations in a manner consistent with its SMS framework. Kulim will operate in compliance with all applicable national and international legislation and ensure that long term economic viability does not compromise its Ethical and Business policies.

Kulim is committed to investing in the development as well as advancement of its employees and will, through training improve knowledge, skills and competency, in order to enhance performance, processes and career.

Kulim is committed to ensuring that land management practices are consistent with the long-term productivity of the resource, so that the land remains suitable for agricultural use.

Kulim will not undertake new developments in areas of Primary Forest or on land containing one or more High Conservation Value ("HCV"). Land development undertaken by the Company takes into account the maintenance of biodiversity, protection of cultural heritage and customary land use, and the capability of the land to sustain the proposed agricultural activities.

Kulim upholds the principles of Free, Prior and Informed Consent and undertakes to use this principle in all negotiations and interactions with stakeholders.

Kulim will continue to be a responsible corporate citizen, making positive contribution to the communities within which it operates.

Kulim conducts its operations in a transparent manner and complies with all relevant legislation in the countries it operates in.

By implementing the principles of the RSPO, Kulim is adopting a planned approach to achieve the balance between People, Planet and Profit. Kulim believes that this approach is the safest, most efficient and socially and environmentally responsible way of operating sustainably.

"THE RSPO CERTIFICATION... SIGNIFIES A CRUCIAL PROGRESS MADE BY THE INDUSTRY, PROVING THAT PALM OIL AND GREEN ISSUES CAN CO-EXIST TO MUTUAL BENEFIT."

## PEOPLE

In order to ensure and establish a sustainable social development in Kulim that addresses social stability, security and equality, various social considerations are factored in, such as:

- Opportunities for education and training;
- Health and availability of medical services;
- Human rights and equal opportunities;
- Crime and social disorder levels; and
- Housing provisions and quality.

## PROFIT

In order to remain competitive whilst adhering to sustainable practices, corporate efficiency through compliance efforts will enable Kulim to deliver value to all our stakeholders – shareholders, partners, employees and the public.

Our corporate philosophy enables us to provide:

- Commitment to transparency;
- Compliance with applicable laws and regulations; and
- Commitment to long-term economic and financial viability.

## PLANET

In ensuring environmental sustainability, various factors are assessed and deliberated. Issues that need to be addressed and highlighted include:

- Commitment to continuous improvement in key areas of activity;
- Infrastructure analysis to ensure proper, sustainable procedures are implemented;
- Environmental responsibility and conservation of natural resources and biodiversity;
- Life cycle analysis to quantify the use of materials and energy as well as environmental interaction of products and processes;
- Responsible development of new plantings;
- Research & Development ("R&D") – product design, process improvement and recycling methods for greater sustainability;
- Use of appropriate best practices by growers and millers; and
- Responsible consideration of employees and of individuals and communities affected by plantations (growers) and mills.

# PART I: SUSTAINABILITY IN CONTEXT CONTINUED


## GOVERNANCE

THE BOARD OF DIRECTORS OF KULIM IS THE HIGHEST DECISION-MAKING BODY IN THE COMPANY AND ULTIMATELY RESPONSIBLE FOR THE STANDARDS AND AMBITION LEVEL THAT GUIDE KULIM'S JOURNEY TOWARDS SUSTAINABILITY. WITH A DIVERSE MIX OF AGRICULTURAL, CORPORATE AND CIVIL SERVICE, AND FINANCIAL BACKGROUNDS, THE BOARD IS STRONGLY EQUIPPED TO DEAL WITH THE COMPLEX ISSUES INVOLVED IN PRODUCING CERTIFIED SUSTAINABLE PALM OIL.

OUR COMMITMENT TO THE CREATION OF LONG-TERM RETURNS IN THE AREA OF SUSTAINABLE PALM OIL STARTS AT BOARD LEVEL. FOR US, GOOD GOVERNANCE AND SUSTAINABLE BUSINESS PRACTICES GO HAND IN HAND AND ARE ESSENTIAL TO A COMPANY MANAGED IN THE INTERESTS OF ITS SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND THE WIDER COMMUNITY. KULIM'S GOVERNANCE STATEMENT IS PRESENTED IN SECTION 6 OF THIS ANNUAL REPORT.

### SUSTAINABILITY MANAGEMENT SYSTEM

#### Certification – RSPO and ISO

As one of the earliest RSPO certified palm oil companies, we continue to manage our social and environmental risks in accordance with the guidelines developed by the RSPO. For us, the adaptation of RSPO Principles and Criteria is also connected to Islamic teachings which focus on value creation, sustainable use of biodiversity and engagement of stakeholders.

In Malaysia, we achieved RSPO certification for all of our estates in January 2009, and in January 2010, we passed our first annual surveillance audit. 100% of our mills and supply base were certified. However, since we have recently swapped 2,565 hectares with another plantation operation operator, a small area in Sg. Tawing is not yet covered by our certification. This will be included in our 2011 surveillance audit

> THE TARGET GROUPS FOR OUR CSR PROGRAMME THIS YEAR ARE THOSE RESIDING WITHIN OUR ESTATES AND THE BOUND.

AHAMAD MOHAMAD,
THE STAR, 10 FEB 2009

The certification was the conclusion of a three-year work programme, which has included social impact assessments, biodiversity mapping, a new management system for health and safety and a general major overhaul of our environmental and workplace practices.

As in the case of ISO certification, plantations are not certified as a whole company, but by individual mills and their supplying estates and small holders. The certification scheme allows for a three-year time frame for outgrower inclusion, to ensure that they are not denied access to sales to certified mills. We are currently in the process of engaging outgrowers to assist them in achieving certification.

## Sustainability and Quality Council

In 2010, we consolidated the structure of our Corporate Responsibility ("CR") governance through the launch of the Sustainability and Quality Council ("SQC"). The role of the SQC is to oversee our CR strategies and activities on behalf of the Board.

The SQC has established a company wide data collection system for monitoring and reporting against agreed metrics. The SQC also ensures that our day-to-day business operations respond to the opportunities and avoid the risks posed by sustainability issues. To do this, the SQC challenges management to assess and control risks while developing programmes to capitalise on opportunities. The SQC uses targets to monitor the performance in achieving these tasks and co-ordinates sustainability initiatives across departments.

The SQC has prioritised employee engagement, including HIV and sexual harassment awareness, work-life balance and capacity building as areas of priority. This is based on the belief that employees at all levels form the backbone of our company and there is a need to embed a sense of ownership amongst them.

## Audits and Assessments

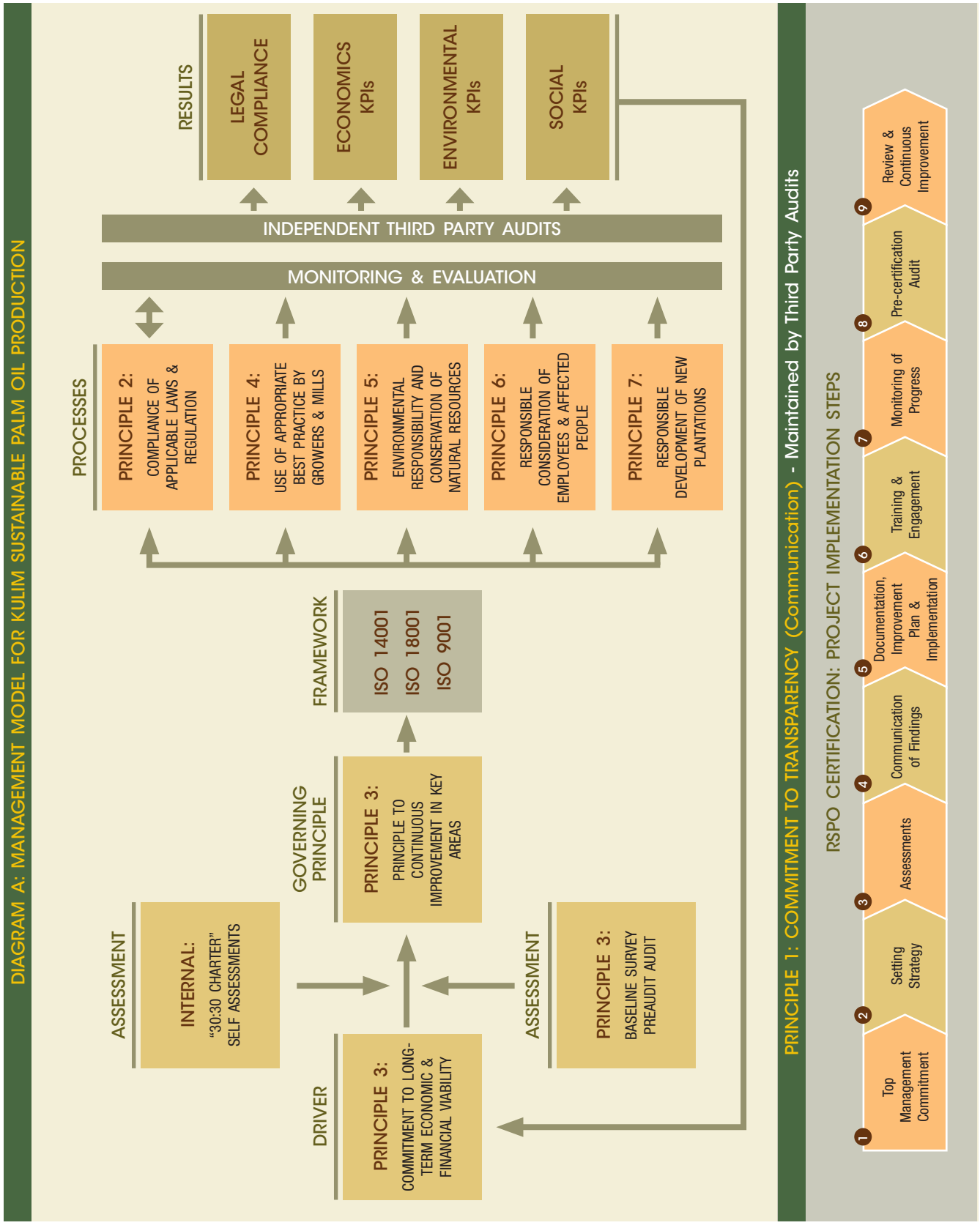
We take pride in our integrated management and agricultural practices. The framework is set in motion by systematic guidelines and operating procedures. Our Internal Audit Department oversees and reviews all processes and procedures.

Our environmental performance is guided by the ISO 14001 framework, and one of our mills and two of our estates in Malaysia have been certified to this standard. Under the ISO 14001 framework, mills and estates are to implement environmental policies with third party certification. The framework was also used as a basis for implementing the RSPO Principles and Criteria.

Our social impact assessments are framed around the SA8000 standard – the leading international standard on labour conditions. We have also adopted the methodologies of the Occupational Safety and Health Act ("OSHA") to measure and manage our health and safety performance as well as using the human rights-based concept of Free, Prior and Informed Consent ("FPIC") in our dealings with communities and land rights.

We carry out ongoing Social Impact Assessments ("SIA") based on Principle 6 of the RSPO Principles and Criteria as well as SA8000 (established by Social Accountability International). SIA incorporates interviews with workers, dependents and local communities, and forms the basis of improvement plans for all areas identified as common complaints, or areas which are considered high risk in terms of impact or legal compliance.

# PART I: SUSTAINABILITY IN CONTEXT CONTINUED



## Stakeholders Engagement

In 2009, we significantly increased our proactive and structured engagement. Stakeholder value is at the heart of our Company's mission, and we see engagement as an integral part of being a sustainable business. To deliver on this commitment, our practices, planning and targets are based on extensive and ongoing consultation with stakeholders and third-party experts. As a result of growing awareness around social and environmental issues linked to the palm oil industry, we are experiencing a constant shift in our stakeholder landscape, and to ensure that we can maintain our leadership role in the industry we make every effort to listen to and address their concerns.

## Industry Engagement and the Roundtable on Sustainable Palm Oil ("RSPO")

The RSPO remains one of our most valued avenues for structured engagement. In addition to active participation in all annual roundtables, Kulim is an active member on the RSPO's Greenhouse Gas Emissions Working Group, which set out its recommendations to the General Assembly of the RSPO in November 2009.

We also remain an active member of the Malaysian Palm Oil Association ("MPOA"), which is our primary vehicle for engagement with government and regulators.

## Non-Governmental Organisations ("NGOs")

Our commitment towards working with the environment and community is made possible by effective partnerships with NGOs. We are members of the Malaysian Nature Society and are currently engaged with the Wildlife Conservation Society. We find that these types of partnerships can supply us with technical expertise, third party perspectives and resource capacity.

We see NGOs as partners in the promotion of sustainable business practices, and find that engaging with critical voices can be constructive in finding joint solutions to difficult issues. In 2008, we engaged - jointly with NBPOL – with Greenpeace UK in refining a Moratorium on Deforestation. Although there is still some debate about the definitions of forests, we felt that the overall objective was valid, and sponsored the Moratorium as a resolution at the 6th RSPO Conference in Bali in November 2008.

## Investors

We are proactively seeking to engage and inform our shareholders on the financial benefits that can be derived from our sustainability efforts. In 2009, we organised group meetings with analysts to provide an overview of our operations as well as sustainability issues management, particularly on RSPO related achievements. We believe that our investors engagement needs to be stepped up during the financial crisis because investors are increasingly looking for sustainability commitments as an indicator of a company's financial viability.

## Outgrowers and Communities

Our RSPO programme requires us to undertake structured engagement with our employees, surrounding communities and outgrowers. Our SIA are undertaken by our in-house social auditors who devise a register of issues to be addressed. In 2009, we have particularly focused on mapping and outreach to outgrowers, with the objective of assisting them in achieving RSPO certification over the next two years.

# PART II:
# ENVIRONMENTAL PERFORMANCE

## PROTECTING AND CONSERVING BIODIVERSITY

OUR LONG TERM BUSINESS SUCCESS DEPENDS ON THE ABILITY TO UNDERSTAND AND MANAGE BIODIVERSITY ISSUES. CONSERVATION AND PROMOTION OF BIODIVERSITY IN AND AROUND OUR OPERATIONS IS ASSESSED USING HIGH CONSERVATION VALUE FOREST ("HCVF") METHODOLOGIES.


In 2007 and 2008, these assessments enabled us to account for the diverse number of species and plants found in our operating area of Johor, and were able to identify short, medium and long term strategies.

In 2009, we have put in place some of the shorter-term strategies. This includes the process of mapping out and assigning responsibilities to each estate to ensure that cultivation, agricultural practices and buffer zones support the surrounding biodiversity.

## Conservation in Partnership

In order to devise effective conservation strategies, we need the assistance of experts in the field. Our strategies are first and foremost drawn from our High Conservation Value Assessment, undertaken in 2008. In order to implement these strategies, we have established a series of collaborations and partnerships with NGOs, and benefit tremendously from their expertise and capabilities to strengthen our commitment.

We are a corporate member of the Malaysian Nature Society, and are deepening our partnership with the Wildlife Conservation Society in order to protect and conserve natural habitats in areas adjacent to the Endau Rompin National Park.

We also worked with a non-profit conservation group, Wild Asia, on the Natural Corridor Initiative ("NCI"). The NCI aims to link natural areas within modified landscapes through the creation of corridors, thereby increasing functional space for wildlife to co-exist. For oil palm plantations especially, natural corridors and buffer zones along the rivers and streams improve the health of the river ecosystem by regulating water flow, lessening sedimentation and stabilising stream banks.

## Kulim Wildlife Defenders

Whilst Kulim employees are well aware of the Company's policies and are trained in monitoring and protecting wildlife, we have found encroachment a particular concern. High conservation value areas set aside by us can sometimes be attractive to neighbouring growers or to poachers due to its rich biodiversity. This is of particular concern in those areas where our operations border the Endau-Rompin National Park. To address such issues, we have teamed up with the Wildlife Conservation Society to establish the Kulim Wildlife Defenders ("KWD") and the Kulim Wildlife Defenders Junior ("KWD Jr.") programmes. These programmes combine vigorous monitoring and physical protection of vulnerable areas, in combination with training and awareness of the value of biodiversity to communities and employees. Among other activities, our Head of Security attended a "train the trainer" programme in Thailand specifically aimed at wildlife protection. The programme has now been rolled out to managers and security guards, and workers will be trained in 2010.

In order to ensure the long-term commitment of these initiatives, KWD Jr. programme includes outreach to young people and children in the areas affected to instill greater appreciation for the environment among the younger generation. So far 691 children have joined the programme, and "Teachers for Tigers" has been set up to increase outreach. Some of the activities undertaken include a photography competition, short story writing and art and craft surrounding wildlife.

The KWD programme has received such attention and support in the community that we will be seeking to launch a tiger protection NGO in 2010.

# PART II: ENVIRONMENTAL PERFORMANCE CONTINUED

## WATER, EFFLUENTS AND WASTE

We aim to minimise our environmental impacts and ensure the long-term sustainability of our business and the environment on which it depends. Our focus is on maximising the use of all resources through recycling of outputs and minimisation of inputs. These efforts lead to both cost savings and to long-term productivity gains, as well as a healthier environment. Our Sedenak Estate was among the first palm oil estates in the world to achieve ISO 14001 certification, and we apply the system to manage our environmental impact throughout our operations.

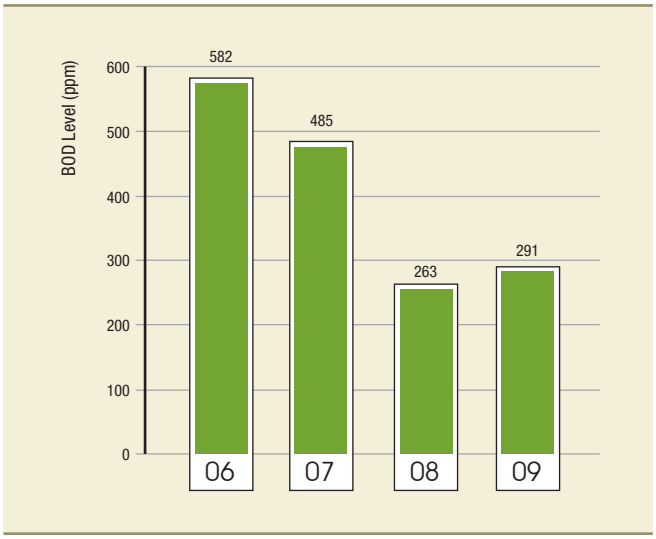
### Water and Effluents

Due to sufficient rainfall in our region, we do not irrigate our fields, and only use a small amount of water to maintain our nurseries. Our main water usage is in the mills, which draw water from local rivers, in accordance with national and local environmental regulations.

Mill effluents are treated in so-called Palm Oil Mill Effluent ("POME") lagoons (or ponds), where effluents are treated to reduce Biological Oxygen Demand ("BOD"). Once treated, POME can be recycled as a fertiliser and applied in the field.

The average BOD slightly increased from 263 ppm in 2008 to 291 ppm in 2009 due to the BOD result for Tereh Mill was high in June and September 2009. Thus, this increased the average BOD for Tereh Mill, and the overall average for Kulim Group mills. The average for the Sedenak Mill and Sindora Mill showed an improvement in BOD.

BIOLOGICAL OXYGEN DEMAND - MILL AVERAGE



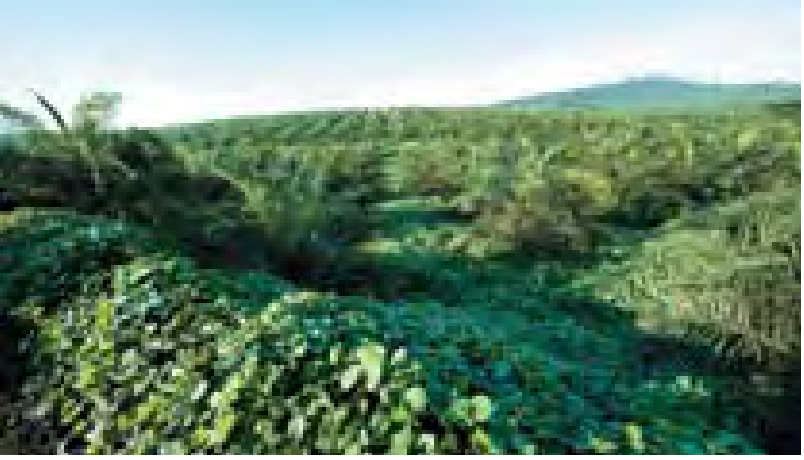

### Solid Waste

Very little output from our mills is wasted. The vast volume of waste from the mills is Empty Fruit Bunch ("EFB"). This is a useful mulching agent, and is applied on the ground around young palms, protecting soil and easing uptake of nutrients. Each year, we recycle over 100,000 tonnes of EFB in this fashion. We also generate around 50,000 tonnes of fibre, which can be used as biomass for our mills, replacing diesel. Finally, we generate a small amount of boiler ash, which can be used for reducing acidity in soil, acid oil which is sold to refineries for soap production and a small amount of hazardous waste that is transported to designated public facilities by an authorised agent.

## INTEGRATED PEST MANAGEMENT

Our Integrated Pest Management ("IPM") system is at the heart of our operations. We recognise that this is most effective if emphasis is placed on education and training of field staff, workers and contractors. We ensure that all those who handle, store, use, spread or dispose of any substances that could pollute water, soil or air are aware of their responsibilities. This particularly relates to the know-how on the equipment they use, and the necessary actions to be instituted in cases of emergency.

Our environmental policy also covers the issue of chemical application. The use of chemical control is considered only as a last resort when all biological methods fail. For example, paraquat is only used in small doses to treat young palms.



## SOIL CONSERVATION

The planting of leguminous cover crops to minimise soil erosion is standard practice at Kulim. We have selected a species that protects surface soil from erosion and which aids in recycling plant nutrients while enhancing the soil's organic and moisture content. While we do not plant on steep slopes and observe buffer zones along all riparian strips, we still take every measure to avoid erosion through the construction of terraces on hilly terrain and by planting the vigorous Guatemala grass, Tripsacum Luxam, along high risk erosion areas at stream embankments and near bridges. Finally, cut fronds are stacked perpendicular along harvesters' paths.

## CLIMATE CHANGE

2009 has been a year in which GHG emissions took centre stage. At the international political scene, the Copenhagen Summit brought hundreds of political leaders together, and at national level the Malaysian Prime Minister made a commitment for reduction targets of up to 40% by 2020. Within the palm oil industry, reduction in GHG became a focal area of the RSPO during its 7th Roundtable in Kuala Lumpur.

Kulim is committed to playing our part in meeting national and global reduction targets. We were therefore an active participant in the RSPO GHG Working Group, which was set up to provide recommendations for the integration of GHG standards in the RSPO certification standards.

Although the RSPO General Assembly failed to ratify these recommendations, Kulim is committed to adhering to the GHG working group recommendation as a voluntary measure.

### Minimal Emissions from Land Use

The vast majority of climate change impacts from palm oil cultivation come from land use change. As Kulim has no expansion or land conversion plans, our operations will not have any impacts in this area. We believe that our management and replanting guidelines also minimise any emissions. We also have an effective zero-burning policy in place.

Many organisations have pointed to peatlands as a significant source of carbon emissions. Kulim has a small proportion of peat within its cultivated area – 1,380 hectares (slightly over 1%). Conversion took place in 1999-2002, and Kulim places great emphasis on the continued responsible management of this area through effective water table management which has been identified as the best way to prevent additional emissions.

### CDM from Effluents

The majority of our emissions come from our mills, and we have unfortunately seen a small increase in these over the past years. To address this, in 2008, we began developing a project to capture methane at source through a technology that is classified as a Clean Development Mechanism ("CDM") project. By implementing CDM in all our mills, we will reduce the production of methane by an estimated 90%. CDM will not only attract carbon credits, but also reduce the consumption of diesel through the use of methane as a fuel to produce electricity. The first project is scheduled to commence operation in 2010.

We do however note delays in pursuing our CDM project. This project, which involves composting EFB with POME was scheduled to be implemented in 2009, but our efforts have been stalled as we have had to replace our consulting partner. We nevertheless continue to pursue such projects and have committed the necessary resources in working towards this.

# PART III:
# SOCIAL PERFORMANCE

## LABOUR STANDARDS

OUR PEOPLE ARE OUR CORE ASSETS AND WE CONSIDER HUMAN CAPITAL MANAGEMENT TO BE CENTRAL TO OUR OPERATIONS. IN MALAYSIA, WE HAVE 4,864 EMPLOYEES OF WHICH 4,301 ARE CATEGORISED AS WORKERS. THE MAJORITY OF THESE WORKERS IN OUR MILLS AND ESTATES ARE FOREIGN WORKERS, COMPRISING INDONESIANS, BANGLADESHIS AND INDIANS. OUR WORKFORCE IS VERY STABLE AND WE ENJOY LOW TURNOVER RATES – TO US THIS IS AN IMPORTANT INDICATOR THAT WE MEET THE NEEDS AND EXPECTATIONS OF OUR EMPLOYEES.

### Adherence to ILO Core Labour Standards

The highly labour intensive nature of the industry is further challenged by the scarcity of supply, and difficulty in attracting a capable workforce. Therefore, the need to continually improve productivity as well as to create and promote a non-discriminatory, safe and healthy work environment are amongst the focus areas that need to be continually addressed in our social scorecard. We believe that all employees must be treated equally, fairly and with respect. Therefore, our People Policy upholds the mandate of the International Labour Organisation's ("ILO") core labour standards.

For the purpose of obtaining our RSPO certification, we carried out our first internal SIA based on the SA8000 standard to identify the state of our social performance. This will also enable us to take action in areas where these standards were compromised. In 2008, the RSPO audit team provided third-party verification of the effectiveness of these actions.

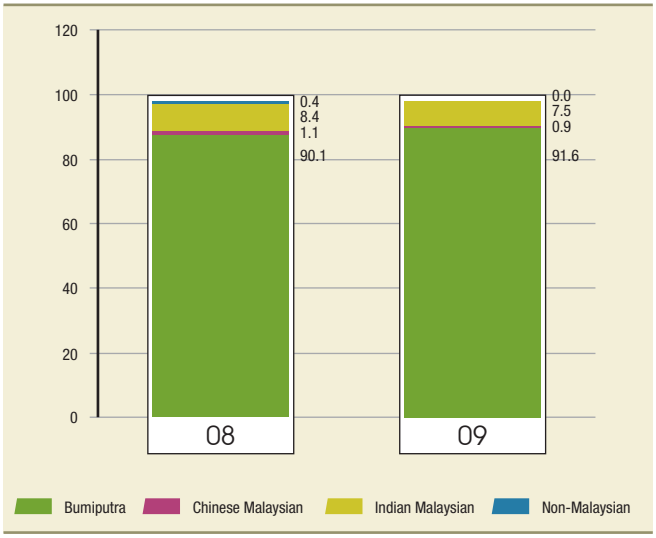
### Non-discrimination

Kulim recognises the value of diversity and is strongly committed to non-discrimination towards women, ethnic or religious minorities and foreign workers. In particular we emphasise equal pay for equal work for both field, office and management workers, based on predefined grades. We have also tried to create an environment where grievances can be expressed freely. With the establishment of Grievance Policy & Procedure as well as Women OnWards ("WoW"), the employees could bring to the attention of the management any dissatisfaction or feeling of injustice which may exist in respect of the workplace.

In taking our non-discrimination policy further, we have set guidelines on HIV/AIDS. Workers who have the disease are guaranteed confidentiality and retained in employment as long they are healthy and able to perform. All employees are made aware of the policy through our Sustainability Handbook as well as Foreign Workers Handbook.

EMPLOYEES BY TYPE


ETHNIC DISTRIBUTION OF STAFF AND MANAGEMENT (%)




## Freedom of Association

We support the rights of our workers to join trade unions. Further, although Malaysia does not have a legal minimum wage, all workers, including foreign workers, are covered by the same collective bargaining agreement. Our SIA reveals that a worker will be able to support his/her family adequately with the current pay structure. We will monitor any necessary changes in this regard, particularly considering inflation and other economic conditions.

## Overtime

In last year's sustainability report, we covered the issue of excessive overtime. During peak crop, mill workers tend to work long hours in order to ensure that FFB is processed before its quality deteriorates. We do not have the option of employing part time workers to alleviate this situation due to scarcity of local labour. This issue was also identified during our RSPO audit and led to a minor non-conformance. We are now constantly monitoring the situation by tracking working hours and ensuring adequate rest periods for workers, especially during peak crop durations.

# PART III: SOCIAL PERFORMANCE CONTINUED

## Housing

The social impact assessment identified issues regarding the availability and quality of housing, particularly for newly arrived workers. In response, we have been upgrading our housing facilities up to the standard. We have also submitted a five-year plan to the Government that covers housing, which is particularly focused on better sanitation, water and electricity. We generally house four workers in 2 to 3 bedroom quarters.

## ID Cards for Foreign Workers

Our first SIA in 2007 identified the withholding of foreign workers' passports as a potential breach of ILO conventions, as this is their only means of identification, and can be interpreted as a means of denying workers the possibility of free movement. We have engaged with the Government on this issue and discussions are pending with regards to issuing identification cards to workers by the National Registration Department. We have made some progress, and some workers have now obtained the so-called I-Kad – an ID card specifically for foreign workers. Meanwhile, we continue to inform and update employees about the status of this issue.

## Children

The only children in our estates are children of workers. We adhere strictly to international child labour laws, and do not permit employment of young people under the age of 15.

## Protecting the Welfare of Foreign Workers

In our estates, foreign workers comprise the majority of our labour force. Our workers mainly come from Indonesia, Bangladesh and India. In order to ensure that workers understand their rights and responsibilities, all foreign workers go through an initial induction programme and are given a copy of our Foreign Workers Hand Book. The Hand Book includes information on how to lodge complaints that impact their well-being including working and housing conditions, payment of wages, leave entitlements as well as health and safety issues.

## HEALTH AND SAFETY

ENSURING THE HEALTH AND SAFETY OF OUR WORKFORCE IS A PRIORITY. NOT ONLY IT IS OUR ETHICAL AND SOCIAL RESPONSIBILITY, BUT LOW ACCIDENT RATES HAVE A POSITIVE IMPACT IN AN INDUSTRY WITH SEVERE LABOUR SHORTAGES. RECENT TIGHTENING ON IMMIGRATION PROCEDURES HAS MADE IT BOTH COSTLY AND COMPLEX TO HIRE FOREIGN WORKERS, AND IT IS CRITICAL THAT EXISTING WORKERS CONTRIBUTE AT FULL PRODUCTIVITY. IF OUR WORKERS ARE CONSTRAINED BY HEALTH ISSUES, PRODUCTIVITY WILL BE AFFECTED AND THERE ARE SERIOUS IMPLICATIONS TO OUR OPERATIONS AS A RESULT.

### Towards Zero Accident, Zero Fatality

Our underlying aim is for zero accident, zero fatality. In 2009, we are happy that we stayed on course – our lost time case rate is showing a clear downwards trend.

However, we understand that complacency can easily set in, so we have designed a rigorous monitoring system of health and safety targets, reported and reviewed monthly by the Management. Workers have to periodically go through awareness trainings and safety talks. In 2009, we intensified our approach by running targeted awareness campaigns at all mills and estates. Our dedicated health and safety officers also conducted internal audits, sometimes in collaboration with the Department of Occupational Safety and Health ("DOSH"), in compliance with the prevailing regulations.

One area in which we constantly need scrutiny is the use of personal protective equipment ("PPE"). We reported last year that general workers who were sometimes employed as pesticide sprayers had no training on the use of PPE. We have now put in place compulsory training on use of PPE. Those categorised as 'high risk' - including sprayers - are also provided with ongoing medical surveillance, including monthly screenings and mandatory medical checkups annually.

We have been unable to meet our targets on severity rates. This is partly due to the type of injuries that prevail in our field. Thorn pricks and cuts from palm fronds is by far the major cause of accidents. As such injuries are prone to infections, workers will often be required to remain absent for 2-4 days before returning to work. 183 cases were reported in 2009. We are taking steps to monitor such accidents by developing more awareness and safety training.

# PART III: SOCIAL PERFORMANCE CONTINUED

## Addressing Occupational Illness

Over the past two years, we have expanded our monitoring of health and safety to include occupational illness, enabling us to see if there are any longer-term health issues prevalent in our operations. As a result, we discovered that harvesters have an increased risk of lumbago. Lumbago is a form of backache that can be debilitating if not addressed correctly. In view of this, we now provide training to workers on correct lifting methods. We are also reviewing whether a slightly shorter replanting cycle might remedy the situation as there might be a correlation between palm height and incidents of lumbago.

## Beyond Occupational Health

As a business that not only employs but also houses several thousand people, we have a responsibility to address wider health and safety issues outside of the workplace.

In promoting a positive work environment, Kulim operates a strict no drugs policy, and this is enforced through regular and random drug testing. Drugs continue to be an issue among plantation workers but the policy appears to act as a deterrent. We also have a HIV/AIDS policy, which is applicable to all our workers. We have provided training to ensure that employees are aware of the policy and have ensured that they can continue working as they are able to meet their required performance. The policy also guarantees confidentiality of their status.

2009 also saw us battling with the H1N1 epidemic sweeping the globe. Our employees live in close quarters and one infection is enough to cripple our operations. We therefore took several measures to educate workers on hygiene and the urgency of seeking medical attention.

## EMPOWERMENT AND DIVERSITY

### Empowering Women

Women often lack the opportunity and role models to take control of their lives and contribute to society. Empowering women is part of Kulim's strategy for improving social and economic development where we operate in.

The centrepiece of our efforts to empower women is the Women OnWards ("WoW") programme, which replaces the Women's Grievance Panel. WoW is part of a larger strategy to reach out to all levels of employees.

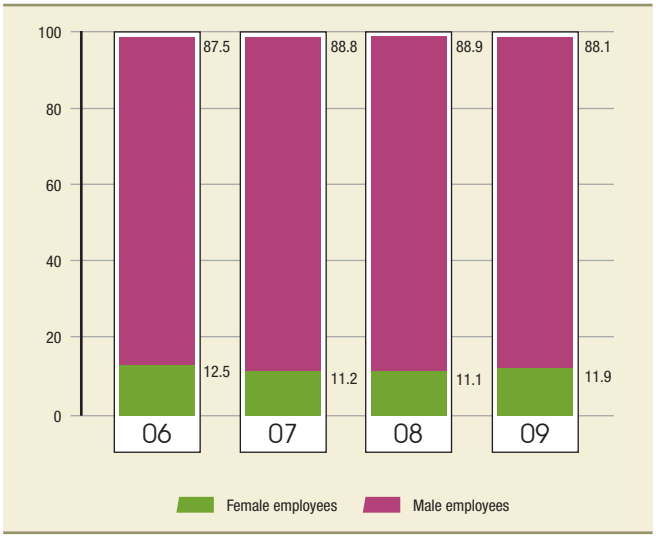
Demographically, female employees in Kulim at the mills and estates are generally hard labourers in gardening or tend to take on cleaning jobs. We are however encouraged that more women are coming forward in management positions.

The WoW Committee has full support from the Management and its activities are funded fully by the Company. Members meet once a month and WoW has ambitious plans for 2010. The Committee plans to visit all estates and mills in order to explain the function of WoW and how it can be useful to them. This is a first step in getting the female community at Kulim to realise that there is a channel for them to air any issues they have or highlight any changes they wish to institute.

One key aim is to develop entrepreneurship, particularly amongst workers, by introducing skills like handcrafting, which can provide an additional means of income. At the same time, WoW is keen to address some practical issues like transportation to/from the workplace.

Some works that have already been done by the Committee included a motivational talk during the month of *Ramadhan* as well as awareness programmes for sexual harassment, AIDS and domestic violence. One of our key breakthroughs was when the women started coming to us to report sexual harassment. They felt more comfortable discussing these issues with other women. The previous line of communication was through line managers, and we have found that this has not been very effective.

EMPLOYEES BY GENDER (%)




In 2009, we have documented only one case of sexual harassment. This low number may be the result of a reluctance to speak up, and we expect that any such cases will come to light and be addressed through the work of WoW.

## Employees Engagement

Engaging employees is one of our key priorities. Highly engaged employees are more productive in their roles and have a clear link to business performance. There is also a sense of community as there are ongoing efforts to develop not just individual and team performance but team spirit and emotional nurturing.

We take a hands-on approach in dealing with all levels of employees. Senior management, including the Managing Director, has an open door policy for any issues to be aired. We are also aware of the need to integrate employees at all our operations. We have been organising a series of sports carnivals in working towards this integration. The WoW panel will also be playing a bigger role in conveying the feel of the 'Kulim family'.

## Sharing Successes

As a standard practice, the year 2009 began with *Pedoman,* the annual gathering of employees. Apart from becoming an avenue for the Management to provide highlights and updates of the Group's performance, challenges faced and future direction, such gatherings also gives the opportunity for employees from all levels to voice suggestions and questions. Various awards were presented for outstanding employees. In essence, this annual start of year gathering signifies the Company's commitment towards practising and inculcating the spirit of oneness.

## Structured Training at All Levels

In terms of employees development, we have structured various training programmes in the form of formal courses, seminars and workshops, which are both internally and externally held. Our Human Resource Department now centrally coordinates all training, ranging from productivity-related courses to effective communication, sustainability, executive development and corporate culture familiarisation.

Our Malaysian operations spent just over RM1 million on formal training in 2009 – over 4% of payroll cost. Over 400 of our staff and executives participated in training programmes, in addition to on-the-job training and skill upgrading.

## Developing Leadership

In 2007, a new programme was introduced to prepare a new line of leaders for the future, the Strategic Enhanced Executive Development System ("SEEDS") Programme for our Malaysian operations. The first intake consisting of 37 trainees underwent a comprehensive familiarisation programme and periodical evaluation processes in various business areas of the Group's operations.

The programme was successfully completed in 2008 where 26 trainees were absorbed into units and functions within the Division that suits their capability profile.

# PART III: SOCIAL PERFORMANCE CONTINUED

## Working with Outgrowers

As part of our RSPO commitment, Kulim has set a target to certify 100% of external FFB by the end of 2011. However, as almost 40% of our FFB is purchased through traders, we are not in a position to trace our suppliers accurately. In 2009, we therefore partnered with the MPOB to get the smallholders certified under RSPO as a group.

MPOB, through this pilot program, has identified nine RSPO certified palm oil mills in Malaysia, from which Kulim's Sedenak Palm Oil Mill and Sindora Palm Oil Mill were selected. This programme intends to instill good agriculture practice ("GAP") among the smallholders thus improving the sustainability of the FFB produced and improve their income. With 60 – 70% of FFB for both mills purchased externally, this programme is timely indeed.

The fund for the certification will be provided by MPOB from its RSPO Fund, which at present is estimated at RM500 per smallholder. Kulim will assist MPOB on the smallholder engagements (including the FFB traders) and the implementation aspects especially on the crop quality by providing advisory and training to the smallholders. The first smallholder engagement session for Sedenak Palm Oil Mill was conducted on 9th February 2010. 68 smallholders and FFB traders supplying to Sedenak Palm Oil Mill attended the briefing by MPOB.

Another aim of this project is to establish a smallholder cooperative in each area to ensure non-victimisation among the smallholders either by the FFB traders or the mills. Kulim views this as something positive as well as mutually beneficial. During both sessions, the majority has agreed on the establishment of the cooperatives. Three smallholders from each area were voted to be the pro-temp members. Kulim will have representatives during these meetings to assist the cooperatives and work together for a win-win solution.

# COMMUNITY AND ECONOMIC CONTRIBUTIONS

KULIM HAS ALWAYS HAD STRONG LINKS TO THE COMMUNITIES IN WHICH IT OPERATES. IT IS A FUNDAMENTAL COMMITMENT TO NOT ONLY MONITOR AND MANAGE ANY IMPACTS OUR OPERATIONS MIGHT HAVE ON THESE COMMUNITIES, BUT TO ALSO ENSURE THAT WE GIVE BACK WHERE WE CAN.

## Monitoring and Managing Impacts

Our social auditors engage extensively with local communities through our SIA which are conducted annually. We also keep a register of all complaints and comments from community representatives. Through this engagement, we get direct feedback on the concerns and needs of those affected by our operations.

During our last SIA, we identified issues around theft and break-ins as a chief concern. Further investigation revealed that this type of crime is, in fact, quite low in the relevant areas, but nonetheless we have decided to increase security efforts to ensure that both communities and workers can feel safer. We have now engaged private security companies and raised salaries for security guards to ensure high-quality staff.

## Community Investment

Our community investment programme combines charitable contributions, donations in-kind and volunteering programmes. In 2009, Kulim's Malaysian Plantations donated RM5.57 million – in line with previous years. While the majority of our financial contributions are donated to local sports programmes, this does not accurately reflect our commitment to wider community issues through in-kind and volunteering efforts in areas where we think such contributions create better value.

Amongst the notable institutions and social programmes to which Kulim's Malaysian Plantations channelled contributions in 2009 were the followings:

| Institutions/ Programmes | Purposes | Approximate Contributions (RM'000) |
|---|---|---|
| Johor FC (Football Club) | National sports sponsorship | 4,850 |
| Darul Hanan | Orphans and under-privileged | 102 |
| Tabung Tijarah Ramadhan and directly to beneficiaries | A TV programme to help the under-privileged | 55 |
| Kumpulan Waqaf An-Nur Charity Golf | Under-privileged | 23 |

The New Britain Palm Oil Foundation Limited ("Foundation") established in 1997 has the mission to contribute to the health and welfare of the community in and around the Group's operations in West New Britain. As a registered charity, donations to the Foundation are allowable deductions under the PNG tax laws.

In 2009, USD181,516 was spent by the Foundation on various building and infrastructure projects including:

- Hoskins Secondary School
- Volupai Primary School
- Kimbe General Hospital – General
- Kimbe General Hospital – Establishment of Eye Clinic
- Kimbe Police Station & Police Housing
- Tamba Primary School
- Patanga Primary School
- Malalia Primary School
- Dagi Primary School
- Mahonia Na Dari (Guardian of the Sea) – Local NGO
- Moramora Technical School

The Foundation does not participate in the Solomon Islands. Instead, direct assistance to the social development of the province is provided through the 2004 MOU between the Company and the Guadalcanal Provincial Government. In 2009 GPPOL committed SBD500,000 to the Provincial Government for community development projects in and around the Guadalcanal Province. This money was distributed to projects in 21 wards of the province and includes donations for women's groups, youth groups, school upkeep and income generating projects.

# PART III: SOCIAL PERFORMANCE CONTINUED

## WE CARE WE SHARE

WE BELIEVE THAT VOLUNTEERING IS OFTEN AN EFFECTIVE MEANS OF CREATING STRONG BONDS BETWEEN COMMUNITIES AND STAFF, AND HELPS OUR SUSTAINABILITY EFFORTS. BUILDING ON THE GROUP'S STRONG SUSTAINABILITY FOUNDATIONS, WE ROLLED OUT A PROGRAMME KNOWN AS WE CARE WE SHARE IN JANUARY 2009 WITH THE PRIMARY AIM OF PROMOTING THE SPIRIT OF VOLUNTEERISM AMONGST OUR EMPLOYEES TO INITIATE AND TAKE AN ACTIVE PART IN ANY INITIATIVES RELATED TO SUSTAINABILITY OR CORPORATE RESPONSIBILITY.

We Care We Share structures our outreach into several segments including green earth programmes, philanthropic activities and disability outreach. Another example is the crèche to help employees manage their work-life balance. The centre provides day care services as well as educational activities for older children. This programme serves as a pilot project, which if successful will be extended to other areas and aspects of our operations.

## THE SYNOPSIS OF THE 8 SUB-PROGRAMMES OF WE CARE WE SHARE IS SET OUT BELOW:

| PROGRAMME | OBJECTIVE | INITIATIVES AND STRATEGIES |
|---|---|---|
| RECYCLE<br>**– "LOVE THE PLANET"** | To promote reuse and recycling of waste and unused items for environmental preservation.<br>(In 2009, a total of 29,544 kg of waste and unused items were collected for recycling from the employees of Malaysian Plantations Division.) | - Organised recycling campaigns at various Group operations locations in Malaysia<br>- Provision of the appropriate resources and centres for collection of recyclable items<br>- Collaboration with various stakeholders including State Municipal of Johor Bahru for technical assistance and advice |
| CHILDCARE CENTRE<br>**- "LOVE FOR CHILDREN"** | To provide quality childcare services and promote work-life balance | - Setting up facilities and teacher training<br>- Collaboration with Association of Registered Childcare Provider Centre for relevant assistance |
| RECREATION<br>**– "LOVE FOR NATURE"** | To promote and revive suitable natural areas for social and recreational activities | - Revived stream banks at Ulu Tiram Estate for family recreational activities<br>- Organised various community based activities |
| SAFETY AND HEALTH AWARENESS FOR SCHOOL CHILDREN<br>**– "LOVE FOR LIFE"** | To promote safety and health awareness among school children | - Organised safety campaigns in schools<br>- Collaborated with the Department of Road Safety and Department of Education for relevant assistance |

# PART III: SOCIAL PERFORMANCE CONTINUED

| PROGRAMME | OBJECTIVE | INITIATIVES AND STRATEGIES |
|---|---|---|
| BUMI HIJAU<br>**–"LOVE FOR FAMILY"** | To promote planting of edible plants for own consumptions and emphasise the importance of fresh and nutritional foods. | - Identification and preparation of suitable areas for planting<br>- Collaborated with Agriculture Department of Johor for free distribution of seeds of various edible plants |
| AS-SAJADAH<br>**–"LOVE FOR PEOPLE IN NEED"** | To promote awareness on the need to provide assistance to the under-privileged from within the surrounding community. | - Organised donation campaigns to help under-privileged families identified from amongst employees and within the vicinity of Kulim's estates and surroundings<br>- Set-up centralised aid distribution centre at Kelab Sukan & Rekreasi Tiram |
| CHILDREN ACTIVITY CENTRE<br>**–"LOVE FOR LEARNING"** | To promote and inculcate useful habits such as learning and reading to children and pupils. | - Organised donation campaigns in both monetary and non-monetary forms to purchase and provide the necessary equipments and learning aids for MAWAR PKENJ library at Ulu Tiram Estate<br>- Invites and organises volunteers to teach children on academic subjects and other useful skills |
| REGISTRATION OF DISABLED PERSONS<br>**– "LOVE FOR PEOPLE WITH DISABILITY"** | To promote the spirit of caring for people with disability. | - Assist and ease the registration of disabled persons from amongst the Group's surrounding community in Malaysia<br>- Collaborated with Department of Welfare Services to channel assistance |

# SECTION 6

## Governance Statement

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

THE BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD SUBSCRIBES TO AND SUPPORTS THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (REVISED 2007) ("THE CODE") AS A MINIMUM BASIS FOR PRACTICES ON CORPORATE GOVERNANCE. THE BOARD IS PLEASED TO REPORT THAT IT HAD CONTINUED TO PRACTISE GOOD CORPORATE GOVERNANCE THROUGHOUT THE FINANCIAL YEAR ENDED 31st DECEMBER 2009. PURSUANT TO PARAGRAPH 15.25 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("LISTING REQUIREMENTS") AND EXCEPT FOR MATTERS SPECIFICALLY IDENTIFIED, THE BOARD, TO THE BEST OF THEIR KNOWLEDGE, CONFIRMS THAT THE GROUP HAS APPLIED THE PRINCIPLES AS SET OUT IN PART 1 AND HAS COMPLIED WITH THE BEST PRACTICES AS SET OUT IN PART 2 OF THE CODE THROUGHOUT THE YEAR UNDER REVIEW.

The Board however, recognises that good corporate governance practices should extend beyond mere compliance. It should seek to attain the highest standards of business ethics, accountability, integrity and professionalism across all the Group's activities and conducts. In addition, the Board considers strong governance as one of the key strategy determinant in building a competitive organisation, achieving its set corporate and business objectives and ultimately in realising investors' confidence and shareholder value. Hence, the Board is committed to continuously improve the Group's standards of corporate governance in ensuring that all stakeholders' interest is protected and value enhanced.

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

Kulim's commitment to strong governance and the continual enhancement of shareholders' value is evidenced by the following recognitions and accreditations conferred on the Group in 2009 and up to the reporting date in 2010:

- National Annual Corporate Report Awards ("NACRA") 2009 – Winner of Industry Excellence Award (Main Board) for Plantation and Mining as well as the Silver Award for Most Outstanding Annual Report
- Certification of Sustainable Palm Oil Producer for Plantation Operations in Malaysia and Papua New Guinea by the Roundtable on Sustainable Palm Oil ("RSPO")
- Global CSR Awards 2009 – Gold Award for Best Environmental Excellence Award
- ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2009 – Winner of Best First Time Reporter Award as well as Award for Reporting on Strategy and Governance (Commendation)
- Chemical Industries Council of Malaysia ("CICM") Responsible Care Awards 2007/2008 in Oleochemicals Category – Gold Award for Product Stewardship Code as well as Merit Award for Distribution Code, Process Safety Code and Employee Health & Safety Code, respectively.
- 2009 South East Asia Frost & Sullivan Growth Strategy Excellence Award For Oleochemicals
- Malaysia Productivity Corporation ("MPC") National Innovative & Creative Circle ("ICC") Convention – Overall Champion, 1st Place for Service Category as well as Three Star Award

Being amongst the earliest plantation companies in the world to be certified as a sustainable palm oil producer under RSPO serve as a testament of the Group's commitment towards enhancing its governance standards. The Group took its sustainable commitment to the next level when it became the first within the plantation industry to publish sustainability reporting. The Group produced its inaugural Sustainability Report 2007/2008 in October 2008, published separately for both its Plantation operations in Malaysia and Papua New Guinea. The reports which are benchmarked against the international GRI guidelines seek to present transparent overview, performance evaluation and the Group's target towards Sustainable Palm Oil practices. It also forms the basis of additional communications and engagement with Kulim's broader stakeholder groups. The Report is available upon request and can also be downloaded from the company website. For 2009, the report is expected to be available for public in June 2010.

## BOARD OF DIRECTORS

### Size, Composition and Effectiveness of Board

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

- three (3) Executive Directors
- four (4) Non-Independent Non-Executive Directors
- four (4) Independent Non-Executive Directors

All four (4) of the Independent Non-Executive Directors are independent as defined under the Listing Requirements. The Independent Non-Executive Directors are:

1. Tan Sri Datuk Arsyad Ayub

2. Kua Hwee Sim

3. Datuk Haron Siraj

4. Dr. Radzuan A. Rahman

A statutory declaration is made to Bursa Malaysia Securities Berhad ("Bursa Securities") by all Independent Non-Executive Directors in their individual capacity to the effect that they are independent in compliance with the Listing Requirements.

The Board views that the number and composition of the current Board members is sufficient and well-balanced for the Company to carry out its duties effectively, whilst providing assurance that no individual or small group of individuals can dominate the Board's decision making.

There is clear segregation of duties between the Chairman and the Managing Director. The Board is led by the Chairman, Tan Sri Dato' Muhammad Ali Hashim, whose principal responsibilities is to ensure the effective running of the Board and is independent of the management. The current Chairman has never held the post of Managing Director of the Company. The post of Managing Director or the Chief Executive Officer of the Group is held by Ahamad Mohamad whose primary task is to report, communicate and recommend key strategic and operational matters and proposals to the Board for decision making purposes as well as to implement policies and decisions approved by the Board. The Non-Independent Non-Executive Directors are from varied business and professional backgrounds and bring with them a wealth of experience that is brought to bear favourably in board decisions and policy formulations. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the expanding Group.

The independence of each Independent Non-Executive Directors is safeguarded as none is involved in the day-to-day management of the Group and they do not engage in any business dealings or other relationships with the Group. The presence of four Independent Non-Executive Directors, representing more than a third of the total members with necessary calibre, ensures that the Board is well-balanced and could carry sufficient weight on Board's decisions. Although all the Directors have equal responsibilities for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the executive management are fully and independently discussed and assessed, and take into account the long term interest, not only of shareholders, but also employees, customers, suppliers, and the many communities in which the Group operates. The Board is satisfied that the size and composition of the Independent Non-Executive Directors has fulfilled its requirement adequately.

The profiles of the Directors' biographies are set out in pages 44 to 51 of the Annual Report.

The Company has in place a Board Policy Manual to assist the Board in discharging its duties effectively. Among others, the Board Policy Manual covers the following important scopes:

- Group Organisation
- Board Organisation
- Board Responsibilities
- Board Procedures
- Director Evaluation Guidelines and Procedure
- Managing Director Evaluation Guidelines and Procedure.

The Position Description for the Chairman and for the Managing Director is prescribed in the Board Policy Manual. At the end of each financial year the Board will set Key Performance Indicators ("KPI") that should be achieved by the management for the next financial year.

## Principal Duties and Responsibilities

The Board assumes six principal stewardship's responsibilities:

1. Reviewing and adopting a strategic plan for the Company. The Board will review and approve the 5-year strategic plan for the Group.

   The strategic and business plan for the period 2009 – 2013 was tabled, discussed and approved by the Board at its meeting on 21 December 2009.

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

2. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. At Board meetings, all operations matters will be discussed and expert advice will be sought if necessary.

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

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

# CORPORATE GOVERNANCE REPORT CONTINUED

3. Identifying principal risks and ensure the implementation of appropriate systems to manage these risks. The Group has set up a Risk Management Committee for this purpose to assist the Board.

   The Risk Management Committee met three times in 2009 to review the Group's risks. Details on Risk Management Committee are on pages 152 to 153 of this Annual Report.

4. Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.

   The Board responsibility in this aspect is being closely supported by the Human Resource Department. The latest senior management succession planning was tabled and discussed in the Board meeting on 28 September 2009. An overview of our human capitals strategy and initiatives for 2009 are on pages 88 to 89 and 98 of this Annual Report. More importantly, after several years of continuous efforts in emphasising and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed at various high-level management and operational meetings of the Group.

5. Developing and implementing an investor relations programme or shareholder communications policy for the Company.

   Various strategies and approaches are employed by the Group so as to ensure that investors and shareholders are well-informed about the Group affairs and developments. Information on our shareholders' communication activities is on page 150 of this Annual Report.

6. Reviewing the adequacy and the integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

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

## Board Meetings and Supply of Information

All Board meetings for the ensuing year are scheduled by December in the year before so as to allow Directors to plan ahead. Board meetings are held at least four times a year. Apart from the regular scheduled meetings, additional meetings are convened as and when necessary to deliberate and approve ad-hoc, urgent and important issues.

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the directors receive all notices, agendas and minutes of the previous meetings and is supplied with pertinent information well in advance of each meeting. The Managing Director in consultation with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevance and importance so as to enable quality and in-depth discussion of the matters. All decisions and conclusions of the Board meetings are to be duly recorded and minutes kept by the Company Secretary.

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting. All Directors have unrestricted access to all information within the Company in furtherance of their duties. In addition, all Directors have access to the advice of the Company Secretary and where necessary, in furtherance of their duties, take independent professional advice at the Group's expense.

In conjunction with the scheduled meetings or on separate occasions, the Directors also visit locations of operating units, sites of new projects and other operations sites to allow them to have better assessments of the operational progress, status of developments and any important issues to be addressed on new proposals. In between meetings, the Managing Director meets regularly with the Chairman and other Board members to keep them abreast of current development. Circular Resolutions are used for determination of matters arising in between meetings.

In addition to matters relating to the six principal stewardship's responsibilities discussed above, other specific topics tabled for Board's deliberation and decisions include:

- updates of relevant factors within the Group external business environment such as economic development and policies, customers and markets and competitors.
- current updates of key financial and operational results and performances of the Group, Company and its subsidiaries
- strategic and corporate initiatives such as approval of corporate plans and budgets, acquisitions and disposal of material assets and major investments
- changes to management and control structure of the Group, including key policies, procedures and authority limits.
- approval of any interim, final and special dividend and the Company's dividend policy
- approval of all circulars, resolutions and corresponding documentation sent to shareholders

The Directors, in the event that they have interest in proposals considered by the Board will be required to make declaration to that effect. The interested Directors will thereupon abstain from deliberations and decisions of the Board on the said proposals.

The Board met five (5) times during the financial year 2009 and all Directors have complied with the minimum 50% attendance as required by Para 15.05 of the Listing Requirements. The members of the Board of Directors and their attendances at Board meetings in 2009 are set out below:

| | 16.4.2009 | 26.5.2009 | 15.7.2009 | 22.9.2009 | 21.12.2009 | % |
|---|---|---|---|---|---|---|
| Tan Sri Dato' Muhammad Ali Hashim | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Ahamad Mohamad | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Tan Sri Datuk Arshad Ayub | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Kua Hwee Sim | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Wong Seng Lee | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Jamaludin Md Ali | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Datin Paduka Siti Sa'diah Sheikh Bakir | ✘ | ✘ | ✔ | ✔ | ✔ | 60 |
| Datuk Haron Siraj | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Dr. Radzuan A. Rahman | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Kamaruzzaman Abu Kassim | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |
| Rozan Mohd Sa'at | ✔ | ✔ | ✔ | ✔ | ✔ | 100 |

## Appointment and Re-election of Directors

The number and composition of Board membership are reviewed on a regular basis appropriate to the prevailing size, nature and complexity of the Group's business operations so as to ensure the relevance and effectiveness of the Board. In the event of a need to appoint new member(s) of the Board, JCorp, as the ultimate holding corporation through its Nomination and Remuneration Committee ("NRC") will nominate a qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company. In any case, the appointment of the Board member(s) is effected only after the official approval by the Board.

The Board is responsible to the shareholders. All Directors appointed during the financial year resign at the Annual General Meeting ("AGM") of the Company in the period of appointment and are eligible for re-election. In compliance with the Para 7.28(2) of the Listing Requirements, all directors shall retire once at least in every 3 years.

In accordance with Article 97 of the Company's Article of Association, Wong Seng Lee, Kua Hwee Sim and Dr. Radzuan A. Rahman retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Datuk Arshad Ayub being above seventy years of age retires in accordance with Section 129(2) of the Companies Act 1965 and has offered himself for re-appointment in accordance with Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

# CORPORATE GOVERNANCE REPORT CONTINUED

## Directors' Remuneration

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre and with sufficient experience and talents to contribute to performance of the Group. Comparison with similar position within the industry and other major public listed companies is made in order to arrive at a fair rate of remuneration. The details of the remuneration of each Director paid by the Company during the year are as follows:

| | Basic Salary RM | Fees / Allowances / Other emoluments RM | Bonuses RM | Benefit in-kind RM | Total RM |
|---|---|---|---|---|---|
| Tan Sri Dato' Muhammad Ali Hashim | - | 92,500 | - | 64,210 | 156,710 |
| Ahamad Mohamad | 456,000 | 254,240 | 323,000 | 56,945 | 1,090,185 |
| Tan Sri Datuk Arshad Ayub | - | 57,500 | - | - | 57,500 |
| Jamaludin Md Ali | - | 47,500 | - | - | 47,500 |
| Wong Seng Lee | - | 40,000 | - | - | 40,000 |
| Datin Paduka Siti Sa'diah Sh Bakir | - | 44,500 | - | - | 44,500 |
| Kamaruzzaman Abu Kassim | - | 47,500 | - | - | 47,500 |
| Kua Hwee Sim | - | 53,500 | - | - | 53,500 |
| Datuk Haron Siraj | - | 47,500 | - | - | 47,500 |
| Dr. Radzuan A. Rahman | - | 52,000 | - | - | 52,000 |
| Rozan Mohd Sa'at | - | 47,500 | - | - | 47,500 |
| | 456,000 | 650,000 | 323,000 | 121,155 | 1,684,395 |

## Board Performance Evaluation

The effectiveness of the Board is vital to the success of the Group. For that reason, a large portion of the Board Policy Manual is devoted to explaining and outlining the format and procedure for evaluating Board Members performance. The availability of the structured format for Board Members evaluation assists the members in discharging their duties effectively and efficiently.

The Board, through its Nomination Committee, undertakes a rigorous evaluation each year in order to assess how well the Board, its committees, the directors and the Chairman are performing. The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All directors complete a questionnaire regarding the Board and committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which directors assess their fellow directors' performance against set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reported the outcome of the evaluation exercise to the Nomination Committee and then to the Board for review.

Following the performance evaluation process for 2009 which was conducted in March 2010, the directors have concluded that the Board and its committees operate effectively. Additionally, the Chairman has concluded that each director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's business and their commitment to the role remains strong.

## Directors' Training

The Company complies with the requirements set out in the amendments to the Listing Requirements in that it regularly assess the training needs of its directors to ensure that they are equipped with the requisite knowledge and competencies to make effective contribution to the board's functioning. All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia. The Continuous Education Programme ("CEP") was repealed by Bursa Malaysia with effect from 1 January 2005 and Directors who were required to fulfil this programme complied with the deadline before due date. Nevertheless, Directors are encouraged to continue attending various training programmes that are relevant to the discharge of their responsibilities.

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

- Tax Summit 2009 organised by KPMG
- Executive Update for Director organised by KPMG 2009

Apart from this requirement, all new directors who are appointed from among the Group's senior executives must attend an internally-administered directors' course and pass the examination set prior to being eligible for appointment to the Board. All new directors will be given comprehensive briefing of the Group's history, operations and financial control systems in order to provide them with first-hand knowledge of the Group's operations. In the light of increasing complexities in global markets as well as within the industry, in financial reporting and in shareholders' expectations, training is an ongoing process in an effort to help Directors stay abreast of relevant new developments.

### Directors' Code of Ethics

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

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

### Fraud Risk and Whistle-Blowing

The Group is strongly committed to an environment of sound governance, sound internal controls and a culture that will safeguard shareholders' investments, stakeholders' interests and the Group's assets. The safeguarding against loss by fraud or negligence and establishing an environment which effectively minimises fraud risk is a key responsibility of management. All employees have an obligation to support the efforts.

The Group also upholds the principles of integrity, respect and accountability which includes the maintenance of a workplace that is free from fraud. This involves embedding fraud control into the organisation's decision making culture and practices.

As such, a Fraud Policy was established and approved by the Board of Directors in 2007 to reflect the Group's commitment to manage control and promote ethical and honest behaviour in the workplace. The policy is intended to provide guidance to employees on how to report and deal with fraud. It also outlines the notification process, investigation procedures and type of outcomes which are likely to be considered.

The Group also ensures the sustenance of a dynamic and robust corporate climate focused on strong ethical values. This emphasises active participation and dialogues on a structured basis involving key people at all levels, as well as ensuring accessibility to information and transparency on all executive action. The Group's annual employees' gathering; Pedoman is one of the platforms employed in allowing and encouraging employees to engage in an open dialogue with the senior management.

The Group has also long established a formal avenue for all employees to report directly to the Managing Director of any misconduct or unethical behaviour conducted by any employees of the Group through a declaration in the *Borang Perakuan Peradaban Perkhidmatan*. Further to that, Kulim has established a Grievance Policy and Procedure as well as Women OnWards (previously known as Women Grievance Panel) to ensure that throughout the Group, there is a transparent process for ensuring stakeholders' grievances and complaints are dealt with fairly, consistently and promptly. The corporate climate is also continuously nourished by value-centred programmes for team-building and active subscription to core values.

## BOARD COMMITTEE

The Group has formed several committees to facilitate the operations of the Group. Each committee has written terms of reference defining their scope, powers and responsibilities. Apart from the Board Committees, there are internal/management committees established at Kulim Corporate Office level and within the Group's significant/strategic subsidiaries which facilitate the function of Board of Kulim as well as their respective company. These internal/management committees and their primary functions are set out on page 154 of this Annual Report.

The list of committees includes:

### 1. Audit Committee

Pursuant to paragraph 15.15 of the Listing Requirements, the Audit Committee Report for the financial year which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 157 to 161 of this Annual Report.

### 2. Option Committee

The Committee was formed following the establishment of the Kulim (Malaysia) Berhad Group Employees' Share Option Scheme ("the Scheme") on 27th August 2004. The Scheme was approved by the shareholders in the EGM held on 29th June 2004.

With the expiry of the Scheme on 26th August 2009, the Option Committee was dissolved accordingly.

### 3. Nomination and Remuneration

In line with Johor Corporation's ("JCorp") Group wide corporate practice, the functions and responsibilities of Kulim's Nomination and Remuneration Committees ("NRC") are vested with JCorp Group NRC.

# CORPORATE GOVERNANCE REPORT CONTINUED

This approach in centralising NRC functions is not an uncommon practice among top global companies and leading multi national corporations. The prime consideration is the strategic advantage that the Centre provides by allowing wider access and greater reach to a much larger pool of talent, skills and expertise as well as to benchmark remunerations on a group-wide basis. Kulim is directly and substantially represented in the JCorp NRC in which seven out of eight of the NRC's current members are Kulim Directors including its Chairman, Managing Director and the Independent Non-Executive Director, Tan Sri Datuk Arshad Ayub. The JCorp NRC members are as follows:

**Kulim Directors**

1. Tan Sri Dato' Muhammad Ali Hashim - Chairman
2. Tan Sri Datuk Arshad Ayub
3. Datin Paduka Siti Sa'diah Sheikh Bakir
4. Ahamad Mohamad
5. Rozan Mohd Sa'at
6. Jamaludin Md Ali
7. Kamaruzzaman Abu Kassim

**Non-Kulim Director**

8. A.F.M Shafiqul Hafiz

In accordance with the terms of reference, the meeting of NRC was last held on 22 December 2009.

## TERMS OF REFERENCE

The terms of reference of the NRC are as follows:

### 1. Purpose

The NRC is established primarily to:

**A. Nomination**

i. identify and recommend candidates for Board directorship of Public Listed Companies ("PLC") within Johor Corporation Group;

ii. recommend directors to fill the seats on Board Committee;

iii. evaluate the effectiveness of the Board of PLCs and Board Committee (including the size and composition) and contributions of each individual director; and

iv. ensure an appropriate framework and plan for Board of PLC succession.

**B. Remuneration**

i. provide assistance to the Johor Corporation and the Board of PLCs in determining the remuneration of executive directors, senior management and Chief Executive Officer. In fulfilling these responsibilities, the Committee is to ensure that executive directors and applicable senior management of Johor Corporation and PLCs:

- are fairly rewarded for their individual contribution to overall performance;
- are compensated reasonably in light of the Company's objectives; and
- are compensated similar to other companies.

ii. establish the Managing Director/Chief Executive Officer's goals and objectives; and

iv. review the Managing Director/Chief Executive Officer's performance against the goals and objectives set.

### 2. Membership

The NRC shall consist of at least the representative of Johor Corporation and PLCs.

The appointment of a NRC member terminates when the member ceases to be a director of PLCs, or as determined by the Board of Johor Corporation.

The NRC shall have no executive powers.

In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their numbers to chair the meeting.

### 3. Meetings

The NRC shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the NRC or Chairperson. The NRC may establish procedures from time to time to govern its meeting, keeping of minutes and its administration.

The NRC shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by JCorp. The NRC may request other directors, members of management, counsels and consultants as applicable to participate in NRC meetings, as necessary, to carry out the NRC's responsibilities. Non-NRC directors and members of management in attendance may be required by the Chairperson to leave the meeting of the NRC when so requested.

The Secretary of the NRC shall be appointed by the NRC from time to time. NRC meeting agendas shall be the responsibility of the NRC Chairperson with input from the NRC members. The Chairperson may also request management to participate in this process. The agenda of each meeting including supporting information shall be circulated at least seven days before each meeting to the NRC members and all those who are required to attend the meeting.

The NRC shall cause the minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the NRC. Such minutes shall be signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting, and if so signed, shall be the conclusive evidence without any further proof of the facts thereon stated.

The NRC, through its Chairperson, shall report to the Board of PLCs at the next Board of Directors' meeting after each NRC meeting. When presenting any recommendation to the Board of PLCs, the NRC shall provide such background and supporting information as may be necessary for the Board to make an informed decision. The NRC shall provide such information to the Board as necessary to assist the Board of PLCs in making a disclosure in the Annual Report of PLCs and JCorp in accordance with the Best Practices of the Malaysian Code on Corporate Governance (Revised 2007) (The Code) Part 2 AAIX.

The Chairperson of the NRC shall be available to answer questions about the NRC's work at the Annual General Meeting of the PLCs.

## 4. Scope of Activities

The duties of the NRC shall include the following:

**A. Nomination**

i. to determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board of respective PLCs;

ii. to review annually and recommend to the Board with regards to the structure, size, balance and composition of the Board of PLCs and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;

iii. to consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board of PLCs on the candidate for directorship, the NRC shall have regard to:

- Size, composition, mix of skills, experience, competencies and other qualities of the existing Board of PLCs, level of commitment, resources and time that the recommended candidate can contribute to the existing Board; and
- Best Practices of the Code Part 2 AAIII which stipulate that non-executive directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered by the Board and that independent non-executive directors should make up at least one-third of the membership of the Board of PLCs.

iv. to propose to the Board of the PLCs the responsibilities of non-executive directors, including membership and Chairpersonship of Board Committees;

v. to evaluate and recommend the appointment of senior executive positions, including that of the Managing Director or Chief Executive and their duties and the continuation (or not) of their service;

vi. to establish and implement processes for assessing the effectiveness of the Board of PLCs as a whole, the Committees of the Board and for assessing the contribution of each director;

vii. to evaluate on an annual basis:

- the effectiveness of each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees and to provide the necessary feedback to the directors in respect of their performance;
- the effectiveness of the Committees of the Board; and
- the effectiveness of the Board of PLCs as a whole.

viii. to recommend to the Board:

- whether directors who are retiring by rotation should be put forward for re-election; and
- termination of membership of individual director in accordance with policy, for cause of other appropriate reasons.

ix. to establish appropriate plans for succession at Board level, and if appropriate, at senior management level;

x. to provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Company; and

xi. to consider other matters as referred to the NRC by the Board.

# CORPORATE GOVERNANCE REPORT CONTINUED

## B. Remuneration

i. to establish and recommend the remuneration structure and policy for directors and key executives, if applicable, and to review for changes to the policy as necessary;

ii. to ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration setting forming a significant proportion of the total remuneration package of executive directors;

iii. to review and recommend the entire individual remuneration packages for each of the executive director and, as appropriate, other senior executives, including: the terms of employment or contract of employment/service; any benefit, pension or incentive scheme entitlement; any other bonuses, fees and expenses; and any compensation payable on the termination of the service contract;

iv. to review with the Managing Director/Chief Executive Officer, his/her goals and objectives and to assess his/her performance against these objectives as well as contribution to the corporate strategy;

v. to review the performance standards for key executives to be used in implementing the Group's compensation programs where appropriate;

vi. to consider and approve compensation commitments/severance payments for executive directors and key executives, where appropriate, in the event of early termination of the employment/service contract; and

vii. to consider other matters as referred to the NRC by the Board.

## SHAREHOLDERS

### Communication and Investor Relations

In line with the Group's commitment to observe the highest level of accountability and transparency to its stakeholders, the Group continually ensures that it maintains a high level of disclosure and communication with its shareholders and stakeholders through various practicable and legitimate channels. The Group is duty-bound to keep the shareholders and investors informed of any major developments and changes affecting the Group.

Communications are primarily effected through announcements via Bursa Malaysia Link, meetings, briefings, press releases and conference calls. In addition, the Group has established its official website at www.kulim.com.my which investors and shareholders can access for information. The website had been redesigned and enhanced further in 2008 and will be continuously improved to include more relevant information to investors and to better facilitate its navigation.

Meetings and briefings are held regularly with shareholders, investors, research analysts, bankers and the press to explain and expand on Group's latest performance results, current developments and future directions. During meetings, participants are encouraged to pose any question to the Board members or the senior management team of the Group to seek any clarification or explanation on any issues raised. Whilst these forms of communications are important, the Group takes full cognisance of its responsibilities to not disclose any price-sensitive information.

| Investor Relations Activities 2009 | No of times |
|---|---|
| IR meetings | 15 |
| Conference calls | 6 |
| Company visits | 2 |
| Foreign roadshows | 1 |

Senior Management Personnel in Investor Relations activities are:

- Ahamad Mohamad, Managing Director
- Wong Seng Lee, Managing Director, Natural Oleochemicals Sdn Bhd
- Zulkifli Ibrahim, Chief Operating Officer, Kulim (Malaysia) Berhad
- Sheik Sharufuddin Sheik Mohd, Chief Financial Controller, Kulim (Malaysia) Berhad
- Abdul Rahman Sulaiman, Chief Operating Officer, Natural Oleochemicals Sdn Bhd
- Abdul Shukor Abdullah, Acting Senior Manager – Corporate Affairs, Kulim (Malaysia) Berhad

Other than that, the Board believes that the Company's Annual Report also serves as an important communication tool to the shareholders, investors and all stakeholders in general. As such, each year, the Company strives to produce a value-added and transparent reporting to its readers.

### Annual General Meeting

The Annual General Meeting ("AGM") is a vital platform for dialogue and interaction with the shareholders of the Company. The shareholders are given the opportunity to vote on the regular businesses of the meeting by show of hands. Each item of special business included in the notice of the meeting will be accompanied by detailed explanations. Separate resolutions are proposed for substantially different issues at the meeting and the Chairman declares the number of proxy votes received both for and against each resolutions. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

Besides the usual agenda, the Board also presents the progress and performance of the Group at each AGM. Shareholders, including the minority shareholders, are encouraged to participate and raise questions during the question and answer session with the Directors. All Board members, senior management and the external auditors are present to respond to questions from the shareholders during AGM. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

Other than the Board Chairman and the Managing Director, the shareholders or any stakeholders may convey any concerns that they may have to Tan Sri Datuk Arshad Ayub, an Independent Non-Executive Director and Chairman of the Audit Committee.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

In presenting the annual financial statement and quarterly announcements to shareholders, the Directors aim to present a balanced and candid assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. Timely release of announcements reflects the Board's commitment to provide up-to-date and transparent information on the Group's performance.

In the preparation of the financial statements, the Directors will consider compliance with all applicable Financial Reporting Standards, provisions of the Companies Act 1965 and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate. The Board is assisted by the Audit Committee who reviews both annual financial statements and the quarterly announcements to ensure reports reflect a true and fair view of the state of affairs of the Group and Company.

### Statement of Directors' Responsibility in Preparing Audited Financial Statements

The Directors are required by Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- ensured that all applicable Financial Reporting Standards in Malaysia have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and Company have resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

### Related Party Transactions

All related party transactions entered into by the Group were made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with other persons or charged on the basis of equitable rates agreed between the parties. All related party transactions are reviewed by the internal auditors and a report on the reviews conducted is submitted to the Audit Committee for their monitoring.

Details of the transactions entered into by the Group during the financial year ending 31st December 2009 are set out on pages 261 to 265 of this Annual Report.

### Internal Control Statement

The Group's Internal Control Statement is set out on pages 152 to 156.

### Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of all quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures. The Committee meets with the External Auditors without the presence of the Executive Board and Senior Management at least once a year. During the year, two meetings have been conducted without the presence of the management. Representatives from the External Auditors are also invited to attend every Annual General Meeting.

The role of the Audit Committee in relation to the External Auditors is described on page 159.

This Statement is made in accordance with the Board of Directors' Circular Resolution dated 2nd April 2010.

# INTERNAL CONTROL STATEMENT

## INTRODUCTION

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE REQUIRES LISTED COMPANIES TO MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROL TO SAFEGUARD SHAREHOLDERS' INVESTMENT AND THE GROUP'S ASSETS. PARA 15.26(b) OF BURSA SECURITIES LISTING REQUIREMENTS REQUIRES DIRECTORS OF LISTED COMPANIES TO INCLUDE A STATEMENT IN THEIR ANNUAL REPORTS ON THE STATE OF THEIR INTERNAL CONTROL. SET OUT BELOW IS THE BOARD'S INTERNAL CONTROL STATEMENT, WHICH HAS BEEN PREPARED IN ACCORDANCE WITH THE STATEMENT ON INTERNAL CONTROL: GUIDANCE FOR DIRECTORS OF PUBLIC LISTED COMPANIES ("THE GUIDANCE").

The Board wishes to highlight that the Group subsidiaries, which are listed on Bursa Securities, namely QSR Brands Berhad, KFC Holdings (Malaysia) Berhad and Sindora Berhad are also subject to similar disclosure requirements as the Group in preparing this statement. Hence, a more detailed disclosure of the state of internal controls of these subsidiaries is available for references vide their respective Internal Control Statements included in their Annual Reports. Towards fulfilling the Group's oversight and monitoring responsibility to ensure the said subsidiaries fully comply with the relevant requirements and legislations with regard to internal controls implementation and disclosure, the Group has adequate representation in the Board of these listed subsidiaries through several common directors and senior management members.

## BOARD'S RESPONSIBILITIES

The Board of Directors recognises the importance of sound internal control and risk management practices to good corporate governance with the objective of safeguarding the shareholders' investment and the Company's assets. The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity of those systems including financial and operational controls, compliance with relevant laws and regulations and risk management.

The Group has in place an ongoing process for managing the significant risks affecting the achievement of its business objectives throughout the period, of which includes identifying, evaluating, responding to and monitoring these risks. This process is regularly reviewed by the Board, which dedicates separate time for discussion of this subject. The Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives. It must be recognised that it can only provide reasonable and not absolute assurance against misstatement or loss. In addition, the management needs to consider the expected cost and benefits to be derived from the implementation of the internal control system.

## CONTROL FRAMEWORK AND ENVIRONMENT

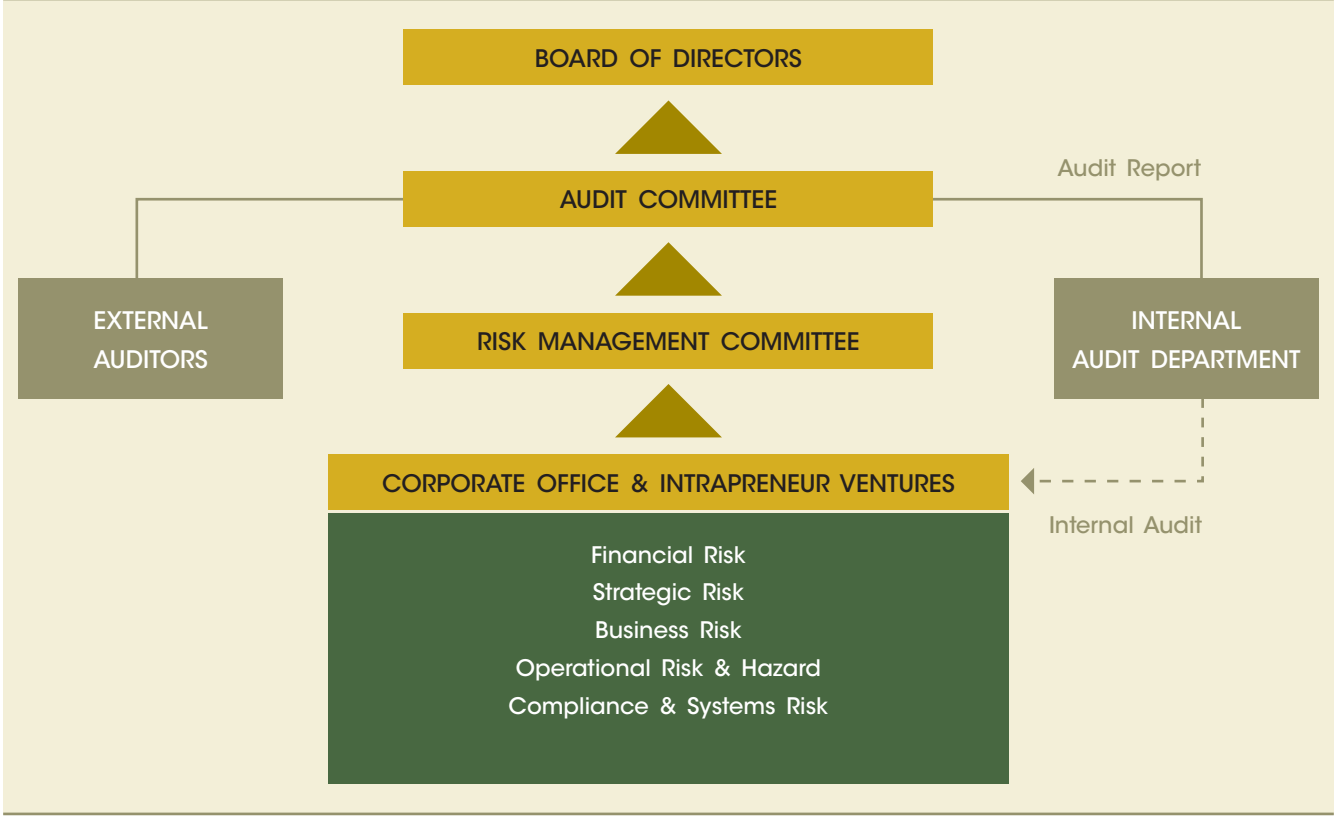
Key to the Group's Internal Control and Risk Management framework is its Control Self-Assessment ("CSA") process. The process is a recognised and flexible management tool for acquiring information about business process risks, while empowering the risk owners to undertake responsibility and mitigate those risks. Each business unit is required to document the management and mitigating action plan for each significant risk. Risk assessment and evaluation form an integral part of the annual strategic cycle. The Board, as part of the annual strategic review, considers and approves the Group's risk structure.

### Risk Management

Having regard to the fact that managing risk is an inherent part of the Group's activities, risk management and the ongoing improvement in corresponding control structures remain a key focus of management in building a successful and sustainable business. For this endeavour, the Group has established a Risk Management Committee in December 2003. The Committee is headed by the Chief Risk Officer who is also the Chief Operating Officer of the Group; and represented by senior management members from all functions of the Group. The Committee met three (3) times in 2009.

Apart from complying with the governance requirement, this Committee, which is of cross-functional in nature, was formed to assist the Board of Directors in establishing and maintaining effective policies and guidelines to ensure proper management of risks of which the Group is exposed and to take appropriate and timely action to manage such risks.

In Kulim, the structure of the Group promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. This creates a strong culture of ownership and accountability. The risk management structure implemented in Kulim Group is as follows:




Group risks are being managed on an integrated basis and its evaluation is incorporated into the Group decision-making process such as the strategic planning and project feasibility studies. The management of risks of the Group is facilitated by the use of a risk management software.

A risk management report is to be tabled for Audit Committee and Board discussion once every six months. The report identified principal risk affecting or likely to affect the Group and ensured the implementation of appropriate and adequate systems to manage the risk. Notwithstanding the bi-yearly reporting requirement, the Audit Committee and Board will be promptly updated with special risk reports pertaining to any significant ad-hoc risk issues that may arise from time to time during the year.

During its meetings, all risks facing each operation and department are discussed in details within the context of the business objectives and strategy. Status of corrective actions is tabled for members comment. Various ideas and suggestion were tabled for improvement of certain areas of concern.

A separate risk management function also exists within the Group's significant listed subsidiaries with the establishment of Risk Management Committee within the respective companies to assess and evaluate the risk management process of the respective companies on a periodic basis.

In essence, managing risks are treated as an iterative process. The benefits arisen from the setting up of this committee creates awareness among employees of different departments to take cognisance of risk on Group-wide basis. This enhances the Risk Ownership factor across the Group significantly.

# INTERNAL CONTROL STATEMENT CONTINUED

## KEY INTERNAL CONTROL PROCESSES

The key elements of the Group's system of internal control are stated as below:

### Internal Committees

There are internal committees established by EPA Management Sdn Bhd, the managing agent and also a wholly-owned subsidiary of Kulim (Malaysia) Berhad, which facilitate the operations and thus the management of risks of the Group, particularly for plantation operations in Malaysia. These committees were established with formal terms of references clearly outlining their functions and duties and appropriately empowered to ensure effective management and supervision of the business operations. The committees include:

| NAME OF COMMITTEE | PRIMARY FUNCTION |
|---|---|
| Management Committee | To review and evaluate the performance progress including the key policy and strategy implementations of the various divisions, subsidiaries and operating units of the Group. Where authorised, to formulate and approve matters relating to Group policy, objectives and business strategy and projects, which otherwise to evaluate and recommend for Board's approval. |
| Risk Management Committee | To conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure the Group risk management effectiveness. Further details on the Committee are set out in 3.4. |
| Palm Oil Marketing Committee | To review and decide on the appropriate selling arrangement, quantity and prices of the Group palm products. |
| Executive Committee ("EXCO") | To coordinate departmental roles and administrative matters in relation to the various divisional operations and thus to review, recommend and seek approval of the management on any related proposals. |
| Tender Management Committee | To recommend to the Management Committee the awarding of contracts for purchases and projects to suppliers/ contractors in accordance to the Contract Administration Guidelines & Procedures of the Company. |
| Regional Controllers (previously known as Regional Coordinators) Committee | To ensure that estates and mills owned and managed by the Group are managed and coordinated in accordance with Group's requirements and at the best possible standards. |
| Sustainability & Quality Council | To oversee and monitor the development, implementation, maintenance, compliance and effectiveness of all matters relevant to sustainability and quality movement of the Group as well as ensuring the compliance with the Roundtable of Sustainable Palm Oil ("RSPO") principles and criteria. |
| Board of Survey | To review all requests pertaining to write-off/back of fixed assets, debtors, stocks and creditors and recommend them for the ratification of the Management Committee. |
| AF Committee* | To review all request pertaining to capital and revenue spending and to recommend them for the ratification of the Management Committee. |

* Application Form 31 (Capital) and Form 32 (Revenue)

In addition, there are also internal committees set up at respective significant subsidiaries' level to assist the respective company's Board of Directors in discharging their duties.

### Organisational Structure

The Board has established a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It has put in place suitably qualified and experienced management personnel to head the Group's diverse operating units into delivering results and their performance are measured against the Key Performance Indicators that are approved by the Board.

### Internal Audit

The Board recognises that the internal audit function is an integral component of the governance process. The Internal Audit Department of EPA Management Sdn Bhd being the Managing Agent operates within the Audit Charter approved by the Audit Committee and performs internal audit in diverse areas and environment in the review of any management, accounting, financial and operational activities including internal control within the organisation.

The Group's Internal Audit has maintained a quality assurance and improvement programme and continuously monitor its overall effectiveness. The assessment of the programme conducted via a self-assessment with independent validation by a qualified, independent external reviewer demonstrates that the internal audit activities are in conformance with the International Standards for the Professional Practice of Internal Auditing.

The Group's listed subsidiaries in Malaysia also have separate Internal Audit functions within their organisations which carry out the approved audit plan, risk evaluations, and review the adequacy and effectiveness of the internal control system. Similarly, the Internal Audits report directly to the Audit Committee of these companies.

### External Auditors

The External Auditors issue Management Letter highlighting issues and weaknesses, which came to their attention during the conduct of their normal audit procedures. The Group's Internal Audits subsequently perform follow-up reviews to determine the extent to which the recommendations have been implemented.

The External Auditors are appointed by the Board to review this Statement on Internal Control and to report thereon.

This Statement on Internal Control has been reviewed by the external auditors for the inclusion in the annual report of Kulim (Malaysia) Berhad for the year ended 31 December 2009. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

## OTHER ELEMENTS OF INTERNAL CONTROL

Apart from the committees and parties mentioned in the Corporate Governance Statement, the Audit Committee Report and mentioned above, the other elements of the Group's Internal Controls are as follows:

### Financial Authority Limit

The Financial Authority Limit defines revenue and capital expenditure spending limits for each level of management within the Group. These limits cover authority for cheques signatories, major capital and revenue expenditure spending limits, works contract procedures and approvals and mechanism for budget approvals.

### Budget Approval

Budgets are an important control mechanism used by the Group to ensure an efficient allocation of Group resources and that the operational managers are sufficiently guided in making business decisions. Budgets are generated annually at each subsidiary and operating unit.

For the plantation units, budgets will be reviewed by the Regional Controllers followed by their presentation to a Budget Committee for further review. Significant subsidiaries will have their budgets reviewed by their own budget committee. All budgets will then be presented to the Management Committee Meeting for approval. Finally the budgets will be presented to the Board of Directors for final review and approval.

### Procurement

A centralised and coordinated procurement functions is established at each of the Group's key business divisions which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures. Major contract and supply works of both capital and revenue natures in amount exceeding the threshold defined in the relevant contract procedure are required to be tendered out.

For significant capital and revenue expenditures exceeding a certain value are subject to tender procedures. Eligible bidders for contract works will have to attend a contract interview with the Contract Interview Committee that is made up of representatives of several departments at the divisional head-quarter including the acquiring unit's Manager. The Contract Interview Committee will then forward the recommendations to the Tender Management Committee for further review and approval. Members of the Tender Management Committee may vary according to the level and nature of works and value of works contracted out.

### Plantations Operational Control

Through Regional Controllers Committee Meetings, which are held once every two months, the progress of Group's estates and mills are monitored. During the meetings, reports and matters including monthly management reports, agronomists' reports, planting advisors' reports, internal audit reports and manpower requirement assessment are tabled for discussion. Any major issues will be highlighted for corrective actions to be taken.

The executives from the management office visit the Groups' estates/mills regularly. Discussion is also frequently done via phone, fax and e-mail. Regional Controllers, planting advisors and agronomists separately visit the operating units. A detailed report on the state of affairs of the units is produced after each visit. Security teams visit the operating units on unscheduled basis to review the integrity of the security system. The visits also cover physical security on inventories, post harvest crops and finished products security up to point of delivery.

### Operating and Procedural Manuals

The Group has reference manuals covering agricultural practices, purchasing and contract procedures, financial operating system and financial policies and procedures. It is to assist and guide employees on purchasing and contract awards, preparing of financial statements, observing the various internal control policies and procedures, as well as maintaining good management practices to ensure cost efficiencies, integrity of financial records and to safeguard the Group's assets. The Board believes that all the control measures will significantly enhance the internal control of the Group.

# INTERNAL CONTROL STATEMENT CONTINUED

## Forward Sales Policy

The Group has in place a forward sales policy for its palm oil and biodiesel products which has been approved by the Board. For Malaysian palm oil products, the Group adopts the maximum of 6-month forward policy and the maximum of 90% of the Group's own fruits, whereas Malaysian biodiesel products are allowed to be sold forward up to the maximum of 12 months ahead.

## Regulatory Compliance

The Group adheres strictly to health, safety and environmental regulations and is subject to regular inspections by the relevant government authorities.

For the Group's Plantations division in Malaysia, Sustainability Department at its management agent level is responsible to ensure the plantation operations are conducted within the applicable laws, regulations and quality standards.

## Fraud Policy

This policy was established to facilitate the development of controls which will aid in the detection and prevention of fraud against Kulim. The policy details responsibility, reporting and disclosure of fraud occurrences, and investigations relating to fraud. The policy applies to any fraud, or suspected fraud, involving employees as well as vendors, customers and partners who have business relationship with the Group. The Group has also established a Grievance Policy and Procedure as well as Women Onwards (previously known as Women Grievance Panel) so as to allow an employee or employees to bring to the attention of management of Kulim any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The management will attempt to resolve the grievance in a manner, which is acceptable to the employee(s) concerned and the Group.

## Code of Ethics

This code of ethics defines the standards of conduct that are expected of employees to help them make the right decision in the course of performing their jobs. All employees are required to adhere to the Group's code of ethics and to submit the "*Borang Perakuan Peradaban Perkhidmatan*" annually. Employees are also encouraged to engage in an open dialogue with the senior management through the Group's annual employees' gathering; *Pedoman*.

## Maintaining Compliance to the Roundtable on Sustainable Palm Oil ("RSPO") Certification Requirement

Sustainability is a core value to the Group. Kulim has established its sustainability credentials by attaining RSPO certification. Safeguarding this reputation is critical to the organisation and the Group has put in place the control measures in the form of appropriate policies, monitoring systems and procedures so as to minimise, if not prevent the risks of non-compliance to the certification stringent requirements. Among the key measures are:

- Sites follow-up visits and inspections are conducted on periodic basis to review the status of compliance, weaknesses and gaps in the implementations of various programs, of which is also in line with the requirement of Principle 8 of RSPO on Continuous Improvement.
- KPIs" affecting key aspects of the certification requirements are developed to complement the economic indicators, which are being subjected to regular monitoring as to their achievement progress.
- RSPO trainings and briefings are conducted regularly to ensure changes and updates on the RSPO requirement are communicated to all affected employees.
- Operating in accordance to the requirement of laws and regulation in the areas of safety and health, Kulim regularly collaborates with suppliers and contractors towards ensuring both parties' responsibilities in complying to the relevant legislations as well as engages third party OSH auditing expertise to conduct independent verification as to the Group's status of compliances.
- Proper documentations and reference systems are established such as the Kulim Sustainability Handbook that sets out all the relevant policies to guide employees. All systems' documentations are monitored and controlled through the Document Annual Review and all changes affecting the documents are traced through the Document Change Note System.
- On the Social aspects, internal social impact assessments, guided by the SA8000 Standard are conducted in all Operating Units and affecting various levels of stakeholders to identify shortcomings, of which are monitored through the Social Register.

## CONCLUSION

The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. In the year under review, there is no significant control failure or weakness that would result in any material losses, contingencies or uncertainties that would require separate disclosure in the Annual Report. The Board will ensure that the review of the internal control system of the Group be carried out continuously to ensure ongoing adequacy and effectiveness of the system of internal controls and risk management practices to meet the changing and challenging operating environment.

The Board is therefore pleased to disclose that the state of internal controls of the Group is adequate, appropriate and effective and in line with the Malaysian Code of Corporate Governance and the Statement of Internal Control – Guidance.

# AUDIT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009, THE AUDIT COMMITTEE COMPRISED OF THREE DIRECTORS, ALL OF WHOM ARE ALSO MEMBERS OF THE BOARD OF KULIM (MALAYSIA) BERHAD.

The composition of the Audit Committee was as follows:

**TAN SRI DATUK ARSHAD AYUB**
Chairman / Independent Non-Executive Director

**KUA HWEE SIM**
Member / Independent Non-Executive Director

**DR. RADZUAN A. RAHMAN**
Member / Independent Non-Executive Director

The attendance record of the members of the Audit Committee during the financial year 2009 was as follows:

| | Date of Meetings | | | |
|---|---|---|---|---|
| **Audit Committee Members** | **18.2.2009** | **19.5.2009** | **26.8.2009** | **20.11.2009** |
| Tan Sri Datuk Arshad Ayub | ✔ | ✔ | ✔ | ✔ |
| Kua Hwee Sim | ✔ | ✔ | ✔ | ✔ |
| Dr. Radzuan A. Rahman | ✘ | ✔ | ✔ | ✔ |

# AUDIT COMMITTEE REPORT CONTINUED

## TERMS OF REFERENCE

### Primary Purpose

The primary purposes of the Audit Committee are:

1. to ensure openness, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;

2. to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

3. to improve the Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in the Group's reported results;

4. to maintain a direct line of communication between the Board and the External and Internal Auditors;

5. to enhance the independence of the external and internal audit functions; and

6. to create a climate of discipline and control, which will reduce the opportunity for fraud.

### Membership

1. The members of the Committee shall be appointed by the Board of Directors of Kulim and shall consist of not less than three members, all of whom must be non-executive directors, with a majority of them being independent directors. If membership for any reason falls below three members, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to fulfil the minimum requirement

2. No alternate directors shall be appointed to the Committee

3. At least one member of the Audit Committee:

    - must be a member of the Malaysian Institute of Accountants (MIA); or

    - if he is not a member of MIA, he must have at least three years of working experience and;

    - he must have passed the examinations specified in Part I of the 1st Schedule in the Accountants Act, 1967; or

    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule in the Accountants Act, 1967; or

    - fulfils such other requirement as prescribed or approved by the Exchange

4. The Committee Members shall collectively have:

    - knowledge of the industries in which the Group operates;

    - the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement of cash flow and key performance indicators; and

    - the ability to understand key business and financial risks and related controls and control processes.

### Authority

The Committee for the performance of its duties shall in accordance to the same procedures adopted by the Board and at the cost of the Group:

1. have the authority to investigate any activity within its Terms of Reference;

2. have the resources which are required to perform its duties;

3. have full and unrestricted access to any employee and information pertaining to the Group. All documents of the Group shall be made accessible to the Committee;

4. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity for the Group;

5. have the authority to direct the Internal Audit Department (both corporate, subsidiaries, associates, joint ventures, where applicable) in its activities, including approval of appointments of senior executives and budget in these functions; and

6. be able to engage independent professional advisors or other advisors and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

### Functions and Duties

The Committee shall carry out the following responsibilities:

### Financial Statements

1. Review and recommend acceptance or otherwise of major accounting policies, principles and practices.

2. Review the Group's quarterly results and annual financial statements of the Company and the Group before submission to the Board. The review should focus primarily on:

    (a) any changes in or implementation of major accounting policy changes
    (b) major judgmental areas, significant and unusual events
    (c) significant adjustments resulting from audit
    (d) the going concern assumptions

(e) compliance with accounting standards
(f) compliance with stock exchange and legal requirements

3. Review with management and the external auditors, the results of the audit, including any difficulties encountered.

4. Review, with the Group's Counsel, any legal matter that could have a significant impact on the organisation's financial statements.

## Internal Control

1. Assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations, particularly those relating to areas of significant risks. To evaluate the process the Group has in place for assessing and continuously improving internal controls.

2. Assess the internal processes for determining and managing key risks other than those that are dealt with by other specific Board committees.

3. Review the scope of Internal and External Auditors' review of internal control over the Group.

4. Review Internal Audit reports (including those of the Group) and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions. Where actions are not taken within in adequate time frame by management, the Committee will report to the Board for its decision.

5. Review External Auditors and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions.

## Internal Audit

1. Approve the Corporate Audit Charter and charters of the Internal Audit functions in the Group and ensure that the Internal Audit functions are adequately resourced and have appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit functions.

2. Review the adequacy of the Internal Audit plans and the scope of audits and that the Internal Audit Department has the necessary authority, competency and resources to carry out its work.

3. Approve the appointment of Head of Internal Audit.

4. Review appraisals or assessments of members of the Internal Audit functions.

5. Inform itself of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

6. Direct any special investigations to be carried out by the Internal Audit.

## External Audit

1. Review External Audit plans and scope of work before the audit commences.

2. Discuss problems and reservations arising out of external audits, including assistance given by the employees and any matters the auditors may wish to discuss, in the absence of Management or Executive Directors where necessary.

3. Nominate the External Auditors together with such other functions as may be agreed to by the Committee and the Board, and recommend for approval of the Board the external audit fees, and consider any questions of resignation or dismissal, experience, resources and capability.

## Compliance

1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigation and follow-up of any instances of non-compliance.

2. Review the findings of any examinations by regulatory authorities.

3. Obtain regular updates from the management and Group's legal counsel regarding compliance matters.

4. Review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the management integrity.

5. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach to the Bursa Malaysia Listing Requirements, the Committee must promptly report such matters to the Bursa Malaysia.

## Other Responsibilities

1. Review and reassess, with the assistance of the management, the External Auditors and legal counsel, the adequacy of the Terms of Reference of the Committee at least annually.

2. Confirm annually that all responsibilities outlined in the Terms of Reference have been carried out.

3. Perform other duties as directed by the Board.

# AUDIT COMMITTEE REPORT CONTINUED

## Meetings

1. Meetings of the Committee shall be held not less than four times during the financial year of the Company.

2. Upon the request of any member of the Committee, the Head of Internal Audit or the External Auditor, the Chairman of the Committee shall convene a special meeting of the Committee to consider any matter brought up by them.

3. The quorum for the meeting of the Committee shall be two members and the majority of the members present shall be independent directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

4. The meetings of the Committee shall be governed by the provisions contained in the Memorandum and Articles of Association of the Company for regulating the meetings and proceedings of Directors unless otherwise provided in this Terms of Reference.

5. The Non-Executive Directors of the Board who are not members of the Committee may also attend the meeting of the Committee, but they shall not have any voting rights.

6. The meetings of the Committee shall normally be attended by the Head of Internal Audit and the Management of the Company shall be represented by the Managing Director and the Head of Finance, or their nominated person(s), at the invitation of the Committee and shall excuse themselves from the meeting when so directed by the Committee.

7. The Committee may request other directors, members of management, counsels, internal auditors (including subsidiaries) and external auditors, applicable to participate in the Committee meetings, as necessary and when so invited, to carry out the Committee's responsibilities.

8. The Committee shall meet the External Auditors, the internal auditors or both, excluding the attendance of other directors and employees, whenever deemed necessary.

9. A Committee member shall excuse himself/herself from the meeting during discussions or deliberation of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this cause insufficient directors to make up a quorum, the Committee has the right to appoint another director(s) which meets the membership criteria.

10. The Secretary of the Committee shall be the Company Secretary or his/her appointed nominee with the appropriate qualifications and experience.

11. The agenda for the Committee meeting shall be the responsibility of the Committee Chairman with input from the Committee members. The Chairman may also ask the management and others to participate in this process.

12. The notice and agenda of each meeting shall be circulated at least 7 working days before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee, from the management, internal auditors and external auditors shall be received together with the agenda for the meetings.

13. Reports of the Committee meeting shall be tabled at the meeting of the Board Directors of the Company.

14. The Committee, through its Chairman, shall report to the Board after each meeting.

15. The Chairman of the Committee shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

## Summary of Activities

During the period, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference:

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

1. review and approval of the annual internal audit plan for the year 2009/2010;

2. review of the External Auditors audit findings, the audit report and recommendations in respect of control weaknesses noted in the course of their audit;

3. review of the audited financial statements for year ended 31 December 2009 before recommending the same to the Board of Directors for approval;

4. review of the Company's compliance, in particular the quarterly and year end financial statements with the listing requirements of Bursa Malaysia and the applicable approved accounting standard issued by the Malaysian Accounting Standard Board;

5. review of the quarterly unaudited financial results announcements before recommending them for the Board of Directors' approval.;

6. review of the Internal Audit activities related to management and operations, capacity, internal audit framework and of the analytical process and reporting procedures.;

7. review of the audit reports presented by the Internal Auditors and management's responses thereto and reviewing management's assurance that significant findings are adequately addressed;

8. review of related party transactions entered into by the Group;

9. review of the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement on Internal Control pursuant to the Bursa Malaysia Listing Requirements; and

10. review of the risk management development presented by Chief Risk Officer.

## Internal Audit Function

The Group's Internal Audit function is carried out by the Internal Audit Departments ("IAD") established separately at the Group Corporate Office and its listed subsidiaries in Malaysia, QSR Brands Berhad, KFC Holdings (Malaysia) Berhad and Sindora Berhad. The IAD reports directly to the Audit Committee and is guided by its Internal Audit Charter. The IAD assists the Board in fulfilling its fiduciary responsibilities over the areas of financial, operational, information systems, investigations, risk management and governance process in accordance with the approved Risk Based Annual Audit Plan.

The IAD provides the Audit Committee with independent and objective reports on the state of internal control, highlighting any areas for improvement and updates on the extent to which the recommendations have been implemented. The audit reports are presented to their respective Audit Committee for further deliberations. Their management is responsible for ensuring that corrective actions on reported weaknesses as recommended are taken within the required time frame to ensure that all potential weaknesses in system and risks under reviewed area are mitigated or remain within manageable levels.

Aside from normal assurance and consulting services, other IAD activities carried during the year are summarised as below:

1. performed annual internal self-assessment on conformance with the International Standards for the Professional Practice of Internal Auditing through Quality Assurance Review Programme ("QAR") by qualified auditor;

2. conducted roadshows/workshops with the estates/mill management deliberating on audit related matters;

3. worked together with the external consultants through co-sourcing arrangement in:

   - reviewing and assessing the estates and mills checkroll system; and

   - reviewing the IT Governance and Management Information System Department ("MISD").

4. worked together with the estates and mills in specific risk and control review through Control Self Assessment ("CSA") programmes; and

5. participated in Corporate Responsibility ("CR") programmes organised by management.

The cost incurred during the financial year ended 31st December 2009 for the internal audit function at the Group Corporate Office level was approximately RM1,156,500 including cost of co-sourcing activities approximately RM146,800.

# ADDITIONAL COMPLIANCE INFORMATION

THE FOLLOWING INFORMATION IS PROVIDED IN COMPLIANCE WITH THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2009:

## UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was no corporate proposal, specifically intended to raise funds undertaken during the financial period ended 31st December 2009, which has resulted in the receipt of proceeds for utilisation.

## SHARE BUY-BACKS

The Company had, on 20th June 2005, obtained the shareholders' approval to purchase its own shares up to 10% of its issued and paid up share capital.

During the financial year, the Company had not exercised any share buy-back in relation to the mandate that was given by the shareholders at the 34th AGM held on 26th May 2009.

As at 31st December 2009, a total of 6,321,100 ordinary shares were held as treasury shares.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

On 27th August 2004, the Company had granted a total of 11,171,000 options under its first Employees' Share Option Scheme ("ESOS") to its eligible employees. The Managing Director was granted an option for 50,000 shares exercisable at 10,000 shares per year over 5 years. The other Executive Director, Wong Seng Lee, was granted an option for 45,000 shares exercisable at 9,000 shares per year over 5 years.

The Directors have obtained a relief under Section 169A(1) Companies Act 1965 exempting the Company from including a list of the share options granted and exercised during the financial year in the Annual Report. This exemption is subject to a yearly renewal. All information regarding the allocation and exercise of the said share options by the Directors are registered in the Company's Register of Options.

During the financial year prior to the expiry of the Company's ESOS on 26th August 2009, a total of 1,039,750 options were exercised, which have accumulated to date to 10,256,400 options.

In 2009, a total of 9,177,237 warrants were converted into new ordinary shares for the 2004/2009 warrants exercise prior to the expiry of subscription rights on 30th June 2009.

The Company has not issued any convertible securities in respect of the financial period ended 31st December 2009.

## AMERICAN DEPOSITORY RECEIPT ("ADR") AND GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial period ended 31st December 2009.

## SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year.

## NON-AUDIT FEES

During the financial period under review, non-audit fees paid to the external auditors of the Group amounted to RM809,000 (please refer to page 244 of the audited financial statements).

## VARIATION IN RESULTS

There is no material variance between the results for the financial period and the unaudited results previously announced by the Group.

## PROFIT GUARANTEE

The Company did not issue any profit forecast or profit guarantee for the financial period ended 31st December 2009.

## MATERIAL CONTRACTS

Other than those disclosed in the financial statements from page 261 to page 265, there was no material contract including contracts relating to any loans entered into by the Group and its subsidiaries involving Directors and major shareholders' interest.

## REVALUATION POLICY

The Group has not adopted a regular revaluation policy on landed properties as disclosed in the financial statements from page 188 to page 189.

## RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the AGM held on 26th May 2009, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue and/or trading nature from the even date up to the next forthcoming AGM.

The list of significant recurrent related party transactions entered into by the Group is described on pages 163 to 164 of the Annual Report.

# ADDITIONAL DISCLOSURE
## PURSUANT TO THE LISTING REQUIREMENTS

### RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE AND/OR TRADING NATURE

THE AGGREGATE VALUE OF THE RRPT OF REVENUE AND/OR TRADING NATURE CONDUCTED PURSUANT TO THE SHAREHOLDERS' MANDATE DURING THE FINANCIAL YEAR UNDER REVIEW BETWEEN THE COMPANY AND/OR ITS SUBSIDIARY COMPANIES WITH RELATED PARTIES ARE SET OUT BELOW:

| | Related Parties Involved with the Company and/ or Subsidiary Companies | Interested Director and/or Major Shareholder | Nature of Relationship with Kulim Group | Type of Transaction | Aggregate Value of Transaction (RM) |
|---|---|---|---|---|---|
| 1. | Johor Corporation ("JCorp") | Tan Sri Dato' Muhammad Ali Hashim Ahamad Mohamad<br>Datin Paduka Siti Sa'diah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali | Kulim is a 52.03% owned subsidiary of JCorp | Sale of Fresh Fruit Bunch ("FFB") | 30,216,000 |
| | | | | Rental Expenses | 700,000 |
| | | | | Management fees and services receivable | 958,000 |
| | | | | Purchasing and sales commission | 2,884,000 |
| | | | | Sales of PPE and parts | 1,555,000 |
| 2. | Johor Foods Sdn Bhd ("JFSB") | Tan Sri Dato' Muhammad Ali Hashim Ahamad Mohamad<br>Datin Paduka Siti Sa'diah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali<br>JCorp | JFSB is a wholly-owned subsidiary of JCorp | Sale of FFB | 24,593,000 |
| | | | | Management fees and services receivable | 775,000 |
| | | | | Purchasing and sales commission | 1,444,000 |
| | | | | Sales of PPE and parts | 417,000 |
| 3. | Kumpulan Penambang (Johor) Sdn Bhd ("KPJSB") | Tan Sri Dato' Muhammad Ali Hashim Ahamad Mohamad<br>Datin Paduka Siti Sa'diah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali<br>JCorp | KPJSB is a wholly-owned subsidiary of JCorp | Management fees and services receivable | 304,000 |
| | | | | Purchasing and sales commission | 387,000 |
| | | | | Sales of PPE and parts | 698,000 |
| | | | | Sales of oil palm seedlings | 1,236,000 |

## ADDITIONAL DISCLOSURE CONTINUED

| | Related Parties Involved with the Company and/ or Subsidiary Companies | Interested Director and/or Major Shareholder | Nature of Relationship with Kulim Group | Type of Transaction | Aggregate Value of Transaction (RM) |
|---|---|---|---|---|---|
| 4. | Johor Franchise Development Sdn Bhd ("JFDSB") | Tan Sri Dato' Muhammad Ali Hashim<br>Ahamad Mohamad<br>Datin Paduka Siti Sa'adiah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali<br><br>JCorp | JFDSB is a wholly-owned subsidiary of JCorp | Management fees and services receivable<br><br>Purchasing and sales commission<br><br>Sales of PPE and parts | 381,000<br><br>584,000<br><br>462,000 |
| 5. | Damansara Assets Sdn Bhd ("DASB") | Tan Sri Dato' Muhammad Ali Hashim<br>Ahamad Mohamad<br>Datin Paduka Siti Sa'adiah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali<br><br>JCorp | DASB is a wholly-owned subsidiary of JCorp. | Rental commission payable<br><br>Management fees and services payable | 667,000<br><br>11,000 |
| 6. | Johor Land Berhad ("JLand") | Tan Sri Dato' Muhammad Ali Hashim<br>Tan Sri Datuk Arshad Ayub<br>Ahamad Mohamad<br>Datin Paduka Siti Sa'adiah Sheikh Bakir<br>Rozan Mohd Sa'at<br>Kamaruzzaman Abu Kassim<br>Jamaludin Md Ali<br>Kua Hwee Sim<br><br>JCorp | JLand is a 98.80% owned subsidiary of JCorp. | Purchase of FFB<br><br>Management fees and services receivable | 3,210,000<br><br>383,000 |

# SECTION 7

## Financial Statements

# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in oil palm plantation, investment holding and property investment in Malaysia whilst the principal activities of the subsidiaries are as stated in Note 34 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit attributable to: | | |
| Shareholders of the Company | 145,837 | 209,516 |
| Minority interests | 206,074 | - |
| | 351,911 | 209,516 |

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

### DIVIDENDS

Since the end of the previous financial year, the Company paid the following ordinary dividends:

a) a final dividend of 7.5 sen per share, less tax at 25%, totalling approximately RM17,545,000 (5.62 sen net per share) in respect of the year ended 31 December 2008, on 31 July 2009, and

b) an interim dividend of 10 sen per share, less tax at 25%, totalling approximately RM23,426,000 (7.5 sen net per share) in respect of the year ended 31 December 2009, on 29 January 2010.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2009.

### DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:
Tan Sri Dato' Muhammad Ali Hashim
Tan Sri Datuk Arshad Ayub
Ahamad Mohamad
Jamaludin Md Ali
Wong Seng Lee
Datin Paduka Siti Sa'diah Sheikh Bakir
Kamaruzzaman Abu Kassim
Kua Hwee Sim
Datuk Haron Siraj
Dr Radzuan A. Rahman
Rozan Mohd Sa'at

## DIRECTORS' INTERESTS

The holdings and deemed holdings in the shares and options of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| Company | At 1.1.2009 | Bought | (Sold) | At 31.12.2009 |
| *Direct interest* | | | | |
| Tan Sri Dato' Muhammad Ali Hashim | | | | |
| - Own | 380,200 | 64,800 | - | 445,000 |
| - Others * | 22,400 | - | - | 22,400 |
| Tan Sri Datuk Arshad Ayub | 709,950 | - | (300,000) | 409,950 |
| Ahamad Mohamad | 231,600 | - | (2,000) | 229,600 |
| Wong Seng Lee | 112,800 | - | - | 112,800 |
| Datin Paduka Siti Sa'diah Sheikh Bakir | 45,700 | 23,800 | - | 69,500 |
| Rozan Mohd Sa'at | 200 | - | - | 200 |
| *Deemed interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 1,350,200 | - | - | 1,350,200 |

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| In Subsidiaries | At 1.1.2009 | Bought | (Sold) | At 31.12.2009 |
| **SINDORA BERHAD** | | | | |
| *Direct interest* | | | | |
| Tan Sri Dato' Muhammad Ali Hashim | 103,977 | - | (13,600) | 90,377 |
| Tan Sri Datuk Arshad Ayub | 413,824 | - | (100,000) | 313,824 |
| Ahamad Mohamad | | | | |
| - Own | 15,128 | 84,800 | - | 99,928 |
| - Others # | 31,516 | - | - | 31,516 |
| Datin Paduka Siti Sa'diah Sheikh Bakir | | | | |
| - Own | 14,700 | 84,800 | - | 99,500 |
| - Others + | 1,067 | - | - | 1,067 |
| Rozan Mohd Sa'at | 15,092 | - | - | 15,092 |
| *Deemed interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 1,016,666 | - | - | 1,016,666 |
| **QSR BRAND BHD** | | | | |
| *Direct interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 100,000 | - | - | 100,000 |
| Datuk Haron Siraj | 4,000 | - | - | 4,000 |
| Datin Paduka Siti Sa'diah Sheikh Bakir | 1,000 | - | - | 1,000 |
| *Deemed interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 100,000 | - | - | 100,000 |

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2009 CONTINUED

## DIRECTORS' INTERESTS (CONTINUED)

| In Subsidiaries | Number of ordinary shares of RM1 each At 1.1.2009 | Bought | (Sold) | At 31.12.2009 |
|---|---|---|---|---|
| **In Related Companies** | | | | |
| **JOHOR LAND BERHAD** | | | | |
| *Direct interest* | | | | |
| Tan Sri Dato' Muhammad Ali Hashim | | | | |
| - Own | 100,360 | - | (100,360) | - |
| - Others * | 4,300 | - | (4,300) | - |
| Tan Sri Datuk Arshad Ayub | 317,980 | - | (317,980) | - |
| Jamaludin Md Ali | 690 | - | (690) | - |
| Rozan Mohd Sa'at | 150 | - | (150) | - |
| Kua Hwee Sim | 9,000 | - | (9,000) | - |
| Datin Paduka Siti Sa'diah Sheikh Bakir | 23,200 | - | (23,200) | - |
| *Deemed interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 638,690 | - | (638,690) | - |
| **KPJ HEALTHCARE BERHAD** | | | | |
| *Direct interest* | | | | |
| Tan Sri Dato' Muhammad Ali Hashim | | | | |
| - Own | 117,200 | 164,600 | - | 281,800 |
| - Others * | 12,000 | - | - | 12,000 |
| Tan Sri Datuk Arshad Ayub | 427,000 | 173,000 | - | 600,000 |
| Ahamad Mohamad | 2,900 | 54,200 | - | 57,100 |
| Datin Paduka Siti Sa'diah Sheikh Bakir | | | | |
| - Own | 305,100 | 119,000 | - | 424,100 |
| - Others + | 5,000 | - | - | 5,000 |
| Rozan Mohd Sa'at | 200 | - | - | 200 |
| *Deemed interest* | | | | |
| Tan Sri Datuk Arshad Ayub | 733,000 | 67,000 | - | 800,000 |

* In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of the spouse of Tan Sri Dato' Muhammad Ali Hashim in the shares of the Company and of its related companies (other than wholly-owned subsidiaries) shall be treated as the interests of Tan Sri Dato' Muhammad Ali Hashim also.

\# In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of the spouse of Ahamad Mohamad in the shares of the subsidiaries and related companies (other than wholly-owned subsidiaries) shall be treated as the interests of Ahamad Mohamad also.

\+ In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of a child of Datin Paduka Siti Sa'diah Sheikh Bakir in the shares of the related companies (other than wholly-owned subsidiaries) shall be treated as the interests of Datin Paduka Siti Sa'diah Sheikh Bakir also.

By virtue of their interests in the shares of the Company, Tan Sri Dato' Muhammad Ali Hashim, Tan Sri Datuk Arshad Ayub, Ahamad Mohamad, Wong Seng Lee, Rozan Mohd Sa'at and Datin Paduka Siti Sa'diah Sheikh Bakir are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Kulim (Malaysia) Berhad has an interest.

## DIRECTORS' INTERESTS (CONTINUED)

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

## 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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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, other than certain Directors who have received remuneration from the Company's ultimate holding corporation and certain related companies.

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.

## ISSUE OF SHARES

During the financial year, the Company issued:

a) 9,177,237 new ordinary shares of RM0.50 each for cash arising from the exercise of warrants at initial exercise price of RM2.43 per share, and

b) 1,039,750 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM2.04 per ordinary share.

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

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS, which expired on 26 August 2009. Details of the ESOS are set out in Note 15 to the financial statements.

## OTHER STATUTORY INFORMATION

Before the balance sheets and income 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) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of 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 Group's and in the Company's financial statements 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.

# DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 CONTINUED

## OTHER STATUTORY INFORMATION (CONTINUED)

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.

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, other than for as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 31 to the financial statements.

## SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 32 to the financial statements.

## AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

.....

**Tan Sri Dato' Muhammad Ali Hashim**

.....

**Ahamad Mohamad**

Johor Bahru,

Date: 23 March 2010

# STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 174 to 280 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company at 31 December 2009 and of their financial performances and cash flows for the year then ended.

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

.....
**Tan Sri Dato' Muhammad Ali Hashim**

.....
**Ahamad Mohamad**

Johor Bahru,

Date: 23 March 2010

# STATUTORY DECLARATION
## PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Sheik Sharufuddin Sheik Mohd, the officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 174 to 280 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru on 23 March 2010.

.....
**Sheik Sharufuddin Sheik Mohd**

Before me:

PESURUHJAYA SUMPAH
No J 102
Nama MEJ. BI HAJI JAMIL BIN MOHD YASID
MALAYSIA
No: A3 Bangunan Arked MPJB
Jalan Tiuap 14, Taman Johor Jaya
81100 JOHOR BAHRU
Johor Darul Takzim

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kulim (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 174 to 280.

***Directors' Responsibility for the Financial Statements***

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2009 and of their financial performances and cash flows for the year then ended.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:**

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 34 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification (other than a qualification that is not material in relation to the consolidated accounts) or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**

Firm Number: AF 0758
Chartered Accountants

**Johan Idris**

Approval Number: 2585/10/10(J)
Chartered Accountant

Petaling Jaya,

Date: 23 March 2010

# BALANCE SHEETS
## AT 31 DECEMBER 2009

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 3 | 4,738,700 | 3,694,921 | 875,108 | 876,493 |
| Intangible assets | 4 | 891,691 | 320,906 | - | - |
| Prepaid lease payments | 5 | 454,932 | 395,967 | 198,077 | 199,295 |
| Investment properties | 6 | 97,863 | 93,570 | 94,503 | 90,000 |
| Investments in subsidiaries | 7 | - | - | 1,432,361 | 1,434,397 |
| Investments in associates | 8 | 21,214 | 612,120 | - | - |
| Other investments | 9 | 39,055 | 28,544 | 13,880 | 4,854 |
| Deferred tax assets | 10 | 6,816 | 1,735 | - | - |
| Deferred farm expenditure | | 6,462 | 5,712 | 2,124 | 1,486 |
| **Total non-current assets** | | 6,256,733 | 5,153,475 | 2,616,053 | 2,606,525 |
| Other investments | 9 | 33,669 | 27,368 | 33,669 | 27,368 |
| Inventories | 11 | 525,883 | 388,598 | 1,788 | 3,142 |
| Receivables, deposits and prepayments | 12 | 790,506 | 548,909 | 399,073 | 307,216 |
| Assets classified as held for sale | 13 | 13,599 | 21,531 | - | - |
| Current tax assets | | 48,441 | 34,602 | 18,785 | 18,497 |
| Cash and cash equivalents | 14 | 405,227 | 445,476 | 33,628 | 59,140 |
| **Total current assets** | | 1,817,325 | 1,466,484 | 486,943 | 415,363 |
| **Total assets** | | 8,074,058 | 6,619,959 | 3,102,996 | 3,021,888 |
| **EQUITY** | | | | | |
| Share capital | | 159,336 | 154,227 | 159,336 | 154,227 |
| Reserves | | 1,491,041 | 1,479,650 | 1,128,238 | 1,108,925 |
| Retained profits | | 1,720,988 | 1,615,436 | 985,975 | 817,430 |
| **Total equity attributable to shareholders of the Company** | 15 | 3,371,365 | 3,249,313 | 2,273,549 | 2,080,582 |
| **Minority interests** | | 1,699,037 | 1,020,621 | - | - |
| **Total equity** | | 5,070,402 | 4,269,934 | 2,273,549 | 2,080,582 |

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Loans and borrowings | 16 | 1,157,484 | 899,444 | 508,171 | 391,333 |
| Deferred tax liabilities | 10 | 450,971 | 384,223 | 66,456 | 65,185 |
| Employee benefits | 17 | 3,099 | - | - | - |
| **Total non-current liabilities** | | 1,611,554 | 1,283,667 | 574,627 | 456,518 |
| Payables and accruals | 18 | 705,908 | 361,260 | 112,802 | 226,183 |
| Current tax liabilities | | 114,620 | 122,101 | - | - |
| Loans and borrowings | 16 | 547,747 | 566,229 | 118,592 | 241,837 |
| Employee benefits | 17 | 401 | - | - | - |
| Dividend payable | | 23,426 | 16,768 | 23,426 | 16,768 |
| **Total current liabilities** | | 1,392,102 | 1,066,358 | 254,820 | 484,788 |
| **Total liabilities** | | 3,003,656 | 2,350,025 | 829,447 | 941,306 |
| **Total equity and liabilities** | | 8,074,058 | 6,619,959 | 3,102,996 | 3,021,888 |

The notes on pages 183 to 280 are an integral part of these financial statements.

# INCOME STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| Revenue | 19 | 5,806,205 | 3,989,338 | 399,986 | 320,214 |
| Cost of sales | | (3,451,004) | (2,752,533) | (82,333) | (91,101) |
| **Gross profit** | 20 | 2,355,201 | 1,236,805 | 317,653 | 229,113 |
| Other income | | | | | |
| - Other operating income | | 112,892 | 115,342 | 5,550 | 31,267 |
| - Negative goodwill recognised | | - | 92,739 | - | - |
| Distribution expenses | | (1,385,469) | (457,458) | (1,235) | (2,846) |
| Administrative expenses | | (391,714) | (209,551) | (21,000) | (24,058) |
| Other expenses | | (108,551) | (117,552) | (16,709) | (22,460) |
| **Results from operating activities** | | 582,359 | 660,325 | 284,259 | 211,016 |
| Interest income | | 12,332 | 16,993 | 5,483 | 1,783 |
| Finance costs | | (76,836) | (70,622) | (33,002) | (34,070) |
| Share of net results in associates | | 4,010 | 61,154 | - | - |
| **Profit before tax** | 21 | 521,865 | 667,850 | 256,740 | 178,729 |
| Tax expense | 23 | (169,954) | (141,297) | (47,224) | (17,090) |
| **Profit for the year** | | 351,911 | 526,553 | 209,516 | 161,639 |
| **Attributable to:** | | | | | |
| Shareholders of the Company | | 145,837 | 351,228 | 209,516 | 161,639 |
| Minority interests | | 206,074 | 175,325 | - | - |
| **Profit for the year** | | 351,911 | 526,553 | 209,516 | 161,639 |
| **Earnings per ordinary share (sen):** | | | | | |
| - Basic | 25 | 47.22 | 117.04 | | |
| - Fully diluted | 25 | 47.22 | 114.96 | | |

The notes on pages 183 to 280 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | | Attributable to shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | | Distributable | | | |
| GROUP | Note | Share capital RM'000 | Share premium RM'000 | Warrant reserve RM'000 | Translation reserve RM'000 | Revaluation reserve RM'000 | Other reserves RM'000 | Treasury shares RM'000 | Retained profits RM'000 | Total RM'000 | Minority interests RM'000 | Total equity RM'000 |
| **At 1 January 2008** | | 148,545 | 217,930 | 13,512 | (52,255) | 1,340,355 | 4,933 | (23,719) | 1,300,978 | 2,950,279 | 759,739 | 3,710,018 |
| Foreign exchange translation differences | | - | - | - | (23,868) | - | - | - | - | (23,868) | 69,031 | 45,163 |
| Transfer from reserves to retained profits | | - | - | - | - | (1,188) | - | - | 1,188 | - | - | - |
| Translation reserve realised upon liquidation of a foreign subsidiary | | - | - | - | 4,492 | - | - | - | (4,492) | - | - | - |
| Net gains/(loss) recognised directly in equity | | - | - | - | (19,376) | (1,188) | - | - | (3,304) | (23,868) | 69,031 | 45,163 |
| Profit for the year | | - | - | - | - | - | - | - | 351,228 | 351,228 | 175,325 | 526,553 |
| Total recognised income and expense for the year | | - | - | - | (19,376) | (1,188) | - | - | 347,924 | 327,360 | 244,356 | 571,716 |
| Warrant exercised | 15 | 5,038 | 26,499 | (7,053) | - | - | - | - | - | 24,484 | - | 24,484 |
| Share options exercised | 15 | 644 | 1,983 | - | - | - | - | - | - | 2,627 | - | 2,627 |
| Treasury shares sold | 15 | - | - | - | - | - | - | 72 | 12 | 84 | - | 84 |
| Treasury shares acquired | 15 | - | - | - | - | - | - | (22,043) | - | (22,043) | - | (22,043) |
| Dividends to shareholders | 24 | - | - | - | - | - | - | - | (33,478) | (33,478) | - | (33,478) |
| Dividends to minority interests of subsidiaries | | - | - | - | - | - | - | - | - | - | (121,702) | (121,702) |
| Share buy-back by subsidiaries | | - | - | - | - | - | - | - | - | - | (10,673) | (10,673) |
| Decrease in minority interests | 7 | - | - | - | - | - | - | - | - | - | (40,832) | (40,832) |
| Acquisition of subsidiaries | 7 | - | - | - | - | - | - | - | - | - | 143,866 | 143,866 |
| Issuance of new shares by subsidiaries | | - | - | - | - | - | - | - | - | - | 45,867 | 45,867 |
| **At 31 December 2008/1 January 2009** | | 154,227 | 246,412 | 6,459 | (71,631) | 1,339,167 | 4,933 | (45,690) | 1,615,436 | 3,249,313 | 1,020,621 | 4,269,934 |

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009 CONTINUED

| | | Attributable to shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | | Distributable | | | |
| GROUP | Note | Share capital RM'000 | Share premium RM'000 | Warrant reserve RM'000 | Translation reserve RM'000 | Revaluation reserve RM'000 | Other reserves RM'000 | Treasury shares RM'000 | Retained profits RM'000 | Total RM'000 | Minority interests RM'000 | Total equity RM'000 |
| **At 31 December 2008/ 1 January 2009** | | 154,227 | 246,412 | 6,459 | (71,631) | 1,339,167 | 4,933 | (45,690) | 1,615,436 | 3,249,313 | 1,020,621 | 4,269,934 |
| Foreign exchange translation differences | | - | - | - | (7,246) | - | - | - | - | (7,246) | (24,434) | (31,680) |
| Transfer from reserves to retained profits | | - | - | - | - | (686) | - | - | 686 | - | - | - |
| Net gains/(loss) recognised directly in equity | | - | - | - | (7,246) | (686) | - | - | 686 | (7,246) | (24,434) | (31,680) |
| Profit for the year | | - | - | - | - | - | - | - | 145,837 | 145,837 | 206,074 | 351,911 |
| Total recognised income and expense for the year | | - | - | - | (7,246) | (686) | - | - | 146,523 | 138,591 | 181,640 | 320,231 |
| Warrant exercised | 15 | 4,589 | 24,171 | (6,459) | - | - | - | - | - | 22,301 | - | 22,301 |
| Share options exercised | 15 | 520 | 1,601 | - | - | - | - | - | - | 2,121 | - | 2,121 |
| Reversal of deferred tax | 10 | - | - | - | - | 10 | - | - | - | 10 | - | 10 |
| Dividends to shareholders | 24 | - | - | - | - | - | - | - | (40,971) | (40,971) | - | (40,971) |
| Dividends to minority interests of subsidiaries | | - | - | - | - | - | - | - | - | - | (85,570) | (85,570) |
| Share buy-back by subsidiaries | | - | - | - | - | - | - | - | - | - | (13,351) | (13,351) |
| Increase in minority interests | 7 | - | - | - | - | - | - | - | - | - | 982 | 982 |
| Decrease in minority interest | | - | - | - | - | - | - | - | - | - | (344) | (344) |
| Acquisition of subsidiary | 7 | - | - | - | - | - | - | - | - | - | 594,861 | 594,861 |
| Issuance of new shares by subsidiaries | | - | - | - | - | - | - | - | - | - | 198 | 198 |
| **At 31 December 2009** | | 159,336 | 272,184 | - | (78,877) | 1,338,491 | 4,933 | (45,690) | 1,720,988 | 3,371,365 | 1,699,037 | 5,070,402 |

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009 CONTINUED

| COMPANY | Note | Non-distributable | | | | | Distributable | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Warrant reserve RM'000 | Other reserves RM'000 | Treasury shares RM'000 | Retained profits RM'000 | Total equity RM'000 |
| **At 1 January 2008** | | 148,545 | 217,930 | 897,579 | 13,512 | 4,165 | (23,719) | 689,257 | 1,947,269 |
| Profit for the year | | - | - | - | - | - | - | 161,639 | 161,639 |
| Warrants exercised | 15 | 5,038 | 26,499 | - | (7,053) | - | - | - | 24,484 |
| Share options exercised | 15 | 644 | 1,983 | - | - | - | - | - | 2,627 |
| Treasury shares acquired | 15 | - | - | - | - | - | (22,043) | - | (22,043) |
| Treasury shares sold | 15 | - | - | - | - | - | 72 | 12 | 84 |
| Dividends to shareholders | 24 | - | - | - | - | - | - | (33,478) | (33,478) |
| **At 31 December 2008/1 January 2009** | | 154,227 | 246,412 | 897,579 | 6,459 | 4,165 | (45,690) | 817,430 | 2,080,582 |
| Profit for the year | | - | - | - | - | - | - | 209,516 | 209,516 |
| Warrants exercised | 15 | 4,589 | 24,171 | - | (6,459) | - | - | - | 22,301 |
| Share options exercised | 15 | 520 | 1,601 | - | - | - | - | - | 2,121 |
| Dividends to shareholders | 24 | - | - | - | - | - | - | (40,971) | (40,971) |
| **At 31 December 2009** | | 159,336 | 272,184 | 897,579 | - | 4,165 | (45,690) | 985,975 | 2,273,549 |

The notes on pages 183 to 280 are an integral part of these financial statements.

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 521,865 | 667,850 | 256,740 | 178,729 |
| Adjustments for: | | | | | |
| Amortisation and depreciation of: | | | | | |
| - intangible assets | 4 | 10,170 | 2,618 | - | - |
| - prepaid lease payments | 5 | 4,713 | 3,490 | 1,218 | 1,218 |
| - property, plant and equipment | 3 | 282,280 | 168,258 | 9,676 | 9,330 |
| Additional/(Reversal of) impairment: | | | | | |
| - non-current other investments - net | | (1,548) | (387) | (842) | (2,658) |
| - current other investments | | - | 815 | - | 815 |
| - investment in subsidiaries | | - | - | 2,549 | - |
| - investment in associates | | (3,852) | - | - | - |
| - property, plant and equipment | | 11,701 | 323 | - | - |
| - intangible assets | | 2,704 | - | - | - |
| - assets held for sale | | 364 | - | - | - |
| Change in fair value of investment properties | 6 | 210 | (8,550) | - | (8,020) |
| Dividend income | 20 | (2,971) | (3,131) | (263,260) | (150,810) |
| (Gain)/Loss on: | | | | | |
| - disposal of other investments | 9 | (247) | 4,043 | - | 4,043 |
| - disposal of property, plant and equipment | | 8,775 | (1,266) | (156) | (114) |
| - partial disposal of subsidiaries | 7 | 501 | - | 84 | - |
| - disposal of prepaid lease payment | | (131) | - | - | - |
| - assets swap | | (7,956) | - | - | - |
| - disposal of associates | | (5,087) | - | - | - |
| Group share of net results in associates | | (4,010) | (61,154) | - | - |
| Interest expense | | 76,836 | 70,622 | 33,002 | 34,070 |
| Interest income | | (12,332) | (16,993) | (5,483) | (1,783) |
| Unrealised foreign exchange (gain)/loss | | (2,207) | 1,186 | (347) | (39) |
| Written off of: | | | | | |
| - bad debt | | 73 | - | - | - |
| - deferred farm expenditure | | - | 1,791 | - | 1,791 |
| - property, plant and equipment | | 611 | 284 | 20 | 5 |
| **Operating profit before changes in working capital** | | 880,462 | 829,799 | 33,201 | 66,577 |
| Changes in working capital: | | | | | |
| Inventories | | 21,189 | (59,963) | 1,354 | (1,699) |
| Payables | | 1,218 | (149,604) | (130,149) | 35,611 |
| Receivables | | (133,037) | 134,084 | (65,545) | (18,366) |
| Cash generated from/(used in) operations | | 769,832 | 754,316 | (161,139) | 82,123 |
| Tax paid | | (141,519) | (47,775) | (46,241) | (15,811) |
| **Net cash generated from/(used in) operating activities** | | 628,313 | 706,541 | (207,380) | 66,312 |

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of subsidiaries, net of cash acquired | 7 | 91,661 | (292,872) | - | - |
| Purchase of equity interests in subsidiary from minority shareholders | 7 | (399) | - | - | - |
| Proceeds from assets swap | 3 | 6,000 | - | - | - |
| Payment of: | | | | | |
| - prepaid lease payments | 5 | (5,722) | (1,350) | - | - |
| - deferred farm expenditure | | (750) | (5,263) | (638) | (1,037) |
| Purchase of: | | | | | |
| - other investments - fund investment | | (6,301) | (110,629) | (6,301) | (110,629) |
| - property, plant and equipment | (ii) | (749,158) | (391,516) | (8,313) | (11,077) |
| - intangible assets | 4 | (9,565) | (6,550) | - | - |
| - investment properties | 6 | (4,503) | (4) | (4,503) | (4) |
| - equity interest in: | | | | | |
| - subsidiaries | | - | - | (1,077) | (203,805) |
| - associates | | (21,064) | (40,795) | - | - |
| - other investments | | (8,963) | - | (8,184) | - |
| Proceeds from: | | | | | |
| - disposal of other investment: | | | | | |
| - non-current | | 20,450 | 600 | - | 600 |
| - current - fund investment | | - | 189,831 | - | 189,831 |
| - disposal of property, plant and equipment | | 18,733 | 6,318 | 158 | 114 |
| - partial disposal of subsidiaries | 7 | 480 | - | 480 | - |
| - disposal of prepaid lease payments | | 958 | - | - | - |
| - disposal of associates | | 15,608 | - | - | - |
| - disposal of assets held for sale | | 1,518 | - | - | - |
| Dividends received | | 2,971 | 3,131 | 237,317 | 150,810 |
| Net dividend received from associate | | 2,859 | 14,313 | - | - |
| Interest received | | 12,332 | 16,993 | 5,483 | 1,783 |
| **Net cash (used in)/generated from investing activities** | | (632,855) | (617,793) | 214,422 | 16,586 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividends paid to: | | | | | |
| - shareholders of the Company | 24 | (17,545) | (16,710) | (17,545) | (16,710) |
| - minority shareholders of subsidiaries | | (85,570) | (121,702) | - | - |
| Proceeds from term loans | | 557,283 | 343,000 | 430,000 | 150,000 |
| Repayments of term loans | | (359,197) | (568,994) | (404,999) | (161,838) |
| (Repayment of)/Proceed from short-term borrowings | | (101,457) | 53,517 | (31,408) | (14,595) |
| Proceeds from the issue of shares: | | | | | |
| - ESOS | 15 | 2,121 | 2,627 | 2,121 | 2,627 |
| - warrants | 15 | 22,301 | 24,484 | 22,301 | 24,484 |
| Purchase of treasury shares | | - | (22,043) | - | (22,043) |
| Proceeds from sale of treasury share | | - | 84 | - | 84 |
| Issue of shares to minority shareholders of subsidiaries | | 198 | 45,867 | - | - |
| Withdrawal of fixed deposits pledged | | 13,589 | 5,711 | - | 368 |
| Interest paid | | (76,836) | (70,622) | (33,002) | (34,070) |
| **Net cash used in financing activities** | | (45,113) | (324,781) | (32,532) | (71,693) |

# CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 CONTINUED

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | | (49,655) | (236,033) | (25,490) | 11,205 |
| Effect of exchange rate fluctuations on cash held | | 22,111 | 16,397 | (22) | - |
| Cash and cash equivalents at 1 January | (i) | 392,927 | 612,563 | 58,790 | 47,585 |
| **Cash and cash equivalents at 31 December** | (i) | 365,383 | 392,927 | 33,278 | 58,790 |

***(i) Cash and cash equivalents***

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 14 | 246,752 | 190,124 | 33,278 | 38,771 |
| Deposits with licensed banks | 14 | 158,475 | 255,352 | 350 | 20,369 |
| | | 405,227 | 445,476 | 33,628 | 59,140 |
| Less: | | | | | |
| Deposits pledged | 14 | (1,609) | (15,198) | (350) | (350) |
| Bank overdraft | 16 | (38,235) | (37,351) | - | - |
| | | 365,383 | 392,927 | 33,278 | 58,790 |

***(ii) Acquisition of property, plant and equipment***

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM750,148,000 (2008: RM396,157,000) and RM8,313,000 (2008: RM11,077,000), respectively of which RM990,000 (2008: RM4,641,000) and Nil (2008: Nil) respectively were acquired by means of finance lease.

# NOTES TO THE FINANCIAL STATEMENTS

Kulim (Malaysia) Berhad 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 addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**
Ulu Tiram Estate
81800 Ulu Tiram
Johor

**Registered office**
Level 2
Persada Johor International Convention Centre
Jalan Abdullah Ibrahim
80000 Johor Bahru
Johor

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 34 to the financial statements.

The Company's ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment Act 1968 (Enactment No. 4 of 1968) (as amended by Enactment No. 5 of 1995).

The financial statements were approved by the Board of Directors on 23 March 2010.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and Company:

***FRS effective for annual periods beginning on or after 1 July 2009***

- FRS 8, *Operating Segments*

***FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2010***

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

***FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2010 (continued)***

- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

***FRS and Amendment effective for annual periods beginning on or after 1 March 2010***

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

***FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

***FRSs and Amendments effective for annual periods beginning on or after 1 January 2011***

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for:
  - FRS 4, *Insurance Contracts,*
  - Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation,*
  - IC Interpretation 13, *Customer Loyalty Programmes, and*
  - IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction which* are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for:
  - IC Interpretation 12, *Service Concession Agreements,*
  - IC Interpretation 15, *Agreements for the Construction of Real Estate,*
  - IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation, and*
  - IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
    which are not applicable to the Group and the Company.

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods' financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

#### (i) FRS 8, *Operating Segments*

FRS 8 replaces FRS $114_{2004}$, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (Note 26). Management will embark on a project to assess and identify the appropriate segment information in respect of the Group's operating segments, including formulating information-gathering processes.

#### (ii) FRS 123, *Borrowing Costs* (revised)

The revised FRS 123 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of this standard will result in a change in accounting policy. In accordance with the transitional provisions, the Group and the Company will apply the revised FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2010.

#### (iii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendments that may have an impact is on FRS 117, *Lease*.

- **FRS 117, *Leases***

  The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The management will assess the impact of the adoption of these amendments on the Group's present prepaid lease payments. The management believes that these amendments would result in reclassification of non-current assets (balance sheet) and do not have any impact on the income statements.

  The adoption of the amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

#### (iv) IC Interpretation 10, *Interim Financial Reporting and Impairment*

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

(a) goodwill;
(b) an investment in an equity instrument; or
(c) a financial asset carried at cost.

In accordance with the transitional provisions, the Group and the Company will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively.

The initial application of other standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 1. BASIS OF PREPARATION (CONTINUED)

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment, prepaid lease payments and investment properties as explained in their respective accounting policy notes.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements 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 estimate is 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:

- Note 4 - measurement of recoverable amounts of cash-generating units
- Note 6 - valuation of investment properties
- Note 7 - business combination
- Note 10 - recognition of tax losses carry-forward and unabsorbed capital allowances

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

#### *(ii) Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil 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 investee.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### *(ii) Associates (continued)*

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

#### *(iii) Changes in Group composition*

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. 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.

#### *(iv) Minority interests*

Minority interests at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### *(v) Transactions eliminated on consolidation*

Intra-group balances, 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 investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

#### *(ii) Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value arrangements arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

#### *(iii) Net investment in foreign operations*

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

### (c) Derivative financial instruments

The Group uses forward foreign exchange contracts to hedge its exposure to foreign exchange risks arising from its operational activities. These instruments are not recognised in the financial statements.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

### (d) Property, plant and equipment

#### *(i) Recognition and measurement*

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses.

On 31 December 1997, the Group revalued its freehold plantation lands in Malaysia based on external independent valuation. The freehold plantation lands held by the Group in Malaysia have not been revalued since they were last revalued on 31 December 1997. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No.16 (Revised), (as adopted by FRS 116, *Property, Plant and Equipment*), these assets are stated at their valuations, less accumulated depreciation.

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 cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### *(ii) Subsequent costs*

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

#### *(iii) Estate development expenditure - planting expenditure*

All expenditure relating to the development of oil palm field (immature field) will be classified under estate development expenditure. This cost will be amortised when the field achieves maturity, as explained in Note 2(d)(iv).

Estate overhead expenditure is apportioned to revenue and estate development expenditure on the basis of the proportion of mature to immature areas.

#### *(iv) Depreciation*

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. For all other assets, depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Leasehold improvements and renovations | 10 years |
| • Estate development expenditure | 17 - 20 years from maturity date |
| • Buildings | 4 - 50 years |
| • Other assets, consists of: | |
| - Vessels, plant and machinery | 3 - 25 years |
| - Restaurants and office equipment | 5 - 15 years |
| - Furniture and fittings | 2 - 15 years |
| - Motor vehicles | 3 - 5 years |

The maturity date for estate development expenditures is the point in time in which such new planting areas yield 8.60 tonnes of fresh fruit bunches per hectare per annum or forty-eight (48) months from the date of planting, whichever is earlier.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

#### *(v) Change in estimates*

Estimates in respect of residual values of the Group's vessels were revised in 2009 (Note 3).

### (e) Intangible assets

#### *(i) Goodwill*

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses, if any.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Intangible assets (continued)

#### *(i) Goodwill (continued)*

Any excess of the Group's interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately as negative goodwill in income statements.

#### *(ii) Other intangible assets*

Intangible assets, other than goodwill, that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Expenditure on internally generated goodwill and brands is recognised in the income statements as an expense as incurred.

#### *(iii) Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### *(iv) Amortisation*

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statements on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

- Franchise fee 10 years
- Concession rights 15 years

### (f) Leased assets

#### *(i) Finance lease*

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### *(ii) Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and leased assets are not recognised on the Group's balance sheet.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**Prepaid lease payments**

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments except for leasehold land classified as investment property.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Leased assets (continued)

#### *(ii) Operating lease (continued)*

**Prepaid lease payments (continued)**

On 31 December 1997, the Group revalued the leasehold plantation lands in Malaysia based on external independent valuation. The leasehold plantation lands held by the Group in Malaysia have not been revalued since they were last revalued on 31 December 1997. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised), (as adopted by FRS 116, *Property, Plant and Equipment*), these assets are stated at their valuations, less accumulated depreciation.

The Group's prepaid lease payments are amortised over the useful life of thirty-three (33) to nine hundred and four (904) years.

### (g) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in income statement in the period in which the item is derecognised.

The Directors valued the Group's investment properties based on external independent valuation. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### (h) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities, other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.
- All current investments are carried at the lower of cost and market value, determined on an individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities, other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

a) the recognition of an asset on the day it is received by the entity, and

b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

### (i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method other than inventories related to the Group's quick service restaurant business segment. These inventories, comprising raw materials, groceries, poultry and consumables, equipment and spares and finished goods, are determined on the first-in, first out method.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Inventories (continued)

The cost of agriculture produce stocks is based on weighted average method and includes the cost of direct material and an appropriate proportion of estate revenue expenditure, manufacturing costs and overhead costs based on normal operating condition.

Agriculture produce stocks consist mainly of palm oil products and sugar stocks. Inventory of palm oil products comprises processed and refined palm oil products in tanks awaiting shipment at balance sheet date. The cost of palm oil produce includes direct materials and labour and an appropriate proportion of overheads relating to the milling and refining process. Cost of sugar stocks include all direct expenses and an appropriate proportion of manufacturing overheads based on normal operating conditions.

The cost of materials, consumables and livestocks is based on weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of nursery, seeds stocks and manufactured finished goods, cost includes direct material and labour and an appropriate share of fixed and variable overheads based on normal operating capacity.

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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### (j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (k) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (m) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets, investment properties and assets classified as held for sale, are reviewed at each reporting date 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 usually at each reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment of assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. 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 groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of 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 each reporting date 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. 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 the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

### (n) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

#### *(i) Issue expenses*

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

#### *(ii) Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

#### *(i) Financing costs*

All interest and other costs incurred other than debt issue costs in connection with borrowings are expensed as incurred.

#### *(ii) Debt issue costs*

Debt issue costs are costs incurred in connection with obtaining debt financing. On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of a financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt and written off upon prepayment of the financial liability.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Employee benefits

#### *(i) 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.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### *(ii) Defined benefit plan*

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on 7-year high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary (conducted every two (2) years with the last actuarial report conducted in 2009) using the projected unit credit cost method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statements on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statements.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

### (q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (r) 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 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### (s) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Revenue recognition

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

The following specific recognition criteria must also be met before revenue is recognised.

***(i) Sale of palm-based products, oleochemical and biodiesel products***

Sales revenue represents revenues earned from sales of the Group's products, net of trade allowance and duties and taxes paid. Revenue is recognised when there has been a passing of title and risk to the customer, and:

- The produce is in a form suitable for delivery and sale and no further processing is required;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the Group (or property in the product has earlier passed to the customer); and
- The selling price can be determined with reasonable accuracy.

***(ii) Sale of restaurant food and beverages***

Sales revenue represents retail sales at the Group's restaurants and is recognised at the point of sales. The Group presents sales revenue net of sales tax.

***(iii) Freight and time charter hire income***

Freight income is recognised when the goods are delivered and services rendered and accepted by customers. The results of ships employed and voyage charter and that of other services rendered are recognised when goods are delivered and services rendered.

***(iv) Services***

Revenue from parking management, bulk mailing and printing and plantation management services, are recognised as and when the services are rendered.

***(v) Rental income***

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

***(vi) Dividend income***

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

### (u) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognized as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future of taxable profits will be available against which the unutilised tax incentives can be utilised.

### (w) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statements is restated as if the operation had been discontinued from the start of the comparative period.

### (x) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## 3. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Note | Freehold land RM'000 | Leasehold improvement and renovation RM'000 | Estate development expenditure RM'000 | Buildings RM'000 | Other assets RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| At 1 January 2008 | | 1,297,340 | 70,633 | 669,358 | 456,845 | 933,186 | 132,397 | 3,559,759 |
| Acquisition of subsidiaries | 7 | 2,829 | - | 192,794 | 269,865 | 324,990 | 40,279 | 830,757 |
| Additions | | - | 19,998 | 90,092 | 12,291 | 61,224 | 212,552 | 396,157 |
| Disposals | | - | (12,304) | - | (3,775) | (12,092) | - | (28,171) |
| Write off | | - | - | (2,000) | (296) | (2,067) | - | (4,363) |
| Transfer to assets held for sale | 13 | - | - | - | - | (1,634) | - | (1,634) |
| Transfers | | - | - | - | 24,611 | 136,716 | (161,327) | - |
| Translation exchange differences | | - | 743 | (8,703) | (7,767) | (9,577) | 14,149 | (11,155) |
| At 31 December 2008/ 1 January 2009 | | 1,300,169 | 79,070 | 941,541 | 751,774 | 1,430,746 | 238,050 | 4,741,350 |
| Acquisition of subsidiaries | 7 | 168,622 | 174,511 | - | 210,118 | 544,065 | - | 1,097,316 |
| Assets swap in | | - | - | 36,021 | 369 | 731 | - | 37,121 |
| Assets swap out | | - | - | (41,978) | (2,254) | (1,190) | - | (45,422) |
| Additions | | 4,137 | 67,581 | 88,151 | 19,024 | 168,406 | 402,849 | 750,148 |
| Disposals | | - | (15,436) | (331) | (2,276) | (102,849) | (3) | (120,895) |
| Write off | | - | - | (9,884) | (424) | (5,764) | - | (16,072) |
| Transfer to assets held for sale | 13 | - | - | - | - | (389) | - | (389) |
| Reclassification from assets held for sale | | - | - | - | 6,105 | - | - | 6,105 |
| Transfers | | - | 1,757 | - | 64,202 | 175,776 | (241,735) | - |
| Translation exchange differences | | - | 2,697 | (3,971) | (6,461) | (111) | (2,830) | (10,676) |
| At 31 December 2009 | | 1,472,928 | 310,180 | 1,009,549 | 1,040,177 | 2,209,421 | 396,331 | 6,438,586 |
| Representing items at: | | | | | | | | |
| Cost | | 265,298 | 310,180 | 1,009,549 | 1,040,177 | 2,209,421 | 396,331 | 5,230,956 |
| Directors' valuation - 1997 | | 1,207,630 | - | - | - | - | - | 1,207,630 |
| | | 1,472,928 | 310,180 | 1,009,549 | 1,040,177 | 2,209,421 | 396,331 | 6,438,586 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2008 | | - | 34,430 | 185,868 | 131,938 | 438,811 | - | 791,047 |
| Acquisition of subsidiaries | 7 | - | - | 18,436 | 10,524 | 90,449 | - | 119,409 |
| Charge for the year | | - | 8,550 | 31,523 | 19,948 | 108,237 | - | 168,258 |
| Disposals | | - | (11,678) | - | (56) | (11,385) | - | (23,119) |
| Write off | | - | - | (2,001) | (287) | (1,791) | - | (4,079) |
| Transfer to assets held for sale | 13 | - | - | - | - | (116) | - | (116) |
| Transfers | | - | - | - | (963) | 963 | - | - |
| Translation exchange differences | | - | 348 | (3,032) | (4,531) | (10,627) | - | (17,842) |
| At 31 December 2008/ 1 January 2009 | | - | 31,650 | 230,794 | 156,573 | 614,541 | - | 1,033,558 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| GROUP | Note | Freehold land RM'000 | Leasehold improvement and renovation RM'000 | Estate development expenditure RM'000 | Buildings RM'000 | Other assets RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation (continued)** | | | | | | | | |
| At 31 December 2008/ 1 January 2009 | | - | 31,650 | 230,794 | 156,573 | 614,541 | - | 1,033,558 |
| Acquisition of subsidiaries | 7 | - | 79,329 | - | 32,069 | 289,097 | - | 400,495 |
| Assets swap out | | - | - | (5,132) | (1,820) | (1,096) | - | (8,048) |
| Charge for the year | | - | 30,042 | 37,158 | 29,537 | 185,543 | - | 282,280 |
| Disposals | | - | (14,515) | - | (690) | (78,182) | - | (93,387) |
| Write off | | - | - | (9,884) | (374) | (5,203) | - | (15,461) |
| Transfer to assets held for sale | 13 | - | - | - | - | (290) | - | (290) |
| Reclassification from assets held for sale | | - | - | - | 2,293 | - | - | 2,293 |
| Transfers | | - | (18) | - | - | 18 | - | - |
| Translation exchange differences | | - | 1,517 | (9,457) | (292) | 550 | - | (7,682) |
| At 31 December 2009 | | - | 128,005 | 243,479 | 217,296 | 1,004,978 | - | 1,593,758 |
| **Accumulated impairment loss** | | | | | | | | |
| At 1 January 2008 | | - | - | 11,664 | 108 | - | 703 | 12,475 |
| Acquisition of subsidiaries | 7 | - | - | - | - | 73 | - | 73 |
| Impairment loss for the year | | - | - | 166 | - | 157 | - | 323 |
| At 31 December 2008/ 1 January 2009 | | - | - | 11,830 | 108 | 230 | 703 | 12,871 |
| Acquisition of subsidiaries | 7 | 58,733 | - | - | 22,823 | - | - | 81,556 |
| Impairment loss for the year | | - | 1,276 | 347 | - | 10,078 | - | 11,701 |
| At 31 December 2009 | | 58,733 | 1,276 | 12,177 | 22,931 | 10,308 | 703 | 106,128 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2008 | | 1,297,340 | 36,203 | 471,826 | 324,799 | 494,375 | 131,694 | 2,756,237 |
| At 31 December 2008/ 1 January 2009 | | 1,300,169 | 47,420 | 698,917 | 595,093 | 815,975 | 237,347 | 3,694,921 |
| At 31 December 2009 | | 1,414,195 | 180,899 | 753,893 | 799,950 | 1,194,135 | 395,628 | 4,738,700 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| COMPANY | Freehold land RM'000 | Estate development expenditure RM'000 | Buildings RM'000 | Other assets RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | |
| At 1 January 2008 | 774,737 | 121,151 | 39,481 | 26,079 | 7,319 | 968,767 |
| Additions | - | 5,929 | 1,704 | 2,520 | 924 | 11,077 |
| Disposals | - | - | - | (278) | - | (278) |
| Write off | - | (2,000) | (173) | (363) | - | (2,536) |
| Transfers | - | - | 6,020 | 1,310 | (7,330) | - |
| At 31 December 2008/1 January 2009 | 774,737 | 125,080 | 47,032 | 29,268 | 913 | 977,030 |
| Additions | - | 4,999 | 483 | 2,067 | 764 | 8,313 |
| Disposals | - | - | - | (445) | - | (445) |
| Write off | - | (2,103) | (100) | (721) | - | (2,924) |
| Transfers | - | - | 698 | 281 | (979) | - |
| At 31 December 2009 | 774,737 | 127,976 | 48,113 | 30,450 | 698 | 981,974 |
| Representing items at: | | | | | | |
| Cost | 7,574 | 127,976 | 48,113 | 30,450 | 698 | 214,811 |
| Directors' valuation - 1997 | 767,163 | - | - | - | - | 767,163 |
| | 774,737 | 127,976 | 48,113 | 30,450 | 698 | 981,974 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2008 | - | 49,633 | 23,991 | 20,392 | - | 94,016 |
| Charge for the year | - | 5,463 | 1,690 | 2,177 | - | 9,330 |
| Disposals | - | - | - | (278) | - | (278) |
| Write off | - | (2,000) | (169) | (362) | - | (2,531) |
| At 31 December 2008/1 January 2009 | - | 53,096 | 25,512 | 21,929 | - | 100,537 |
| Charge for the year | - | 5,914 | 1,560 | 2,202 | - | 9,676 |
| Disposals | - | - | - | (443) | - | (443) |
| Write off | - | (2,103) | (80) | (721) | - | (2,904) |
| At 31 December 2009 | - | 56,907 | 26,992 | 22,967 | - | 106,866 |
| **Carrying amounts** | | | | | | |
| At 1 January 2008 | 774,737 | 71,518 | 15,490 | 5,687 | 7,319 | 874,751 |
| At 31 December 2008/1 January 2009 | 774,737 | 71,984 | 21,520 | 7,339 | 913 | 876,493 |
| At 31 December 2009 | 774,737 | 71,069 | 21,121 | 7,483 | 698 | 875,108 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The other assets can be further analysed as follows:

| GROUP - 2009 | Vessels, plant and machinery RM'000 | Restaurant and office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January | 1,190,083 | 152,962 | 44,182 | 43,519 | 1,430,746 |
| Acquisition of subsidiaries | 173,316 | 336,602 | - | 34,147 | 544,065 |
| Assets swap in | 353 | - | - | 378 | 731 |
| Assets swap out | (514) | - | - | (676) | (1,190) |
| Additions | 56,437 | 98,507 | 2,451 | 11,011 | 168,406 |
| Disposals | (38,712) | (58,934) | (33) | (5,170) | (102,849) |
| Write off | (3,630) | - | (312) | (1,822) | (5,764) |
| Transfer to assets held for sale | (220) | - | (169) | - | (389) |
| Transfers | 175,660 | (1,850) | 1,878 | 88 | 175,776 |
| Translation exchange differences | (2,227) | 1,939 | 61 | 116 | (111) |
| At 31 December | 1,550,546 | 529,226 | 48,058 | 81,591 | 2,209,421 |
| **Accumulated depreciation** | | | | | |
| At 1 January | 494,698 | 62,202 | 28,547 | 29,094 | 614,541 |
| Acquisition of subsidiaries | 101,213 | 161,712 | - | 26,172 | 289,097 |
| Assets swap out | (477) | - | - | (619) | (1,096) |
| Charge for the year | 122,784 | 50,643 | 3,448 | 8,668 | 185,543 |
| Disposals | (17,951) | (55,099) | (12) | (5,120) | (78,182) |
| Write off | (3,148) | - | (277) | (1,778) | (5,203) |
| Transfer to assets held for sale | (192) | - | (98) | - | (290) |
| Transfers | - | 15 | - | 3 | 18 |
| Translation exchange differences | (735) | 1,173 | 44 | 68 | 550 |
| At 31 December | 696,192 | 220,646 | 31,652 | 56,488 | 1,004,978 |
| **Accumulated impairment loss** | | | | | |
| At 1 January | 220 | - | - | 10 | 230 |
| Impairment loss for the year | 8,811 | 1,267 | - | - | 10,078 |
| At 31 December | 9,031 | 1,267 | - | 10 | 10,308 |
| **Carrying amount** | | | | | |
| At 1 January 2009 | 695,165 | 90,760 | 15,635 | 14,415 | 815,975 |
| At 31 December 2009 | 845,323 | 307,313 | 16,406 | 25,093 | 1,194,135 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| COMPANY - 2009 | Plant and machinery RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 13,958 | 6,829 | 8,481 | 29,268 |
| Additions | 592 | 269 | 1,206 | 2,067 |
| Disposals | - | - | (445) | (445) |
| Write off | (240) | (65) | (416) | (721) |
| Reclassification | 6 | - | (6) | - |
| Transfers | 281 | - | - | 281 |
| At 31 December | 14,597 | 7,033 | 8,820 | 30,450 |
| **Accumulated depreciation** | | | | |
| At 1 January | 11,343 | 4,507 | 6,079 | 21,929 |
| Charge for the year | 734 | 592 | 876 | 2,202 |
| Disposal | - | - | (443) | (443) |
| Write off | (240) | (65) | (416) | (721) |
| At 31 December | 11,837 | 5,034 | 6,096 | 22,967 |
| **Carrying amount** | | | | |
| At 1 January 2009 | 2,615 | 2,322 | 2,402 | 7,339 |
| At 31 December 2009 | 2,760 | 1,999 | 2,724 | 7,483 |

| GROUP - 2008 | Vessels, plant and machinery RM'000 | Restaurant and office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January | 742,894 | 138,896 | 23,055 | 28,341 | 933,186 |
| Acquisition of subsidiaries | 304,869 | - | 10,040 | 10,081 | 324,990 |
| Additions | 24,905 | 24,139 | 5,274 | 6,906 | 61,224 |
| Disposals | (266) | (10,759) | (237) | (830) | (12,092) |
| Write off | (746) | - | (340) | (981) | (2,067) |
| Transfer to assets held for sale | (1,631) | - | (3) | - | (1,634) |
| Transfers | 130,325 | - | 6,393 | (2) | 136,716 |
| Translation exchange differences | (10,267) | 686 | - | 4 | (9,577) |
| At 31 December | 1,190,083 | 152,962 | 44,182 | 43,519 | 1,430,746 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| GROUP - 2008 | Vessels, plant and machinery RM'000 | Restaurant and office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| At 1 January | 345,596 | 57,617 | 17,592 | 18,006 | 438,811 |
| Acquisition of subsidiaries | 76,962 | - | 6,341 | 7,146 | 90,449 |
| Charge for the year | 83,688 | 14,569 | 4,482 | 5,498 | 108,237 |
| Disposals | (142) | (10,307) | (178) | (758) | (11,385) |
| Write off | (555) | - | (302) | (934) | (1,791) |
| Transfer to assets held for sale | (116) | - | - | - | (116) |
| Transfers | 218 | - | 612 | 133 | 963 |
| Translation exchange differences | (10,953) | 323 | - | 3 | (10,627) |
| At 31 December | 494,698 | 62,202 | 28,547 | 29,094 | 614,541 |
| **Accumulated impairment loss** | | | | | |
| At 1 January | - | - | - | - | - |
| Acquisition of subsidiaries | 63 | - | - | 10 | 73 |
| Impairment loss for the year | 157 | - | - | - | 157 |
| At 31 December | 220 | - | - | 10 | 230 |
| **Carrying amount** | | | | | |
| At 1 January 2008 | 397,298 | 81,279 | 5,463 | 10,335 | 494,375 |
| At 31 December 2008 | 695,165 | 90,760 | 15,635 | 14,415 | 815,975 |

| COMPANY - 2008 | Plant and machinery RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 13,185 | 4,977 | 7,917 | 26,079 |
| Additions | 704 | 772 | 1,044 | 2,520 |
| Disposals | - | - | (278) | (278) |
| Write off | (86) | (75) | (202) | (363) |
| Transfers | 155 | 1,155 | - | 1,310 |
| At 31 December | 13,958 | 6,829 | 8,481 | 29,268 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| COMPANY - 2008 | Plant and machinery RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| At 1 January | 10,696 | 4,078 | 5,618 | 20,392 |
| Charge for the year | 732 | 504 | 941 | 2,177 |
| Disposal | - | - | (278) | (278) |
| Write off | (85) | (75) | (202) | (362) |
| At 31 December | 11,343 | 4,507 | 6,079 | 21,929 |
| **Carrying amount** | | | | |
| At 1 January 2008 | 2,489 | 899 | 2,299 | 5,687 |
| At 31 December 2008 | 2,615 | 2,322 | 2,402 | 7,339 |

**Leased plant and machinery and motor vehicles**

Included in property, plant and equipment of the Group are assets acquired under lease arrangements at net book value of RM4,403,000 (2008: RM6,015,000). The leased assets consist of equipments and motor vehicles which secure lease obligations (Note 16).

| SECURITY | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| **Carrying amount of assets pledged as security for borrowings:** | | | | |
| - Freehold lands | 593,632 | 457,513 | 88,903 | 33,240 |
| - Estate development expenditure | 477,067 | 385,332 | 31,201 | 2,065 |
| - Buildings | 462,170 | 427,407 | - | - |
| - Other property, plant and equipment | 551,130 | 187,711 | - | - |
| | 2,083,999 | 1,457,963 | 120,104 | 35,305 |

**Borrowing costs**

Included in capital-in-progress of the Group is interest capitalised at rates ranging from 4.02% to 5.64% per annum (2008: 4.96% to 7.38% per annum) for the year of RM2,712,880 (2008: RM1,588,187) until the assets are ready for its intended use.

**Property, plant and equipment under revaluation model**

The Group's freehold lands were revalued on 31 December 1997 by independent professional qualified valuers using an open market value method.

Had the freehold lands of the Group and of the Company been carried under the historical cost, their carrying amounts would have been RM265,298,000 (2008: RM92,539,000) and RM7,574,000 (2008: RM7,574,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Acquisition of subsidiaries**

The acquisition of subsidiaries is further analysed as follows:

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Acquisition of subsidiaries: | | |
| - Cost | 1,097,316 | 830,757 |
| - Accumulated depreciation | (400,495) | (119,409) |
| - Accumulated impairment | (81,556) | (73) |
| | 615,265 | 711,275 |
| **Represented by:** | | |
| Acquisition of (Note 7): | | |
| - KFC Holdings (Malaysia) Bhd. | 615,265 | - |
| - Sindora Berhad | - | 352,508 |
| - Ramu Agri-Industries Limited | - | 358,767 |
| | 615,265 | 711,275 |

**Assets Swap**

As mentioned in Note 31, on 3 March 2009, the Group entered into a conditional Exchange of Land Agreement with Sime Darby Plantations Sdn. Bhd. ("SDPSB") to transfer a plantation estate, namely Ladang Sungai Simpang Kiri ("LSSK"), owned by Sindora Berhad, at a consideration of RM77,700,000, in exchange for the transfer of SDPSB for a consideration of RM71,700,000 together with a cash payment of RM6,000,000 to the Group. The asset swap was completed on 1 September 2009.

**Effect of assets swap**

The asset swap had the following effect on the Group's operating results as at 31 December 2009:

| | 12 months ended 31.12.2009 RM'000 |
|---|---|
| Group's carrying amount | |
| - Property, plant and equipment | 37,374 |
| - Prepaid lease payment | 42,666 |
| Deferred tax liabilities (Note 10) | (10,296) |
| Gain on asset swap (Note 21) | 7,956 |
| Consideration receivable from assets swap | 77,700 |
| Less: Consideration paid in-kind | (71,700) |
| Net cash inflow | 6,000 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Change in estimates of residual values of vessels**

During the year ended 31 December 2009, the Group conducted an operational efficiency review of its vessels, which resulted in changes in the expected usage of certain items of property, plant and equipment. The residual value of each vessel has been reassessed based on long term metal price and the light weight tonnage of each vessel. Previously the residual value for each vessel was assessed as nil. The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:

| | 2009 RM'000 | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 and later RM'000 |
|---|---|---|---|---|---|
| Decrease in depreciation expense | 2,167 | 1,806 | 1,806 | 1,806 | 7,009 |

## 4. INTANGIBLE ASSETS

| GROUP | Note | Brandname RM'000 | Franchise rights RM'000 | Goodwill RM'000 | Concession rights RM'000 | Franchise fee RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2008 | | - | 275,804 | - | - | 17,165 | - | 292,969 |
| Acquisition of subsidiaries | 7 | - | - | 14,309 | 14,198 | - | 665 | 29,172 |
| Additions | | - | 4,005 | - | - | 2,510 | 35 | 6,550 |
| At 31 December 2008/ 1 January 2009 | | - | 279,809 | 14,309 | 14,198 | 19,675 | 700 | 328,691 |
| Acquisition of subsidiaries | 7 | 86,452 | 439,343 | 21,863 | - | 50,191 | - | 597,849 |
| Additions | | - | 9,565 | - | - | - | - | 9,565 |
| Write-off | | - | (8,265) | - | - | - | - | (8,265) |
| At 31 December 2009 | | 86,452 | 720,452 | 36,172 | 14,198 | 69,866 | 700 | 927,840 |
| **Accumulated amortisation and impairment** | | | | | | | | |
| At 1 January 2008 | | - | - | - | - | 4,810 | - | 4,810 |
| Acquisition of subsidiaries | 7 | - | - | - | 333 | - | 24 | 357 |
| Amortisation for the year | | - | - | - | 667 | 1,870 | 81 | 2,618 |
| At 31 December 2008/ 1 January 2009 | | - | - | - | 1,000 | 6,680 | 105 | 7,785 |
| Acquisition of subsidiaries | 7 | - | - | - | - | 23,755 | - | 23,755 |
| Amortisation for the year | | - | - | - | 1,000 | 9,100 | 70 | 10,170 |
| Impairment for the year | | - | - | 2,704 | - | - | - | 2,704 |
| Write-off | | - | - | - | - | (8,265) | - | (8,265) |
| At 31 December 2009 | | - | - | 2,704 | 2,000 | 31,270 | 175 | 36,149 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2008 | | - | 275,804 | - | - | 12,355 | - | 288,159 |
| At 31 December 2008/ 1 January 2009 | | - | 279,809 | 14,309 | 13,198 | 12,995 | 595 | 320,906 |
| At 31 December 2009 | | 86,452 | 720,452 | 33,468 | 12,198 | 38,596 | 525 | 891,691 |

## 4. INTANGIBLE ASSETS (CONTINUED)

**Impairment testing for cash-generating units (CGUs) containing intangible assets**

The aggregate carrying amounts of brandname, franchise rights, goodwill and concession rights allocated to each unit are as follows:

| | Brandname | | Franchise rights | | Goodwill | | Consession rights | | Franchise fee | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Group | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Restaurants | - | - | 720,452 | 279,809 | 10,731 | - | - | - | 38,596 | 12,995 | - | - | 769,779 | 292,804 |
| Integrated poultry | 75,595 | - | - | - | 10,199 | - | - | - | - | - | - | - | 85,794 | - |
| Ancillary | 10,857 | - | - | - | 878 | - | - | - | - | - | - | - | 11,735 | - |
| Bulk-mailing and printing services | - | - | - | - | 1,931 | 1,931 | - | - | - | - | - | - | 1,931 | 1,931 |
| Parking operator | - | - | - | - | 2,347 | 2,347 | 12,198 | 13,198 | - | - | - | - | 14,545 | 15,545 |
| Shipping and forwarding agent | - | - | - | - | 1,333 | 1,333 | - | - | - | - | - | - | 1,333 | 1,333 |
| Provision of sea transportation and related services | - | - | - | - | 5,660 | 8,364 | - | - | - | - | - | - | 5,660 | 8,364 |
| Others | - | - | - | - | 389 | 334 | - | - | - | - | 525 | 595 | 914 | 929 |
| | 86,452 | - | 720,452 | 279,809 | 33,468 | 14,309 | 12,198 | 13,198 | 38,596 | 12,995 | 525 | 595 | 891,691 | 320,906 |

## 4. INTANGIBLE ASSETS (CONTINUED)

The acquisition of subsidiaries is further analysed as follows:

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Acquisition of subsidiaries: | | |
| - Cost | 597,849 | 29,172 |
| - Accumulated amortisation | (23,755) | (357) |
| | 574,094 | 28,815 |
| **Represented by:** | | |
| Acquisition of (Note 7): | | |
| - KFC Holdings (Malaysia) Bhd. | 574,039 | - |
| - JTP Trading Sdn. Bhd. | 55 | - |
| - Sindora Berhad | - | 28,815 |
| | 574,094 | 28,815 |

**Impairment testing for cash-generating units ("CGU") containing intangible assets**

For the purpose of impairment testing, intangible assets acquired through business combinations have been allocated to the Group's operating units, which represents the lowest level within the Group at which the intangible assets are monitored for internal management purposes.

**Brandnames and Franchise rights**

Brandnames acquired through business combination has been allocated to two CGUs, Integrated Poultry and Ancillary segments, while Franchise rights acquired through business combination has been allocated to a CGU, Restaurant segment, which are the reportable segments for impairment test.

**Key assumptions used in value-in-use calculations**

The recoverable amount of a CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a 10-year period. The growth rate used to extrapolate the cash flows of the Restaurant segment beyond the 5-year period is 4% (2008: 4%) which is in line with the estimated GDP growth rate for the country in which it operates.

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of the franchise rights:

- There will be no material changes in the structure and principal activities of the investee Group.
- Raw material price inflation - there will not be any significant increase in the prices and supply of raw materials, wages and other related costs, resulting from industrial dispute, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of CGU.
- Statutory income tax rate - the tax rate for Malaysia is 25% for current year and thereafter. There will be no material changes in the present legislation or regulations, rates and bases of duties, levies and other taxes affecting the Group's and the CGU's activities.
- A pre-tax discount rate of 6%-8% (2008: 6%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average interest rate of 5.5% per annum on the existing facilities for the year.
- Foreign exchange rate - the foreign exchange rate will not be substantially and adversely different from the current rate.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4. INTANGIBLE ASSETS (CONTINUED)

**Goodwill**

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year forecast and projection.
- Revenue was projected at anticipated annual revenue growth of approximately 5%-22% per annum.
- Budget gross profit margins were projected at annual rate of 2%-44% per annum.
- A pre-tax discount rate of 8% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowing.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

**Concession rights**

The concession rights arose from a 15-year Concession Agreement with the ultimate holding corporation and a subsidiary to manage, operate and maintain a multi-storey car park together with other parking facilities at Persada Johor International Convention Centre. It is reasonably anticipated that the cost will be recovered through future income derived from the car park operation of guranteed income by the ultimate holding corporation pursuant to the Concession Agreement. The remaining amortisation period at year end is 11.8 years (2008: 12.8 years).

**Franchise Fee**

Franchise fee consists of initial franchise fee paid for new restaurants and renewal franchise fee paid at the expiration of the franchise period. Franchise fee is amortised on a straight-line basis over a period of ten (10) years.

## 5. PREPAID LEASE PAYMENTS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **At cost/valuation** | | | | | |
| At 1 January | | 433,557 | 298,084 | 207,768 | 207,768 |
| Acquisition of subsidiaries | 7 | 67,129 | 134,123 | - | - |
| Assets swap in | | 34,579 | - | - | - |
| Assets swap out | | (48,038) | - | - | - |
| Additions | | 5,722 | 1,350 | - | - |
| Disposal | | (871) | - | - | - |
| Reclassification from assets held for sale | | 2,944 | - | - | - |
| At 31 December | | 495,022 | 433,557 | 207,768 | 207,768 |
| **Accumulated amortisation** | | | | | |
| At 1 January | | 37,591 | 19,059 | 8,473 | 7,255 |
| Acquisition of subsidiaries | 7 | 2,596 | 15,041 | - | - |
| Assets swap out | | (5,372) | - | - | - |
| Amortisation for the year | 21 | 4,713 | 3,490 | 1,218 | 1,218 |
| Disposal | | (45) | - | - | - |
| Reclassification from assets held for sale | | 607 | - | - | - |
| At 31 December | | 40,090 | 37,590 | 9,691 | 8,473 |

## 5. PREPAID LEASE PAYMENTS (CONTINUED)

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| At 31 December | | 454,932 | 395,967 | 198,077 | 199,295 |
| Analysis of prepaid lease payments: | | | | | |
| - Unexpired lease period less than 50 years | | 16,736 | 8,637 | - | - |
| - Unexpired lease period more than 50 years | | 438,196 | 387,330 | 198,077 | 199,295 |
| At 31 December | | 454,932 | 395,967 | 198,077 | 199,295 |

As at 31 December 2009, prepaid lease payments of the Group and of the Company with carrying amounts of approximately RM201,694,000 (2008: RM126,892,000) and RM157,684,000 (2008: RM126,892,000) were pledged as securities for bank loans and borrowings.

The acquisition of subsidiaries is further analysed as follows:

| | Group 2009 RM'000 | Group 2008 RM'000 |
|---|---|---|
| Acquisition of subsidiaries: | | |
| - Cost | 67,129 | 134,123 |
| - Accumulated amortisation | (2,596) | (15,041) |
| | 64,533 | 119,082 |
| **Represented by:** | | |
| Acquisition of (Note 7): | | |
| - KFC Holdings (Malaysia) Bhd. | 64,533 | - |
| - Sindora Berhad | - | 119,082 |
| | 64,533 | 119,082 |

## 6. INVESTMENT PROPERTIES

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| At 1 January | | 93,570 | 81,976 | 90,000 | 81,976 |
| Acquisition of subsidiary | 7 | - | 3,040 | - | - |
| Additions | | 4,503 | 4 | 4,503 | 4 |
| Change in fair value | 21 | (210) | 8,550 | - | 8,020 |
| At 31 December | | 97,863 | 93,570 | 94,503 | 90,000 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 6. INVESTMENT PROPERTIES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| ***Included in the above are:*** | | | | |
| Leasehold land with unexpired lease period at more than 50 years | 13,062 | 13,062 | 13,062 | 13,062 |
| Freehold land | 2,582 | 2,440 | - | - |
| Buildings | 82,219 | 78,068 | 81,441 | 76,938 |
| At 31 December | 97,863 | 93,570 | 94,503 | 90,000 |

The fair values of investment properties of the Group and of the Company are determined using the investment and comparison method.

**Security**

At 31 December 2009, investment properties of the Group and of the Company with carrying amounts of RM97,863,000 (2008: RM93,570,000) and RM94,503,000 (2008: RM90,000,000) respectively are charged to licensed banks for term loan facilities granted to the Group.

## 7. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| At cost: | | |
| Unquoted shares in Malaysia | 565,812 | 564,753 |
| Less: Allowance for impairment loss | (19,449) | (16,900) |
| | 546,363 | 547,853 |
| Quoted shares in Malaysia | 669,607 | 670,153 |
| Quoted shares outside Malaysia | 216,391 | 216,391 |
| | 1,432,361 | 1,434,397 |
| Market value: | | |
| Quoted shares in Malaysia | 670,943 | 553,833 |
| Quoted shares outside Malaysia | 1,644,049 | 576,896 |

Investment in quoted shares in Malaysia is held for long term and the Directors are of the opinion that no impairment is necessary. Key assumptions used in the impairment testing on investment in quoted shares in Malaysia are similar to that of franchise rights as disclosed in Note 4.

The subsidiaries are listed in Note 34.

The audit reports of the Guadalcanal Plains Palm Oil Limited ("GPPOL"), a subsidiary of New Britain Palm Oil Limited, contained audit qualifications that are not material in relation to the consolidated financial statements of the Company.

The audit report of GPPOL contained a qualified opinion on limitation on the scope of work due to a fire at GPPOL's office in July 2009. The net profit and net assets contributed by this subsidiary are not material in relation to the consolidated net profit and net assets of the Group for the year.

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2009**

**(i) Acquisition of equity interest in KFC Holdings (Malaysia) Bhd. ("KFCH")**

On 2 January 2009, QSR Brands Bhd. ("QSR") acquired additional 865,300 ordinary shares in KFCH representing 0.44% of the issued and paid-up share capital of KFCH for a total purchase consideration of RM6,612,657 ("the Acquisition"). Following the Acquisition, the Group's shareholdings in KFCH increased from 49.81% to 50.25%, thereby effectively making KFCH a subsidiary of the Group.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

| | Pre-acquisition carrying amounts RM'000 | Fair value adjustments RM'000 | Recognised values on acquisition RM'000 |
|---|---|---|---|
| Property, plant and equipment | 615,265 | - | 615,265 |
| Prepaid land lease payments | 64,533 | - | 64,533 |
| Investment in Amanahraya Unit Trust | 20,203 | - | 20,203 |
| Intangible assets | 26,436 | 525,795 | 552,231 |
| Inventories | 158,474 | - | 158,474 |
| Receivables and deposits | 118,973 | - | 118,973 |
| Cash and cash equivalent | 98,273 | - | 98,273 |
| Loans and borrowings | (141,055) | - | (141,055) |
| Deferred tax liabilities | (31,602) | - | (31,602) |
| Payables and accruals | (275,424) | - | (275,424) |
| Employee benefits | (3,936) | - | (3,936) |
| Current tax assets | 9,139 | - | 9,139 |
| Minority interests | (10,232) | - | (10,232) |
| Net identifiable assets and liabilities | 649,047 | 525,795 | 1,174,842 |
| Investments in associate | | | (605,409) |
| Minority interests | | | (584,629) |
| Intangible assets arising from acquisition | | | 21,808 |
| Consideration paid, satisfied in cash | | | 6,612 |
| Cash and cash equivalent acquired | | | (98,273) |
| Net cash inflow | | | (91,661) |

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The pre-acquisition carrying mount of identifiable assets and liabilities recognised on acquisition approximates the fair values of their carrying amounts. In determining the fair value of brandnames and franchise rights, the Group applied the discount rate of 12% to the estimated cash flow and 14% for the terminal cash flow.

The intangible asset recognised on the acquisition is attributable mainly to the KFC franchise rights and brand names of 'Ayamas' and 'Lifebrand'.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2009 (continued)**

**(i) Acquisition of equity interest in KFC Holdings (Malaysia) Bhd ("KFCH") (continued)**

**Effect of acquisition**

The acquisition of subsidiary had the following effect on the Group's operating results, assets and liabilities as at 31 December 2009:

| | 12 months ended 31.12.2009 RM'000 |
|---|---|
| **INCOME STATEMENT** | |
| Revenue | 2,215,508 |
| Operating costs | (2,020,776) |
| Operating profit | 194,732 |
| Finance costs | (5,175) |
| Profit before tax | 189,557 |
| Income tax expense | (57,218) |
| Profit for the year | 132,339 |
| Less: Minority interests | (94,650) |
| Increase in the Group's net profit at the end of the financial year | 37,689 |
| **BALANCE SHEET** | |
| Property, plant and equipment | 705,086 |
| Prepaid land lease payments | 68,595 |
| Intangible assets | 47,083 |
| Investment in associate | (612,021) |
| Fixed deposits | 83,083 |
| Current assets | 349,595 |
| Current liabilities | (350,416) |
| Long-term borrowing | (84,387) |
| Deferred tax liabilities | (33,907) |
| Provision for employee benefits | (3,500) |
| Minority interests | (647,242) |
| Net assets acquired/Group's share of net assets | (478,031) |
| Intangible assets on acquisition | 525,795 |
| Increase in the Group's net assets | 47,764 |

**(ii) Acquisition of Ramu Agri-Industries Limited ("RAIL")**

In September 2008, the Group acquired 100% of the share capital of Ramu Agri-Industries Limited. Provisional fair values were used for a period of 12 months from acquisition.

During the current year, an independent valuer completed a detailed valuation of property, plant and equipment acquired to determine the final fair value of these assets. Utilising the independent valuers report dated 1 April 2009, the Group has ascertained additional fair value adjustment on the RAIL property, plant and equipment of RM2,342,000 with a corresponding increase in deferred tax liabilities of RM706,000 (Note 10).

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2009 (continued)**

**(iii) Acquisition of KFC India Holdings Sdn. Bhd.**

On 13 May 2009, KFCH announced the acquisition of the entire issued and paid-up share capital of KFC India Holdings Sdn. Bhd. (formerly known as Orient Palm Sdn. Bhd.) comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00.

The effect of net profit and net assets contributed by the company acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(iv) Additional interests JTP Trading Sdn. Bhd.**

During the year, the Company acquired the remaining equity interest of 25% in JTP Trading Sdn. Bhd. for a consideration of RM399,000, resulting in goodwill on acquisition of RM54,754. The Group recognised a decrease in minority interest of about RM344,000. The effect of net profit and net assets contributed by the additional equity interest acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(v) Acquistion of Superior Harbour Sdn. Bhd., Special Appearance Sdn. Bhd. and Kulim Nursery Sdn. Bhd.**

During the year, the Group acquired three new companies, Superior Harbour Sdn. Bhd., Special Appearance Sdn. Bhd. and Kulim Nursery Sdn. Bhd. with a total cost of RM600,000. The effect of net profit and net assets contributed by these companies acquired is not material in relation to the consolidated net profit and net assets of the Group.

**Disposal of subsidiaries in 2009**

**(vi) Disposal of Donut Empire (Malaysia) Holding Sdn. Bhd.**

On 26 August 2009, the Group announced that it had disposed of Donut Empire (Malaysia) Holdings Sdn. Bhd. for a cash consideration of RM5,000.

The effect of net profit and net assets contributed by the company disposed is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(vii) Partial disposal of Sindora Berhad**

On 19 October 2009, the Company disposed off a total of 300,000 ordinary shares of RM1.00 each, representing 0.31% of the equity shareholding of the Company in Sindora Berhad, at RM1.54 per share for a total consideration of RM460,814, resulting in a loss on partial disposal to the Group and the Company of RM459,081 and RM83,691 respectively. The Group recognised an increase in minority interest of about RM920,000. The Group's equity interest in Sindora Berhad fell to 76.50%.

**(viii) Partial disposal of Kulim Nursery Sdn. Bhd.**

During the year, the Company disposed off 10% equity interest in Kulim Nursery Sdn. Bhd. for a consideration of RM20,000, resulting in a loss on partial disposal to the Group of RM41,669. The Group recognised an increase in minority interest of RM61,669. The effect on net profit and net assets contributed by the equity interest disposed is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(ix) Partial disposal of equity interest in Renown Value Sdn. Bhd., Cita Tani Sdn. Bhd., Superior Harbour Sdn. Bhd., Edaran Badang Sdn. Bhd., Akli Resources Sdn. Bhd., Kulim Civilworks Sdn. Bhd., Kulim Livestock Sdn. Bhd. and Special Appearance Sdn. Bhd.**

During the year, the Group disposed off between 5% to 15% of its equity interest in the companies involved in the Group's Intrapreneurs Scheme. The effect of net profits and net assets of these partial disposals is not material in relation to the consolidated net profit and net assets of the Group for the year.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Disposal of subsidiaries in 2009 (continued)**

The increase/(decrease) in minority interests is further summarised as follows:

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Partial disposals of equity interest in: | | |
| - Sindora Berhad | 920 | - |
| - Kulim Nursery Sdn. Bhd. | 62 | - |
| Acquisitions of additional equity interest in: | | |
| - Sindora Berhad | - | (27,911) |
| - QSR Brands Bhd | - | (12,870) |
| - Kumpulan Bertam Plantations Berhad | - | (51) |
| | 982 | (40,832) |

**Acquisition of subsidiaries in 2008**

**(i) Acquisition of Sindora Berhad ("Sindora")**

On 1 May 2008, the Group has completed its acquisition of Sindora by securing control over the company. Consequently, this investment which was previously classified as other investment (non-current), has been classified as investments in subsidiaries.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

| | Book value at date of acquisition RM'000 | Fair value adjustments RM'000 | Recognised fair value on acquisition RM'000 |
|---|---|---|---|
| Property, plant and equipment | 249,711 | 102,797 | 352,508 |
| Prepaid lease payments | 85,013 | 34,069 | 119,082 |
| Investment properties | 3,040 | - | 3,040 |
| Intangible assets | 28,815 | - | 28,815 |
| Investments in associates | 20,680 | - | 20,680 |
| Other investments | 6,682 | - | 6,682 |
| Deferred tax assets | 265 | - | 265 |
| Properties held for sale | 5,484 | 665 | 6,149 |
| Inventories | 18,810 | - | 18,810 |
| Receivables, deposits and prepayments | 42,466 | - | 42,466 |
| Cash and cash equivalents | 32,008 | - | 32,008 |
| Loans and borrowings | (186,563) | - | (186,563) |
| Deferred tax liabilities | (23,698) | (30,057) | (53,755) |
| Payables and accruals | (40,338) | - | (40,338) |
| Tax payable | (3,765) | - | (3,765) |
| Minority interests | (143,866) | - | (143,866) |
| Net identifiable assets and liabilities | 94,744 | 107,474 | 202,218 |

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2008 (continued)**

**(i) Acquisition of Sindora Berhad ("Sindora") (continued)**

| | Book value at date of acquisition RM'000 | Fair value adjustments RM'000 | Recognised fair value on acquisition RM'000 |
|---|---|---|---|
| Negative goodwill recognised in income statements | | | (89,393) |
| Consideration paid, satisfied in cash | | | 112,825 |
| Less: Consideration paid, prior year | | | (7,056) |
| Cash and cash equivalent acquired | | | (32,008) |
| Net cash outflow | | | 73,761 |

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The pre-acquisition carrying amount of identifiable assets and liabilities recognised on acquisition approximates the fair values of their carrying amounts.

**Effect of acquisition**

The acquisition of subsidiary had the following effect on the Group's operating results, assets and liabilities as at 31 December 2008:

| | 8 months ended 31.12.2008 RM'000 |
|---|---|
| **INCOME STATEMENT** | |
| Revenue | 239,566 |
| Operating costs | (217,404) |
| Operating profit | 22,162 |
| Finance costs | (7,435) |
| Share of net results in associates | 4,000 |
| Profit before tax | 18,727 |
| Income tax expense | (5,008) |
| Profit for the year | 13,719 |
| Less: Minority interests | (5,081) |
| Increase in the Group's net profit at the end of the financial year | 8,638 |
| **BALANCE SHEET** | |
| Property, plant and equipment | 353,638 |
| Prepaid lease payments | 118,066 |
| Investment properties | 3,570 |
| Intangible assets | 28,102 |
| Investments in associates | 10,563 |
| Other investments | 5,556 |
| Deferred tax assets | 373 |
| Current assets | 132,148 |
| Current liabilities | (101,217) |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2008 (continued)**

**(i) Acquisition of Sindora Berhad ("Sindora") (continued)**

**Effect of acquisition (continued)**

| | 8 months ended 31.12.2008 RM'000 |
|---|---|
| **BALANCE SHEET (CONTINUED)** | |
| Long-term loans and borrowings | (139,543) |
| Deferred income | 298 |
| Deferred tax liabilities | (52,934) |
| Minority interests | (155,124) |
| Increase in the Group's net assets | 203,496 |

Subsequent to the completion of the acquisition, the Group acquired an additional 9.05% in Sindora for RM24,565,000 in cash, increasing its ownership from 67.76% to 76.81%. The carrying amount of Sindora's net assets in the consolidated financial statements on the date of acquisition was about RM308,306,000. The Group recognised a decrease in minority interest of about RM27,911,000 and negative goodwill amounting to about RM3,346,000. The negative goodwill is recognised in the income statements in the current year.

The effect of net profit and net assets contributed by the additional equity interest acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(ii) Acquisition of Ramu Agri-Industries Limited ("RAIL")**

On 1 October 2008, the Group, via its 51% controlled subsidiary New Britain Palm Oil Limited ("NBPOL"), has successfully concluded the acquisition of RAIL by securing control over the company. RAIL and its subsidiaries grow, manufacture and sell sugar and ethanol, palm oil and palm kernel and engage in cattle farming and production of beef. The new subsidiary is located in Gusap, Madang province, Papua New Guinea.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

| | Book value at date of acquisition RM'000 | Fair value adjustments RM'000 | Recognised fair value on acquisition RM'000 |
|---|---|---|---|
| Property, plant and equipment | 277,076 | 81,691 | 358,767 |
| Investments | 1,642 | (1,642) | - |
| Inventories | 91,494 | 19,104 | 110,598 |
| Trade and other receivables | 33,525 | (8,479) | 25,046 |
| Cash and cash equivalents | 24 | - | 24 |
| Loans and borrowings | (133,231) | (10) | (133,241) |
| Trade and other payables | (58,116) | (484) | (58,600) |
| Deferred tax liabilities | (57,929) | (25,530) | (83,459) |
| | 154,485 | 64,650 | 219,135 |
| Less : Cash and cash equivalents of subsidiaries acquired | | | (24) |
| Consideration paid, satisfied in cash | | | 219,111 |

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2008 (continued)**

**(ii) Acquisition of Ramu Agri-Industries Limited ("RAIL") (continued)**

The fair values are provisional as the acquisition was completed with effect on 30 September 2008. Provisional fair values may be used for a period of 12 months from acquisition.

During the 12 month period from acquisition date, an independent valuer will complete a detailed valuation of the land acquired to determine the final fair value of these assets. Utilising the independent valuers report, NBPOL will determine the final allocation of the excess across property, plant and equipment, intangible assets, deferred tax assets and liabilities, the outcome of which could materially change the provisional fair values identified above.

**Effect of acquisition**

| | 3 months ended 31.12.2008 RM'000 |
|---|---|
| **INCOME STATEMENT** | |
| Revenue | 39,259 |
| Operating costs | (35,991) |
| Profit before tax | 3,268 |
| Income tax credit | 1,947 |
| Profit for the year | 5,215 |
| Less: Minority interests | (2,572) |
| Increase in the Group's net profit at the end of the financial year | 2,643 |
| **BALANCE SHEET** | |
| Property, plant and equipment | 379,624 |
| Current assets | 110,059 |
| Current liabilities | (88,924) |
| Long-term borrowings | (115,532) |
| Deferred tax liabilities | (75,255) |
| Minority interest | (103,558) |
| Increase in the Group's net assets | 106,414 |

**(iii) Additional interest in QSR Brands Bhd ("QSR")**

During the year, the Group acquired an additional 2.16% in QSR for about RM74,971,000 in cash, increasing its ownership from 57.42% to 59.58%. The carrying amount of QSR's net assets in the consolidated financial statements on the date of acquisition was RM590,432,000. The Group recognised a decrease in minority interest of about RM12,870,000 and increase in intangible assets on acquisition of about RM4,005,000.

The effect of net profit and net assets contributed by the additional equity interest acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(iv) Acquisition of Kampuchea Food Corporation Co Limited ("KFCL")**

On 29 February 2008, the Group, via QSR, entered into a Joint Venture Agreement with Royal Group of Companies Ltd, Cambodia and Rightlink Corporation Limited, Hong Kong to form a new joint venture under a new joint venture company, KFCL, to operate KFC Restaurant business in Cambodia.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries in 2008 (continued)**

**(iv) Acquisition of Kampuchea Food Corporation Co Limited ("KFCL") (continued)**

QSR acquired 55% of the issued and paid-up share capital of USD1.5 million in KFCL for a cash consideration of RM2,665,575. The effect of net profit and net assets contributed by the company acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(v) Additional interest in Kumpulan Bertam Plantations Berhad ("KBPB")**

During the year, the Company acquired additional equity interest of 0.15% in KBPB for a consideration of RM33,500. The Group recognised a decrease in minority interest of RM50,608. The effect on net profit and net assets contributed by the additional equity interest acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

**(vi) Other acquisitions of subsidiaries**

During the year, the Group acquired four (4) new companies, Cita Tani Sdn. Bhd., Kulim Livestock Sdn. Bhd., SIM Manufacturing Sdn. Bhd. and Kulim Civilworks Sdn. Bhd. with a total cost of RM8.00. These subsidiaries participate in the Group's Intrapreneurs Scheme. The effect of net profit and net assets contributed by these companies acquired is not material in relation to the consolidated net profit and net assets of the Group for the year.

## 8. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| At cost: | | | | |
| Quoted shares in Malaysia | - | 512,198 | - | - |
| Share of post-acquisition reserves | - | 93,211 | - | - |
| | - | 605,409 | - | - |
| Unquoted shares: | | | | |
| - outside Malaysia | 575 | 575 | 575 | 575 |
| - in Malaysia | 21,064 | 6,500 | - | - |
| Share of post-acquisition reserves | | | | |
| - in Malaysia | 150 | 4,063 | - | - |
| | 21,789 | 11,138 | 575 | 575 |
| | 21,789 | 616,547 | 575 | 575 |
| Less: Allowance for impairment in value | (575) | (4,427) | (575) | (575) |
| | 21,214 | 612,120 | - | - |
| Market value: | | | | |
| Quoted shares in Malaysia | - | 735,810 | - | - |

## 8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has not recognised losses relating to the investment in unquoted shares outside Malaysia totalling RM42.14 million (2008: RM6.97 million) since the Group has no obligation in respect of these losses. Total cumulative losses increased in relation to the investment amounted to RM52.96 million (2008: RM10.82 million).

Details of the significant associates and activities are as follows:

| Name of associate | Country of incorporation | Effective ownership interest 2009 % | Effective ownership interest 2008 % | Principal activities |
|---|---|---|---|---|
| **Held indirectly through QSR Brands Berhad** | | | | |
| KFC Holdings (Malaysia) Bhd. ("KFCH") | Malaysia | - | 29.7 | (a) |
| **Held directly through Kulim (Malaysia) Berhad** | | | | |
| Nexsol Singapore Pte. Ltd. | Singapore | 49 | 49 | Manufacturer of biodiesel |
| **Held indirectly through Sindora Berhad** | | | | |
| Orkim Sdn. Bhd. * | Malaysia | 38 | - | Shipping and forwarding agent |
| Tepak Marketing Sdn. Bhd. | Malaysia | - | 20 | Contract packing |
| Amanahraya-JMF Asset Management Sdn. Bhd. | Malaysia | - | 15.2 | Asset management |
| Willis (Malaysia) Sdn. Bhd. | Malaysia | - | 30.4 | Risk management consulting |
| MM Vitaoils Sdn. Bhd.*@ | Malaysia | - | 26.6 | Manufacture of edible oil products |

* The financial statements have not been audited. As such, management accounts have been used for equity accounting.

@ The investment cost has been reclassified as assets held for sale (see Note 13).

(a) The company is principally an investment holding company listed on the Main Board of Bursa Malaysia Securities Berhad and the KFCH Group's principal activities range from restaurants operations to integrated poultry operations, property holding and investment holding. During the year, the Group, via QSR, acquired more than 50% equity interest in KFCH, resulting in KFCH Group become an indirect subsidiary as explained in Note 7(i).

**Summary of financial information on significant associates:**

| GROUP | Net revenues (100%) RM'000 | Total profit/(loss) (100%) RM'000 | Total assets (100%) RM'000 | liabilities (100%) RM'000 |
|---|---|---|---|---|
| **2009** | | | | |
| Orkim Sdn. Bhd. | 3,074 | 858 | 135,337 | (74,139) |
| Nexsol Singapore Pte. Ltd | 72,847 | (86,006) | 63,160 | (163,697) |
| **2008** | | | | |
| KFCH | 2,179,788 | 120,350 | 1,154,407 | (452,017) |
| Amanahraya-JMF Asset Management Sdn. Bhd. | 13,958 | 2,916 | 7,093 | (3,979) |
| Willis (Malaysia) Sdn. Bhd. | 23,327 | 11,173 | 46,045 | (23,256) |
| MM Vitaoils Sdn. Bhd. | 101,168 | 3,522 | 76,436 | (50,549) |
| Tepak Marketing Sdn. Bhd. | 19,096 | 610 | 8,663 | (6,877) |
| Nexsol Singapore Pte. Ltd. | 478,168 | (14,222) | 139,578 | (161,699) |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 9. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Non-current** | | | | |
| At cost: | | | | |
| Quoted shares in Malaysia | 52,848 | 49,241 | 20,716 | 19,421 |
| Quoted warrants in Malaysia | 6,889 | - | 6,889 | - |
| | 59,737 | 49,241 | 27,605 | 19,421 |
| Less: Allowance for impairment loss | | | | |
| Quoted shares in Malaysia | (42,098) | (43,646) | (16,893) | (17,735) |
| | 17,639 | 5,595 | 10,712 | 1,686 |
| Unquoted shares in Malaysia | 3,995 | 3,995 | 4,668 | 4,668 |
| Unquoted subordinated bond | 4,000 | 4,000 | - | - |
| Unquoted shares outside Malaysia | 14,921 | 16,454 | - | - |
| | 22,916 | 24,449 | 4,668 | 4,668 |
| Less: Allowance for impairment loss | | | | |
| Unquoted shares in Malaysia | (1,500) | (1,500) | (1,500) | (1,500) |
| | 21,416 | 22,949 | 3,168 | 3,168 |
| | 39,055 | 28,544 | 13,880 | 4,854 |
| **Current** | | | | |
| At cost: | | | | |
| Quoted shares in Malaysia | 2,939 | 2,939 | 2,939 | 2,939 |
| Less: Allowance for impairment loss | (1,888) | (1,888) | (1,888) | (1,888) |
| | 1,051 | 1,051 | 1,051 | 1,051 |
| Fund investments | 32,618 | 26,317 | 32,618 | 26,317 |
| | 33,669 | 27,368 | 33,669 | 27,368 |
| **MARKET VALUE:** | | | | |
| **Non-current** | | | | |
| Quoted shares in Malaysia | 7,391 | 6,042 | 4,156 | 1,700 |
| Quoted warrant in Malaysia | 6,342 | - | 6,342 | - |
| **Current** | | | | |
| Quoted shares in Malaysia | 1,460 | 1,060 | 1,460 | 1,060 |
| Details of disposed investments stated at cost are as follows: | | | | |
| Proceeds from disposal | 20,450 | 600 | - | 600 |
| Carrying amount of investments disposed | (20,203) | (4,643) | - | (4,643) |
| Gain/(Loss) on disposal of investments | 247 | (4,043) | - | (4,043) |

## 10. DEFERRED TAX ASSETS AND LIABILITIES

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| GROUP | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Deferred tax assets** | | | | | | |
| Property, plant and equipment | - | - | (23,546) | (2,617) | (23,546) | (2,617) |
| Provisions | 2,759 | 280 | - | - | 2,759 | 280 |
| Tax losses carry-forward | - | 1 | - | - | - | 1 |
| Unutilised reinvestment allowances | 23,908 | - | - | - | 23,908 | - |
| Investment tax allowances | 3,038 | 3,038 | - | - | 3,038 | 3,038 |
| Others | 657 | 1,033 | - | - | 657 | 1,033 |
| | 30,362 | 4,352 | (23,546) | (2,617) | 6,816 | 1,735 |
| **Deferred tax liabilities** | | | | | | |
| Property, plant and equipment | - | - | (476,018) | (395,947) | (476,018) | (395,947) |
| Provisions | 4,495 | 4,350 | - | - | 4,495 | 4,350 |
| Tax losses carry-forward | 35,699 | 18,727 | - | - | 35,699 | 18,727 |
| Unrealised loss on foreign exchange | - | 36 | - | - | - | 36 |
| Unabsorbed capital allowances | 842 | 4,067 | - | - | 842 | 4,067 |
| Unutilised reinvestment allowances | - | 22,759 | - | - | - | 22,759 |
| Others | - | - | (15,989) | (38,215) | (15,989) | (38,215) |
| | 41,036 | 49,939 | (492,007) | (434,162) | (450,971) | (384,223) |
| **COMPANY** | | | | | | |
| Property, plant and equipment | - | - | (66,530) | (66,863) | (66,530) | (66,863) |
| Others | 74 | 1,678 | - | - | 74 | 1,678 |
| | 74 | 1,678 | (66,530) | (66,863) | (66,456) | (65,185) |

**Movement in deferred tax assets during the year**

| GROUP | Note | Property, plant and equipment RM'000 | Investment tax allowances RM'000 | Unutilised reinvestment allowances RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2008 | | (52) | 3,038 | - | 71 | 3,057 |
| Acquisition of subsidiaries | 7 | 7 | - | - | 258 | 265 |
| Recognised in income statements | 23 | (2,572) | - | - | 985 | (1,587) |
| At 31 December 2008/1 January 2009 | | (2,617) | 3,038 | - | 1,314 | 1,735 |
| Recognised in income statements | 23 | (20,929) | - | 23,908 | 2,102 | 5,081 |
| At 31 December 2009 | | (23,546) | 3,038 | 23,908 | 3,416 | 6,816 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

**Movement in deferred tax liabilities during the year (continued)**

| GROUP | Note | Property, plant and equipment RM'000 | Tax losses carried forward RM'000 | Unutilised reinvestment allowances RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2008 | | (261,319) | 8,382 | 22,409 | (2,705) | (233,233) |
| Acquisition of subsidiaries | 7 | (148,983) | 11,224 | - | 545 | (137,214) |
| Recognised in income statements | 23 | 17,212 | (879) | 350 | (25,171) | (8,488) |
| Recognised in equity | | 62 | - | - | - | 62 |
| Translation exchange differences | | (2,919) | - | - | (2,431) | (5,350) |
| At 31 December 2008/1 January 2009 | | (395,947) | 18,727 | 22,759 | (29,762) | (384,223) |
| Acquisition of subsidiaries | 7 | (35,144) | 2,558 | - | 984 | (31,602) |
| Fair value adjustment | | (706) | - | - | - | (706) |
| Assets swap exercise | 3 | 10,296 | - | - | - | 10,296 |
| Recognised in income statements | 23 | (54,932) | 14,536 | (22,759) | 17,458 | (45,697) |
| Recognised in equity | | 10 | - | - | - | 10 |
| Translation exchange differences | | 405 | (122) | - | 668 | 951 |
| At 31 December 2009 | | (476,018) | 35,699 | - | (10,652) | (450,971) |

| COMPANY | Note | Property, plant and equipment RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2008 | | (66,339) | 3,814 | (62,525) |
| Recognised in income statement | 23 | (524) | (2,136) | (2,660) |
| At 31 December 2008/1 January 2009 | | (66,863) | 1,678 | (65,185) |
| Recognised in income statement | 23 | 333 | (1,604) | (1,271) |
| At 31 December 2009 | | (66,530) | 74 | (66,456) |

**Unrecognised deferred tax assets**

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

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 (restated) |
| Property, plant and equipment | (3,549) | (417) |
| Tax losses carry-forward | 35,090 | 23,061 |
| Unabsorbed capital allowances | 19,890 | 11,836 |
| Unutilised reinvestment allowances | 3,171 | - |
| Provision | 406 | - |
| | 55,008 | 34,480 |

## 10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Tax losses carry-forwards and unabsorbed capital allowance do not expire under current legislation. Included in tax losses carry-forward and unabsorbed capital allowances are amounts of RM953,000 (2008: RM953,000) and RM416,000 (2008: RM416,000), respectively, representing tax losses carry-forward and unabsorbed capital allowances, pertaining to certain dormant subsidiaries, which will not be available to the Group if there is substantial change in shareholders (more than 50%) in these subsidiaries.

The comparative figures have been restated to reflect the revised taxable temporary differences of the tax losses carry-forward and unabsorbed capital allowances available to the Group.

## 11. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| At cost: | | | | |
| Agriculture produce | 67,294 | 17,545 | - | - |
| Finished goods | 162,328 | 88,623 | - | - |
| Materials and consumables | 267,853 | 162,001 | 1,788 | 3,142 |
| Livestocks | 28,237 | 20,073 | - | - |
| Work-in-progress | 192 | 800 | - | - |
| | 525,904 | 289,042 | 1,788 | 3,142 |
| At net realisable value: | | | | |
| Finished goods | - | 99,577 | - | - |
| | 525,904 | 388,619 | 1,788 | 3,142 |
| Less: Allowance for slow moving inventories - finished goods | (21) | (21) | - | - |
| | 525,883 | 388,598 | 1,788 | 3,142 |

The Group's write-down of inventories to net realisable value amounted to RM Nil (2008: RM8,613,000). The reversal of write-downs amounted to RM Nil (2008: RM276,000).

## 12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | | Group | | Company | |
|---|---|---|---|---|---|
| CURRENT | Note | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Trade** | | | | | |
| Trade receivables | | 538,762 | 443,003 | 678 | 1,686 |
| Amount due from subsidiaries | a | - | - | 340,362 | 289,823 |
| Amount due from ultimate holding corporation | b | 61,428 | 13,879 | 57,462 | 13,744 |
| Amount due from related companies | b | 7,850 | 10,124 | 1,859 | 1,705 |
| | | 608,040 | 467,006 | 400,361 | 306,958 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 12. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

| CURRENT | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| Less: Allowance for doubtful debts | | | | | |
| - Trade receivables | | (7,405) | (2,987) | - | - |
| - Amount due from subsidiaries | | - | - | (4,687) | (4,687) |
| - Amount due from related companies | | (1,650) | (1,650) | (1,650) | (1,650) |
| | | (9,055) | (4,637) | (6,337) | (6,337) |
| Total trade-net | | 598,985 | 462,369 | 394,024 | 300,621 |
| **Non-trade** | | | | | |
| Other receivables | | 93,059 | 40,757 | 3,504 | 4,848 |
| Deposits | | 89,385 | 26,541 | 1,382 | 1,651 |
| Prepayments | | 13,257 | 18,747 | 184 | 117 |
| Amount due from associates | | - | 4,797 | - | - |
| | | 195,701 | 90,842 | 5,070 | 6,616 |
| Less: Allowance for doubtful debts | | | | | |
| - Other receivables | | (4,125) | (4,247) | (21) | (21) |
| - Deposits | | (55) | (55) | - | - |
| | | (4,180) | (4,302) | (21) | (21) |
| Total non-trade net | | 191,521 | 86,540 | 5,049 | 6,595 |
| Grand total | | 790,506 | 548,909 | 399,073 | 307,216 |

The currency exposure profile of receivables, deposits and prepayments is as follows:

| | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| Ringgit Malaysia | 356,366 | 155,133 | 399,073 | 307,216 |
| PNG Kina | 83,928 | 57,687 | - | - |
| US Dollar | 347,930 | 327,279 | - | - |
| Euro Dollar | 2 | 1,127 | - | - |
| Singapore Dollar | 871 | 7,619 | - | - |
| Sterling Pound | 3 | 64 | - | - |
| Australian Dollar | 1,406 | - | - | - |
| | 790,506 | 548,909 | 399,073 | 307,216 |

## 12. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The credit term granted for trade debtors approximate payment in advance to 90 days (2008: 90 days).

***a. Amount due from subsidiaries***

Amount due from subsidiaries arose mainly from normal trade transactions. This amount is unsecured, interest free and receivable on demand except for amount of RM77,399,000 (2008: Nil) which is subject to interest at rate ranging from 2.39% to 6.50% per annum (2008: Nil per annum).

***b. Amounts due from ultimate holding corporation and related companies***

Amounts due from ultimate holding corporation mainly from normal trade transactions. This amount is unsecured, interest free and receivable on demand except for amount of RM55,344,000 (2008: Nil) which is subject to interest at rate 4.65% per annum (2008: Nil per annum).

## 13. ASSETS CLASSIFIED AS HELD FOR SALE

| | | Group | |
|---|---|---|---|
| | Note | 2009 RM'000 | 2008 RM'000 |
| The assets classified as held for sale consist of the following: | | | |
| Other non-current assets held for sale: | | | |
| Prepaid lease payments | a | - | 2,337 |
| Building | a | - | 3,812 |
| Investment in an associate | b | 13,500 | 13,864 |
| Property, plant and equipment | c | 99 | 1,518 |
| Total assets held for sale | | 13,599 | 21,531 |

***a. Prepaid lease payments and building***

This relates to disposal of a property to KFCH (previously an associate company) by Sindora Berhad and was classified as assets held for sale at Sindora Berhad (subsidiary) level.

However, since KFCH is now a subsidiary of the Group during the year, these properties, consisting of prepaid lease payments and building, is being reclassified as the Group's property, plant and equipment.

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| **Prepaid lease payments (unexpired lease period less than 50 years)** | | |
| Cost | - | 2,944 |
| Accumulated depreciation | - | (607) |
| | - | 2,337 |
| **Building** | | |
| Cost | - | 6,105 |
| Accumulated depreciation | - | (2,293) |
| | - | 3,812 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

### b. *Investment in an associate*

This relates to disposal of MM Vitaoils Sdn. Bhd., an associate of Sindora as mentioned in Note 31.

### c. *Property, plant and equipment*

During the financial year, a subsidiary entered into an agreement with the state government to dispose certain assets to the government. The arrangement is expected to be completed in 2010. The amount in prior year relates to disposal of parking equipment by the subsidiary to a customer upon the cessation of a car park operation. The sale was completed during the year.

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| **Property, plant and equipment** | | |
| Property, plant and equipment held for sale comprise the following: | | |
| Cost | 389 | 1,634 |
| Accumulated depreciation | (290) | (116) |
| | 99 | 1,518 |

## 14. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Cash and bank balances | 246,752 | 190,124 | 33,278 | 38,771 |
| Deposits placed with licensed banks | 158,475 | 255,352 | 350 | 20,369 |
| | 405,227 | 445,476 | 33,628 | 59,140 |

Included in deposits placed with licensed banks is RM1,609,000 (2008: RM15,198,000) and RM350,000 (2008: RM350,000) of the Group and of the Company, respectively, pledged for their facilities granted to the Group and the Company.

The currency exposure profile of cash and cash equivalents is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Ringgit Malaysia | 342,160 | 198,845 | 32,391 | 53,316 |
| US Dollar | 26,033 | 24,548 | 1,220 | 5,807 |
| Indonesia Rupiah | 1,954 | 1,693 | - | - |
| PNG Kina | 4,389 | 101,469 | - | - |
| Euro Dollar | 29 | 4,277 | - | - |
| Australian Dollar | 4,132 | 7,309 | - | - |
| Singapore Dollar | 798 | 9,445 | 17 | 17 |
| Sterling Pound | 24,210 | 96,032 | - | - |
| Others | 1,522 | 1,858 | - | - |
| | 405,227 | 445,476 | 33,628 | 59,140 |

## 15. SHARE CAPITAL AND RESERVES

| Share capital | Group and Company 2009 RM'000 | 2008 RM'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of RM0.50 each | 200,000 | 200,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM0.50 each | | |
| At 1 January | 154,227 | 148,545 |
| Issue of shares - Warrants | 4,589 | 5,038 |
| Issue of shares - ESOS | 520 | 644 |
| At 31 December | 159,336 | 154,227 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

**Employees' Share Option Scheme ("ESOS")**

The Company implemented an ESOS which came into effect on 27 August 2004 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the shareholders on 29 June 2004.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to directors and senior management.

- Not more than 10% of the shares available under the ESOS is allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

- Only staff and executive directors of the Group are eligible to participate in the scheme. Executive directors are those involved in the day-to-day management and on the payroll of any company within the Group.

- The option price under the ESOS is the weighted average market price of the shares of the Company as shown in the Daily Official List of Bursa Malaysia for the five market days immediately preceding the Offer Date with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion, or the par value of the shares of the Company of RM0.50, whichever is the higher.

- The options granted are exercisable during the Option Period on any market day of every calendar month and have a contractual option term of five years. The employees' entitlements to the options are vested (i.e. they are not conditional on future employment) as soon as they become exercisable.

- Details of the share option allocation criteria may be obtained from the Director of Human Resources.

- Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The ESOS expired on 26 August 2009.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

**Employees' Share Option Scheme ("ESOS") (continued)**

Set below are details of options over the ordinary shares of the Company granted under the ESOS:

| | | | Number of options over ordinary shares of RM0.50 each | | | | |
|---|---|---|---|---|---|---|---|
| Grant date | Expiry date | Exercise price RM/share | At 1 Jan '000 | Granted '000 | (Exercised) '000 | (Lapsed) '000 | At 31 Dec '000 |
| **Year ended 31.12.2009** | | | | | | | |
| 27.08.2004 | 26.08.2009 | 2.04 | 1,954 | - | (1,040) | (914) | - |
| **Year ended 31.12.2008** | | | | | | | |
| 27.08.2004 | 26.08.2009 | 2.04 | 3,242 | - | (1,288) | - | 1,954 |

| | 2009 '000 | 2008 '000 |
|---|---|---|
| Number of share options vested at balance sheet date | - | 1,954 |

Details relating to options exercised during the year are as follows:

| Exercise date | Fair value of shares at share issue date RM/share | Exercise price RM/share | Number of shares issued '000 |
|---|---|---|---|
| **2009** | | | |
| 23 January 2009 | 4.74 - 4.90 | 2.04 | 34 |
| 23 February 2009 | 5.00 - 5.05 | 2.04 | 25 |
| 24 March 2009 | 4.90 - 4.96 | 2.04 | 125 |
| 23 April 2009 | 5.30 - 5.55 | 2.04 | 75 |
| 26 May 2009 | 6.15 - 6.25 | 2.04 | 100 |
| 23 June 2009 | 6.00 - 6.05 | 2.04 | 242 |
| 23 July 2009 | 7.15 - 7.30 | 2.04 | 231 |
| 21 August 2009 | 7.50 - 7.65 | 2.04 | 164 |
| 3 September 2009 | 7.40 - 7.49 | 2.04 | 44 |
| | | | 1,040 |
| **2008** | | | |
| 25 January 2008 | 7.75 - 8.10 | 2.04 | 136 |
| 29 February 2008 | 8.90 - 9.20 | 2.04 | 62 |
| 21 March 2008 | 7.20 - 7.25 | 2.04 | 66 |
| 23 April 2008 | 7.20 - 7.45 | 2.04 | 28 |
| 27 May 2008 | 8.55 - 8.75 | 2.04 | 22 |
| 19 June 2008 | 9.80 - 10.00 | 2.04 | 54 |
| 22 July 2008 | 7.85 - 8.00 | 2.04 | 24 |
| 21 August 2008 | 7.40 - 7.55 | 2.04 | 8 |

## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

**Employees' Share Option Scheme ("ESOS") (continued)**

Details relating to options exercised during the year are as follows: (continued)

| Exercise date | Fair value of shares at share issue date RM/share | Exercise price RM/share | Number of shares issued '000 |
|---|---|---|---|
| **2008 (continued)** | | | |
| 24 September 2008 | 5.50 - 5.70 | 2.04 | 775 |
| 28 October 2008 | 3.74 - 4.16 | 2.04 | 58 |
| 24 November 2008 | 4.48 - 4.64 | 2.04 | 28 |
| 24 December 2008 | 4.50 - 4.54 | 2.04 | 27 |
| | | | 1,288 |

| | 2009 RM'000 | 2008 RM'000 |
|---|---|---|
| Ordinary share capital - at par | 520 | 644 |
| Share premium | 1,601 | 1,983 |
| Proceeds received on exercise of share options | 2,121 | 2,627 |
| Fair value at exercise date of shares issued | 6,628 | 8,112 |

**Reserves**

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Non-distributable** | | | | |
| Share premium reserve | 272,184 | 246,412 | 272,184 | 246,412 |
| Warrants reserve | - | 6,459 | - | 6,459 |
| Translation reserve | (78,877) | (71,631) | - | - |
| Revaluation reserve | 1,338,491 | 1,339,167 | 897,579 | 897,579 |
| Other reserves | 4,933 | 4,933 | 4,165 | 4,165 |
| Treasury shares | (45,690) | (45,690) | (45,690) | (45,690) |
| | 1,491,041 | 1,479,650 | 1,128,238 | 1,108,925 |
| **Distributable** | | | | |
| Retained profits | 1,720,988 | 1,615,436 | 985,975 | 817,430 |
| | 3,212,029 | 3,095,086 | 2,114,213 | 1,926,355 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

**Reserves (continued)**

The movements in each category of the reserves are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

**(a) Share premium reserve**

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

During 2006, as approved by the High Court on November 2005, the Company charged an amount of RM82,448,800 in accordance with Section 64(6) of the Companies Act, 1965. The amount arose from capital distribution in specie of 50,550,000 Johor Land Berhad shares to the shareholders of the Company.

The exercise was completed with Book Closure Date fixed on 8 March 2006. The bulk transfer and crediting of the shares to respective shareholders were completed on 22 March 2006. An order pursuant to Section 64(6) was also lodged with the Companies Commission of Malaysia on the same date for the capital reduction to take effect and completion of the exercise.

**(b) Warrants reserve**

In 2004, the Company had a rights issue of 47,289,060 new ordinary shares of RM0.50 each together with 47,289,060 detachable free warrants.

The detachable warrants were constituted by a Deed Poll on 6 May 2004. Each warrant entitles its warrant holder to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM2.43 per share. Each warrant has an exercise period of five (5) years commencing on 1 July 2004 and expiring on 30 June 2009.

As at 31 December 2009, 9,177,237 (2008: 10,075,637) warrants have been exercised. There are no warrants outstanding as at year end (2008: 9,226,111 units).

**(c) Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

**(d) Revaluation reserve**

The revaluation reserve relates to the revaluation of the Group's freehold and leasehold lands in Malaysia on 31 December 1997.

**(e) Other reserves**

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation and liquidation of a former subsidiary in 1975.

**(f) Treasury shares**

The shareholders of the Company, by a special resolution passed in a general meeting held on 20 June 2005, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The shares repurchased were retained as treasury shares.

During the year, the Company did not repurchase its issued share capital from the open market nor re-issue its treasury shares by resale in Bursa Malaysia.

At 31 December 2009, the Company held 6,321,100 (2008: 6,321,100) of its own shares. The number of outstanding ordinary shares of RM0.50 each in issue after the set off is 312,348,639 (2008: 302,131,652).

**(g) Section 108 tax credits**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank up to approximately RM621,550,000 (2008: RM513,027,000) out of its distributable reserves at 31 December 2009 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and of the Company's interest-bearing loans and borrowings. For more information about the Group and the Company's exposure to interest rate and foreign currency risks, refer to Note 27.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Non-current** | | | | |
| Term loan | | | | |
| - secured | 1,032,589 | 844,638 | 508,171 | 391,333 |
| - unsecured | 122,055 | 50,456 | - | - |
| Finance lease liabilities | | | | |
| - secured | 2,840 | 4,350 | - | - |
| | 1,157,484 | 899,444 | 508,171 | 391,333 |
| **Current** | | | | |
| Term loan | | | | |
| - secured | 132,340 | 205,329 | 70,000 | 161,837 |
| - unsecured | 29,998 | 18,473 | - | - |
| Bank overdraft | | | | |
| - secured | 32,217 | 33,463 | - | - |
| - unsecured | 6,018 | 3,888 | - | - |
| Revolving credit | | | | |
| - secured | - | 20,000 | - | 20,000 |
| - unsecured | 82,092 | 72,500 | 48,592 | 60,000 |
| Banker's acceptance | | | | |
| - unsecured | 263,328 | 209,969 | - | - |
| Finance lease liabilities | | | | |
| - secured | 1,754 | 2,607 | - | - |
| | 547,747 | 566,229 | 118,592 | 241,837 |
| | 1,705,231 | 1,465,673 | 626,763 | 633,170 |
| **Non-current** | | | | |
| Term loan (1) | - | 111,535 | - | 111,535 |
| (2) | - | 129,798 | - | 129,798 |
| (4) | 31,549 | 33,452 | - | - |
| (6) | - | 7,058 | - | - |
| (7) | - | 5,000 | - | - |
| (8) | - | 5,456 | - | - |
| (9) | 9,000 | 13,000 | - | - |
| (10) | 100,000 | 150,000 | 100,000 | 150,000 |
| (11) | 178,425 | 173,000 | - | - |
| (12) | 8,000 | 16,000 | - | - |
| (13) | 6,749 | 6,528 | - | - |
| (14) | 6,702 | 6,528 | - | - |
| (15) | - | 7,246 | - | - |
| (16) | 6,181 | 7,283 | - | - |
| (17) | 16,004 | 24,195 | - | - |
| (18) | 6,343 | 7,394 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. LOANS AND BORROWINGS (CONTINUED)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Non-current (continued)** | | | | | |
| Term loan | (19) | 24,754 | 30,150 | - | - |
| | (20) | 2,657 | 2,467 | - | - |
| | (21) | 10 | 667 | - | - |
| | (23) | 40,000 | 40,000 | - | - |
| | (24) | 1,869 | 2,062 | - | - |
| | (25) | 661 | 742 | - | - |
| | (26) | - | 1,360 | - | - |
| | (27) | 1,591 | 8,091 | - | - |
| | (28) | 65,244 | 71,674 | - | - |
| | (29) | 38,218 | 34,408 | - | - |
| | (30) | 408,171 | - | 408,171 | - |
| | (31) | 1,867 | - | - | - |
| | (32) | 10,000 | - | - | - |
| | (33) | 10,000 | - | - | - |
| | (34) | 18,188 | - | - | - |
| | (35) | 45,000 | - | - | - |
| | (36) | 1,046 | - | - | - |
| | (37) | 153 | - | - | - |
| | (38) | 6,715 | - | - | - |
| | (39) | 46,340 | - | - | - |
| | (40) | 24,234 | - | - | - |
| | (41) | 38,973 | - | - | - |
| | | 1,154,644 | 895,094 | 508,171 | 391,333 |
| **Current** | | | | | |
| Term loan | (1) | - | 62,580 | - | 62,580 |
| | (2) | - | 99,257 | - | 99,257 |
| | (3) | - | 1,666 | - | - |
| | (4) | 2,743 | - | - | - |
| | (5) | - | 5,717 | - | - |
| | (6) | 6,948 | 7,058 | - | - |
| | (7) | 5,000 | 6,667 | - | - |
| | (8) | 5,456 | 7,272 | - | - |
| | (9) | 4,000 | 4,000 | - | - |
| | (10) | 50,000 | - | 50,000 | - |
| | (11) | 4,575 | - | - | - |
| | (12) | 8,000 | 4,000 | - | - |
| | (13) | 735 | 833 | - | - |
| | (14) | 782 | 833 | - | - |
| | (15) | - | 2,375 | - | - |
| | (16) | 1,570 | 1,587 | - | - |
| | (17) | 9,969 | 9,678 | - | - |
| | (18) | 1,544 | 1,534 | - | - |
| | (19) | 1,917 | - | - | - |
| | (20) | 1,100 | 867 | - | - |
| | (21) | 41 | 167 | - | - |

## 16. LOANS AND BORROWINGS (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Current (continued)** | | | | |
| Term loan (22) | - | 2,868 | - | - |
| (24) | 182 | 169 | - | - |
| (25) | 77 | 74 | - | - |
| (26) | 1,001 | - | - | - |
| (27) | 3,186 | - | - | - |
| (28) | 5,384 | - | - | - |
| (29) | - | 4,600 | - | - |
| (30) | 20,000 | - | 20,000 | - |
| (31) | 267 | - | - | - |
| (32) | 10,000 | - | - | - |
| (33) | 10,000 | - | - | - |
| (34) | 7,275 | - | - | - |
| (36) | 369 | - | - | - |
| (37) | 217 | - | - | - |
| | 162,338 | 223,802 | 70,000 | 161,837 |
| | 1,316,982 | 1,118,896 | 578,171 | 553,170 |

**Terms and debt repayment schedule:**

| GROUP | Year of maturity | Carrying amount RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Term loan (4) | 2016 | 34,292 | 2,743 | 2,058 | 10,150 | 19,341 |
| (6) | 2010 | 6,948 | 6,948 | - | - | - |
| (7) | 2010 | 5,000 | 5,000 | - | - | - |
| (8) | 2010 | 5,456 | 5,456 | - | - | - |
| (9) | 2012 | 13,000 | 4,000 | 4,000 | 5,000 | - |
| (10) | 2011 | 150,000 | 50,000 | 100,000 | - | - |
| (11) | 2015 | 183,000 | 4,575 | 9,150 | 27,450 | 141,825 |
| (12) | 2011 | 16,000 | 8,000 | 8,000 | - | - |
| (13) | 2017 | 7,484 | 735 | 783 | 2,700 | 3,266 |
| (14) | 2017 | 7,484 | 782 | 787 | 2,711 | 3,204 |
| (16) | 2014 | 7,751 | 1,570 | 1,659 | 4,522 | - |
| (17) | 2012 | 25,973 | 9,969 | 10,516 | 5,488 | - |
| (18) | 2014 | 7,887 | 1,544 | 1,636 | 4,707 | - |
| (19) | 2016 | 26,671 | 1,917 | 2,062 | 7,172 | 15,520 |
| (20) | 2012 | 3,757 | 1,100 | 1,100 | 1,557 | - |
| (21) | 2011 | 51 | 41 | 10 | - | - |
| (23) | 2011 | 40,000 | - | 40,000 | - | - |
| (24) | 2018 | 2,051 | 182 | 197 | 692 | 980 |
| (25) | 2018 | 738 | 77 | 80 | 258 | 323 |
| (26) | 2010 | 1,001 | 1,001 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. LOANS AND BORROWINGS (CONTINUED)

**Terms and debt repayment schedule: (continued)**

| GROUP | | Year of maturity | Carrying amount RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2009 (continued)** | | | | | | | |
| Term loan | (27) | 2011 | 4,777 | 3,186 | 1,591 | - | - |
| | (28) | 2021 | 70,628 | 5,384 | 7,054 | 21,161 | 37,029 |
| | (29) | 2015 | 38,218 | - | 2,867 | 34,398 | 953 |
| | (30) | 2016 | 428,171 | 20,000 | 45,000 | 195,000 | 168,171 |
| | (31) | 2015 | 2,134 | 267 | 533 | 1,067 | 267 |
| | (32) | 2011 | 20,000 | 10,000 | 10,000 | - | - |
| | (33) | 2011 | 20,000 | 10,000 | 10,000 | - | - |
| | (34) | 2013 | 25,463 | 7,275 | 7,275 | 10,913 | - |
| | (35) | 2015 | 45,000 | - | - | - | 45,000 |
| | (36) | 2013 | 1,415 | 369 | 369 | 677 | - |
| | (37) | 2011 | 370 | 217 | 153 | - | - |
| | (38) | 2012 | 6,715 | - | 2,867 | 3,848 | - |
| | (39) | 2020 | 46,340 | - | - | - | 46,340 |
| | (40) | 2020 | 24,234 | - | - | - | 24,234 |
| | (41) | 2020 | 38,973 | - | - | - | 38,973 |
| | | | 1,316,982 | 162,338 | 269,747 | 339,471 | 545,426 |
| **2008** | | | | | | | |
| Term loan | (1) | 2011 | 174,115 | 62,580 | 62,580 | 48,955 | - |
| | (2) | 2010 | 229,055 | 99,257 | 129,798 | - | - |
| | (3) | 2009 | 1,666 | 1,666 | - | - | - |
| | (4) | 2016 | 33,452 | - | 2,754 | 12,257 | 18,441 |
| | (5) | 2009 | 5,717 | 5,717 | - | - | - |
| | (6) | 2010 | 14,116 | 7,058 | 7,058 | - | - |
| | (7) | 2010 | 11,667 | 6,667 | 5,000 | - | - |
| | (8) | 2010 | 12,728 | 7,272 | 5,456 | - | - |
| | (9) | 2012 | 17,000 | 4,000 | 8,000 | 5,000 | - |
| | (10) | 2011 | 150,000 | - | 50,000 | 100,000 | - |
| | (11) | 2015 | 173,000 | - | 4,325 | 21,625 | 147,050 |
| | (12) | 2011 | 20,000 | 4,000 | 8,000 | 8,000 | - |
| | (13) | 2017 | 7,361 | 833 | 833 | 2,500 | 3,195 |
| | (14) | 2017 | 7,361 | 833 | 833 | 2,500 | 3,195 |
| | (15) | 2012 | 9,621 | 2,375 | 2,375 | 4,871 | - |
| | (16) | 2014 | 8,870 | 1,587 | 1,587 | 4,760 | 936 |
| | (17) | 2012 | 33,873 | 9,678 | 9,678 | 14,517 | - |
| | (18) | 2014 | 8,928 | 1,534 | 1,534 | 4,600 | 1,260 |
| | (19) | 2016 | 30,150 | - | - | - | 30,150 |
| | (20) | 2012 | 3,334 | 867 | 800 | 1,667 | - |
| | (21) | 2011 | 834 | 167 | 167 | 500 | - |
| | (22) | 2009 | 2,868 | 2,868 | - | - | - |
| | (23) | 2011 | 40,000 | - | - | 40,000 | - |
| | (24) | 2018 | 2,231 | 169 | 182 | 640 | 1,240 |
| | (25) | 2018 | 816 | 74 | 77 | 249 | 416 |
| | (26) | 2010 | 1,360 | - | - | 595 | 765 |
| | (27) | 2011 | 8,091 | - | 3,236 | 4,855 | - |

## 16. LOANS AND BORROWINGS (CONTINUED)

**Terms and debt repayment schedule: (continued)**

| GROUP | | Year of maturity | Carrying amount RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2008 (continued)** | | | | | | | |
| Term loan | (28) | 2021 | 71,674 | - | 5,376 | 33,366 | 32,932 |
| | (29) | 2015 | 39,008 | 4,600 | - | 14,564 | 19,844 |
| | | | 1,118,896 | 223,802 | 309,649 | 326,021 | 259,424 |
| **COMPANY** | | | | | | | |
| **2009** | | | | | | | |
| Term loan | (10) | 2011 | 150,000 | 50,000 | 100,000 | - | - |
| | (30) | 2016 | 428,171 | 20,000 | 45,000 | 195,000 | 168,171 |
| | | | 578,171 | 70,000 | 145,000 | 195,000 | 168,171 |
| **2008** | | | | | | | |
| Term loan | (1) | 2011 | 174,115 | 62,580 | 62,580 | 48,955 | - |
| | (2) | 2010 | 229,055 | 99,257 | 129,798 | - | - |
| | (10) | 2011 | 150,000 | - | 50,000 | 100,000 | - |
| | | | 553,170 | 161,837 | 242,378 | 148,955 | - |

| Term loan | Description | Security |
|---|---|---|
| 1 | An Islamic bank borrowing denominated in Ringgit Malaysia, is repayable by 4 quarterly instalments of RM13,145,000, 19 quarterly instalments of RM15,645,000 and a final instalment of RM17,665,000 commencing October 2005.The loan was fully settled in the current financial year. | Secured by fixed charges over certain parcels of land belonging to the Company. |
| 2 | An Islamic bank borrowing denominated in Ringgit Malaysia, is repayable by 4 half-yearly instalments of 10% of the principal, 2 half-yearly instalments of 13% of the principal and 2 final half-yearly instalments of 17% of the principal, commencing from April 2007. The loan was fully settled in the current financial year. | Secured over 119,931,607 shares acquired in QSR Brands Bhd. in 2005. |
| 3 | Denominated in Ringgit Malaysia, is repayable by 35 equal monthly instalments of RM555,556 and a final instalment of RM555,540 (excluding interest) with 9 months moratorium after full drawdown. The first instalment commences on April 2006. | Covered by a negative pledge and letter of comfort from the Company. |
| 4 | Denominated in US Dollar, is repayable by December 2016 but no principal repayments are due until 2010. | Secured by legal charge over the assets and undertakings of a subsidiary. |
| 5 | Denominated in Singapore Dollar, is repayable by 2 semi-annual instalments of SGD1,200,000; 5 semi-annual instalments of SGD1,600,000 and 2 semi-annual instalments of SGD2,400,000 commencing from the second quarter of year 2004. | Secured over a fixed deposit of RM20,000,000 pledged with a licensed bank corporate guarantee by QSR and one of its subsidiaries. |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. LOANS AND BORROWINGS (CONTINUED)

| Term loan | Description | Security |
|---|---|---|
| 6 | Denominated in PNG Kina, is repayable in 4 years commencing from April 2008. | Secured by legal charge over the assets and undertakings of a subsidiary. |
| 7 | Denominated in Ringgit Malaysia, is repayable by 36 equal monthly instalments of RM555,556 (excluding interest) and a final instalment of RM555,540, with the first instalment commences on October 2007. | Covered by a negative pledge and letter of comfort from the Company. |
| 8 | Denominated in Ringgit Malaysia, is repayable by 33 equal monthly instalments of RM606,000 (excluding interest) and a final instalment of RM608,000, with the first instalment commencing on January 2008. | Covered by a negative pledge and letter of comfort from the Company. |
| 9 | Denominated in Ringgit Malaysia, is repayable by 59 equal monthly instalments of RM333,334 and a final instalment of RM333,294 with the first instalment commencing on 28 April 2008. | Secured by a corporate guarantee of RM149,000,000, negative pledge and letter of undertaking from the Company. |
| 10 | Denominated in Ringgit Malaysia, is repayable via 4 semi-annual instalments to commence at the end of the 18 months from the date of first disbursement. | Secured by fixed charges over certain parcels of land belonging to the Company. |
| 11 | Denominated in Ringgit Malaysia, is repayable semi-annually over a period of 5 years commencing from the third quarter of year 2010. | Secured over quoted shares of its subsidiary (KFCH) and unquoted shares of its subsidiary. |
| 12 | Denominated in Ringgit Malaysia, is repayable by 10 equal quarterly instalments of RM2,000,000 with the first instalment commencing on 5 September 2009. | Secured by a corporate guarantee of RM24,000,000, negative pledge and letter of undertaking from the Company. |
| 13 | Denominated in Ringgit Malaysia, is repayable over 114 equal monthly instalments of RM102,356 commencing from May 2008. | Together with item 14 and 15, secured by way of a Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM1,694,170. |
| 14 | Denominated in Ringgit Malaysia, is repayable over 114 equal monthly instalments of RM102,356 commencing from May 2008. | Together with item 13 and 15, secured by way of a Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM1,694,170. |
| 15 | Denominated in Ringgit Malaysia, is repayable over 56 equal monthly instalments of RM258,283 commencing from May 2008. | Together with item 13 and 14, secured by way of a Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM1,694,170. |
| 16 | Denominated in Ringgit Malaysia, is repayable over 74 equal monthly instalments of RM163,114 and final monthly instalment of RM142,251 commencing from May 2008. | Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM506,784. |

## 16. LOANS AND BORROWINGS (CONTINUED)

| Term loan | Description | Security |
|---|---|---|
| 17 | Denominated in Ringgit Malaysia, is repayable over 50 equal monthly instalments of RM119,782 commencing from May 2008. | Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM2,874,077. |
| 18 | Denominated in Ringgit Malaysia, is repayable over 77 equal monthly instalments of RM157,242 and final monthly instalment of RM109,297 commencing from May 2008. | Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM484,808. |
| 19 | Denominated in Ringgit Malaysia, is repayable over 54 equal monthly instalments of RM926,293 commencing from May 2008. | Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM210,560. |
| 20 | Denominated in Ringgit Malaysia, is repayable over 20 equal monthly instalments of RM72,222 and 37 equal monthly instalments of RM66,667 commencing May 2008. | Together with item 21, secured against deposit of RM750,000 and corporate guarantee of RM8,700,000 by Sindora Berhad. |
| 21 | Denominated in Ringgit Malaysia, is repayable over 68 equal monthly instalments of RM13,887 commencing from May 2008. | Together with item 20, secured against deposit of RM750,000 and corporate guarantee of RM8,700,000 by Sindora Berhad. |
| 22 | Denominated in Ringgit Malaysia, is repayable over 16 equal monthly instalments of RM367,739 commencing from May 2008. | Nil |
| 23 | Denominated in Ringgit Malaysia, is repayable in one lump sum at the end of five years from the drawdown date of 10 October 2006. | Unsecured, subscribed for subordinated bond of RM4 million (Note 9). |
| 24 | Denominated in Ringgit Malaysia, is repayable over 7 equal monthly instalments of RM24,272 and 114 equal monthly instalments of RM28,101 commencing from May 2008. | Secured by fixed charges over certain parcels of building and freehold land of the Group, property purchase agreement and property sale agreement. |
| 25 | Denominated in Ringgit Malaysia, is repayable over 123 equal monthly instalments of RM8,879 commencing from May 2008. | Secured by fixed charges over certain parcels of building and freehold land of the Group. |
| 26 | Denominated in PNG Kina, is repayable on 16 quarterly instalments commencing from 30 June 2013 to 31 March 2017. Interest only up to 30 June 2013. | Secured against registered mortgages over the Group's properties together with the floating charge over the Group's assets and undertakings. |
| 27 | Denominated in PNG Kina, is repayable by 75 quarterly instalments of K625,000 plus interest up to 30 September 2011. | Secured against registered mortgages over the Group's properties together with the floating charge over the Group's assets and undertakings. |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. LOANS AND BORROWINGS (CONTINUED)

| Term loan | Description | Security |
|---|---|---|
| 28 | Denominated in PNG Kina, is repayable by quarterly payments of K1,384,125 plus interest from 19 May 2010 to 30 June 2021. Interest only up May 2010. | Secured against registered mortgages over the Group's properties together with the floating charge over the Group's assets and undertakings. |
| 29 | Denominated in PNG Kina, is repayable by 48 equal quarterly instalments of K750,000 plus interest from 19 May 2011 to 2020. Interest only up to 19 May 2011. | Secured against registered mortgages over the Group's properties together with the floating charge over the Group's assets and undertakings. |
| 30 | An Islamic bank borrowing in Ringgit Malaysia, is repayable by 2 half-yearly instalments of RM20,000,000, 2 half-yearly instalment of RM25,000,000, 2 half-yearly instalment of RM30,000,000, 2 half-yearly instalment of RM35,000,000, 2 half-yearly instalment of RM40,000,000, 3 half-yearly instalment of RM45,000,000 and final instalment of RM43,170,821 commencing July 2010. | Secured by fixed charges over certain parcels of land belonging to the Company and over 119,931,607 shares acquired in QSR Brands Bhd. in 2005. |
| 31 | Repayable over a period of 4 years commencing from the third quarter of 2010. | Fresh Joint and Several Corporate Guarantee for USD2,250,000 by QSR Brands Bhd. and Royal Group of Companies Ltd. |
| 32 | Denominated in Ringgit Malaysia, is repayable semi-annually over a period of 2 years commencing the first quarter of 2009, expiring quarter 3 of 2011. | Secured against 1st and 3rd party charges over certain land and buildings owned by the Group's subsidiaries. |
| 33 | Denominated in Ringgit Malaysia, is repayable semi-annually over a period of 2 years commencing the first quarter of 2009, expiring quarter 3 of 2011. | Secured against 1st and 3rd party charges over certain land and buildings owned by the Group's subsidiaries. |
| 34 | Repayable over a period of 4 years commencing from the third quarter of 2009. | Clean basis. |
| 35 | Repayable in a full lump sum in the second quarter of 2014. | Clean basis. |
| 36 | Repayable over a period of 3 years expiring in the fourth quarter of year 2013. | Secured by certain land and buildings and cash deposit of RM200,000 of the subsidiary, corporate guarantee of Sindora Berhad and a debenture on its assets. |
| 37 | Repayable over a period of 2 years expiring in the third quarter of 2011. | Secured by certain land and buildings and cash deposit of RM200,000 of the subsidiary, corporate guarantee of Sindora Berhad and a debenture on its assets. |

## 16. LOANS AND BORROWINGS (CONTINUED)

| Term loan | Description | Security |
|---|---|---|
| 38 | Denominated in PNG Kina, is repayable by quarterly payments of K750,000 plus interest from 19 May 2011 to 31 December 2012. | Secured against registered mortgages over the Group's properties together with the floating charge over the Group's assets and undertakings. |
| 39 | Denominated in Ringgit Malaysia, is repayable over 120 equal monthly instalments of RM767,717 commencing after the completion of vessel. | Duly executed and enforceable Deed of Mortgage & Covenant over the vessel to be financed by the bank. |
| 40 | By way of 108 equal monthly instalment of RM728,077 commencing on the first day of the 18th month from the date of first drawdown in advance or three months from the date of full disbursement, whichever is earlier. | Assignment of the relevant insurance coverage over the vessels. Guarantee given by certain directors and shareholders of the subsidiary and Legal Assignment of the contract proceeds throughout the financing period. |
| 41 | By way of 108 equal monthly instalment of RM728,077 commencing on the first day of the 18th month from the date of first drawdown in advance or three months from the date of full disbursement, whichever is earlier. | Assignment of the relevant insurance coverage over the vessels. Guarantee given by certain directors and shareholders of the subsidiary and Legal Assignment of the contract proceeds throughout the financing period. |

**Securities**

The term loans are secured over property, plant and equipment, prepaid lease payment, investment properties and deposits with licensed banks as disclosed in Note 3, Note 5, Note 6 and Note 14 respectively.

**Significant covenants**

In connection with the significant term loan facilities, the Group and the Company have agreed on the following significant covenants with the lenders:

(i) The consolidated shareholders' funds of the Group to be at least RM2.5 billion and such consolidated shareholders' funds excluding its asset revaluation reserve to be at least RM1.0 billion,

(ii) The ratio of the consolidated total borrowings to the consolidated shareholders' funds at all times to be below 0.5 times,

(iii) The ratio of the earnings before interest, tax, depreciation and amortisation ("EBITDA") to interest expense of the Company to be at least 1.5 times,

(iv) The Company will continue to maintain at least 50.1% of the issued and paid-up capital of QSR, and

(v) The Company will procure and ensure that each of its subsidiary companies does not and/or will not enter into any agreements which impose restrictions on each of the subsidiary companies' ability to make or pay dividend or other forms of distributions to the shareholders.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. LOANS AND BORROWINGS (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 % | 2008 % | 2009 % | 2008 % |
| Weighted average effective interest rates at balance sheet date: | | | | |
| - Term loans | 4.66 | 5.47 | 4.51 | 5.27 |

**Finance lease liabilities**

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments RM'000 | Interest RM'000 | Principal RM'000 | Minimum lease payments RM'000 | Interest RM'000 | Principal RM'000 |
| **GROUP** | | | | | | |
| Less than one year | 2,018 | 264 | 1,754 | 2,990 | 383 | 2,607 |
| Between one and five years | 3,080 | 240 | 2,840 | 4,878 | 528 | 4,350 |
| | 5,098 | 504 | 4,594 | 7,868 | 911 | 6,957 |

The currency profile of loans and borrowings is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Ringgit Malaysia | 1,508,302 | 1,258,792 | 626,763 | 633,170 |
| US Dollar | 46,714 | 33,452 | - | - |
| Singapore Dollar | - | 5,717 | - | - |
| PNG Kina | 150,215 | 167,712 | - | - |
| | 1,705,231 | 1,465,673 | 626,763 | 633,170 |

The fair value of the loans & borrowings of the Group and of the Company at the balance sheet date are RM1,715,470,000 (2008: RM1,436,433,000) and RM639,925,000 (2008: RM621,243,000) respectively.

## 17. EMPLOYEE BENEFITS

***Retirement benefits***

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Present value of unfunded obligations | | |
| - current | 401 | - |
| - non-current | 3,099 | - |
| | 3,500 | - |

Certain subsidiaries operate an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to a retirement benefits calculated by reference to their length of service and earnings. Provision for retirement benefits is calculated based on the predetermined rate of basic salaries and length of service.

**Movement in the present value of the defined benefit obligations**

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Defined benefit obligations at 1 January | - | - |
| Acquisition of subsidiaries | 3,936 | - |
| Current service costs and interest (see below) | 208 | - |
| Benefits paid by the plan | (644) | - |
| Defined benefit obligations at 31 December | 3,500 | - |
| **Expense recognised in the income statements** | | |
| Current service costs | 147 | - |
| Interest on obligation | 199 | - |
| Over provision in prior years | (138) | - |
| | 208 | - |

The expense is recognised in administrative expenses.

**Actuarial assumptions**

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| Discount rate at 31 December | 5.6% | - |
| Future salary increases | 4.0% | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 18. PAYABLES AND ACCRUALS

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | | 279,519 | 141,383 | 4,466 | 9,848 |
| Amount due to ultimate holding corporation | a | 23,126 | 20,122 | - | - |
| Amount due to related companies | a | 10,103 | 9,569 | 301 | 264 |
| | | 312,748 | 171,074 | 4,767 | 10,112 |
| **Non-trade** | | | | | |
| Amount due to associate | | - | 10,646 | - | - |
| Amount due to subsidiaries | b | - | - | 100,951 | 208,444 |
| Other payables | | 393,160 | 179,540 | 7,084 | 7,627 |
| | | 393,160 | 190,186 | 108,035 | 216,071 |
| | | 705,908 | 361,260 | 112,802 | 226,183 |

The currency exposure profile of payables and accruals is as follows:

| | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| Ringgit Malaysia | 566,655 | 236,937 | 112,716 | 226,097 |
| PNG Kina | 60,924 | 63,227 | - | - |
| US Dollar | 73,466 | 35,533 | - | - |
| Sterling Pound | 4,568 | - | - | - |
| Singapore Dollar | 23 | 25,563 | 86 | 86 |
| Australian Dollar | 45 | - | - | - |
| Others | 227 | - | - | - |
| | 705,908 | 361,260 | 112,802 | 226,183 |

Credit terms of trade payables and suppliers of property, plant and equipment granted to the Group is 90 days (2008: 90 days).

***a. Amounts due to ultimate holding corporation and related companies***

Amounts due to ultimate holding corporation and related companies are mainly from normal trade transactions and are unsecured, interest free and subject to normal trade terms.

***b. Amount due to subsidiaries***

Amount due to subsidiaries is mainly non-trade in nature and payments received on behalf. This amount is unsecured, interest free and repayable on demand except for amount of RM101,025,000 (2008: Nil) which is subject to interest at rate ranging from 2.39% to 6.50% per annum (2008: Nil per annum).

## 19. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Sales of goods: | | | | |
| Palm-based products | 1,432,686 | 1,664,978 | 120,691 | 153,415 |
| Oleochemicals products | 1,103,806 | 1,554,525 | - | - |
| Biodiesel | 69,964 | - | - | - |
| Restaurant food and beverages | 2,760,285 | 532,752 | - | - |
| Sugar | 148,904 | 28,693 | - | - |
| Livestocks & meats | 14,506 | 3,833 | - | - |
| Rubber-based manufactured products | 12,383 | 11,920 | 383 | 507 |
| Banana | 6,669 | 11,397 | 7,871 | 7,407 |
| Others | 6,049 | 3,787 | 4 | 37 |
| Intrapreneur venture: | | | | |
| Freight time-charter hire and related services | 79,957 | 66,432 | - | - |
| Parking collection and related services | 108,619 | 67,196 | - | - |
| Sales of wood-based products | 5,678 | 4,240 | - | - |
| Bulk mailing and printing services | 31,594 | 16,356 | - | - |
| Plantation management services | 14,358 | 12,059 | - | - |
| Rental income from investment properties | 7,776 | 8,039 | 7,777 | 8,038 |
| Dividend income | 2,971 | 3,131 | 263,260 | 150,810 |
| | 5,806,205 | 3,989,338 | 399,986 | 320,214 |

## 20. GROSS PROFIT

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Sales of goods: | | | | |
| Palm-based products | 604,010 | 708,949 | 49,104 | 72,697 |
| Oleochemicals products | 41,058 | 78,244 | - | - |
| Biodiesel | (9,789) | (15,922) | - | - |
| Restaurant food and beverages | 1,593,990 | 366,952 | - | - |
| Sugar | 61,792 | 18,079 | - | - |
| Rubber-based products | 278 | 457 | 215 | 294 |
| Banana | 3,376 | 6,611 | 1,781 | 1,393 |
| Livestocks & meats | (916) | 2,491 | - | - |
| Others | (258) | (193) | - | - |
| Intrapreneur venture: | | | | |
| Freight, time-charter hire and related services | 25,514 | 42,903 | - | - |
| Parking collection and related services | 21,370 | 13,639 | - | - |
| Sales of wood-based products | (3,703) | 1,539 | - | - |
| Bulk mailing and printing services | 7,908 | 3,699 | - | - |
| Plantation management services | 4,307 | 2,307 | - | - |
| Rental income from investment properties | 3,293 | 3,919 | 3,293 | 3,919 |
| Dividend income | 2,971 | 3,131 | 263,260 | 150,810 |
| | 2,355,201 | 1,236,805 | 317,653 | 229,113 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 21. PROFIT BEFORE TAX

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **Profit before tax is arrived at after charging:** | | | | | |
| Allowance for doubtful debts: | | | | | |
| - Trade receivables | | 4,418 | - | - | - |
| - Other receivables | | - | 4,204 | - | - |
| - Related companies | | - | 86 | - | 86 |
| Allowance of slow moving inventories | | - | 15 | - | - |
| Amortisation and depreciation of: | | | | | |
| - Intangible assets | 4 | 10,170 | 2,618 | - | - |
| - Prepaid lease payments | 5 | 4,713 | 3,490 | 1,218 | 1,218 |
| - Property, plant and equipment | 3 | 282,280 | 168,258 | 9,676 | 9,330 |
| Auditors' remuneration: | | | | | |
| - Statutory audit | | | | | |
| - KPMG | | 1,184 | 773 | 85 | 81 |
| - KPMG Affiliate | | 336 | - | - | - |
| - Other auditors | | 766 | 967 | - | - |
| - Other services: | | | | | |
| - KPMG | | 132 | 150 | 120 | 135 |
| - Other auditors | | 677 | 650 | - | - |
| Change in fair values of investment properties | | 210 | - | - | - |
| Fees paid/payable to a Corporation for services of Directors | | 217 | 147 | - | - |
| Fees paid/payable to related company for services of Directors | | 12 | 57 | - | - |
| Impairment loss: | | | | | |
| - Non-current other investments | | 1,243 | 3,761 | - | 1,490 |
| - Current other investments | | - | 815 | - | 815 |
| - Investment in subsidiaries | | - | - | 2,549 | - |
| - Property, plant and equipment | 3 | 11,701 | 323 | - | - |
| - Intangible assets | 4 | 2,704 | - | - | - |
| - Assets held for sales | | 364 | - | - | - |
| Interest expense on: | | | | | |
| - Bank overdraft | | 56 | 8 | 56 | 8 |
| - Loans | | 60,896 | 68,452 | 25,048 | 31,900 |
| - Other borrowings | | 15,884 | 2,162 | 3,024 | 2,162 |
| - Amount due to subsidiaries | | - | - | 4,874 | - |
| Loss on: | | | | | |
| - Partial disposal of subsidiaries | | 501 | - | 84 | - |
| - Disposal of non-current other investment | | 4,043 | - | 4,043 | - |
| - Disposal of property, plant and equipment | | 8,930 | - | - | - |
| Net foreign exchange loss: | | | | | |
| - Realised | | 31,723 | 54,338 | - | 2,689 |
| - Unrealised | | - | 1,186 | - | - |
| Technology transfer fee payable to Corporate shareholder | | 200 | - | - | - |
| Write-down of inventories | | - | 8,613 | - | - |
| Write-off on: | | | | | |
| - Bad debts | | 73 | 38 | - | - |
| - Deferred farm expenditure | | - | 1,791 | - | 1,791 |
| - Property, plant and equipment | 3 | 611 | 284 | 20 | 5 |
| Rental of plant and machinery | | 967 | 9,977 | - | - |

## 21. PROFIT BEFORE TAX (CONTINUED)

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **Profit before tax is arrived at after charging: (continued)** | | | | | |
| Rental of land and building: | | | | | |
| - Ultimate holding corporation | | 700 | 1,787 | 700 | 629 |
| - Others | | 245,791 | 103,643 | - | - |
| Staff costs (excluding key management personnel): | | | | | |
| - Contributions to Employees' Provident Fund | | 49,850 | 17,608 | 820 | 975 |
| - Other employee benefits | | 146,821 | 31,694 | - | - |
| - Salaries, wages, allowances and bonuses | | 674,312 | 273,846 | 17,591 | 22,345 |
| **and after crediting:** | | | | | |
| Bad debt recovered | | 166 | 221 | - | - |
| Change in fair value of investment properties | 6 | - | 8,550 | - | 8,020 |
| Dividend income from: | | | | | |
| - Unquoted shares | | 2,856 | 1,867 | 2,856 | 2,456 |
| - Shares quoted in Malaysia | | 115 | 1,264 | 20,574 | 19,233 |
| - Shares quoted outside Malaysia | | - | - | 70,461 | 104,665 |
| - Subsidiaries (unquoted) | | - | - | 169,369 | 24,456 |
| Gain on: | | | | | |
| - Disposal of property, plant and equipment | | 155 | 1,266 | 156 | 114 |
| - Disposal of non-current other investments | | 247 | - | - | - |
| - Disposal of associates | | 5,087 | - | - | - |
| - Disposal of prepaid lease payments | | 131 | - | - | - |
| - Assets swap | | 7,956 | - | - | - |
| Interest income on: | | | | | |
| - Deposits with licensed banks | | 10,331 | 16,508 | 662 | 1,783 |
| - Amount due from ultimate holding corporation | | 1,996 | - | 1,996 | - |
| - Amount due from subsidiaries | | - | - | 2,825 | - |
| - Associate | | - | 468 | - | - |
| - Others | | 5 | 17 | - | - |
| Management fee received | | 383 | 620 | - | - |
| Net foreign exchange gain: | | | | | |
| - Realised | | 514 | 26,234 | 514 | 1 |
| - Unrealised | | 2,207 | - | 347 | 39 |
| Negative goodwill recognised | | - | 92,738 | - | - |
| Rental income | | 2,972 | 1,298 | 912 | 852 |
| Reversal of allowance for doubtful debts: | | | | | |
| - Subsidiaries | | - | - | - | 15 |
| - Trade receivables | | - | 288 | - | - |
| - Other receivables | | 122 | - | - | - |
| Reversal of impairment loss: | | | | | |
| - Non-current other investments | | 2,791 | 4,148 | 842 | 4,148 |
| - Investment in associates | | 3,852 | - | - | - |
| Reversal on inventories written down | | - | 276 | - | - |
| Guaranteed return on car park conssession | | 2,952 | 2,952 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 22. KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Directors' remuneration

The Directors of the Company in office from 1 January 2009 to 31 December 2009 are as follows:

**Non-executive Directors**

Tan Sri Dato' Muhammad Ali Hashim
Datin Paduka Siti Sa'diah Sheikh Bakir
Rozan Mohd Sa'at
Kamaruzzaman Abu Kassim

**Independent Non-executive Directors**

Tan Sri Datuk Arshad Ayub
Kua Hwee Sim
Dato' Johari Mohamed (resigned on 1.1.2009)
Datuk Haron Siraj
Dr Radzuan A. Rahman

**Executive Directors**

Ahamad Mohamad
Jamaludin Md Ali
Wong Seng Lee

The aggregate amount of emoluments receivable by Directors of the Group and of Company during the year is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Non-executive Directors: | | | | |
| - fees | 538 | 340 | 200 | 200 |
| - salaries, allowances and bonuses | 440 | 398 | - | - |
| - estimated money value of benefits-in-kind | 119 | 122 | 64 | 83 |
| - defined contribution retirement plan | 75 | 69 | - | - |
| - other emoluments | 167 | 438 | 32 | 7 |
| | 1,339 | 1,367 | 296 | 290 |
| Independent Non-executive Directors: | | | | |
| - fees | 377 | 431 | 160 | 200 |
| - other emoluments | 103 | 66 | 50 | 32 |
| | 480 | 497 | 210 | 232 |
| Executive Directors: | | | | |
| - fees | 572 | 505 | 140 | 140 |
| - salaries, allowances and bonuses | 2,237 | 1,185 | 779 | 722 |
| - estimated money value of benefits-in-kind | 353 | 133 | 57 | 74 |
| - defined contribution retirement plan | 295 | 195 | 134 | 125 |
| - other emoluments | 119 | 83 | 68 | 62 |
| | 3,576 | 2,101 | 1,178 | 1,123 |
| | 5,395 | 3,965 | 1,684 | 1,645 |

## 22. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

**(a) Directors' remuneration (continued)**

Executive Directors of the Company have been granted options under the Employee Share Option Scheme on the same terms and conditions as those offered to other employees of the Group (Note 15) as follows:

| | | | Number of options over ordinary shares of RM0.50 each | | | | |
|---|---|---|---|---|---|---|---|
| Grant date | Expiry date | Exercise price RM/share | At 1.1.2009 '000 | Granted '000 | (Exercised) '000 | (Lapsed) '000 | At 31.12.2009 '000 |
| **Year ended 31.12.2009** | | | | | | | |
| 27.08.2004 | 26.08.2009 | 2.04 | - | - | - | - | - |
| **Year ended 31.12.2008** | | | | | | | |
| 27.08.2004 | 26.08.2009 | 2.04 | 30 | - | (30) | - | - |

| | 2009 '000 | 2008 '000 |
|---|---|---|
| Number of share options vested at balance sheet date | - | - |

The options were exercised by Directors and the details relating to the options exercised during the period are as follows:

| Exercise date | Fair value of shares at share issue date RM/share | Exercise price RM/share | Number of shares issued 2009 '000 | Number of shares issued 2008 '000 |
|---|---|---|---|---|
| 16 September 2008 | 5.10 - 5.35 | 2.04 | - | 30 |

| | 2009 RM'000 | 2008 RM'000 |
|---|---|---|
| Ordinary share capital - at par | - | 15 |
| Share premium | - | 46 |
| Proceeds received on exercise of share options | - | 61 |
| Fair value at exercise date of shares issued | - | 155 |

The fair value of shares issued on the exercise of options is the mean market price at which the Company's shares were traded on the Main Market of the Bursa Securities.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 22. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

**(b) Other key management personnel**

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The aggregate amount of emoluments receivable by other key management personnel of the Group during the year is as follows:

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Salaries, allowance and bonuses | 2,563 | 2,349 |
| Contribution to Employees' Provident Fund | 362 | 331 |
| Other employee benefits | 86 | 201 |
| | 3,011 | 2,881 |

## 23. TAX EXPENSE

***Recognised in the income statement***

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Current tax expense** | | | | | |
| Malaysia - current year | | 78,719 | 34,354 | 45,101 | 14,943 |
| - prior year | | (290) | (3,194) | 852 | (513) |
| Outside Malaysia - current year | | 52,358 | 100,917 | - | - |
| - prior year | | (1,449) | (855) | - | - |
| Total current tax | | 129,338 | 131,222 | 45,953 | 14,430 |
| **Deferred tax expense** | | | | | |
| Origination and reversal of temporary differences | | | | | |
| - in Malaysia | | | | | |
| - current year | | 11,375 | 9,345 | (417) | 3,507 |
| - prior year | | (4,328) | 1,715 | 1,688 | 1,763 |
| - outside Malaysia | | 38,650 | 3,093 | - | - |
| Effect of change in tax rate | | - | (5,665) | - | (2,610) |
| Total deferred tax expense | 10 | 45,697 | 8,488 | 1,271 | 2,660 |
| Deferred tax assets - in Malaysia | 10 | (5,081) | 1,587 | - | - |
| **Total tax expense** | | 169,954 | 141,297 | 47,224 | 17,090 |

## 23. TAX EXPENSE (CONTINUED)

***Reconciliation of effective tax expense***

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Profit for the year | 351,911 | 526,553 | 209,516 | 161,639 |
| Total tax expense | 169,954 | 141,297 | 47,224 | 17,090 |
| Profit excluding tax | 521,865 | 667,850 | 256,740 | 178,729 |

Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 % | 2008 % | 2009 % | 2008 % |
| Malaysian tax rate | 25 | 26 | 25 | 26 |
| Effect of tax rates in foreign jurisdictions | 3 | 2 | - | - |
| Effect of change in tax rate* | - | (1) | - | (1) |
| Non-deductible expenses | 14 | 9 | 1 | 7 |
| Tax exempt income | (9) | (12) | (9) | (23) |
| Effect of share of profit of associate | - | (2) | - | - |
| Change in unrecognised temporary difference | 1 | - | - | - |
| (Over)/Under provided in prior years | (1) | (1) | 1 | 1 |
| | 33 | 21 | 18 | 10 |

* The corporate tax rates are 25% for year of assessment 2009 and the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

## 24. DIVIDENDS

Dividends recognised in the current year by the Company are:

| 2009 | Sen per share (net of tax) | Total amount RM'000 | Date of payment |
|---|---|---|---|
| Interim 2009 ordinary | 7.50 | 23,426 | 29 January 2010 |
| Final 2008 ordinary | 5.62 | 17,545 | 31 July 2009 |
| Total amount | | 40,971 | |
| **2008** | | | |
| Interim 2008 ordinary | 5.55 | 16,768 | 30 January 2009 |
| Final 2007 ordinary | 5.55 | 16,710 | 25 July 2008 |
| Total amount | | 33,478 | |

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2009.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 25. EARNINGS PER SHARE

**Basic earnings per share**

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

| GROUP | 2009 RM'000 | 2008 RM'000 |
|---|---|---|
| Profit for the year attributable to shareholders | 145,837 | 351,228 |

Weighted average number of ordinary shares

| | Group | |
|---|---|---|
| | 2009 '000 | 2008 '000 |
| Issued ordinary shares at 1 January | 302,132 | 293,531 |
| Effect of treasury shares held | - | (2,222) |
| Effect - Warrants | 6,102 | 8,166 |
| Effect - ESOS | 627 | 609 |
| Weighted average number of ordinary shares at 31 December | 308,861 | 300,084 |

| | Group | |
|---|---|---|
| | 2009 Sen | 2008 Sen |
| Basic earnings per share | 47.22 | 117.04 |

**Diluted earnings per share**

The calculation of diluted earnings per share at 31 December 2009 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

| GROUP | 2009 RM'000 | 2008 RM'000 |
|---|---|---|
| Profit for the year attributable to shareholders | 145,837 | 351,228 |

Weighted average number of ordinary shares diluted

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Weighted average number of ordinary shares at 31 December | 308,861 | 300,085 |
| Effect - Warrants | - | 4,352 |
| Effect - ESOS | - | 1,088 |
| Weighted average number of ordinary shares (diluted) at 31 December | 308,861 | 305,525 |

## 25. EARNINGS PER SHARE (CONTINUED)

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period that the options and warrants were outstanding.

| | Group | |
|---|---|---|
| | 2009 Sen | 2008 Sen |
| Diluted earnings per share | 47.22 | 114.96 |

## 26. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investment (other than investment properties) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

**Business segments**

The Group comprises the following main business segments:

- Plantation operations - Oil palm planting, crude palm oil processing and plantation management services and consultancy
- Manufacturing - Manufacture and sale of oleochemicals and rubber products
- Quick service restaurant - Pizza Hut, Ayamas and Kentucky Fried Chicken outlets
- Intrapreneur venture - Sea transportation, parking management, sales of wood-based products and bulk mailing and printing
- Property investment - Rental of office building

Other operations of the Group mainly comprise investment holding and intrapreneur ventures which are not of sufficient size to be reported separately.

**Geographical segments**

The Group's business segments are managed on a worldwide basis, they operate in two main geographical areas:

- Malaysia - mainly plantation operations, manufacturing, quick service restaurant, property holding and investment activities
- Papua New Guinea - mainly plantation activities

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 26. SEGMENT REPORTING (CONTINUED)

| 2009<br>*Business segments* | Plantation operations RM'000 | Manufacturing RM'000 | Quick service restaurant RM'000 | Intrapreneur venture RM'000 | Property investment RM'000 | Other operations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Total external revenue | 1,620,704 | 1,186,153 | 2,760,285 | 228,316 | 7,776 | 2,971 | 5,806,205 |
| **Total segment revenue** | 1,620,704 | 1,186,153 | 2,760,285 | 228,316 | 7,776 | 2,971 | 5,806,205 |
| Segment result | 365,171 | (34,087) | 242,219 | 15,073 | 3,293 | 2,971 | 594,640 |
| Unallocated expense | | | | | | | (12,281) |
| **Results from operating activities** | | | | | | | 582,359 |
| Interest income | 11,997 | 2 | - | 333 | - | - | 12,332 |
| Finance costs | (45,823) | (10,136) | (11,666) | (9,211) | - | - | (76,836) |
| Share of net results in associates | | | | | | 4,010 | 4,010 |
| Tax expense | | | | | | | (169,954) |
| **Profit for the year** | | | | | | | 351,911 |

The intrapreneur venture business segment can be analysed as follows:

| 2009 - *Intrapreneur venture*<br>*Business segments* | Sea transportation RM'000 | Parking management RM'000 | Wood-based products RM'000 | Bulk mailing and printing RM'000 | Others RM'000 | Total Intrapreneur venture RM'000 |
|---|---|---|---|---|---|---|
| Total external revenue | 79,957 | 108,619 | 5,678 | 31,594 | 2,468 | 228,316 |
| **Total segment revenue** | 79,957 | 108,619 | 5,678 | 31,594 | 2,468 | 228,316 |
| Segment result | 16,338 | 507 | (4,570) | 3,763 | (965) | 15,073 |
| Interest income | 233 | 135 | - | - | (35) | 333 |
| Finance costs | (8,014) | (1,171) | - | - | (26) | (9,211) |
| **Profit for the year** | 8,557 | (529) | (4,570) | 3,763 | (1,026) | 6,195 |

## 26. SEGMENT REPORTING (CONTINUED)

| 2008<br>*Business segments* | Plantation operations RM'000 | Manufacturing RM'000 | Quick service restaurant RM'000 | Intraprenuer venture RM'000 | Property investment RM'000 | Other operations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Total external revenue | 1,724,741 | 1,566,445 | 532,752 | 154,230 | 8,039 | 3,131 | 3,989,338 |
| **Total segment revenue** | 1,724,741 | 1,566,445 | 532,752 | 154,230 | 8,039 | 3,131 | 3,989,338 |
| Segment result | 568,014 | 29,659 | 48,497 | 19,389 | 1,564 | 3,131 | 670,254 |
| Unallocated expense | | | | | | | (9,929) |
| **Results from operating activities** | | | | | | | 660,325 |
| Interest income | 15,235 | 250 | 1,496 | 12 | - | - | 16,993 |
| Finance costs | (42,489) | (14,307) | (9,378) | (4,448) | - | - | (70,622) |
| Share of net results in associates | - | - | 57,124 | - | - | 4,030 | 61,154 |
| Tax expense | | | | | | | (141,297) |
| **Profit for the year** | | | | | | | 526,553 |

The intrapreneur venture business segment can be analysed as follows:

| 2008 - *Intrapreneur venture*<br>*Business segments* | Sea transportation RM'000 | Parking management RM'000 | Wood-based products RM'000 | Bulk mailing and printing RM'000 | Others RM'000 | Total Intrapreneur venture RM'000 |
|---|---|---|---|---|---|---|
| Total external revenue | 66,432 | 67,196 | 4,240 | 16,356 | 6 | 154,230 |
| **Total segment revenue** | 66,432 | 67,196 | 4,240 | 16,356 | 6 | 154,230 |
| Segment result | 16,397 | 1,209 | 539 | 1,388 | (144) | 19,389 |
| Interest income | - | 12 | - | - | - | 12 |
| Finance costs | (4,262) | - | (66) | (120) | - | (4,448) |
| **Profit for the year** | 12,135 | 1,221 | 473 | 1,268 | (144) | 14,953 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 26. SEGMENT REPORTING (CONTINUED)

| 2009 *Business segments* | Plantation operations RM'000 | Manufacturing RM'000 | Quick service restaurant RM'000 | Intrapreneur venture RM'000 | Property investment RM'000 | Other operations RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 4,968,771 | 698,354 | 2,120,921 | 369,342 | 97,863 | - | (242,513) | 8,012,738 |
| Investment in associates | - | - | - | - | - | 21,214 | - | 21,214 |
| Unallocated assets | | | | | | | | 40,106 |
| **Total assets** | | | | | | | | 8,074,058 |
| Segment liabilities | 1,838,029 | 391,814 | 759,387 | 256,939 | - | - | (242,513) | 3,003,656 |
| **Total liabilities** | | | | | | | | 3,003,656 |
| Capital expenditure for: | | | | | | | | |
| Property, plant and equipment | 382,678 | 21,415 | 215,084 | 130,567 | - | 404 | - | 750,148 |
| Prepaid lease payments | - | - | 5,722 | - | - | - | - | 5,722 |
| Investment properties | - | - | - | - | 4,503 | - | - | 4,503 |
| Depreciation of property, plant and equipment | 135,942 | 21,442 | 103,637 | 21,259 | - | - | - | 282,280 |
| Change in fair value of investment properties | - | - | - | - | 210 | - | - | 210 |
| Amortisation of prepaid lease payments | 3,542 | 314 | 857 | - | - | - | - | 4,713 |
| Amortisation of intangible assets | - | - | 9,100 | 1,000 | - | 70 | - | 10,170 |

The intrapreneur venture business segment can be analysed as follows:

| 2009 - *Intrapreneur venture Business segments* | Sea transportation RM'000 | Parking management RM'000 | Wood-based product RM'000 | Bulk mailing and printing RM'000 | Others RM'000 | Total Intrapreneur venture RM'000 |
|---|---|---|---|---|---|---|
| Segment assets | 314,361 | 37,577 | 1 | 16,582 | 821 | 369,342 |
| Total assets | | | | | | 369,342 |
| Segment liabilities | 215,793 | 31,828 | 571 | 7,415 | 1,332 | 256,939 |
| Total liabilities | | | | | | 256,939 |
| Capital expenditure | 125,183 | 4,101 | - | 638 | 645 | 130,567 |
| Depreciation of property, plant and equipment | 16,188 | 4,408 | 2 | 566 | 95 | 21,259 |
| Amortisation of intangible assets | - | - | - | - | 1,000 | 1,000 |

## 26. SEGMENT REPORTING (CONTINUED)

| 2008<br>*Business segments* | Plantation operations RM'000 | Manufacturing RM'000 | Quick service restaurant RM'000 | Intrapreneur venture RM'000 | Property investment RM'000 | Other operations RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 4,531,359 | 792,307 | 592,518 | 285,564 | 93,570 | - | (317,074) | 5,978,244 |
| Investment in associates | - | - | 601,557 | - | - | 10,563 | - | 612,120 |
| Unallocated assets | | | | | | | | 29,595 |
| **Total assets** | | | | | | | | 6,619,959 |
| Segment liabilities | 1,774,335 | 429,428 | 268,783 | 194,553 | - | - | (317,074) | 2,350,025 |
| **Total liabilities** | | | | | | | | 2,350,025 |
| Capital expenditure for: | | | | | | | | |
| Property, plant and equipment | 294,571 | 31,895 | 46,774 | 22,917 | - | - | - | 396,157 |
| Prepaid lease payments | - | 1,350 | - | - | - | - | - | 1,350 |
| Investment properties | - | - | - | - | 4 | - | - | 4 |
| Depreciation of property, plant and equipment | 109,687 | 16,784 | 24,389 | 17,398 | - | - | - | 168,258 |
| Change in fair value of investment properties | - | - | - | - | (8,550) | - | - | (8,550) |
| Amortisation of prepaid lease payments | 3,160 | 314 | 16 | - | - | - | - | 3,490 |
| Amortisation of intangible assets | - | - | 1,870 | 667 | - | 81 | - | 2,618 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 26. SEGMENT REPORTING (CONTINUED)

The intrapreneur venture business segment can be analysed as follows:

| 2008 - *Intrapreneur venture Business segments* | Sea transportation RM'000 | Parking management RM'000 | Wood-based product RM'000 | Bulk mailing and printing RM'000 | Others RM'000 | Total Intrapreneur venture RM'000 |
|---|---|---|---|---|---|---|
| Segment assets | 221,573 | 42,469 | 6,658 | 14,431 | 433 | 285,564 |
| Total assets | | | | | | 285,564 |
| Segment liabilities | 126,969 | 38,763 | 21,973 | 6,666 | 182 | 194,553 |
| Total liabilities | | | | | | 194,553 |
| Capital expenditure | 17,473 | 4,869 | 317 | 104 | 154 | 22,917 |
| Depreciation of property, plant and equipment | 13,652 | 3,265 | 48 | 408 | 25 | 17,398 |
| Amortisation of intangible assets | - | - | - | - | 667 | 667 |

| GROUP | Revenue (external) 2009 RM'000 | Revenue (external) 2008 RM'000 | Total assets 2009 RM'000 | Total assets 2008 RM'000 | Capital expenditure 2009 RM'000 | Capital expenditure 2008 RM'000 |
|---|---|---|---|---|---|---|
| ***Geographical segments*** | | | | | | |
| Malaysia | 4,653,902 | 1,459,286 | 6,024,448 | 4,154,721 | 345,962 | 159,564 |
| Papua New Guinea | 274,993 | 53,358 | 1,885,973 | 1,823,523 | 335,170 | 236,593 |
| Indonesia | 298 | 52,623 | - | - | - | - |
| United Kingdom | - | - | 102,317 | - | 69,016 | - |
| United States | 75,319 | 187,179 | - | - | - | - |
| Rest of Asia (mainly China and Japan) | 414,100 | 572,660 | - | - | - | - |
| Rest of Europe (mainly Netherlands) | 277,432 | 1,610,200 | - | - | - | - |
| Other countries | 110,161 | 54,032 | - | - | - | - |
| | 5,806,205 | 3,989,338 | 8,012,738 | 5,978,244 | 750,148 | 396,157 |
| Associated companies | | | 21,214 | 612,120 | | |
| Unallocated assets | | | 40,106 | 29,595 | | |
| Total assets | | | 8,074,058 | 6,619,959 | | |

## 27. FINANCIAL INSTRUMENTS

**Financial risk management policies and objectives**

The Group's diversified activities expose it to a variety of financial risks, including foreign currency exchange risk, interest risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, a global insurance programme and adherence to Group financial risk management policies.

The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures. The Group does not trade in financial instruments.

**(i) Foreign currency risk**

The Group is exposed to foreign currency risk on sales, purchases 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 US Dollar ("USD") and EURO Dollar ("EURO").

The Group uses forward foreign exchange contracts in currencies other than its functional currency to manage its exposure to fluctuations in foreign currency exchange rate on specific transactions. In respect of other monetary assets and liabilities held in currencies other than RM, the Group ensures that the net exposure is kept to an acceptable level.

At 31 December 2009, the settlement dates on open forward contracts range between one (1) and six (6) months. The foreign currency amount and contractual exchange rates of the Group's outstanding contracts are as follows:

| GROUP<br>*Hedged item* | *Currency* | *Amount to be received* | *Average contract rate* | *Equivalent RM'000* |
|---|---|---|---|---|
| **2009** | | | | |
| Trade receivables | USD | 75,709,000 | RM3.4498 | 261,183 |
| **2008** | | | | |
| Trade receivables | USD | 107,992,000 | RM3.2174 | 347,457 |

The fair values of outstanding forward contracts of the Group at the balance sheet date approximated their carrying amounts.

**(ii) Price fluctuation risk**

The Group is exposed to price fluctuation risk on commodities mainly on palm oil and oleochemical products. The Group mitigates its risk to the price volatility through establishing floating and fixed price level that the Group consider acceptable and where deemed prudent, selling forward in the physical market and/or enters physical supply agreement, where necessary, to achieve these levels.

**(iii) Market risk**

The Group's principal exposure to market risk arises mainly from changes in equity prices. The Group does not use derivative financial instruments to manage equity risk. The risk of loss in value is minimised via thorough analysis before making the investment and continuous monitoring of the performance and risk of the investment made. The Group manages disposal of its investment to optimise returns on realisation.

**(iv) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has variable rate borrowings that are used to fund ongoing activities and accordingly, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of floating rate debts.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

***Effective interest rates and repricing analysis***

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

| GROUP | Note | Average effective interest rate per annum % | Total RM'000 | Less than 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| **Fixed rate instruments** | | | | | | | |
| Unquoted subordinated bond | 9 | 7.45 | 4,000 | - | 4,000 | - | - |
| Deposits with licensed banks | 14 | 1.73 | 158,475 | 157,966 | 356 | 153 | - |
| Term loans - secured | 16 | 5.34 | (473,873) | (83,295) | (132,099) | (87,657) | (170,822) |
| - unsecured | 16 | 7.45 | (40,000) | - | (40,000) | - | - |
| Bankers' acceptance - unsecured | 16 | 2.89 | (263,328) | (263,328) | - | - | - |
| Revolving credits - unsecured | 16 | 3.78 | (82,092) | (82,092) | - | - | - |
| Finance lease payment - secured | 16 | 5.44 | (4,594) | (1,754) | (2,100) | (740) | - |
| | | | (701,412) | (272,503) | (169,843) | (88,244) | (170,822) |
| **Floating rate instruments** | | | | | | | |
| Term loans - secured | 16 | 3.92 | (691,056) | (691,056) | - | - | - |
| - unsecured | 16 | 3.81 | (112,053) | (112,053) | - | - | - |
| Bank overdraft - secured | 16 | 5.07 | (32,217) | (32,217) | - | - | - |
| - unsecured | 16 | 7.58 | (6,018) | (6,018) | - | - | - |
| | | | (841,344) | (841,344) | - | - | - |
| **2008** | | | | | | | |
| **Fixed rate instruments** | | | | | | | |
| Unquoted subordinated bond | 9 | 7.45 | 4,000 | - | - | 4,000 | - |
| Deposits with licensed banks | 14 | 4.20 | 255,352 | 255,352 | - | - | - |
| Term loans - secured | 16 | 6.24 | (399,178) | (34,458) | (82,769) | (188,019) | (93,932) |
| - unsecured | 16 | 7.47 | (42,868) | (2,868) | - | (40,000) | - |
| Bankers' acceptance - unsecured | 16 | 4.06 | (209,969) | (209,969) | - | - | - |
| Finance lease payment - secured | 16 | 4.28 | (6,957) | (2,607) | (2,513) | (1,837) | - |
| Revolving credits - secured | 16 | 4.81 | (20,000) | (20,000) | - | - | - |
| - unsecured | 16 | 4.97 | (72,500) | (72,500) | - | - | - |
| | | | (492,120) | (87,050) | (85,282) | (225,856) | (93,932) |
| **Floating rate instruments** | | | | | | | |
| Term loans - secured | 16 | 5.33 | (650,789) | (650,789) | - | - | - |
| - unsecured | 16 | 4.83 | (26,061) | (26,061) | - | - | - |
| Bank overdraft - secured | 16 | 5.79 | (33,463) | (33,463) | - | - | - |
| - unsecured | 16 | 7.95 | (3,888) | (3,888) | - | - | - |
| | | | (714,201) | (714,201) | - | - | - |

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

***Effective interest rates and repricing analysis (continued)***

| COMPANY | Note | Average effective interest rate per annum % | Total RM'000 | Less than 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| **Fixed rate instruments** | | | | | | | |
| Deposits with licensed banks | 14 | - | 350 | 350 | - | - | - |
| Term loans - secured | 16 | 5.11 | (150,000) | (50,000) | (100,000) | - | - |
| Revolving credits - unsecured | 16 | 4.02 | (48,592) | (48,592) | - | - | - |
| | | | (198,242) | (98,242) | (100,000) | - | - |
| **Floating rate instruments** | | | | | | | |
| Term loans - secured | 16 | 4.40 | (428,171) | (428,171) | - | - | - |
| **2008** | | | | | | | |
| **Fixed rate instruments** | | | | | | | |
| Deposits with licensed banks | 14 | 2.73 | 20,369 | 20,369 | - | - | - |
| Term loans - secured | 16 | 5.11 | (150,000) | - | (50,000) | (100,000) | - |
| Revolving credits | | | | | | | |
| - secured | 16 | 4.81 | (20,000) | (20,000) | - | - | - |
| - unsecured | 16 | 4.66 | (60,000) | (60,000) | - | - | - |
| | | | (209,631) | (59,631) | (50,000) | (100,000) | - |
| **Floating rate instruments** | | | | | | | |
| Term loans - secured | 16 | 5.24 | (403,170) | (403,170) | - | - | - |

**(v) Credit risk**

Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk arises when derivative instruments are used or sales made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

At balance sheet date, there were no significant concentration of credit risk.

**(vi) Liquidity and cash flow risk**

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

### (vii) Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amount of floating rate term loans approximate fair values as their effective interest rates change accordingly to movements in the market interest rate.

The carrying amount of investment in unquoted subordinated bonds approximate their fair value since there were no material changes in market interest rate.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

| | | 2009 | | 2008 | |
|---|---|---|---|---|---|
| | Note | Carrying amount | Fair value | Carrying amount | Fair value |
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| **GROUP** | | | | | |
| Unquoted subordinated bond | 9 | 4,000 | 3,311 | 4,000 | 4,000 |
| Deposits with licensed banks | 14 | 158,475 | 158,475 | 255,352 | 255,352 |
| Term loans | | | | | |
| - secured | 16 | (1,164,929) | (1,174,284) | (1,049,967) | (1,027,171) |
| - unsecured | 16 | (152,053) | (153,054) | (68,929) | (63,542) |
| Bank overdraft | | | | | |
| - secured | 16 | (32,217) | (32,217) | (33,463) | (33,463) |
| - unsecured | 16 | (6,018) | (6,018) | (3,888) | (3,888) |
| Revolving credits | | | | | |
| - secured | 16 | - | - | (20,000) | (20,000) |
| - unsecured | 16 | (82,092) | (82,092) | (72,500) | (72,500) |
| Bankers' acceptance - unsecured | 16 | (263,328) | (263,328) | (209,969) | (209,969) |
| Finance lease payments - secured | 16 | (4,594) | (4,477) | (6,957) | (5,900) |
| Forward foreign exchange contracts | | - | 430 | - | (26,384) |
| **COMPANY** | | | | | |
| Deposits with licensed banks | 14 | 350 | - | 20,369 | 20,369 |
| Term loans - secured | 16 | (578,171) | (591,333) | (553,170) | (541,243) |
| Revolving credits | | | | | |
| - secured | 16 | - | - | (20,000) | (20,000) |
| - unsecured | 16 | (48,592) | (48,592) | (60,000) | (60,000) |

## 28. OPERATING LEASES

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

| | Group | |
|---|---|---|
| | 2009 RM'000 | 2008 RM'000 |
| Less than one year | 180,017 | 83,994 |
| Between one and five years | 250,175 | 145,820 |
| More than five years | 50,939 | 5,398 |
| | 481,131 | 235,212 |

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average term period of between two (2) to fifteen (15) years with renewal option included in the contracts of certain leases. Certain contracts also include escalation clauses or contigent rental arrangements computed based on sales achieved while others include fixed rentals for an average of three (3) years. There are no restrictions placed upon the Group by entering into these leases.

## 29. CAPITAL AND OTHER COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Capital expenditure commitments** | | | | |
| Authorised capital expenditure in respect of property, plant and equipment not provided for in the financial statements at the end of the year: | | | | |
| - Contracted | 201,477 | 19,548 | 900 | 66 |
| - Not contracted | 262,677 | 239,638 | - | - |
| | 464,154 | 259,186 | 900 | 66 |

## 30. RELATED PARTIES

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with companies within the Johor Corporation Group.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 30. RELATED PARTIES (CONTINUED)

| | Transaction value for year ended 31 December | | Gross/Net balance outstanding at 31 December | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **GROUP** | | | | |
| **Ultimate holding corporation** | | | | |
| Johor Corporation | | | | |
| - Agency fee received* | 405 | 372 | 4 | 86 |
| - Sales of oil palm fresh fruit bunches* | 30,216 | 16,614 | 30,216 | 8,904 |
| - Purchasing and sales commission received* | 2,884 | 3,418 | 238 | 2,326 |
| - Planting advisory and agronomy fee received* | 173 | 174 | - | 22 |
| - Computer charges received* | 69 | 72 | - | 28 |
| - Inspection fee received* | 60 | 65 | - | 59 |
| - Training, seminar and course fee received* | 140 | 111 | 30 | 59 |
| - Sales of goods* | 1,555 | 445 | 473 | 62 |
| - Event management fee received* | 111 | - | - | - |
| - Rental payable | (700) | (2,352) | - | - |
| **Other related companies** | | | | |
| Johor Foods Sdn. Bhd. | | | | |
| - Agency fee received* | 407 | 449 | 44 | 134 |
| - Sales of oil palm fresh fruit bunches* | 24,593 | 27,994 | 11,959 | 3,129 |
| - Purchasing and sales commission received* | 1,444 | 1,906 | 139 | 1,438 |
| - Planting advisory and agronomy fee received* | 100 | 101 | 9 | 25 |
| - Computer charges received* | 38 | 38 | 2 | 9 |
| - Inspection fee received* | 30 | 30 | - | 8 |
| - Training, seminar and course fee received* | 88 | 86 | 23 | 30 |
| - Sales of goods* | 417 | 440 | 11 | 4 |
| - Contstruction work and maintenance received* | 112 | - | 72 | - |
| - Sales of oil palm seedling* | 1,236 | - | 826 | - |
| Kumpulan Penambang Sdn. Bhd. | | | | |
| - Agency fee received* | 142 | 150 | 9 | 43 |
| - Purchasing and sales commission received* | 387 | 487 | 75 | 175 |
| - Planting advisory and agronomy fee received* | 61 | 61 | - | 15 |
| - Computer charges received* | 11 | 11 | - | 3 |
| - Training, seminar and course fee received* | 43 | 39 | 5 | 25 |
| - Sales of goods* | 698 | 202 | 143 | 56 |
| - Contstruction work and maintenance received* | 47 | - | 47 | - |
| Johor Franchise Development Sdn. Bhd. | | | | |
| - Agency fee received* | 220 | 226 | 17 | 41 |
| - Purchasing and sales commission received* | 584 | 695 | 95 | 121 |
| - Planting advisory and agronomy fee received* | 85 | 85 | - | 12 |
| - Computer charges received* | 22 | 22 | - | 3 |
| - Training, seminar and course fee received* | 54 | 70 | 6 | 43 |
| - Sales of goods* | 462 | 219 | 141 | 15 |

## 30. RELATED PARTIES (CONTINUED)

| | Transaction value for year ended 31 December | | Gross/Net balance outstanding at 31 December | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **GROUP (CONTINUED)** | | | | |
| **Other related companies (continued)** | | | | |
| Stearinerie Dubois Fils | | | | |
| - Sales of finished goods* | - | 6,423 | - | 1,224 |
| Pro Biz Solution Sdn. Bhd. | | | | |
| - Rental income* | 282 | 47 | - | - |
| Pro Corporate Management Services Sdn. Bhd. | | | | |
| - Secretarial & share registration fees charged | (615) | (269) | - | - |
| JTP Trading Sdn. Bhd. | | | | |
| - Sales commission received* | 108 | - | 8 | - |
| Damansara Assets Sdn. Bhd. | | | | |
| - Construction work and maintenance received* | - | 285 | - | - |
| - Management fees and services payable | (11) | (7) | - | - |
| - Rental commission payable | (667) | (340) | - | - |
| Johor Land Berhad | | | | |
| - Purchase of oil palm fresh fruit bunches | (3,210) | (3,894) | (128) | (48) |
| - Dividend income* | - | 366 | - | 90 |
| - Management fees received* | 383 | 330 | - | - |
| Sibu Island Resort | | | | |
| - Sales of goods* | - | 4 | - | - |
| Kelab Bolasepak Perbadanan Johor | | | | |
| - Donation | (3,030) | (4,000) | - | - |
| KFCH Group | | | | |
| - Purchase of goods | - | (83,600) | - | (6,967) |
| - Rental income* | - | 1,182 | - | 98 |
| - Interest income* | - | 468 | - | 39 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 30. RELATED PARTIES (CONTINUED)

| | Transaction value for year ended 31 December | | Gross/Net balance outstanding at 31 December | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **COMPANY** | | | | |
| **Ultimate holding corporation** | | | | |
| Johor Corporation | | | | |
| - Sales of oil palm fresh fruit bunches* | 30,216 | 16,614 | 30,216 | 8,904 |
| - Rental payable | (700) | (629) | - | - |
| **Other related companies** | | | | |
| Johor Land Berhad | | | | |
| - Purchase of oil palm fresh fruit bunches | (3,210) | (3,894) | (128) | (48) |
| - Management fees received* | 383 | 366 | - | - |
| Kulim Plantations (Malaysia) Sdn. Bhd. | | | | |
| - Sales of oil palm fresh fruit bunches* | 31,680 | 24,180 | - | - |
| Mahamurni Plantations Sdn. Bhd. | | | | |
| - Sales of oil palm fresh fruit bunches* | 40,699 | 67,322 | - | - |
| Johor Foods Sdn. Bhd. | | | | |
| - Sales of oil palm fresh fruit bunches* | 11,959 | 14,593 | 11,959 | 3,129 |
| Sindora Berhad | | | | |
| - Sales of oil palm fresh fruit bunches* | 215 | 6,906 | - | 29 |
| - Dividend income received* | 7,287 | 151 | 7,287 | - |
| - Rental income* | 247 | 244 | - | - |
| Kelab Bolasepak Perbadanan Johor | | | | |
| - Donation | (3,030) | (4,000) | - | - |
| EPA Management Sdn. Bhd. | | | | |
| - Agency fees payable | (795) | (824) | (84) | (368) |
| - Purchasing and sales commission payables | (1,567) | (1,968) | (250) | (1,093) |
| - Planting advisory and agronomy fee payables | (242) | (244) | - | (95) |
| - Computer charges payables | (72) | (72) | (2) | (29) |
| - Interest payables | (2,864) | - | - | - |
| - Construction work and maintenance received* | 3,745 | 2,408 | 1,088 | 784 |
| - Training, seminar and course fee received* | 162 | 960 | 24 | 77 |
| - Sales of goods* | 1,644 | 546 | 593 | 107 |
| - Dividend income received* | 93,333 | 4,070 | - | - |
| Skellerup Industries (M) Sdn. Bhd. | | | | |
| - Rental income* | 120 | 120 | - | - |
| Kulim TopPlant Sdn. Bhd. | | | | |
| - Rental income* | 150 | 143 | - | - |

## 30. RELATED PARTIES (CONTINUED)

| | Transaction value for year ended 31 December | | Gross/Net balance outstanding at 31 December | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **COMPANY (CONTINUED)** | | | | |
| **Other related companies (continued)** | | | | |
| Metro Parking Sdn. Bhd. | | | | |
| - Rental income* | 386 | 466 | 34 | 35 |
| Exquisite Livestock Sdn. Bhd. | | | | |
| - Sales livestocks and meats* | 228 | - | 228 | - |
| Damansara Assets Sdn. Bhd. | | | | |
| - Management fees and services payables | (11) | (7) | - | - |
| - Rental commission payables | (667) | (340) | - | - |
| JTP Trading Sdn. Bhd. | | | | |
| - Dividend income* | 500 | 300 | - | - |
| - Selling and distribution expenses | (2,886) | (4,183) | - | - |
| - Cold room charges | (20) | (20) | - | - |
| QSR Brands Bhd. | | | | |
| - Dividend income* | 13,172 | 15,341 | - | - |
| Selai Sdn. Bhd. | | | | |
| - Dividend income* | 42,000 | - | - | - |
| Kumpulan Bertam Plantations Sdn. Bhd. | | | | |
| - Dividend income* | 10,079 | - | - | - |
| Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd. | | | | |
| - Dividend income* | 4,800 | - | - | - |
| Natural Oleochemicals Sdn. Bhd. | | | | |
| - Dividend income* | 18,656 | 18,656 | 18,656 | 18,656 |
| New Britain Palm Oil Limited | | | | |
| - Dividend income* | 70,461 | 104,665 | - | - |
| Pro Biz Solution Sdn. Bhd. | | | | |
| - Rental income* | 282 | 47 | - | - |

* There are no allowances for doubtful debts being provided in respect of these balances outstanding at year end and no allowances for doubtful debts made during the year.

The related companies share a common ultimate holding corporation as the Group and the Company.

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are interest free, unsecured and expected to be settled with cash.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 31. SIGNIFICANT EVENTS DURING THE YEAR

### Kulim (Malaysia) Berhad

(i) Expiry of 2004/2009 Warrants

On 2 June 2009, Kulim announced the expiry of its Warrants 2004/2009 which would be on 30 June 2009. Kulim warrants were effectively removed from the Official List of Bursa Securities on 1 July 2009.

(ii) On 30 June 2009, the Company announced that it has entered into an agreement with CIMB Islamic Bank Berhad ("CIMB Islamic") and OCBC Al-Amin Bank Berhad ("the Financers") for the acceptance of a Syndicated Islamic Financing facility of up to the maximum aggregate amount of RM430 million in accordance with Syariah principle of Ijarah Muntahiah Bit Tamleek. The purpose of the loan is to re-finance the amount outstandings of up to RM405 million under the RM383 million Syndicated Master Revolving Islamic Facility and RM367.5 million Al-Ijarah Al-Muntahiyah Bit Tamleek Facility granted by CIMB Islamic and OCBC Al-Amin (then under OCBC Bank (Malaysia) Berhad), and the remaining balance for working capital purposes.

(iii) Subscription agreement with Intrapreneur Development Sdn. Bhd.

On 16 November 2009, Kulim announced that the Company had entered into a subscription agreement with Intrapreneur Development Sdn. Bhd. for the subscription of 100,000 redeemable preference shares of RM0.01 each at the issue price of RM100.00 each.

(iv) During 2009, at various dates, Kulim and its subsidiary, EPA Management Sdn. Bhd., entered into several Sales and Purchase Agreements to dispose 10% equity interest in the following wholly-owned subsidiaries:

(a) Kulim Nursery Sdn. Bhd. to En. Norlukmal bin Mat Ghani;

(b) Kulim Livestock Sdn. Bhd. to En. Azhar bin Abdol Rahman;

(c) Special Appearance Sdn. Bhd. to En. Azman bin Miskon; and

(d) Superior Harbour Sdn. Bhd. to En. Mat Jais bin Abd Rahman.

### QSR Brands Berhad ("QSR")

(i) Acquisition of KFCH

The Group, via QSR, acquired 865,300 ordinary shares in KFCH on 2 January 2009 representing 0.44% of the issued and paid-up share capital of KFCH for a total purchase consideration of RM6,612,657 ("the Acquisition"). Following the Acquisition, the Group's shareholdings in KFCH increased from 49.81% to 50.25%, thereby effectively making KFCH an indirect subsidiary of the Group. Details of the acquisition are elaborated in Note 7(i) to the financial statements.

(ii) Acceptance of an offer from Yum! Restaurants (India) Pvt. Ltd.

On 30 April 2009, the Group, via KFCH, announced that it had accepted an offer from Yum! Restaurants (India) Pvt. Ltd. as part of the initial agreement, to operate KFC Franchise Business in Mumbai and Pune in India.

Following on this:

- On 13 May 2009, KFCH announced the acquisition of the entire issued and paid-up share capital of KFC India Holdings Sdn. Bhd. (formerly known as Orient Palm Sdn. Bhd.), comprising two (2) ordinary shares of RM1.00 each, for a total cash consideration of RM2.00. KFC India Holdings Sdn. Bhd. is intended to be used for the purpose of KFCH's venture into KFC India.

- On 7 August 2009, KFCH announced the establishment of a wholly-owned subsidiary in Mauritius, namely Mauritius Food Corporation Pvt. Ltd. ("Mauritius") via its wholly-owned subsidiary, KFC India Holdings Sdn. Bhd. (formerly known as Orient Palm Sdn. Bhd.). The paid-up share capital of Mauritius is USD2.00 comprising 2 ordinary shares. Mauritius will be the investment holding company for the operating companies to be established in Mumbai and Pune, India; and

- On 30 September 2009, KFCH, via Mauritius, announced that it had established Mumbai Chicken Pvt. Ltd. and Pune Chicken Restaurants Pvt. Ltd.

## 31. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

### QSR Brands Berhad ("QSR") (continued)

(iii) Rasamas Intrapreneur Scheme and Ayamas Intrapreneur Contract Farming Scheme

During 2009, at various dates, the Group, via KFCH, announced that it had through Roaster's Chicken Sdn. Bhd. and Ayamas Food Corporation Sdn. Bhd. entered into several Sale and Purchase of Shares Agreement Incorporating Shareholders' Agreements and Subscription Agreement Incorporating Shareholders' Agreements (collectively known as "the Agreements"), respectively, with the following parties:

(a) Musa bin Putit and Rasamas Taman Universiti Sdn. Bhd.

(b) Azian binti Abdul Rashid and Rasamas Batu Caves Sdn. Bhd.

(c) Mohd Noor Syawal bin Sanudin and Rasamas Tebrau Sdn. Bhd.

(d) Ahmad bin Ali and Rasamas Larkin Sdn. Bhd.

(e) Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn. Bhd.

(f) Mohd Qamari bin Aluan and Semangat Juara Sdn. Bhd.

(g) Mohd Iswazi bin Mod Isa and Ayamas Farms & Hatchery Sdn. Bhd.

(h) Moharizian bte Mohammed and Ayamas Feedmill Sdn. Bhd.

(i) Mohd Khir bin Yadin and Rasamas Butterworth Sdn. Bhd. (formerly known as Heritage Revenue Sdn. Bhd.)

(j) Lim Mooi Huang and Rasamas Subang Sdn. Bhd. (formerly known as Supreme Delight Sdn. Bhd.)

(k) Noor Azlinda binti Ibrahim and Rasamas Wangsa Maju Sdn. Bhd. (formerly known as Sensasi Laman Sdn. Bhd.)

The Agreements enable the parties to purchase and/or subscribe ordinary shares representing up to 10% and 25% equity interest respectively in the respective companies arising from the implementation of the Rasamas Intrapreneur Scheme and Ayamas Intrapreneur Contract Farming Scheme.

However, on 20 August 2009, KFCH announced that it had through Roaster's Chicken Sdn. Bhd. terminated the agreements with the following parties due to the resignation of the Rasamas Intrapreneur Parties (see definition below):

(a) Azian binti Abdul Rashid and Rasamas Batu Caves Sdn. Bhd.

(b) Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn. Bhd.

(Azian binti Abdul Rashid and Nor Suraya Hani binti Maskan are hereinafter referred to as the "Rasamas Intrapreneur Parties").

In view of the above, Rasamas Batu Caves Sdn. Bhd. and Rasamas Bangi Sdn. Bhd. will revert to become wholly-owned subsidiaries of Roaster's Chicken Sdn. Bhd.

(iv) Acquisition of multiple companies for the purpose of the Group's Rasamas Intrapreneur Scheme

On 4 March 2009, the Group, via KFCH, announced that its wholly-owned subsidiary of KFCH, Roaster's Chicken Sdn. Bhd., acquired the entire issued and paid-up share capital of the following companies comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00 for each company:

(a) Rasamas Mergong Sdn. Bhd. (formerly known as Smart Revenue Sdn. Bhd.);

(b) Rasamas Endah Parade Sdn. Bhd. (formerly known as Bima Permata Sdn. Bhd.);

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 31. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

### QSR Brands Berhad ("QSR") (continued)

(iv) Acquisition of multiple companies for the purpose of the Group's Rasamas Intrapreneur Scheme (continued)

(c) Rasamas Nilai Sdn. Bhd. (formerly known as Midland Brand Sdn. Bhd.);

(d) Rasamas Kota Bharu Sdn. Bhd. (formerly known as Dominion Brand Sdn. Bhd.);

(e) Rasamas Butterworth Sdn. Bhd. (formerly known as Heritage Revenue Sdn. Bhd.);

(f) Rasamas BC Sdn. Bhd. (formerly known as Natural Equity Sdn. Bhd.);

(g) Rasamas Bukit Tinggi Sdn. Bhd. (formerly known as Premier Option Sdn. Bhd.);

(h) Rasamas Subang Sdn. Bhd. (formerly known as Supreme Delight Sdn. Bhd.);

(i) Rasamas Wangsa Maju Sdn. Bhd. (formerly known as Sensasi Laman Sdn. Bhd.);

(j) Rasamas Terminal Larkin Sdn. Bhd. (formerly known as Bold Ocean Sdn. Bhd.); and

(k) Rasamas Melaka Sdn. Bhd. (formerly known as Prisma Circle Sdn. Bhd.).

The companies are currently used for the purpose of the Group's Rasamas Intrapreneur Scheme.

(v) Disposal of Donut Empire (Malaysia) Holdings Sdn. Bhd.

On 26 August 2009, the Group announced that it had disposed of Donut Empire (Malaysia) Holdings Sdn. Bhd. for a cash consideration of RM5,000.

(vi) Acquisition of Paramount Management Sdn. Bhd. and Paramount Holdings (M) Sdn. Bhd.

On 18 September 2009, the Group, via KFCH, announced that it had entered into a Share Sale Agreement for the acquisition of the entire equity interest in Paramount Management Sdn. Bhd. and Paramount Holdings (M) Sdn. Bhd., comprising 500,000 ordinary shares each and the entire equity interest in Gratings Solar Sdn. Bhd. comprising 200,000 ordinary shares, at a total cash consideration of RM6.5 million. The acquisition was completed on 29 January 2010.

(vii) Acquisition of Cilik Bistari Sdn. Bhd. and Usahawan Bistari Ayamas Sdn. Bhd.

On 9 December 2009, KFCH announced the acquisition of the entire issued and paid-up share capital of Cilik Bistari Sdn. Bhd. (formerly known as Roda Kapital Sdn. Bhd.) comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00. Simultaneously, KFC Marketing Sdn. Bhd., a wholly-owned subsidiary of Ayamas Food Corporation Sdn. Bhd., had acquired the entire issued and paid-up share capital of Usahawan Bistari Ayamas Sdn. Bhd. (formerly known as Universal Bonus Sdn. Bhd.) comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00.

The companies are intended to be used for future expansion

### Sindora Berhad

(i) Disposal of leasehold land to KFCH

On 27 December 2007, the Company entered into a conditional Sale and Purchase Agreement ("SPA") with KFCH to dispose a piece of leasehold land (including all factory, buildings, structures, infrastructure and facilities built or erected on the land) to KFCH for RM6.15 million cash. The Company is currently in the process of transferring the land title and the disposal is expected to be completed in 2010.

(ii) Estates swaped between Sindora Berhad (Sindora) and Sime Darby Plantations Sdn. Bhd.

On 3 March 2009, Sindora entered into a conditional Exchange of Land Agreement with Sime Darby Plantations Sdn Bhd ("SDPSB") to transfer Ladang Sungai Simpang Kiri ("LSSK") for a consideration of RM77,700,000 in exchange for the transfer of the SDPSB for a consideration of RM71,700,000 together with a cash payment of RM6,000,000 to the Sindora. The transaction was completed on 1 September 2009.

## 31. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

### Sindora Berhad (continued)

(iii) Subscription agreement for the ordinary shares in Orkim Sdn. Bhd.

On 6 May 2009, Sindora entered into a conditional subscription and shareholders agreement with Orkim Sdn. Bhd. and its existing shareholders, namely Wan Izani Bin Wan Mahmood (“Wan Izani”) and Khoo Chin Yew (“Khoo”) for the proposed subscription of 7,524,019 new ordinary shares of RM1.00 each in Orkim share for a total cash consideration of RM9,999,000.

On the same day, EA Technique Sdn. Bhd., a 51% owned subsidiary of Sindora, also entered into a conditional Subscription and Share Purchase Agreement with Orkim Sdn. Bhd. and its existing shareholders, namely Wan Izani and Khoo, for the proposed subscription of 3,475,981 and 3,206,286 new ordinary shares of RM1.87 and RM1.30 respectively each in Orkim share for a total cash consideration of RM10,669,172. Consequently Sindora group’s investment in Orkim Sdn. Bhd. is equivalent to 38% of the enlarged issued and paid-up share capital.

(iv) Disposal of investment in Willis (Malaysia) Sdn. Bhd.

On 15 July 2009, Sindora entered into two conditional Share Sale Agreements (''SSA"') with Willis Europe B.V and Abdullah bin Md. Zahid to dispose 190,000 and 210,000 ordinary shares of RM1.00 each respectively in Willis (Malaysia) Sdn. Bhd., a 40% owned associated company for a total consideration of USD4,000,000 (equivalent to RM14,208,000).

(v) Disposal of MM Vitaoils Sdn. Bhd.

On 12 August 2008, Sindora received a Letter of Acceptance from Encik Azlan bin Muhammad ("MM") pertaining to the proposed disposal by Sindora to MM of 2,375,000 ordinary shares of RM1.00 each ("Sales Shares") representing 35% equity interest in MM Vitaoils Sdn. Bhd. ("MMV") for a total cash consideration of RM14,500,000 or approximately RM6.11 per share. During the year 2009, Sindora received a partial settlement for the proposed disposal amounting to RM1,600,000. Sindora is currently in the process of renegotiating the disposal settlement with MM and the disposal is expected to be completed by 2010.

(vi) Disposal of investment in AmanahRaya-JMF Asset Management Sdn. Bhd.

On 30 October 2009, Sindora disposed 400,000 shares of RM1.00 each in AmanahRaya-JMF Asset Management Sdn. Bhd. representing 20% shareholding in the company for cash consideration of RM1,400,000 pursuant to offer from Amanah Raya Berhad.

(vii) Acquisition of preference shares in Microwell Sdn. Bhd.

On 27 October 2009, Sindora accepted an offer to acquire all preference shares held by Commerce-KNB Agro Teroka Sdn. Bhd. in Microwell Sdn. Bhd. for a total purchase price of RM4,500,000. Sindora has paid a sum of RM450,000, equivalent to 10% of the purchase price as a deposit. The acquisition is expected to be completed in 2010.

(viii) Disposal of a vessel, M.T. Nautica Segamat, by E.A. Technique (M) Sdn. Bhd.

On 9 September 2009, E.A. Technique (M) Sdn. Bhd., a subsidiary of Sindora Berhad, entered into a Memorandum of Agreement (''MOA'') with Lucky Marine Co. Ltd to dispose M.T. Nautica Segamat, a 4,421 Dead Weight Tonnage (''DWT'') Liquid Petroleum Gas vessel for a total cash approximately RM14,380,000.

## 32. SUBSEQUENT EVENTS

(i) On 27 January 2010, the Group, via KFCH, announced that it had through Roaster’s Chicken Sdn. Bhd. entered into several Subscription Agreement Incorporating Shareholders’ Agreement with the following parties:

(a) Masnawi bin Mohamed Soa’aid and Rasamas Bukit Tinggi Sdn. Bhd. (formerly known as Premier Option Sdn. Bhd.); and

(b) Mohd Faizal bin Awang Soh and Rasamas Kota Bharu Sdn. Bhd. (formerly known as Dominion Brand Sdn. Bhd.).

The agreements enable the parties to subscribe ordinary shares representing up to 10% equity interest in the respective companies arising from the implementation of the Rasamas Intrapreneur Scheme.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 32. SUBSEQUENT EVENTS (CONTINUED)

(ii) On 27 January 2010, the Group announced that it had re-organised its group structure involving the transfer of the Rasamas Intrapreneur Companies, arising from the implementation of the Group's Rasamas Intrapreneur Scheme, to the following:

(a) Rasamas Wangsa Maju Sdn. Bhd. acquired Rasamas BC Sdn. Bhd. Rasamas BC Sdn. Bhd. is intended to house the operations of the Rasamas Batu Cave outlet; and

(b) Rasamas Tebrau Sdn. Bhd. acquired Rasamas Terminal Larkin Sdn. Bhd. Rasamas Terminal Larkin Sdn. Bhd. is intended to house the operations of the Rasamas Terminal Larkin outlet.

(iii) On 25 February 2010, the Company announced that New Britain Palm Oil Limited ("NBPOL"), a 50.68% owned subsidiary of Kulim, had on 24 February 2010 entered into a Share Purchase Agreement to acquire 80% of the share in CTP (PNG) Limited from CTP Holdings Pte Limited, a company majority held by Cargill Group. CTP (PNG) Limited is an established oil palm plantation company operating in Papua New Guinea, producing crude palm oil and other palm products for the international market. CTP (PNG) will be acquired for a consideration of US$175 million payable in cash, plus additional consideration in relation to stocks and capital expenditure.

(iv) On 1 March 2010, JTP Trading Sdn. Bhd. announced that Kulim, together with its subsidiary, JTP Trading Sdn Bhd., had entered into a Sale and Purchase of Shares Agreement with Kamarulzaman Othman with regard to the disposal of 20,000 ordinary shares representing 10% of JTP Trading Sdn. Bhd. share capital for a total consideration of RM88,200.

(v) On 9 March 2010, the Company proposed the disposal of a property known as Menara Ansar to Al-Aqar KPJ REIT for a total sale consideration of RM105 million to be satisfied partly by cash consideration of RM63 million and RM42 million by the issuance of 42,857,000 new units in Al-Aqar at an issue price of RM0.98 per unit.

(vi) On 9 March 2010, the Company announced that it has accepted the offer from JCorp for the lease of part of land held under PTB 18322 HS(D) 475165 Mukim Bandar Johor Bahru, Johor Bahru measuring in total 20,297 square feet at a total lease consideration of RM5 million.

## 33. CONTINGENCIES LIABILITIES

(i) The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Guarantees given by the Company in respect of indemnity for guarantees given by bank to third parties on behalf of [Note (a) below] | 3,074 | 2,649 | 2,852 | 2,256 |
| Guarantees given by subsidiaries to third parties in respect of rental for parking space | - | 1,621 | - | - |
| Corporate guarantee given by subsidiaries to third parties | 14,702 | 4,216 | - | - |
| | 17,776 | 8,486 | 2,852 | 2,256 |

(a) This is further analysed as follows:

| | | |
|---|---|---|
| - Ultimate holding corporation | 92 | 144 |
| - Company and its subsidiaries | 2,781 | 2,186 |
| - Other related companies | 201 | 319 |
| | 3,074 | 2,649 |

(ii) At 31 December 2009, the Group, via New Britain Palm Oil Limited, had contingent liabilities in respect of legal claims in the ordinary course of business pertaining to land disputes, employee issues and GST disputes. The Group has disclaimed all liability in all cases and is vigorously defending these actions. It is not practical to estimate the potential effect of these claims but legal advice indicates that any liability that may arise in the unlikely event these claims are successful will not be significant.

## 34. SUBSIDIARIES

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| Mahamurni Plantations Sdn. Bhd. | Malaysia | Oil palm plantation | 100 | 100 |
| Selai Sdn. Bhd. | Malaysia | Oil palm plantation | 100 | 100 |
| Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd. | Malaysia | Oil palm plantation | 100 | 100 |
| Kumpulan Bertam Plantations Berhad | Malaysia | Oil palm plantation | 94.49 | 94.49 |
| EPA Management Sdn. Bhd. | Malaysia | Investment holding, provision of management services and consultancy, and mechanical equipment assembler | 100 | 100 |
| Skellerup Industries (Malaysia) Sdn. Bhd. | Malaysia | Manufacturer of rubber-based products | 100 | 100 |
| Kulim TopPlant Sdn. Bhd. | Malaysia | Production of high-yielding oil palm clones by plant tissue culture technology | 60 | 60 |
| JTP Trading Sdn. Bhd. | Malaysia | Trading/Distribution of tropical fruits | 100 | 75 |
| Kulim Energy Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| Pristine Bay Sdn. Bhd. | Malaysia | Investment holding | 51 | 51 |
| Kulim Plantations (Malaysia) Sdn. Bhd. | Malaysia | Oil palm plantation | 100 | 100 |
| +@ New Britain Palm Oil Limited | Papua New Guinea | Oil palm plantation | 50.68 | 50.68 |
| # QSR Brands Bhd. | Malaysia | Investment holding and provision of management services | 59.58 | 59.58 |
| # Sindora Berhad | Malaysia | Investment holding, operations of oil palm plantations, palm oil milling and rubber estates | 76.50 | 76.81 |
| Natural Oleochemicals Sdn. Bhd. | Malaysia | Manufacturer of oleochemical products | 91.38 | 91.38 |
| Cita Tani Sdn. Bhd. | Malaysia | Cultivation of sugar cane and other agriculture produce | 90 | 100 |
| Renown Value Sdn. Bhd. | Malaysia | Cultivation of pineapples and other agricultural produce | 90 | 90 |
| Kulim Nursery Sdn. Bhd. | Malaysia | Oil palm nursery and other related services | 90 | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| The Secret of Secret Garden Sdn. Bhd. (formerly known as Natural Alchohols Sdn. Bhd.) | Malaysia | Dormant | 100 | - |
| **Subsidiaries of Mahamurni Plantations Sdn. Bhd.** | | | | |
| Pembangunan Mahamurni Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| United Malayan Agricultural Corporation Berhad | Malaysia | Oil palm plantation | 100 | 100 |
| **Subsidiary of Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.** | | | | |
| EPA Futures Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| **Subsidiaries of EPA Management Sdn. Bhd.** | | | | |
| Edaran Badang Sdn. Bhd. | Malaysia | Agricultural equipment assembler | 75 | 90 |
| Panquest Ventures Limited | British Virgin Island | Management services/investment holding | 100 | 100 |
| Akli Resources Sdn. Bhd. | Malaysia | In-house and external training programme | 95 | 100 |
| + PT Kulim Agro Persada | Indonesia | Management services | 100 | 100 |
| Kulim Civilworks Sdn. Bhd. | Malaysia | Facilities maintenance, project and construction work | 75 | 90 |
| Kulim Livestock Sdn. Bhd. | Malaysia | Breeding and sales of cattle | 90 | 100 |
| Special Appearance Sdn. Bhd. | Malaysia | Film and drama production house, event management and other related services | 90 | - |
| Superior Harbour Sdn. Bhd. | Malaysia | Aquaculture operations for food consumption | 90 | - |
| **Subsidiaries of Skellerup Industries (Malaysia) Sdn. Bhd.** | | | | |
| Skellerup Foam Products (Malaysia) Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| Skellerup Latex Products (M) Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiaries of Skellerup Industries (Malaysia) Sdn. Bhd. (continued)** | | | | |
| SIM Manufacturing Sdn. Bhd. | Malaysia | Investment holding and manufacturers and dealers in rubber and rubber products of all kinds and articles made from rubber. | 90 | 90 |
| **Subsidiary of Kulim Energy Sdn. Bhd.** | | | | |
| Nexsol (Malaysia) Sdn. Bhd. | Malaysia | Manufacturer of biodiesel | 51 | 51 |
| **Subsidiaries of New Britain Palm Oil Limited** | | | | |
| + Dami Australia Pty. Limited | Australia | Research and production of oil palm seeds | 50.68 | 50.68 |
| + New Britain Nominees Limited | Papua New Guinea | Operate as legal entity for New Britain Palm Oil Limited Share Ownership Plan | 50.68 | 50.68 |
| + Guadalcanal Plains Palm Oil Limited | Solomon Islands | Grow and process oil palm | 40.54 | 40.54 |
| + New Britain Plantation Services Pte. Limited | Singapore | Sale of germinated oil palm seeds | 50.68 | 50.68 |
| + Ramu Agri-Industries Limited | Papua New Guinea | Oil palm, cultivation of sugar cane and other agriculture produce | 50.68 | 50.68 |
| + Dumpu Limited | Papua New Guinea | Landholding | 50.68 | 50.68 |
| + Tambola Pty Limited | Australia | Dormant | 50.68 | 50.68 |
| + New Britain Oils Limited | United Kingdom | Refinery | 50.68 | 50.68 |
| **Subsidiaries of QSR Brands Bhd.** | | | | |
| QSR Ventures Sdn. Bhd. | Malaysia | Investment holding | 59.58 | 59.58 |
| Pizza Hut Holdings (Malaysia) Sdn. Bhd. | Malaysia | Investment holding | 59.58 | 59.58 |
| * Kampuchea Food Corporation | Cambodia | Quick service restaurants | 32.77 | 32.77 |
| SBC Coffee Holdings Sdn. Bhd. | Malaysia | Dormant | 59.58 | 59.58 |
| Pizza Hut Delco Sdn. Bhd. (formerly known as Signature Chef Holdings Sdn. Bhd.) | Malaysia | Dormant | 59.58 | 59.58 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiaries of QSR Brands Bhd. (continued)** | | | | |
| Sterling Distinction Sdn. Bhd. | Malaysia | Dormant | 59.58 | 59.58 |
| Donut Empire (M) Holdings Sdn. Bhd. (formerly known as PH Properties Sdn. Bhd.) | Malaysia | Dormant | - | 59.58 |
| KFC Holdings (Malaysia) Bhd. | Malaysia | Investment holding | 29.96 | - |
| **Subsidiaries of QSR Ventures Sdn. Bhd.** | | | | |
| PH Property Holdings Sdn. Bhd. | Malaysia | Dormant | 59.58 | 59.58 |
| * Multibrand QSR Holdings Pte. Ltd. | Singapore | Dormant | 59.58 | 59.58 |
| **Subsidiary of Pizza Hut Holdings (Malaysia) Sdn. Bhd.** | | | | |
| Pizza Hut Restaurant Sdn. Bhd. | Malaysia | Quick service restaurants | 59.58 | 59.58 |
| * Pizza Hut Singapore Pte. Ltd. | Malaysia | Quick service restaurants | 59.58 | 59.58 |
| **Subsidiary of KFC Holdings (Malaysia) Bhd.** | | | | |
| Ayamas Food Corporation Sdn. Bhd. | Malaysia | Poultry processing, further processing plants and investment holding | 29.96 | - |
| Ayamas Integrated Poultry Industry Sdn. Bhd. | Malaysia | Breeder and broiler farms, hatchery feedmill investment holding | 29.96 | - |
| Bakers' Street Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| Integrated Poultry Industry Sdn. Bhd. | Malaysia | Poultry processing plant | 29.96 | - |
| KFC Events Sdn. Bhd. | Malaysia | Sales of food products vouchers | 29.96 | - |
| KFC India Holdings Sdn. Bhd. (formerly known as Orient Palm Sdn. Bhd.) | Malaysia | Investment holding | 29.96 | - |
| KFC Manufacturing Sdn. Bhd. | Malaysia | Bakery, trading in consumables, and investment holding | 29.96 | - |
| KFC Restaurants Holdings Sdn. Bhd. | Malaysia | Investment holding | 29.96 | - |
| Region Food Industries Sdn. Bhd. | Malaysia | Sauce manufacturing plant | 29.96 | - |
| Restoran Keluarga Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiary of KFC Holdings (Malaysia) Bhd. (continued)** | | | | |
| Roaster's Chicken Sdn. Bhd. | Malaysia | Investment holding | 29.96 | - |
| Signature Chef Dining Services Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| Signature Chef Foodservice & Catering Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| WP Properties Holdings Sdn. Bhd. | Malaysia | Investment holding | 29.96 | - |
| Tepak Marketing Sdn. Bhd. | Malaysia | Contract packing | 29.96 | - |
| Rangeview Sdn. Bhd. | Malaysia | Dormant | 29.96 | - |
| Cilik Bistari Sdn. Bhd. (formerly known as Roda Kapital Sdn. Bhd.) | Malaysia | Dormant | 29.96 | - |
| Hiei Food Industries Sdn. Bhd. | Malaysia | Dormant | 24.24 | - |
| Ayamazz Sdn. Bhd. (formerly known as Rasa Gourmet Sdn. Bhd.) | Malaysia | Push-cart selling food & refreshment | 29.96 | - |
| Kedai Ayamas Sdn. Bhd. | Malaysia | Poultry retail, convenience food store chain and investment holding | 29.96 | - |
| Kentucky Fried Chicken (Malaysia) Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| KFC (East Malaysia) Sdn. Bhd. | Malaysia | Investment holding | 29.96 | - |
| KFC (Peninsular Malaysia) Sdn. Bhd. | Malaysia | Restaurants<br>Commissary<br>Investment holding | 29.96 | - |
| KFC (Sarawak) Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| KFC Marketing Sdn. Bhd. | Malaysia | Sales and marketing of food products | 29.96 | - |
| Ladang Ternakan Putihekar (N.S.) Sdn. Bhd. | Malaysia | Breeder farm | 29.96 | - |
| MH Integrated Farm Berhad | Malaysia | Property holding | 29.96 | - |
| Pintas Tiara Sdn. Bhd. | Malaysia | Property holding | 29.96 | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiary of KFC Holdings (Malaysia) Bhd. (continued)** | | | | |
| Rasamas Holdings Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| Rasamas Bangi Sdn. Bhd. | Malaysia | Restaurant | 29.96 | - |
| Rasamas Batu Caves Sdn. Bhd. | Malaysia | Restaurant | 29.96 | - |
| Restoran Sabang Sdn. Bhd. | Malaysia | Restaurant | 29.96 | - |
| Seattle's Best Coffee Sdn. Bhd. | Malaysia | Restaurants | 29.96 | - |
| SPM Restaurants Sdn. Bhd. | Malaysia | Meals on wheels, property holding | 29.96 | - |
| KFC (Sabah) Sdn. Bhd. | Malaysia | Restaurants | 26.93 | - |
| Rasamas Butterworth Sdn. Bhd. (formerly known as Heritage Revenue Sdn. Bhd.) | Malaysia | Restaurant | 26.93 | - |
| Ayamas Farms & Hatchery Sdn. Bhd. | Malaysia | Broiler farm | 26.93 | - |
| Rasamas Subang Sdn. Bhd. (formerly known as Supreme Delight Sdn. Bhd.) | Malaysia | Restaurant | 26.93 | - |
| Rasamas Wangsa Maju Sdn. Bhd. (formerly known as Sensasi Laman Sdn. Bhd.) | Malaysia | Restaurant | 26.93 | - |
| Rasamas Tebrau Sdn. Bhd. | Malaysia | Restaurant | 26.69 | - |
| Rasamas Taman Universiti Sdn. Bhd. | Malaysia | Restaurant | 26.69 | - |
| Rasamas Larkin Sdn. Bhd. | Malaysia | Restaurant | 26.57 | - |
| Ayamas Feedmill Sdn. Bhd. | Malaysia | Broiler farm | 25.44 | - |
| Semangat Juara Sdn. Bhd. | Malaysia | Broiler farm | 22.46 | - |
| * Kentucky Fried Chicken Management Pte. Ltd. | Singapore | Restaurants | 29.97 | - |
| * Mauritius Food Corporation Pvt. Ltd. | Mauritius | Investment holding | 29.97 | - |
| * Mumbai Chicken Pvt. Ltd. | India | Restaurants | 29.97 | - |

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiary of KFC Holdings (Malaysia) Bhd. (continued)** | | | | |
| * Pune Chicken Restaurants Pvt. Ltd. | India | Restaurants | 29.97 | - |
| * WQSR Holdings (S) Pte. Ltd. | Singapore | Investment holding | 29.97 | - |
| * KFC (B) Sdn. Bhd. Darussalam | Brunei | Restaurants | 13.76 | - |
| * Rasamas Sdn. Bhd. Darussalam | Brunei | Restaurants | 13.76 | - |
| Asbury's (Malaysia) Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Ayamas Contract Farming Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Ayamas Franchise Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Ayamas Marketing (M) Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Ayamas Selatan Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Chippendales (M) Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Rasamas BC Sdn. Bhd. (formerly known as Natural Equity Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Melaka Sdn. Bhd. (formerly known as Prisma Circle Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Bukit Tinggi Sdn. Bhd. (formerly known as Premier Option Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Endah Parade Sdn. Bhd. (foremely known as Bima Permata Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Kota Bharu Sdn. Bhd. (formerly known as Dominion Brand Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Mergong Sdn. Bhd. (formerly known as Smart Revenue Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiary of KFC Holdings (Malaysia) Bhd. (continued)** | | | | |
| Rasamas Nilai Sdn. Bhd. (formerly known as Midland Brand Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Rasamas Terminal Larkin Sdn. Bhd. (formerly known as Bold Ocean Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Usahawan Bistari Ayamas Sdn. Bhd. (formerly known as Universal Bonus Sdn. Bhd.) | Malaysia | Dormant | 29.97 | - |
| Wangsa Progresi Sdn. Bhd. | Malaysia | Dormant | 29.97 | - |
| Yes Gelato Sdn. Bhd. | Malaysia | Dormant | 23.95 | - |
| * Ayamas Food Corporation (S) Pte. Ltd. | Singapore | Dormant | 29.97 | - |
| * Helix Investments Limited | Hong Kong | Dormant | 29.97 | - |
| **Subsidiaries of Natural Oleochemicals Sdn. Bhd.** | | | | |
| Dubois-Natural Esters Sdn. Bhd. | Malaysia | Manufacturer of esters | 50.26 | 50.26 |
| Natural Soaps Sdn. Bhd. | Malaysia | Manufacturer of soap noodles | 91.38 | 91.38 |
| Natural Wax Sdn. Bhd. | Malaysia | Manuring and processing of palm wax as a feed stock for manufacturing of candles | 54.83 | 54.83 |
| Natural Alcohols Sdn. Bhd. | Malaysia | Dormant | - | 91.38 |
| **Subsidiaries of Sindora Berhad** | | | | |
| Sindora Wood Products Sdn. Bhd. | Malaysia | Property letting | 76.50 | 76.81 |
| Sindora Timber Products Sdn. Bhd. | Malaysia | Dormant | 76.50 | 76.81 |
| Sindora Trading Sdn. Bhd. | Malaysia | Dormant | 76.50 | 76.81 |
| Sindora Development Sdn. Bhd. | Malaysia | Dormant | 76.50 | 76.81 |

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiaries of Sindora Berhad (continued)** | | | | |
| Sindora Timber Sdn. Bhd. | Malaysia | Timber logging, processing and sale of sawn timber, timber doors, laminated timber scantling and trading of wood products. | 68.85 | 69.13 |
| Granulab (M) Sdn. Bhd. | Malaysia | Trading of GranuMas, a granular synthetic bone graft | 68.85 | 69.13 |
| Pro Office Solutions Sdn. Bhd. | Malaysia | Bulk mailing and printing services | 57.37 | 57.61 |
| + Epasa Shipping Agency Sdn. Bhd. | Malaysia | Shipping and forwarding agent | 57.37 | 57.61 |
| E. A. Technique (M) Sdn. Bhd. | Malaysia | Provision of sea transportation and related services | 39.01 | 39.17 |
| Metro Parking (M) Sdn. Bhd. | Malaysia | Parking operations and the provision of related consultancy services | 57.37 | 57.61 |
| **Subsidiary of Sindora Timber Sdn. Bhd.** | | | | |
| General Access Sdn. Bhd. | Malaysia | Field clearing, earthwork, road construction and resurfacing | 61.96 | 62.22 |
| **Subsidiary of E. A. Technique (M) Sdn. Bhd.** | | | | |
| Johor Shipyard And Engineering Sdn. Bhd. | Malaysia | Shipbuilding, fabrication of steel structures, engineering services and consultancy | 39.01 | 39.17 |
| **Subsidiaries of Metro Parking (M) Sdn. Bhd.** | | | | |
| + Metro Parking (S) Pte. Ltd. | Singapore | Parking operator and consultancy services | 40.16 | 40.33 |
| Metro Parking (B) Sdn. Bhd. | Brunei | Parking operator and other transport related services | 43.03 | 43.21 |
| Metro Equipment Systems (M) Sdn. Bhd. | Malaysia | Trading or parking and other related equipments | 52.40 | 52.61 |
| Metro Parking (Sabah) Sdn. Bhd. | Malaysia | Parking operator and other transport related services | 57.37 | 57.61 |
| + Metro Parking Management (Philippines) Inc. | Philippines | Parking operator and other transport related services | 43.03 | 57.61 |
| + Pt Metro Penata Sarana | Indonesia | Parking operator, consultancy services and transport related services | 57.37 | 57.61 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 34. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| **Subsidiaries of Metro Parking (M) Sdn. Bhd. (continued)** | | | | |
| Smart Parking Management Systems Sdn. Bhd. | Malaysia | Trading of parking and other related equipments | 40.16 | 40.33 |
| + Metro Parking (HK) Limited | Hong Kong | Parking operator, and other transport related services | 57.37 | 57.61 |
| + Metro Parking Services (India) Private Limited | India | Parking operator and consultancy services | 57.37 | 57.61 |

* Audited by another member firms of KPMG International
\+ Not audited by KPMG
\# Listed on the Main Market of Bursa Securities
@ Listed both on Port Moresby Stock Exchange ("POMSOX") and London Stock Exchange

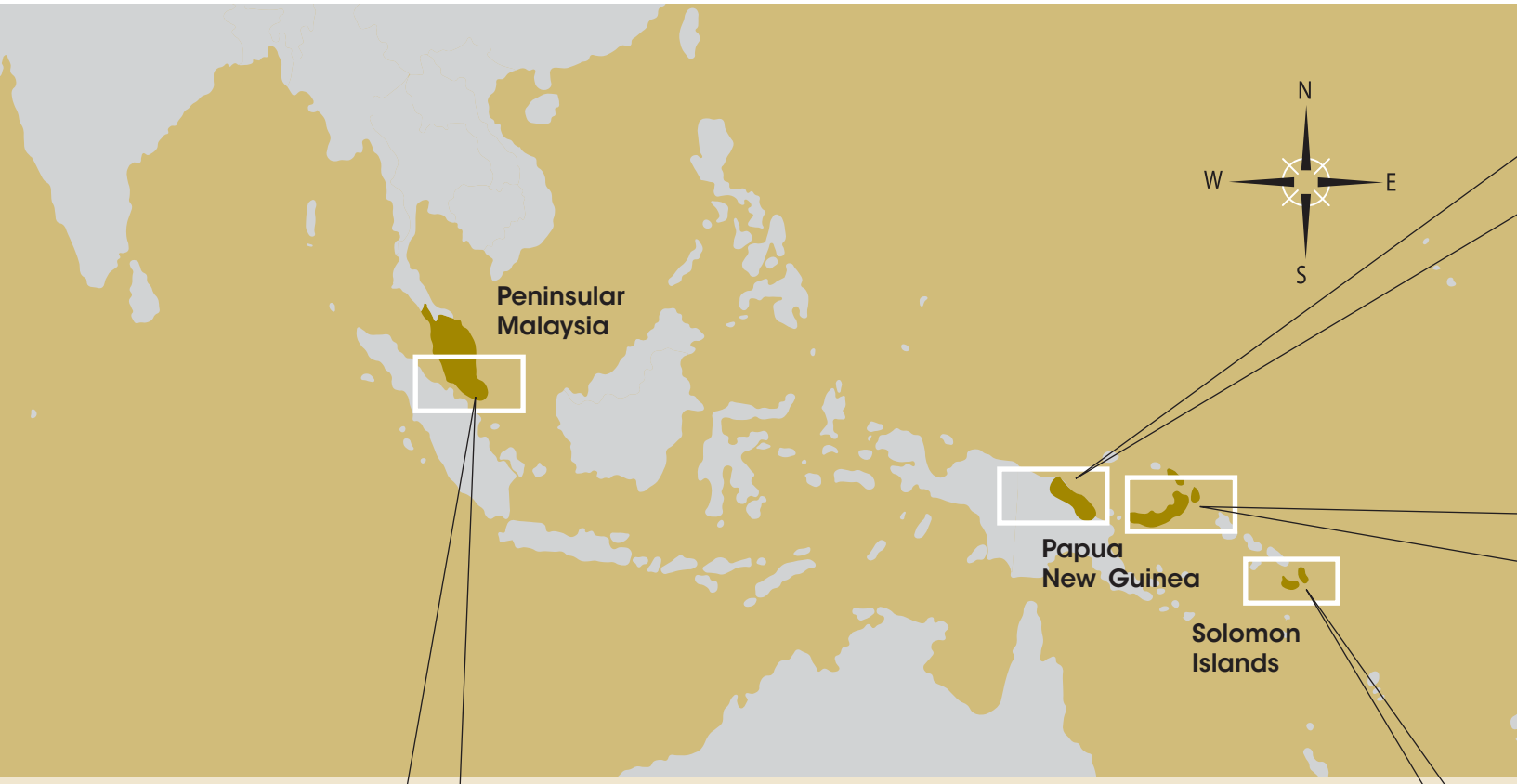
The percentage of the consolidated revenue and consolidated assets not audited by KPMG are as follows:

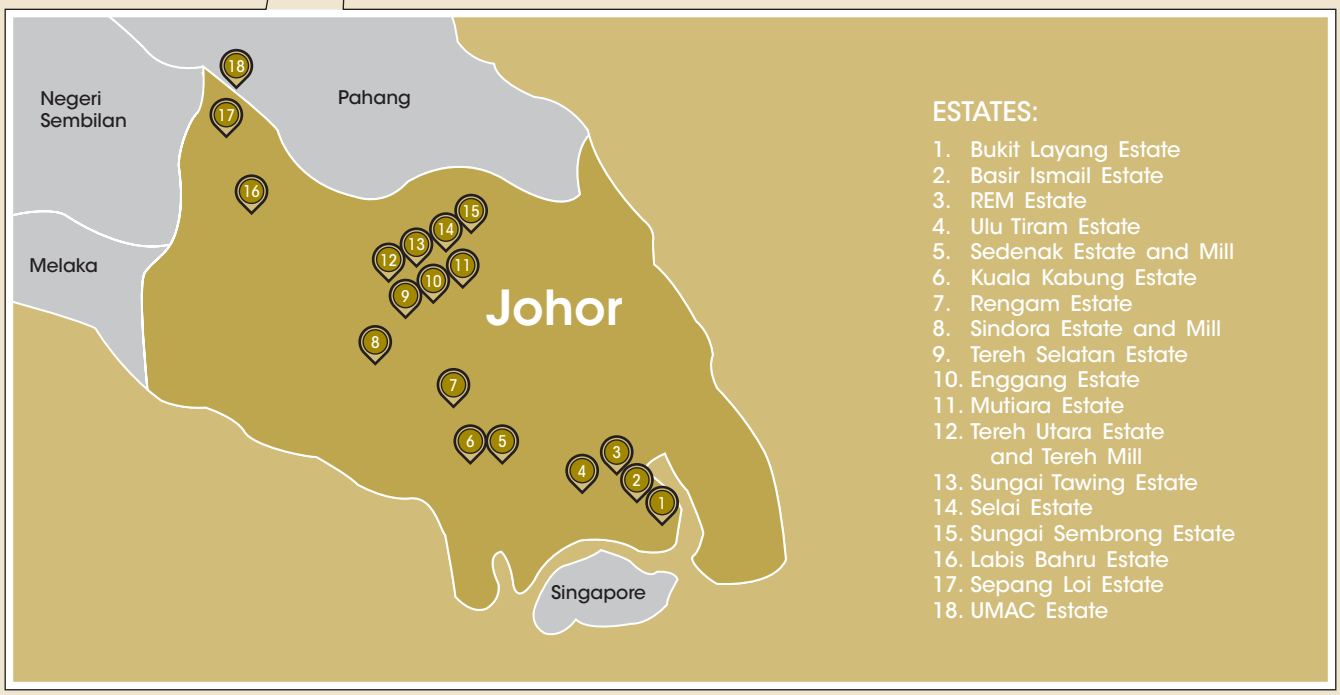
| | 2009 | 2008 |
|---|---|---|
| Consolidated revenue | 19% | 43% |
| Consolidated assets | 24% | 57% |

# SECTION 8

## Other Corporate Information

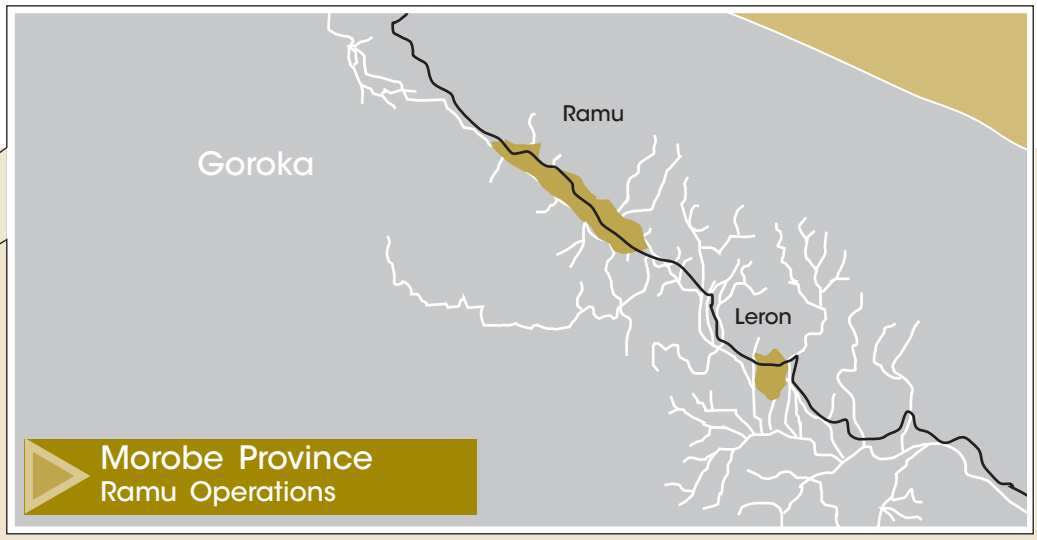
# GROUP ESTATE LOCATIONS IN MALAYSIA, PAPUA NEW GUINEA AND SOLOMON ISLANDS

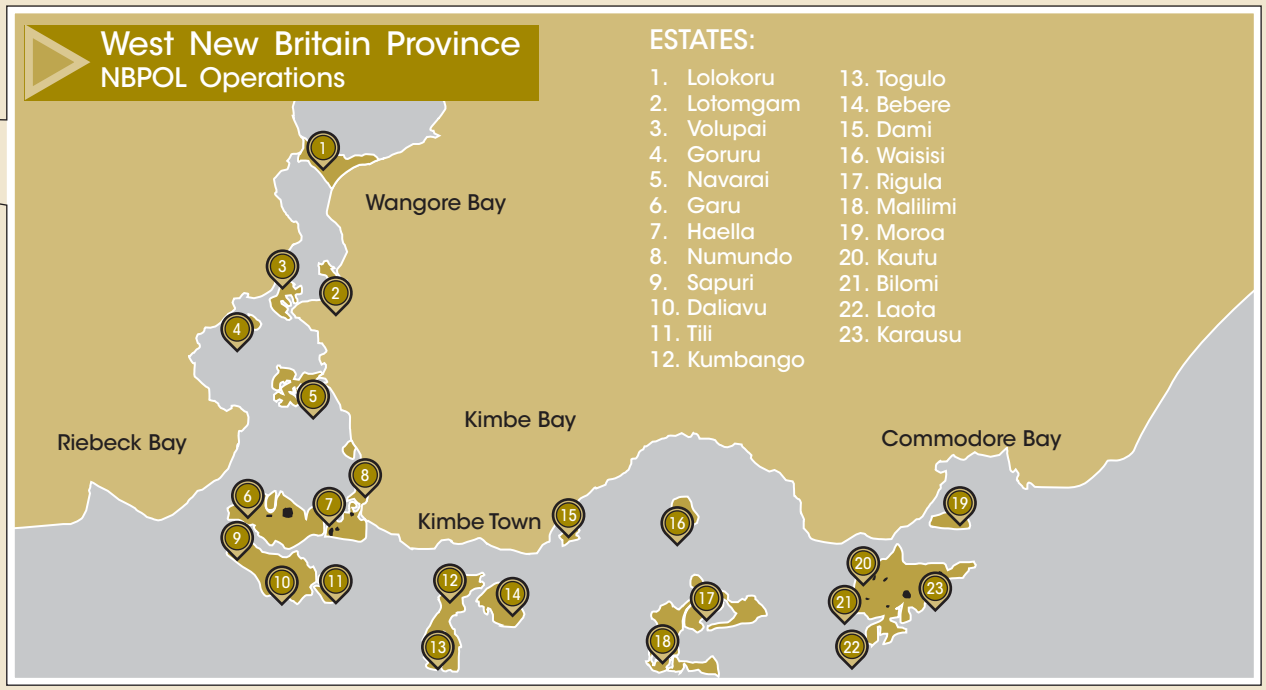


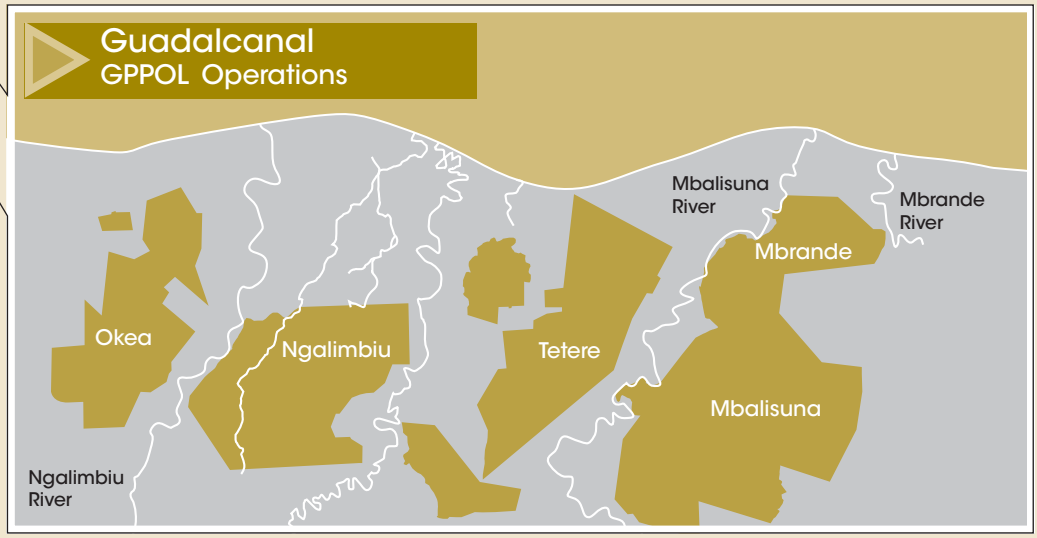




ESTATES:

1. Bukit Layang Estate
2. Basir Ismail Estate
3. REM Estate
4. Ulu Tiram Estate
5. Sedenak Estate and Mill
6. Kuala Kabung Estate
7. Rengam Estate
8. Sindora Estate and Mill
9. Tereh Selatan Estate
10. Enggang Estate
11. Mutiara Estate
12. Tereh Utara Estate and Tereh Mill
13. Sungai Tawing Estate
14. Selai Estate
15. Sungai Sembrong Estate
16. Labis Bahru Estate
17. Sepang Loi Estate
18. UMAC Estate


Ramu
Goroka
Leron
Morobe Province
Ramu Operations


West New Britain Province
NBPOL Operations
ESTATES:
1. Lolokoru
2. Lotomgam
3. Volupai
4. Goruru
5. Navarai
6. Garu
7. Haella
8. Numundo
9. Sapuri
10. Daliavu
11. Tili
12. Kumbango
13. Togulo
14. Bebere
15. Dami
16. Waisisi
17. Rigula
18. Malilimi
19. Moroa
20. Kautu
21. Bilomi
22. Laota
23. Karausu
Wangore Bay
Kimbe Bay
Riebeck Bay
Commodore Bay
Kimbe Town


Guadalcanal
GPPOL Operations
Mbalisuna River
Mbrande River
Mbrande
Okea
Ngalimbiu
Tetere
Mbalisuna
Ngalimbiu River

# PROPERTIES OF THE GROUP IN MALAYSIA
## AS AT 31 DECEMBER 2009

| | Tenure | Hectares | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **KULIM (MALAYSIA) BERHAD** | | | | | |
| Labis Bahru Estate<br>K B 517<br>85009 Segamat, Johor | Freehold | 2,109 | Oil palm and rubber estate | 43,950 | 1997* |
| Mutiara Estate<br>P O Box 21<br>Kahang New Village<br>86700 Kahang, Johor | Leasehold expiring<br>20.06.2085<br>26.09.2085<br>4.11.2074 | <br>1,619<br>324<br>607 | Oil palm estate | 30,933 | 1997* |
| Basir Ismail Estate<br>K B 502<br>81909 Kota Tinggi, Johor | Freehold | 2,875 | Oil palm estate | 432,330 | 1997* |
| REM Estate<br>K B 501<br>81909 Kota Tinggi, Johor | Freehold<br>Leasehold expiring 15.04.2093<br>(Building age: 11 years) | 2,571<br>5 | Oil palm estate<br>Staff training centre | 330,796 | 1997* |
| Sg Sembrong Estate<br>P O Box 21<br>Kahang New Village<br>86700 Kahang, Johor | Leasehold expiring<br>05.05.2074<br>25.11.2082<br>13.10.2102 | <br>607<br>607<br>29 | Oil palm estate | 15,288 | 1997* |
| Ulu Tiram Estate<br>K B 710<br>80990 Johor Bahru, Johor | Freehold | 502 | Oil palm estate | 93,491 | 1997* |
| Kuala Kabung Estate<br>No 70, Jalan Ria 3<br>Taman Ria, Bukit Batu<br>81020 Kulai, Johor | Leasehold expiring 16.8.2081 | 1,705 | Oil palm estate | 12,566 | 1997* |
| Mukim of Plentong, Johor<br>Lot 1581<br>Lot 2222<br>Lot 2223<br>Lot 2226<br>Lot 2227 | <br>Freehold<br>Freehold<br>Freehold<br>Freehold<br>Freehold | <br>5<br>8<br>66<br>4<br>5 | Vacant land | 17,458 | 1997* |
| Menara Ansar<br>65, Jalan Trus<br>80000 Johor Bahru | Leasehold expiring 18.12.2080<br>(Building age: 11 years) | - | 21-storey Intelligent office building comprising 3-level Basement Carpark, 5-level Podium and 16-level Tower | 94,503 | 1998+ |
| | | **13,648** | | **1,071,315** | |

| | Tenure | Hectares | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **KULIM PLANTATIONS (MALAYSIA) SDN BHD** | | | | | |
| Tereh Selatan Estate<br>K B 537<br>86009 Kluang, Johor | Freehold<br>Leasehold expiring 27.08.2078 | 1,929<br>869 | Oil palm estate | 45,629 | 1997* |
| Tereh Utara Estate<br>K B 536<br>86009 Kluang, Johor | Freehold<br>Leasehold expiring 27.08.2078<br>Leasehold expiring 27.06.2079 | 834<br>1,560<br>607 | Oil palm estate | 46,069 | 1997* |
| | | **5,799** | | **91,698** | |
| **MAHAMURNI PLANTATIONS SDN BHD** | | | | | |
| Rengam Estate<br>K B 104<br>86300 Rengam, Johor | Freehold | 2,439 | Oil palm and rubber estate | 166,804 | 1997* |
| Sedenak Estate<br>K B 726<br>80990 Johor Bahru, Johor | Freehold | 2,861 | Oil palm estate | 188,996 | 1997* |
| UMAC Estate<br>P O Box 64<br>86007 Segamat, Johor | Leasehold expiring on:<br>17.03.2070<br>29.08.2071<br>11.12.2071<br>28.11.2072<br>25.02.2074 | <br>228<br>237<br>324<br>346<br>481 | Oil palm estate | 17,937 | 1997* |
| | | **6,916** | | **373,737** | |
| **ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD** | | | | | |
| Bukit Layang Estate<br>K B 502<br>81909 Kota Tinggi, Johor | Freehold | 398 | Oil palm estate | 52,383 | 1997* |
| | | **398** | | **52,383** | |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Hectares | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **SELAI SDN BHD** | | | | | |
| Enggang Estate<br>K B 503<br>86009 Kluang, Johor | Freehold | 356 | Oil palm estate | 25,872 | 1997* |
| Selai Estate<br>K B 529<br>86009 Kluang, Johor | Freehold | 3,179 | Oil palm estate | 23,618 | 1997* |
| | | **3,535** | | **49,490** | |
| **KUMPULAN BERTAM PLANTATIONS BERHAD** | | | | | |
| Sepang Loi Estate<br>K B 520<br>85009 Segamat | Freehold | 1,016 | Oil palm estate | 9,644 | 2003 |
| | | **1,016** | | **9,644** | |
| **SINDORA BERHAD** | | | | | |
| Sindora Estate<br>K B 539<br>86009 Kluang, Johor | Leasehold expiring 24.01.2086 | 3,919 | Oil palm estate | 56,177 | 1987 |
| Sg. Tawing Estate<br>K B 531<br>86009 Kluang, Johor | Leasehold expiring 27.06.2079 | 2,219 | Oil palm estate | 34,451 | 2009^ |
| | | **6,138** | | **90,628** | |
| **Total - Plantations** | | **37,450** | | **1,647,197** | |

| | Tenure | Area | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD AGRICULTURAL PROPERTIES** | | | | | |
| **SELANGOR** | | | | | |
| Geran 24766 Lot 1462 Mukim Beranang Daerah Hulu Langat | Freehold (Building age: 20 years) | 62.937 acres | Land used for breeder farm | 7,228 | 2005 |
| HS (D) 20746 PT153 Bandar Baru Salak Tinggi District of Sepang | Leasehold expiring 25.01.2105 (Building age: 11 years) | 31.62 acres | Land used for breeder farm | 5,022 | 2008 |
| | | | | 12,250 | |
| **NEGERI SEMBILAN** | | | | | |
| Geran 22067 Lot 3468 Mukim Linggi Daerah Port Dickson | Freehold (Building age: 19 years) | 55 acres | Land used for breeder farm | 4,729 | 2005 |
| Geran 6348 PT 2149 Mukim Lenggeng Daerah Seremban | Freehold (Building age: 19 years) | 19.775 acres | Land used for breeder farm | 2,303 | 2005 |
| Lot 559 Mukim Gemencheh Daerah Tampin | Freehold (Building age: 13 years) | 38 acres | Land used for breeder farm | 4,277 | 2005 |
| HS (D) 5977-5980 PT 924-927 Mukim Titian Bintangor Daerah Rembau | Freehold | 83,754 square metres | Vacant land for future expansian | 1,230 | 2005 |
| | | | | 12,539 | |
| **MELAKA** | | | | | |
| Lots 1375-1397 1689 and 1706 Mukim Ayer Pa'abas Daerah Alor Gajah | Freehold (Building age: 19 years) | 150.9506 acres | Land used for breeder farm | 6,360 | 2005 |
| PM 1026 Lot 2294 Mukim Machap Daerah Alor Gajah | Leasehold expiring 27.05.2038 (Building age: 14 years) | 5.937 acres | Land used for contract broiler farming | 66 | 2005 |
| | | | | 6,426 | |
| **JOHOR** | | | | | |
| Mukim of Mersing District of Johor | Freehold | 854.62 acres | Vacant land and oil palm estate | 39,400 | 2005 |
| | | | | 39,400 | |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD COMMERCIAL PROPERTIES** | | | | | |
| **PERLIS** | | | | | |
| 9 Persiaran Putra Timur Satu 02000 Kuala Perlis | Leasehold expiring 25.09.2092 (Building age: 15 years) | 1,500 | Double-storey intermediate shophouse for storage and accommodation | 234 | 2005 |
| | | | | 234 | |
| **KEDAH** | | | | | |
| Lot No 269 Pekan Dindong 07000 Kuah Langkawi | Freehold (Building age: 15 years) | 1,119 | Double-storey intermediate shophouse for storage and accommodation | 410 | 2005 |
| 45 Arked Pokok Asam Langkawi Mall 07000 Kuah Langkawi | Freehold (Building age: 14 years) | 2,357 | Double-storey corner shophouse for restaurant | 674 | 2005 |
| 46 & 47 Lengkok Cempaka 1 Persiaran Cempaka 08000 Amanjaya | Freehold (Building age: 11 years) | 3,176 | 3-storey corner and intermediate shop offices for restaurant and hostel | 503 | 2005 |
| | | | | 1,587 | |
| **PENANG** | | | | | |
| Unit No G-104 Megamal Pinang 2828 Jalan Baru Bandar Perai Jaya 13600 Seberang Perai Tengah | Freehold (Building age: 13 years) | 2,762 | Ground floor of a shopping complex for restaurant | 1,454 | 2005 |
| 1-10G Eden Parade Jalan Sungai Emas 11100 Batu Ferringi | Freehold (Buidling age: 9 years) | 1,409 | Ground and mezzanine floors of a shopping complex for restaurant | 540 | 2005 |
| 34 Jalan Mahsuri 11950 Bandar Bayan Baru | Leasehold expiring 15.05.2090 | 3,780 | Double-storey shophouse for restaurant | 2,179 | 2005 |

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD**<br>**COMMERCIAL PROPERTIES** (CONTINUED) | | | | | |
| **PENANG** (CONTINUED) | | | | | |
| 3A-G-18 Blok 3A<br>Kompleks Bukit Jambul<br>Jalan Rumbia<br>11900 Pulau Pinang | Freehold<br>(Building age: 13 years) | 2,972 | Ground floor of a shopping complex for restaurant | 2,132 | 2005 |
| Unit No G-103<br>Megamal Pinang<br>2828 Jalan Baru<br>Bandar Perai Jaya<br>13600 Seberang Perai Tengah | Freehold<br>(Building age: 13 years) | 3,342 | Ground floor of a shopping complex for restaurant | 1,772 | 2005 |
| Parcel No S-C1-05<br>Pusat Bandar Nibong Tebal<br>14300 Pulau Pinang | Freehold<br>(Building age: 6 years) | 1,399 | Double-storey intermediate shophouse for restaurant | 207 | 2005 |
| 1-5G, 6-6G & 1-9G<br>Eden Parade<br>Jalan Sungai Emas<br>11100 Batu Ferringhi | Freehold<br>(Building age: 9 years) | 4,397 | 3 adjoining ground and mezzanine floors of a shopping complex for restaurant | 2,126 | 2005 |
| GF-12A Queensbay Mall<br>100 Persiaran Bayan Indah<br>11900 Bayan Lepas<br>Pulau Pinang | Leasehold expiring 06.12.2095 | 5,870 | Ground floor of a shoping complex for restaurant | 3,290 | 2005 |
| | | | | 13,700 | |
| **PERAK** | | | | | |
| 79 Jalan Dato' Lau Pak Khuan<br>Ipoh Garden<br>31400 Ipoh | Freehold<br>(Building age: 39 years) | 2,490 | Double-storey intermediate shophouse for restaurant | 404 | 2005 |
| 65 Jalan Dato' Onn Jaafar<br>30300 Ipoh | Freehold<br>(Building age: 23 years) | 3,395 | 6-storey commercial building for restaurant and staff hostel | 1,542 | 2005 |
| 158 Jalan Idris<br>31900 Kampar | Freehold<br>(Building age: 25 years) | 2,400 | 3½-storey shop office for restaurant | 514 | 2005 |
| | | | | 2,460 | |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD**<br>**COMMERCIAL PROPERTIES** (CONTINUED) | | | | | |
| **SELANGOR** | | | | | |
| 20-4 & 22-4 Jalan 14/22<br>The Right Angle<br>46100 Petaling Jaya | Leasehold expiring 16.12.2086<br>(Building age: 20 years) | 3,080 | 3rd floor of 2 adjoining units of a 4-storey shophouse | 445 | 2005 |
| 18A Ground Floor<br>Jalan SS6/3 Kelana Jaya<br>47301 Petaling Jaya | Freehold<br>(Building age: 21 years) | 2,000 | Ground floor of a 5-storey shophouse for retail outlet | 501 | 2005 |
| 60 & 62 Jalan PJS 11/28A<br>Bandar Sunway<br>46150 Petaling Jaya | Leasehold expiring 19.04.2086<br>(Building age: 14 years) | 3,786 | 4-storey shopoffice for restaurant, office and hostel | 3,064 | 2005 |
| 9 Jalan Taiping<br>41400 Klang | Freehold<br>(Building age: 29 years) | 2,402 | 4½-storey corner shophouse for restaurant and staff hostel | 1,651 | 2005 |
| 18 & 20 Jalan Sulaiman<br>43000 Kajang | Freehold<br>(Building age: 28 years) | 4,000 | 4-storey shophouse for restaurant | 3,656 | 2005 |
| Lot PT 12209<br>Mukim Damansara<br>Daerah Petaling | Leasehold expiring 01.11.2092 | 95,788 | Vacant land for restaurant | 4,135 | 2005 |
| 2105 Jalan 3/1<br>Bandar Baru Sungai Buloh<br>47000 Sungai Buloh | Leasehold expiring 13.03.2087<br>(Building age: 20 years) | 1,400 | Double-storey shophouse for restaurant | 462 | 2005 |
| Lot C1-091<br>Kompleks Galaxy Ampang<br>Jalan Dagang 5<br>Taman Dagang<br>68000 Ampang | Leasehold expiring 20.10.2084<br>(Building age: 6 years) | 4,108 | Concourse level of shopping centre for restaurant | 2,070 | 2005 |
| | | | | 15,984 | |
| **W.P. KUALA LUMPUR** | | | | | |
| Lot 14083<br>Jalan Kuchai Lama<br>58200 Kuala Lumpur | Leasehold expiring 08.02.2064<br>(Building age: 4 years) | 43,583 | Single-storey building for restaurant | 4,790 | 2005 |

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD COMMERCIAL PROPERTIES** (CONTINUED) | | | | | |
| **W.P. KUALA LUMPUR** (CONTINUED) | | | | | |
| 437 Jalan Ipoh<br>51200 Kuala Lumpur | Freehold<br>(Building age: 27 years) | 3,542 | 5-storey corner lot commercial building for restaurant and staff training | 3,255 | 2005 |
| 140 Jalan Raja Laut<br>50350 Kuala Lumpur | Freehold<br>(Building age: 37 years) | 1,795 | 4-storey intermediate shophouse or restaurant and staff hostel | 2,303 | 2005 |
| Lot PT 16805<br>Jalan Prima 1<br>Metro Prima<br>Off Jalan Kepong<br>52100 Kuala Lumpur | Leasehold expiring 28.04.2096<br>(Building age: 9 years) | 30,558 | Double-storey building for restaurants | 7,446 | 2005 |
| Lot PT 6878<br>Jalan 8/24A Wangsa Maju<br>53300 Kuala Lumpur | Leasehold expiring 19.04.2083<br>(Building age: 7 years) | 57,608 | Single-storey building for restaurants | 9,808 | 2005 |
| No. 23 & 24 Jalan 54<br>Desa Jaya Kepong<br>52100 Kepong | Leasehold expiring 08.03.2081<br>(Building age: 27 years) | 3,595 | 2 adjoining units of 4-storey shophouse for restaurant | 3,437 | 2009 |
| | | | | 31,039 | |
| **NEGERI SEMBILAN** | | | | | |
| 26 Jalan Dato' Sheikh Ahmad<br>70000 Seremban | Freehold<br>(Building age: 25 years) | 2,000 | Double-storey corner shophouse for retail outlet and staff hostel | 620 | 2005 |
| 20 & 21<br>Jalan Dato'Sheikh Ahmad<br>70000 Seremban | Freehold<br>(Building age: 29 years) | 4,800 | 2 adjoining units of 4-storey shophouse for restaurant and hostel | 2,065 | 2005 |
| 24 & 26 Jalan Bunga Raya 7<br>Pusat Perniagaan Senawang<br>Taman Tasik Jaya<br>70400 Senawang | Freehold<br>(Building age: 15 years) | 3,300 | 2 units of a double-storey shophouse for restaurant | 584 | 2005 |
| 1 Jalan Mahajaya<br>Kawasan Penambakan Laut<br>Bandar Port Dickson<br>71009 Negeri Sembilan | Leasehold expiring 31.01.2085<br>(Building age: 13 years) | 3,555 | 3-storey corner shophouse for restaurant and staff hostel | 1,172 | 2005 |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD COMMERCIAL PROPERTIES** (CONTINUED) | | | | | |
| **NEGERI SEMBILAN** (CONTINUED) | | | | | |
| Lot Nos PT 8241 to 8249 & 8262 Mukim Rantau Daerah Seremban Negeri Sembilan | Freehold | 119,946 | Vacant land (for shoplot and commercial complex) | 5,000 | 2005 |
| PT 12172 Jalan BBN 1/1F Putra Point Bandar Baru Nilai 71800 Nilai | Freehold (Building age: 13 years) | 1,798 | 3-storey shophouse for restaurant | 428 | 2009 |
| | | | | 9,869 | |
| **MELAKA** | | | | | |
| 9 Jalan PPM 9 Plaza Pandan Malim 75250 Melaka | Leasehold expiring 09.06.2095 (Building age: 12 years) | 1,496 | 4-storey intermediate shophouse for restaurant and staff hostel | 591 | 2005 |
| 555 Plaza Melaka Jalan Hang Tuah 75300 Melaka | Freehold (Building age: 23 years) | 2,486.46 | 4½-storey corner shophouse with mezzanine floor for restaurant | 1,189 | 2005 |
| PM 222, Lot No. 4260 Mukim Bukit Katil Daerah Melaka Tengah | Leasehold expiring 14.09.2077 | 42,851 | Vacant land for restaurants | 3,128 | 2008 |
| | | | | 4,908 | |
| **JOHOR** | | | | | |
| 86 Jalan Dedap 4 Taman Johor Jaya 81100 Johor Bahru | Freehold (building age: 27 years) | 1,540 | Double-storey shophouse for restaurant | 533 | 2005 |
| 11 Jalan Sri Perkasa 2/1 Taman Tampoi Utama 81100 Johor Bahru | Leasehold expiring 13.04.2094 (Building age: 13 years) | 1,540 | 3-storey intermediate restaurant and staff hostel | 466 | 2008 |
| 1 & 1-1 Jalan Niaga Pusat Perniagaan Jalan Mawai 81900 Kota Tinggi | Leasehold expiring 14.05.2085 (Building age: 10 years) | 2,273 | Corner unit of double-storey shophouse for restaurant | 885 | 2009 |
| HS (D) 367670 PTD 104984 Mukim Tebrau Daerah Johor Bahru | Freehold | 1,180 | Vacant land for restaurants | 4,035 | 2008 |
| | | | | 5,919 | |

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD COMMERCIAL PROPERTIES** (CONTINUED) | | | | | |
| **TERENGGANU** | | | | | |
| 10 Persiaran Melor<br>Kijal Beach Resort<br>24100 Kijal | Leasehold expiring 27.11.2091<br>(Building age: 15 years) | 1,650 | Double-storey intermediate shophouse for restaurant | 394 | 2005 |
| **PAHANG** | | | | | |
| Retail 1 & 2 Ground Floor<br>Bangunan Baru UMNO Pekan<br>26600 Pekan | Leasehold expiring 29.08.2016<br>(Building age: 5 years) | 2,878 | 2 continuous parcels of ground floor retail lots within 6-storey commercial complex | 1,107 | 2008 |
| **SABAH** | | | | | |
| Lot 25 Block 3<br>Bornion Centre<br>Jalan Kolam<br>88300 Kota Kinabalu | Leasehold expiring 15.05.2915<br>(Building age: 25 years) | 1,900 | 3-storey corner shophouse for restaurant and hostel | 1,045 | 2005 |
| **SINGAPORE** | | | | | |
| 18 Yung Ho Road<br>Singapore 618591 | Leasehold expiring 16.12.2036<br>(Building age: 34 years) | 14,809.11 | Purpose-built single-storey building for restaurant | 4,550 | 2006 |
| **QSR BRANDS BHD INDUSTRIAL PROPERTIES** | | | | | |
| **PULAU PINANG** | | | | | |
| 2718 Jalan Seladang Alma<br>14000 Bukit Mertajam | Freehold<br>(building age: 21 years) | 127,629 | Single-storey factory with double-storey office block for processing plant | 3,254 | 2005 |
| 29 & 31 Lorong IKS<br>Juru 3, IKS Juru<br>14100 Simpang Ampat<br>Seberang Perai Selatan | Freehold<br>(building age: 13 years) | 17,929 | 2 adjoining units of a 1½-storey semi-detached factory for commissary and warehouse | 1,000 | 2005 |
| | | | | 4,254 | |
| **SELANGOR** | | | | | |
| Lot 7 Jalan 51A/223<br>46675 Petaling Jaya | Leasehold expiring 27.04.2065<br>(Building age: 44 years) | 10,883 | Single-storey building with a double-storey office block | 1,939 | 2005 |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD**<br>**INDUSTRIAL PROPERTIES** (CONTINUED) | | | | | |
| **SELANGOR** (CONTINUED) | | | | | |
| Lot 5 Jalan 51A/223<br>46675 Petaling Jaya | Leasehold expiring 18.11.2067<br>(Building age: 22 years) | 42,009 | Single-storey detached factory with 4-storey office block | 3,018 | 2005 |
| Lot 20153<br>Jalan Pelabuhan Utara<br>42000 Pelabuhan Klang | Leasehold expiring 17.12.2086<br>(Building age: 23 years) | 16.63 acres | Land and factory buildings for primary processing and further processing plants | 41,615 | 2005 |
| 17, 19 & 21<br>Jalan Pemaju U1/15<br>Seksyen U1<br>HICOM-Glenmarie Industrial Park<br>40150 Shah Alam | Freehold<br>(building age: 12 years) | 202,554 | Industrial complex | 27,591 | 2005 |
| Lot 166<br>Jalan Pemaju U1/15<br>Seksyen U1<br>HICOM-Glenmarie Industrial Park<br>40150 Shah Alam | Freehold | 205,603 | Vacant land for future expansion of industrial complex | 13,360 | 2005 |
| 1, 3 & 6 Lorong Gerudi 1<br>Off Jalan Pelabuhan Utara<br>42000 Pelabuhan Klang | Leasehold expiring 15.03.2087<br>(Building age: 15 years) | 567,723 | Single and double-storey warehouse buildings and 4-storey office building | 55,122 | 2005 |
| | | | | 142,645 | |
| **KEDAH** | | | | | |
| Mukim of Sungai Petani /<br>Sungai Pasir<br>District of Kedah | Freehold | 45,899.78 square metres | Vacant industrial / residential land, residential and commercial properties | 13,027 | 2005 |
| **JOHOR** | | | | | |
| PLO 398<br>Kilang Siapbina PKENJ<br>Jalan Perak<br>Kawasan Perindustrian Pasir Gudang<br>81770 Pasir Gudang | Leasehold expiring 18.04.2050<br>(Building age: 19 years) | 51,800 | Land and factory buildings for contract manufacturing and warehouse | 1,147 | 2008 |

| | Tenure | Area (Sq Ft) | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **QSR BRANDS BHD INDUSTRIAL PROPERTIES** (CONTINUED) | | | | | |
| **SABAH** | | | | | |
| Lot 43A Karamunsing Warehouse 88000 Kota Kinabalu | Leasehold expiring 22.01.2091 (Building age: 24 years) | 6,360 | 3-storey corner warehouse and office | 2,135 | 2005 |
| Lot 5 Lorong Tembaga Tiga Kawasan MIEL KKIP Selatan Kota Kinabalu Industrial Park Menggatal, 88450 Kota Kinabalu | Leasehold expiring 29.05.2101 (Building age: 9 years) | 22,077 | 1½-storey semi-detached warehouse | 1,179 | 2005 |
| | | | | 3,314 | |
| **QSR BRANDS BHD RESIDENTIAL PROPERTIES** | | | | | |
| **W.P. KUALA LUMPUR** | | | | | |
| 90 Pinggir Zaaba Taman Tun Dr Ismail 60000 Kuala Lumpur | Freehold (building age: 18 years) | 5,400 | Double-storey detached house | 2,584 | 2007 |
| **NEGERI SEMBILAN** | | | | | |
| Unit Nos 1D, 1E, 1F, 1G & 2D Marina Bay Admiral Cove 71000 Port Dickson | Leasehold expiring 20.07.2094 (Building age: 12 years) | 4,188 | 5 units of condominium for staff training and recreation | 828 | 2005 |
| **PAHANG** | | | | | |
| Unit No 3556 Block B Awana Golf & Country Resort 69000 Genting Highlands | Freehold (building age: 22 years) | 1,258 | Condominium for staff training and recreation | 256 | 2005 |
| Unit No A7-22 (P) Amber Court Villa D'Genting Resort 69000 Genting Highlands | Freehold (building age: 15 years) | 2,386 | Condominium for staff training and recreation | 283 | 2005 |
| Unit No B1-22 (P) Amber Court Villa D'Genting Resort 69000 Genting Highlands | Freehold (building age: 15 years) | 2,429 | Condominium for staff training and recreation | 291 | 2005 |
| Unit No B1-16 Level 16 Amber Court Villa D'Genting Resort 69000 Genting Highlands | Freehold (building age: 15 years) | 1,214 | Condominium for staff training and recreation | 159 | 2005 |
| | | | | 989 | |
| **Total - Foods & Restaurants** | | | | **332,199** | |

# PROPERTIES OF THE GROUP IN MALAYSIA AS AT 31 DECEMBER 2009 CONTINUED

| | Tenure | Hectares/ '000 Sq Ft | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **NATURAL OLEOCHEMICALS SDN BHD** | | | | | |
| PLO 428,<br>Jalan Besi Satu<br>Pasir Gudang Industrial Estate<br>81700 Pasir Gudang, Johor | Leasehold expiring 29.03.2051 | 2/ | Factory | 2,570 | 1991# |
| PLO 502,<br>Jalan Besi Satu<br>Pasir Gudang, Johor | Leasehold expiring 06.05.2063 | 5/ | Factory and warehouse | 8,335 | 2000 |
| PLO 283,<br>Jalan Besi Satu<br>Pasir Gudang, Johor | Leasehold expiring 19.10.2042 | 2/ | Factory | 3,179 | 1990# |
| **Total - Oleochemicals** | | **9/** | | **14,084** | |
| **SINDORA BERHAD** | | | | | |
| Sindora Timber Complex<br>Lot 1384 Industrial Area Phase 1<br>Bandar Tenggara<br>81000 Kulai, Johor | 60 years lease expiring on 24.11.2059<br>(Building age: 10 years) | 2.56/ | Industrial land and building | 120 | 2000 |
| | 60 years lease expiring on 30.01.2041<br>(Building age: 27 years) | /2,344 | Industrial land and building for office and factory | 7,614 | 1983 |
| | 60 years lease expiring on 30.01.2041<br>(Building age: 24 years) | /5 | Factory building | 41 | 1986 |
| No 1, Jalan Temenggong 10<br>Bandar Tenggara<br>81000 Kulai, Johor | Leasehold expiring on 18.04.2085<br>(Age building: 23 years) | /6 | 1 unit of double-storey bungalow (staff residence) | 54 | 1987 |
| No. 6, 6A, 6B, 37, 37A, 37B, 41, 41A & 41B<br>Jalan Perang, Taman Pelangi<br>80000 Johor Bahru | Freehold<br>(Building age: 28 years) | /8 | 4 units of 3-storey shophouses | 3,360 | 1982 |
| No. 17, Jalan Resam<br>Green Plains, Taman Bukit Tiram<br>81800 Ulu Tiram, Johor | Leasehold<br>(Building age: 20 years) | 0.5699/ | 1 unit of double-storey bungalow (staff residence) | 573 | 1990 |
| | | | | 11,762 | |

| | Tenure | Hectares/ '000 Sq Ft | Description | Net Book Value @31.12.2009 RM'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **PRO OFFICE SOLUTIONS SDN BHD** | | | | | |
| Wisma Pro Office<br>No 6, Jalan SBC 6<br>Taman Sri Batu Caves<br>68100 Batu Caves, Selangor | Freehold<br>(Building age: 5 years) | /22.8 | Office building | 4,310 | 2005 |
| **E.A. TECHNIQUE (M) SDN BHD** | | | | | |
| Setiawangsa Business Suites<br>Unit C-3A-3A<br>No.2, Jln Setiawangsa II<br>Taman Setiawan<br>54200 Kuala Lumpur | Freehold<br>(Building age: 4 years) | /6.402 | Office building | 1,363 | 2006 |
| **Total - Intrapreneur Ventures** | | | | **17,435** | |

+ This property was acquired during the year as indicated and is stated at cost less accumulated depreciation and impairment losses.
* These properties were revalued in 1997. The accounting policy on revaluation is disclosed in Note 2(d) to the Financial Statements.
# These properties were revalued in 1993. The accounting policy on revaluation is disclosed in Note 2(d) to the Financial Statements.
^ This property was swapped with Sg. Simpang Kiri Estate through a conditional Exchange of Land Agreement with Sime Darby Plantations Sdn Bhd.

# PROPERTIES OF THE GROUP IN PAPUA NEW GUINEA

| | Tenure | Mature Hectares | Description | Net Book Value @31.12.2009 K'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **NEW BRITAIN PALM OIL LIMITED (NEW BRITAIN ISLAND) MOSA GROUP** | | | | | |
| Bebere | Freehold | 1,448 | Mature Oil Palm and Development Costs | 873 | 1968-1990, 2005 |
| Kumbango | | 2,323 | | 4,299 | 1972-1985, 2005 |
| Togulo | | 1,320 | | 3,005 | 1979-1985, 2005 |
| Dami and Waisisi | | 878 | | 1,157 | 1969-2000, 2005 |
| | | 5,969 | | 9,334 | |
| **NUMUNDO GROUP** | | | | | |
| Numundo | Freehold | 1,617 | Mature Oil Palm and Development Costs | 3,983 | 1996-2001, 2005 |
| Haella | | 2,941 | | 8,136 | 1999-2001, 2005 |
| Garu | | 2,563 | | 4,615 | 1998-2000 |
| Navarai | | 467 | | 971 | 1980-1988 |
| | | 7,588 | | 17,705 | |
| **KAPIURA GROUP** | | | | | |
| Kautu | Freehold | 2,090 | Mature Oil Palm and Development Costs | 4,989 | 1986-2000 |
| Kaurausu | Freehold | 1,121 | | 462 | 1996-1999 |
| Bilomi | Freehold | 2,029 | | 597 | 1995-1999 |
| Malilimi | Freehold | 1,542 | | 3,286 | 1983-1998 |
| Moroa | Leasehold | 807 | | 2,758 | 2003 |
| Rigula | Leasehold | 2,520 | | 10,218 | 2005 |
| | | 10,109 | | 22,310 | |

| | Tenure | Mature Hectares | Description | Net Book Value @31.12.2009 K'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **TALASEA GROUP** | | | | | |
| Lotogam | Leasehold | 204 | Mature Oil Palm and Development Costs | 1,384 | 2002 |
| Natupi | | 163 | | 892 | 2003 |
| Karato | | 220 | | 414 | 2003 |
| Volupai | | 1,060 | | 7,181 | 2004-2005 |
| Lolokoru | | 1,961 | | 16,908 | 2005 |
| | | 3,608 | | 26,779 | |
| **KULU-DAGI GROUP** | | | | | |
| Dalaivu | Leasehold | 2,059 | Mature Oil Palm and Development Costs | 8,242 | 2003 |
| Sapuri | | 1,773 | | 10,905 | 2004-2005 |
| | | 3,832 | | 19,147 | |
| **Total - New Britain Palm Oil Limited** | | **31,106** | | **95,275** | |
| **RAMU AGRI-INDUSTRIES LIMITED (ON THE MAIN ISLAND OF PAPUA NEW GUINEA)** | | | | | |
| Gusap | Leasehold | 3,106 | Mature | 14,224 | 2008 |
| Dumpu | Leasehold | 942 | Mature | 4,314 | 2008 |
| **Total - Ramu Agri-Industries Limited** | | **4,048** | | **18,538** | |
| **Grand Total - Papua New Guinea** | | **35,154** | | **113,813** | |

# PROPERTIES OF THE GROUP IN SOLOMON ISLANDS

| | Tenure | Mature Hectares | Description | Net Book Value @31.12.2009 K'000 | Year of Acquisition/ Revaluation |
|---|---|---|---|---|---|
| **GUADALCANAL PLAINS PALM OIL LIMITED** | | | | | |
| Tetere | Leasehold | 1,052 | Mature Oil Palm and Development Costs | 3,308 | 2004 |
| Ngalimbiu | | 2,132 | | 8,208 | 2004 |
| Mbalisuna | | 1,928 | | 2,971 | 2004 |
| **Grand Total - Solomon Islands** | | **5,112** | | **14,487** | |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty Fifth (35th) Annual General Meeting of Kulim (Malaysia) Berhad will be held at **KUALA DANGA 207, LEVEL 2,** Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, Malaysia on Tuesday, 22 June 2010 at 12:00 noon, for the following purposes:

## ORDINARY BUSINESS

1. To receive and adopt the Directors' and Auditors' Reports and Audited Financial Statements in respect of the year ended 31 December 2009. **RESOLUTION 1**

2. To approve the final dividend of 15% (less Malaysian income tax) in respect of the financial year ended 31 December 2009. **RESOLUTION 2**

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:

   (i) Wong Seng Lee **RESOLUTION 3**
   (ii) Kua Hwee Sim **RESOLUTION 4**
   (iii) Dr. Radzuan A. Rahman **RESOLUTION 5**

4. To consider, and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 ("Act"); **RESOLUTION 6**

   "**THAT** Tan Sri Datuk Arshad Ayub, who is over the age of seventy (70) years, be hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting ("AGM") of the Company."

5. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2009. **RESOLUTION 7**

6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 8**

7. **SPECIAL BUSINESS**

   To consider and, if thought fit, to pass the following resolutions:

   7.1 **Ordinary Resolution**
   Authority to Allot and Issue Shares Pursuant to Section 132D of the Act **RESOLUTION 9**

   "**THAT** pursuant to Section 132D of the Act, full authority be and is hereby given to the Directors to issue shares of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company and that such authority shall continue in force until the conclusion of the next AGM of the Company, and that the Directors be and is hereby empowered to obtain the approval of the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation for the new shares so issued." (See Note 1 on Explanatory Notes On Special Business below)

   7.2 **Ordinary Resolution**
   Proposed Renewal of the Share Buy-Back Authority **RESOLUTION 10**

   "**THAT** subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Listing Requirements of Bursa Securities ("Listing Requirements") and any other relevant authority, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital ("Proposed Renewal of the Share Buy-Back Authority") through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:-

(a) the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any one time; and

(b) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits and/or share premium of the Company;

**AND THAT** the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force;

**AND THAT** the Directors be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991 and to take such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments, and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Renewal of the Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities;

**AND FURTHER THAT** the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held (whichever is earlier), unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event in accordance with provisions of the Listing Requirements and other relevant authorities." (See Note 2 on Explanatory Notes On Special Business below)

7.3 **Ordinary Resolution** **RESOLUTION 11**

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a Revenue and/or Trading Nature and New Mandate for Additional RRPT of a Revenue and/or Trading Nature ("Proposed Shareholders' Mandate for RRPT")

"**THAT** authority be and is hereby given in line with Paragraph 10.09 of the Listing Requirements, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the RRPT, particulars of which are set out in the Circular to Shareholders dated 31 May 2010 ("the Circular"), with the Related Parties as described in the Circular, provided that such transactions are of revenue and/or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public and are not detrimental to the minority shareholders of the Company;

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

**AND THAT** such authority shall commence immediately upon the passing of this ordinary resolution until:-

(a) the conclusion of the next AGM of the Company following the general meeting at which the ordinary resolution for the Proposed Shareholders' Mandate for RRPT is passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

(b) the expiration of the period within which the next AGM after the date it is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

whichever occurs first;

**AND FURTHER THAT** the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate for RRPT." (See Note 3 on Explanatory Notes On Special Business below)

8. To transact any other business of which due notice shall have been given.

## NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of shareholders at the AGM to be held on Tuesday, 22 June 2010, a final dividend of 15% less Malaysian Income Tax for the financial year ended 31 December 2009, will be paid on 30 July 2010 to shareholders registered in the Register of Members at the close of business on 30 June 2010.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 30 June 2010 in respect of ordinary transfers.

(b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

**BY ORDER OF THE BOARD**

**IDHAM JIHADI ABU BAKAR**. ACIS (MAICSA 7007381)
**NURALIZA A. RAHMAN** (LS 0008565)
Company Secretaries

Johor Bahru, Johor
31 May 2010

## NOTES:

### Proxy

1. A member of the Company entitled to be present and vote at the Annual General Meeting may appoint a proxy to vote instead of him/her. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.

3. Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he/she may appoint at least one (1) proxy in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4. Any alteration made in this form should be initialed by the person who signs it.

5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor at least forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

### Explanatory Notes On Special Business

1. **Ordinary Resolution 9 – Proposed renewal of the authority for Directors to issue shares**

   The proposed Ordinary Resolution 9, is proposed for the purpose of granting a renewed general mandate for issuance of shares by the Company under Section 132D of the Act. The Ordinary Resolution 9, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next AGM of the Company.

   The Company has not issued any new shares pursuant to Section 132D of the Act under the general authority which was approved at the 34th AGM held on 26 May 2009 and which will lapse at the conclusion of the forthcoming 35th AGM to be held on 22 June 2010.

   The general mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

2. **Ordinary Resolution 10 – Proposed Renewal of the Share Buy-Back Authority**

   Ordinary Resolution 10, if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares through Bursa Securities up to 10% of the issued and paid- up capital of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

   Further information on the Proposed Renewal of the Share Buy-Back Authority are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Annual Report for the year ended 2009.

3. **Ordinary Resolution 11 – Proposed Shareholders' Mandate for RRPT**

   The proposed Ordinary Resolution 11 if passed is primarily to authorise the Company and/or its unlisted subsidiaries to enter arrangements or transactions with Related Parties, particulars of which are set out in Section 3.2, 3.3 and 3.4 of the Circular to Shareholders dated 31 May 2010 circulated together with this Annual Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favorable to the Related Parties than those generally made available to the public

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia

1. Directors who are standing for re-election at the 35th Annual General Meeting are as follows:

   (i) Wong Seng Lee
   (ii) Kua Hwee Sim
   (iii) Dr. Radzuan A. Rahman

   Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 47, 49 and 51 of the Annual Report.

2. The 34th Annual General Meeting of the Company was held at Tanjung Puteri 302, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, Malaysia on Tuesday, 26 May 2009 at 12:00 noon.

3. A total of five (5) Board meetings were held during the financial year ended 31 December 2009. Details of attendance of Directors at Board meetings held during the financial year ended 31 December 2009 are as follows:

| | 256th BOD 16.4.2009 | 257th BOD 26.5.2009 | 258th BOD 15.7.2009 | 259th BOD 22.9.2009 | 260th BOD 21.12.2009 |
|---|---|---|---|---|---|
| Tan Sri Dato' Muhammad Ali Hashim | ✔ | ✔ | ✔ | ✔ | ✔ |
| Ahamad Mohamad | ✔ | ✔ | ✔ | ✔ | ✔ |
| Tan Sri Datuk Arshad Ayub | ✔ | ✔ | ✔ | ✔ | ✔ |
| Kua Hwee Sim | ✔ | ✔ | ✔ | ✔ | ✔ |
| Wong Seng Lee | ✔ | ✔ | ✔ | ✔ | ✔ |
| Jamaludin Md Ali | ✔ | ✔ | ✔ | ✔ | ✔ |
| Datin Paduka Siti Sa'diah Sheikh Bakir | ✘ | ✘ | ✔ | ✔ | ✔ |
| Datuk Haron Siraj | ✔ | ✔ | ✔ | ✔ | ✔ |
| Dr. Radzuan A. Rahman | ✔ | ✔ | ✔ | ✔ | ✔ |
| Kamaruzzaman Abu Kassim | ✔ | ✔ | ✔ | ✔ | ✔ |
| Rozan Mohd Sa'at | ✔ | ✔ | ✔ | ✔ | ✔ |

| Meeting | Date of Board Meeting | Time | Place |
|---|---|---|---|
| BOD 256th | 16 Apr. 2009 | 2:30 pm | Ulu Tiram Estate, Ulu Tiram Johor |
| BOD 257th | 26 May 2009 | 9:30 am | Tanjung Puteri 304-305<br>Persada Johor International Convention Centre |
| BOD 258th | 15 Jul. 2009 | 2.30 pm | Level 1, Seremban Specialist Hospital, Seremban, Negeri Sembilan |
| BOD 259th | 22 Sep. 2009 | 2:30 pm | Ulu Tiram Estate, Ulu Tiram Johor |
| BOD 260th | 21 Dec. 2009 | 2.30 pm | Room 305, Persada Johor International Convention Centre |

# FORM OF PROXY

**Kulim (Malaysia) Berhad**
(23370-V)

| No of ordinary shares | CDS account no. |
|---|---|
| | |

I/We * .....

*(Full name and NRIC No. / Company No in block letters)*

of .....

*(Full address in block letters)*

being a member(s) of KULIM (MALAYSIA) BERHAD hereby appoint .....

.....

*(Full name in block letters)*

of .....

*(Full address in block letters)*

or failing him/her .....

*(Full name in block letters)*

of .....

*(Full address in block letters)*

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the 35th Annual General Meeting of the Company to be held at Kuala Danga 207, Level 2, Persada International Convention Centre, Jalan Abdullah Ibrahim, Johor Bahru on Tuesday, 22 June 2010 at 12:00 noon and at any adjournment thereof in respect of my/our holdings of shares in the manner indicated below:

| Resolution | Description | For | Against |
|---|---|---|---|
| 1 | To adopt the Directors' and Auditors' Reports and Audited Financial Statements | | |
| 2 | To approve final dividend | | |
| 3 | To re-elect Director – Wong Seng Lee | | |
| 4 | To re-elect Director – Kua Hwee Sim | | |
| 5 | To re-elect Director – Dr. Radzuan A. Rahman | | |
| 6 | To re-appoint Director – Tan Sri Datuk Arshad Ayub | | |
| 7 | To approve payment of Directors' fees | | |
| 8 | To re-appoint Messrs KPMG as auditors | | |
| 9 | Authority to issue shares | | |
| 10 | Proposed renewal of Share Buy-Back | | |
| 11 | Authority Proposed Shareholders' Mandate for RRPT | | |
| | Any other business | | |

*(Please indicate with a (√) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit. However, if more than one proxy is appointed, please specify in the table below the number of shares represented by each proxy, failing which the appointment shall be invalid)*

| | Proportion of shares held |
|---|---|
| Name of proxy 1: | |
| Name of proxy 2: | |
| **Total number of shares held** | |

.....

Signature(s)/Common Seal of Shareholder(s)
Dated this ..... day of ..... 2010

**NOTE:**

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.

3. Where a Member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4. Any alteration made in this form should be initialed by the person who signs it.

5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Registered Office of the Company at Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor at least forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

STAMP

The Secretary

**KULIM (MALAYSIA) BERHAD**

Level 2, Persada Johor International Convention Centre
Jalan Abdullah Ibrahim
80000 Johor Bahru
Johor, MALAYSIA