Kulim (Malaysia) Berhad
(23370–V)

New Dimension for Growth

ANNUAL REPORT 2013

New Dimension for Growth

In the inevitable pace of time that all businesses evolve, Kulim stands strong since its beginning in 1933, enriched with the experience and expertise of diversity, in a direction prepared for unforseeable change. Delivering value from its strategic core business operations of palm oil in Malaysia, Papua New Guinea and the Solomon Islands, Kulim is poised to re-embark into the Indonesian oil palm plantation.

While its intrapreneur ventures remain its supporting arm, the deemed divestment of its foods and restaurant businesses, among others represent significant steps of the Group, as it pursues new opportunities. Committed to environment, carbon footprint reduction, sustainability, community and delivery of renewable energy in its operations, Kulim is on track, well positioned for future growth.

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
- 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

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...

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SECTION 1: 2013 SYNOPSIS

A panorama of Sedenak Palm Oil Mill, Kulai

CARE

COMMANDS OUR COMPETITIVENESS

Our **Competitive** spirit will continue to drive us to forge ahead expanding our market reach and global presence.

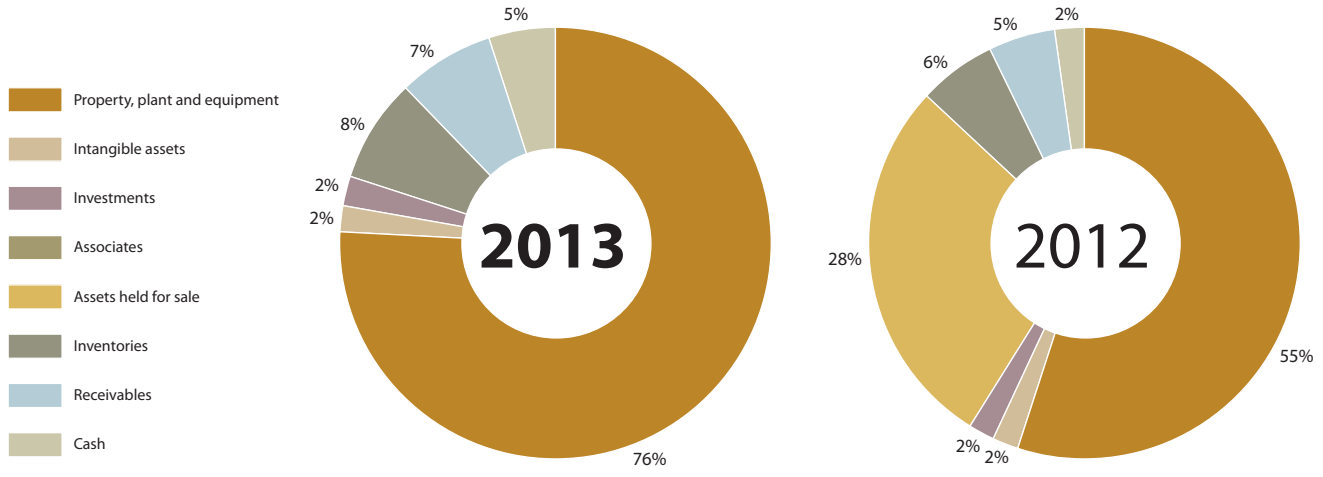
2013 HIGHLIGHTS

KULIM'S GEOGRAPHICAL FOOTPRINTS

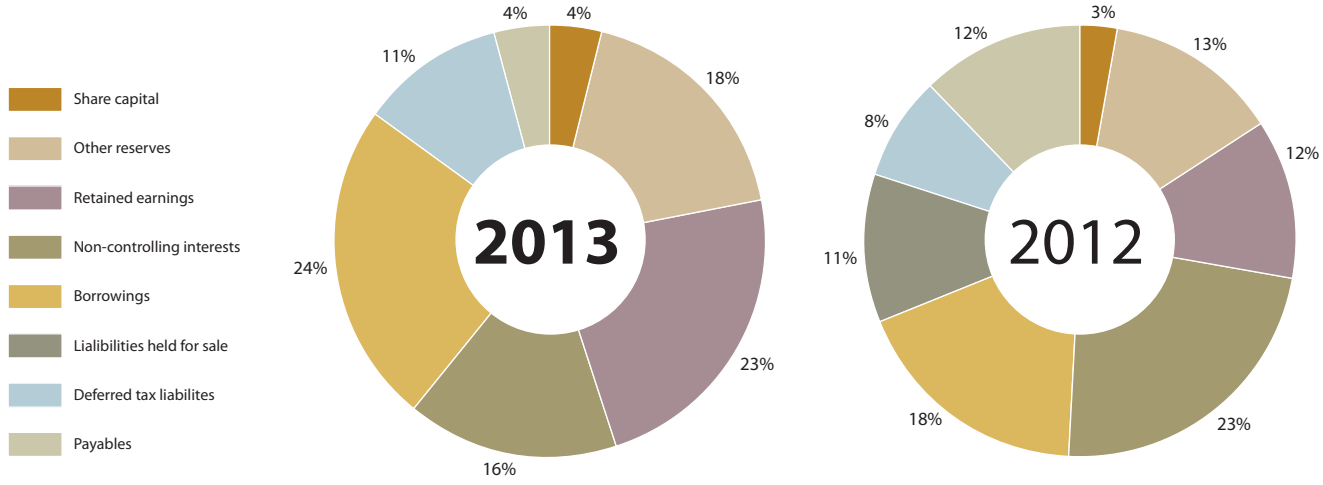
	2013	2012
FINANCIAL		
Revenue (RM Million)	**2,851.75**	3,035.89
PBT (RM Million)	**149.63**	339.69
PAT – including Discontinued Operations (RM Million)	**431.07**	211.21
EPS (sen)	**33.80**	16.84
OPERATIONAL		
Yield per hectare (tonnes)		
– Group	**21.82**	22.72
– Malaysia	**22.11**	20.68
– PNG	**21.47**	23.64
– SI	**23.89**	25.73
OER (%)		
– Group	**21.43**	21.71
– Malaysia	**20.22**	20.29
– PNG	**22.13**	22.39
– SI	**22.47**	21.73
Share price (RM)		
– Lowest	**3.24**	4.11
– Highest	**4.96**	5.37

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY



STATEMENT TO STAKEHOLDERS

from left to right:

DATO' KAMARUZZAMAN ABU KASSIM
Chairman

AHAMAD MOHAMAD
Managing Director

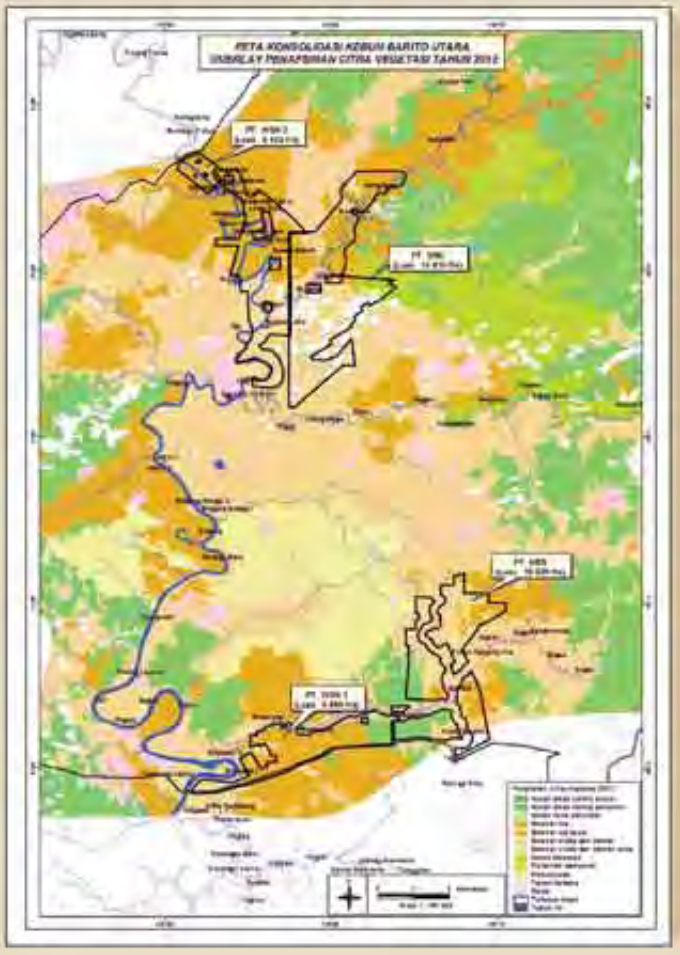
TO ALL OUR STAKEHOLDERS,

ON BEHALF OF THE BOARD OF KULIM (MALAYSIA) BERHAD ("KULIM" OR "THE GROUP"), IT IS OUR PLEASURE TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013.

A NEW THRESHOLD

We are pleased to report another exciting year for the Group. Lower commodity prices in 2013, costs pressures plus inclement weather in Papua New Guinea translate into a challenging economic environment. Additionally, the deemed disposal of the Foods and Restaurants Division resulted in lower turnover and zero contribution to operating results for the financial year ended 31 December 2013. These developments however become the impetus for a new zest for expansion in familiar fields as well as serious and deliberate planning for new businesses.

Thus 2013 witnessed the Group renewing its long standing association with PT Graha Sumber Berkah ("PT GSB"). A Memorandum of Understanding ("MOU") and a Conditional Sales and Purchase Agreement ("CSPA") was signed on 3 October 2013 with PT GSB for the acquisition of up to 75% of the equity in PT Wisesa Inspirasi Nusantara ("PT WIN"). This event marks an important milestone that will see Kulim re-entering Indonesia's plantation sector in North Barito, Central Kalimantan, expanding Kulim's land bank by approximately 40,000 hectares.



Equally significant, the MOU evidenced the intention of the parties to participate in a joint venture in the thriving Oil & Gas ("O&G") sector in Indonesia.

2013 also saw us embarking on an exercise to re-establish our absolute majority in the equity of New Britain Palm Oil Limited ("NBPOL"). We launched in June 2013 a Proposed Partial Offer to add to our existing 48.97% shareholding, an additional 20% of NBPOL equity at GBP5.50 per NBPOL share. However, the exercise was aborted due to an unexpected change in the law and regulations in Papua New Guinea ("PNG").

Pursuant to FRS 10: Consolidated Financial Statements, NBPOL has been re-consolidated as a subsidiary in 2013.

Kulim's Intrapreneur Ventures ("IV") has returned a satisfactory performance in 2013, as a result of streamlining of various businesses under the IV Division. We anticipate the IV outfit, E.A. Technique (M) Berhad (formerly known as E.A. Technique (M) Sdn Bhd) ("EATech") will be listed on the main market of Bursa Malaysia in the third quarter of 2014.

Subsequent to end-2013, on 2 May 2014, Kulim converted its USD15 million Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in Asia Economic Development Fund Limited ("AEDFL") together with the capitalised interest into ordinary shares of AEDFL, resulting in Kulim holding 54.21% equity interest in AEDFL. AEDFL is involved in a unique business activity - development and deployment of a Digital Economy Trade Platform for global solution. We envisage that this would yield us with "first mover advantage" in this new untapped market in near future.

EXPANDING KULIM'S LAND BANK BY APPROXIMATELY 40,000 HECTARES

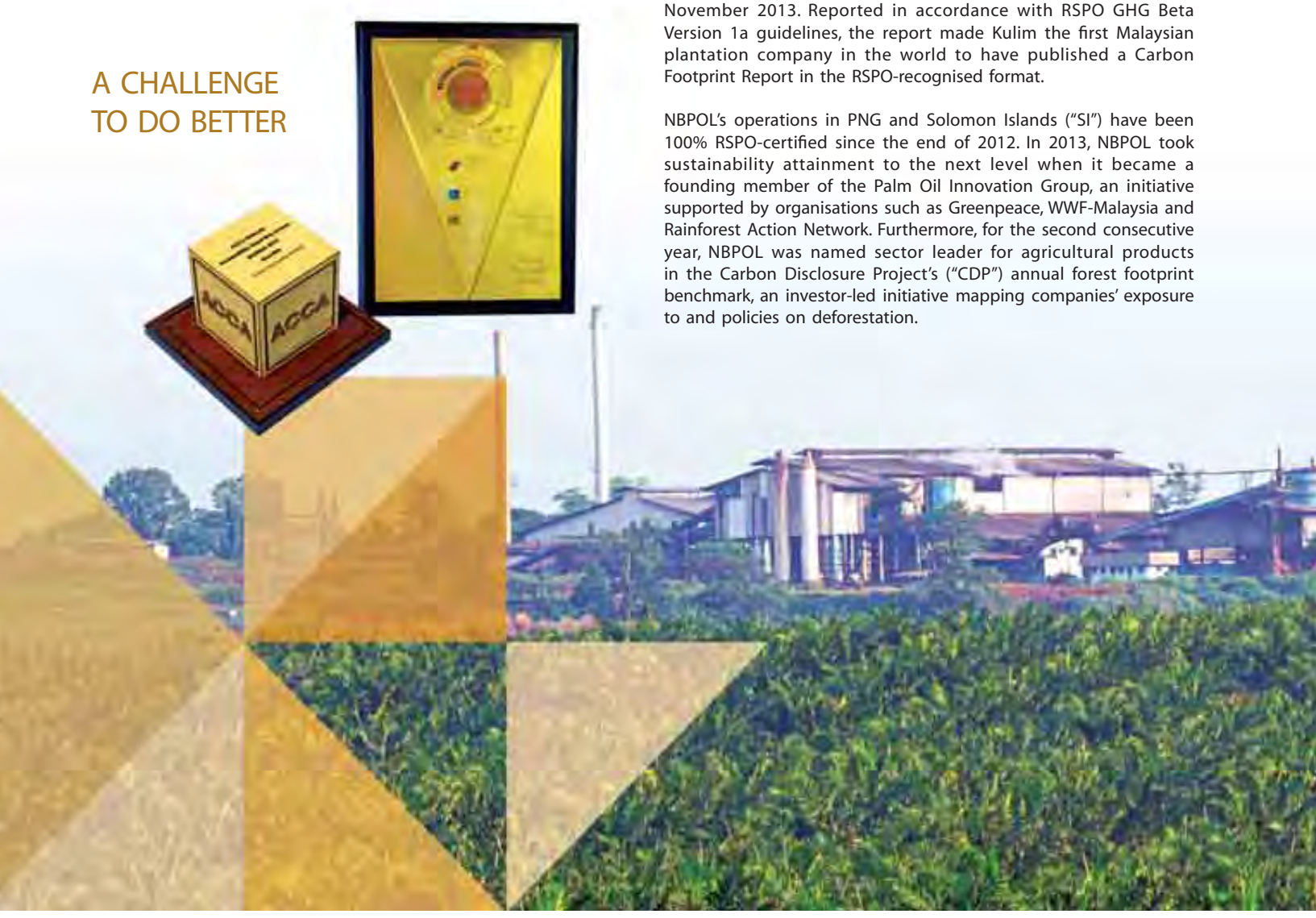
Establishment of Employees Share Option Scheme ("ESOS")

To retain and reward our employees, a 5-year ESOS was successfully launched and approved by the shareholders in 2013. In the establishment of the ESOS, we took the seldom-used option of granting the same to Non-Executive Directors in recognition of their stewardship of the Group. The exercise price has been fixed at RM3.05 per share throughout the 5-year tenure from 31 December 2013 to 30 December 2018.

AWARDS AND RECOGNITIONS

We are delighted that our Annual Report 2012 was selected as the winner of National Annual Corporate Report Awards ("NACRA") 2013 under the Main Board Companies – Plantations and Mining category. This is the 6th consecutive year that Kulim has won under its industry sector category. Our Annual Report 2012 and Sustainability Report 2010/2011 were also shortlisted for the ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2013. We acknowledge the Awards pose as a challenge for us to continuously do better.

A CHALLENGE TO DO BETTER



SUSTAINABILITY ACHIEVEMENT

We recognise that sustainability provides us with an opportunity to change the way we do our business. We look forward to our forthcoming expansion into Kalimantan, Indonesia to open up fresh areas for new planting, and the opportunity to embrace the challenge of complying with two (2) new sets of sustainability requirements, the standards for New Planting Procedures under RSPO as well as sustainability criteria under the Indonesian Sustainable Palm Oil System ("ISPO"). We are confident that compliance to these new requirements will be smoothly integrated into our existing systems.

Kulim's estates in Malaysia and the Nexsol (Malaysia) Sdn Bhd ("Nexsol") plant have undergone audits for the International Sustainability and Carbon Certification ("ISCC") to demonstrate compliance with European and German requirements for sustainable biomass and bioenergy production. We successfully obtained certifications on 2 February 2014 and 18 December 2013 respectively.

Kulim chalked up another important milestone in its sustainability journey when it produced its first Carbon Footprint Report in November 2013. Reported in accordance with RSPO GHG Beta Version 1a guidelines, the report made Kulim the first Malaysian plantation company in the world to have published a Carbon Footprint Report in the RSPO-recognised format.

NBPOL's operations in PNG and Solomon Islands ("SI") have been 100% RSPO-certified since the end of 2012. In 2013, NBPOL took sustainability attainment to the next level when it became a founding member of the Palm Oil Innovation Group, an initiative supported by organisations such as Greenpeace, WWF-Malaysia and Rainforest Action Network. Furthermore, for the second consecutive year, NBPOL was named sector leader for agricultural products in the Carbon Disclosure Project's ("CDP") annual forest footprint benchmark, an investor-led initiative mapping companies' exposure to and policies on deforestation.

To increase the awareness of our natural heritage, Kulim Wildlife Defenders ("KWD") was formed in 2008. With the objective to prevent poaching and at the same time providing educational support for wildlife conservation, KWD has been involved with numerous wildlife awareness programmes especially for younger generation since its inception. The profile of KWD received a huge boost when HRH Raja Zarith Sofiah accepted our invitation to be the Patron of the 'Raja Zarith Sofiah Wildlife Defenders Challenge 2013', which was launched in August 2013. The objective of the programme is for students of all levels of educational institution across Johor to develop a campaign to increase awareness of wildlife conservation at their respective institutions. Winners of the respective categories are due to be announced in June 2014.

But sustainability is more than just the physical environment. On another note, we are extremely proud that in a sport that we support, the team that represents our Club, the Johor Clay Target Shooting Association has set several national records for Double Trap as well as winning medals for the country. Even as this report is being written, one of our members, Benjamin Khor has been nominated by the National Shooting Association of Malaysia for the National Sportsman of the Year Award. We wish Benjamin all the best.

KULIM'S CARBON FOOTPRINT REPORT: AN AWARENESS OF THE IMPACT OF OUR OPERATIONS

REVIEW OF EXTERNAL BUSINESS ENVIRONMENT

The US and EU economies staged a mild recovery in 2013, in spite of the looming tapering of quantitative easing measures by the US. The economies in Asia have remained mostly stagnant in 2013 whilst China economies experienced a cooling off.

Against the backdrop of uneven global economies, the Malaysian economy grew by 4.7% compared with 5.6% in 2012. A strong growth in the construction and property sector has contributed to the satisfactory growth in 2013.

Malaysian palm oil stocks dropped by 24% by end 2013 to 1.99 million tonnes as compared to 2.63 million tonnes registered in 2012. The lower stocks were attributed to heightened demand for palm oil products in 2013, whilst the Crude Palm Oil ("CPO") production has remained almost unchanged at 19.2 million tonnes in 2013 against 18.8 million tonnes in 2012.

Palong Cocoa Palm Oil Mill, Segamat

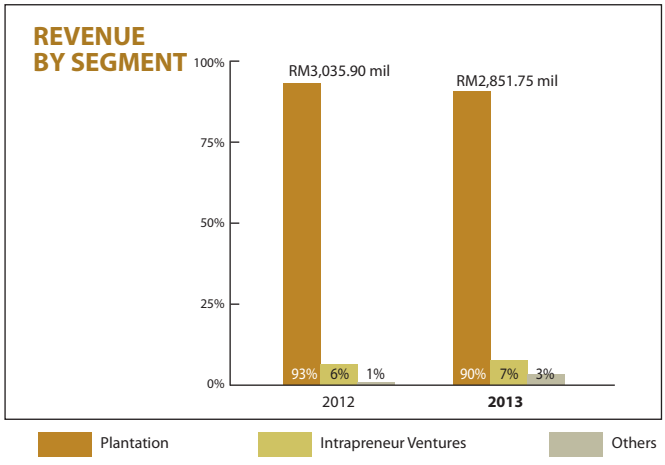
GROUP FINANCIAL RESULTS

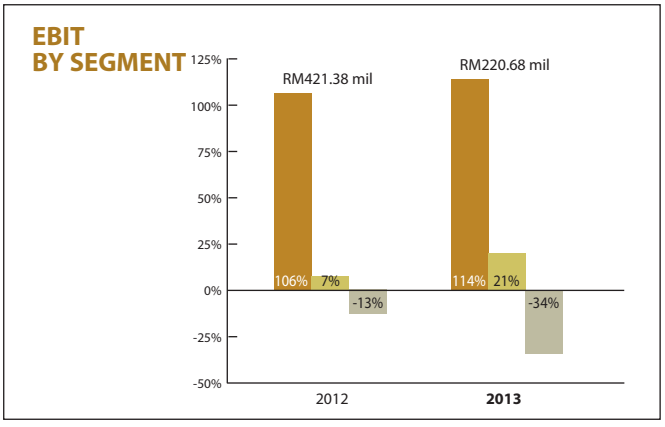
The Group's financial statement has been restated this year to include NBPOL as a subsidiary, as opposed to an associate in 2012, due to the adoption of FRS 10: Consolidated Financial Statements.

Revenue

The Plantation segment was the main driver in 2013, contributing 90% of the Group's revenue. The IV Division maintained its share at around 6% to 7%, whereas Others slightly increased, mainly due to revenue recorded by Nexsol.

	2013		2012	
BUSINESS SEGMENT	**RM MILLION**	**%**	RM MILLION	%
Plantation				
– Malaysia	**780.33**	**27%**	712.20	23%
– PNG and SI	**1,789.64**	**63%**	2,127.11	70%
Total Plantation	**2,569.97**	**90%**	2,839.31	93%
IV	**204.39**	**7%**	167.98	6%
Others	**77.39**	**3%**	28.61	1%
Total	**2,851.75**	**100%**	**3,035.90**	**100%**





The lower revenue in 2013 versus 2012 was mainly due to softer palm product prices achieved coupled with lower production of palm products at NBPOL albeit Malaysian plantation experienced an increase in FFB production.

In the Malaysian plantation context, the average per tonne Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices was RM2,472 and RM1,287 respectively for 2013, lower than the average prices of RM2,923 and RM1,599 respectively in 2012. The lower prices are consistent with those of MPOB.

Higher revenue from the Intrapreneur Ventures segment was mainly attributable to the contribution from EATech derived from the delivery of three (3) new support vessels in 2013: M.V. Tanjung Puteri 16, 17 and 18, currently serving at Sungai Udang Port and a refinery in Terengganu. In addition, the 40,000 dwt tanker M.T. Nautica Muar, which has been refurbished into a Floating Storage Unit, also commenced operations in September 2013 after delivery to Kayu Manis Oilfield in Bintulu, Sarawak. Our newly-acquired subsidiary Danamin (M) Sdn Bhd ("Danamin") contributed an additional RM15.53 million to the Group's revenue upon consolidation in the accounts starting July 2013.

Revenue under the Others category was mainly recorded by Nexsol. In 2013, Nexsol sold some 16,000 tonnes of palm methyl esters at an average price of USD900 per tonne.

Profitability

BUSINESS SEGMENT	2013 RM MILLION	2013 %	2012 RM MILLION	2012 %
Plantation				
– Malaysia	**164.89**	**75%**	156.87	37%
– PNG and SI	**86.19**	**39%**	289.87	69%
Total Plantation	**251.08**	**114%**	446.74	106%
IV	**45.50**	**20%**	30.49	7%
Others	**(75.90)**	**(34%)**	(55.85)	(13%)
Total EBIT	**220.68**	**100%**	**421.38**	**100%**
Interest income	**11.11**		11.18	
Interest expense	**(82.45)**		(93.33)	
Associates	**0.30**		0.45	
Total PBT	**149.63**		**339.69**	

The lower Group's Profit Before Tax ("PBT") in 2013 compared to the prior year was mainly due to a 70% reduction in NBPOL's Earnings Before Interest and Tax ("EBIT"), mainly attributable to weaker palm product prices coupled with lower production.

The loss classified under Others was mainly due to the loss incurred by Nexsol amounting to RM12 million in 2013. Also included in the head office administration costs, was an expense relating to ESOS of RM9 million pursuant to FRS 2: Share-based Payment.

These shortfalls were offset by an increase in the Malaysian plantation's EBIT mainly due to higher production attributed to newly acquired plantation assets from JCorp, enhanced productivity, and effective cost management initiatives implemented during the year which yielded a lower per tonne CPO production cost (2013: RM1,460 after kernel credit; 2012: RM1,538 after kernel credit).

The increase in EBIT contribution from the IV Division was mainly due to higher contributions from EATech as well as the new additional EBIT contribution from Danamin of RM1.8 million, consolidated effective July 2013.

During the year, Kulim also booked the gain on deemed disposal of its Foods and Restaurants business amounting to RM331.22 million as the disposal was finally concluded in January 2013. Included also in the gain on disposals was RM77.49 million arising from the disposal of Orkim in April 2013. All these gains are disclosed under Discontinued Operations.

Balance Sheet

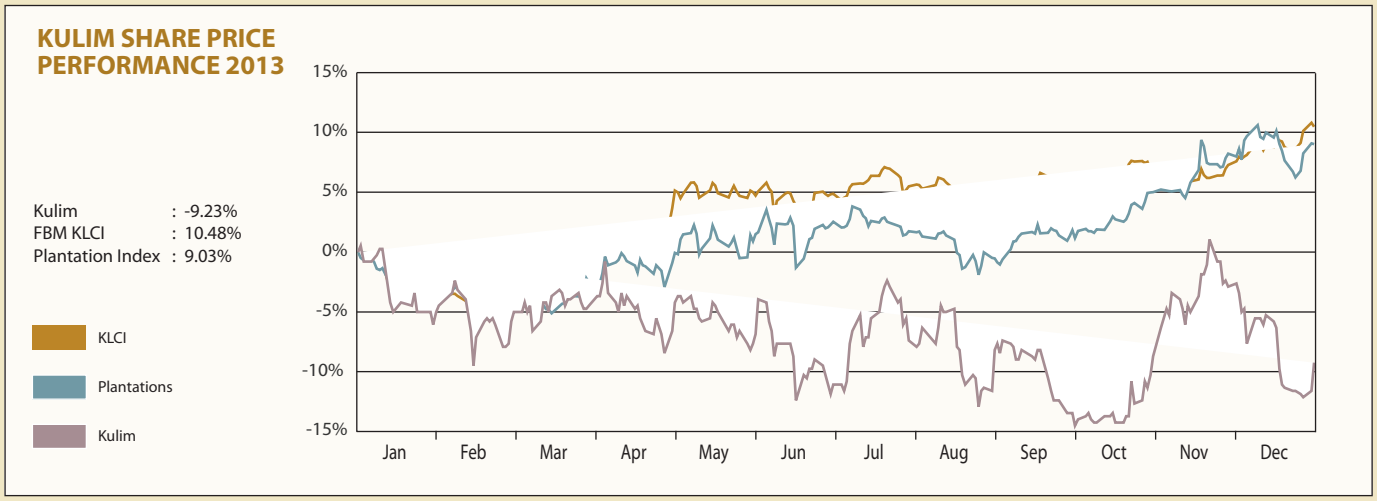
The Group's Gearing Ratio increased slightly from 0.35 and 0.30 times, gross and net respectively at end-2012, to 0.40 and 0.33 times respectively at end-2013, reflecting the shrinking Total Equity of the Group. The ratio is still below management's target limit of 0.50 times based on the current business mix.

Net Assets recorded an increase from RM3.42 billion to RM3.78 billion in 2013 mainly attributable to current year Profit After Tax and Minority Interests ("PATMI") of RM431.07 million. Correspondingly, Net Assets Per Share also increased to RM2.96 per share from RM2.69 at end-2012 reflecting the Group's changed business composition and worth.

SHAREHOLDERS' VALUE CREATION

Share Price

Kulim share price traded at its highest level during the year at RM4.96 on 3 January 2013 and subsequently at its lowest at RM3.24 on 3 October 2013, closing the year on 31 December 2013 at RM3.44.



Share Buy-Back

During the year, Kulim bought back 5.442 million shares at an average price of RM3.90. As at 31 December 2013, the total treasury shares held by the Company amounted to 15.322 million units at average price of RM4.38. The Group will continue to evaluate the necessity for buy-back exercises as and when the need arises.

COUNTER ACTIVITIES ('000 UNITS)	2013	2012
Volume Traded		
– Shares	**1,913,882**	385,220
– Warrants	**832,223**	272,706
Warrants converted	**11,504**	20,512

Dividend

In 2013, Kulim declared and paid a Special Dividend of 90.94 sen per share arising from the proceeds received from the deemed divestment of its Foods and Restaurants business on 25 January 2013. No dividend was declared subsequently.

Investor Relations

The Group continues to undertake a robust investor relations programme. 2013's efforts saw us holding six (6) meetings and three (3) conference calls. As at 31 December 2013, foreign shareholding in Kulim stood at 11.41% (2012: 12%) which though lower than in the previous year, is still a positive reflection of the confidence long-term investors, including those abroad, have in Kulim.

Nurturing the young; our nursery at Mungka Estate, Segamat

SEGMENT HIGHLIGHTS

Plantation

Group's Fresh Fruit Bunch ("FFB") production edged up 0.3% to 2,312,042 tonnes with a better performance in Malaysia offset by a decline in PNG and SI. Consequently, the resulting Group's CPO production was up just 0.2% to 716,795 tonnes. The division remains committed toward achieving its productivity target of raising fruit yields and palm product extraction rates to 30 tonnes per hectare and 30% per tonne FFB respectively.

The Group has taken proactive measures to speed up the implementation of mechanisation to reduce dependency on manual labour for field work particularly for FFB harvesting and crop evacuation. For operations in Malaysia, a Mechanisation Committee has been reformed and tasked to facilitate and evaluate any new mechanised innovation and technology implementation whether derived, invented or initiated in-house or from outside the Company, and will monitor performance towards achieving targeted coverage, productivity and cost parameters. Additionally, the provision of a more conducive working environment including better employee income, amenities and facilities, will indirectly bear influence on improving yields.

Plantation in Malaysia

Plantation in Malaysia recorded a 14.0% increase in FFB production from 715,526 tonnes in 2012 to 815,896 tonnes in 2013. The yield per hectare has also shown a significant increase from 20.68 tonnes in 2012 to 22.11 tonnes in 2013 mainly due to the acquisition of Pasir Panjang Estate from JCorp in 2013 and the benefit of full year crops from the three (3) estates acquired from JCorp in the middle of 2012, namely Estates of Palong, Mungka and Kemedak. It is also as a result of continuous efforts made by the estates to enhance their agricultural practices especially on manuring and field upkeep plus maintaining a stable workforce during the year.

"Technology - The way forward"

Our performance was higher than the average yield achieved by the industry in Johor and Peninsular Malaysia in 2013, which were 19.49 tonnes and 19.26 tonnes, respectively. The increase in prime area has also contributed to this better yield achievement as a result of the progressive replanting programme carried out to replace older palms. In contrast, the average FFB yield for the whole country (inclusive of Peninsular Malaysia, Sabah and Sarawak) increased to 19.02 tonnes per hectare from 18.89 tonnes in 2012.

Total CPO production from the Malaysian operations was 254,735 tonnes in 2013, some 22.9% higher than the 207,265 tonnes in the prior year with 10.1% higher FFB processed from both division estates and external FFB suppliers. PK production was 70,891 tonnes, an increased of 20.6% from the 58,773 tonnes in 2012. For the Malaysian operation, the Oil Extraction Rate ("OER") however decreased from 20.29% to 20.22% whilst the Kernel Extraction Rate ("KER") recorded a dip from 5.75% in 2012 to 5.63%. However, we are still ahead of the industry averages in Peninsular Malaysia of 19.86% and 5.53%, respectively.

Plantation in PNG and SI

In 2013, FFB production from NBPOL estates was 1,496,146 tonnes, some 5.81% lower than the volume in 2012 of 1,588,486 tonnes. Adverse weather conditions once again affected harvesting and crop movements in the first half of the year and, in line with oil palm plantations in the wider South East Asian region, NBPOL experienced a biological drop in yield which was especially pronounced in the second half of the year. As a result, yield per hectare dropped by 9% from 23.8 tonnes in 2012 to 21.7 tonnes in 2013.

Whilst the FFB yield results were mixed in 2013, improvements were made to road and drainage infrastructure in the second half of the year, harvesting rounds were well under control at the end of the year, and NBPOL is well positioned as it moves into 2014, when yields are expected to normalise during the course of the year.

The wet weather affected extraction rates with 507,855 tonnes of palm products (CPO and Palm Kernel Oil), produced from NBPOL's 12 oil mills, representing a reduction of 7% from the 545,207 tonnes produced in 2012. The CPO extraction rate improved in the second half of the year rising from an average 21.98% from January to June, to 22.45% from July to December. In 2013, NBPOL achieved an average palm product extraction rate of 27.50%, down marginally from the 27.59% achieved in 2012.

Daily operations of NBPOL, Papua New Guinea

Intrapreneur Ventures

For the IV segment as a whole, revenue rose by 21.7% from RM168.0 million to RM204.4 million in 2013 while operating profit increased from RM23.8 million to RM45.5 million. Our ship-owning subsidiary EATech was the mainstay of the segment contributing 47% and 85%, respectively, to the division's revenue and operating profit.

EATech's largest vessel, the 40,000 dwt M.T. Nautica Muar, underwent refurbishment and conversion into a Floating Storage Unit ("FSU") during the year. It commenced operations in September 2013 after delivery to Kayu Manis Oilfield in Bintulu, Sarawak. Today, EATech has a fleet carrying capacity of more than 84,000 dwt.

EATech has also recently secured a RM260 million contract to build, operate and charter out 6 units of Z-Peller harbour tugboats to Northport (Malaysia) Bhd ("Northport") over a period of 10 years. The contract distinguishes EATech as the first local supplier of such specialised vessels to Northport after the company emerged as the most competitive bidder on open tender from amongst both local and international suppliers.

Other performers in this segment include Edaran Badang Sdn Bhd with sales of RM28.50 million and PBT of RM1.73 million, Kulim Nursery Sdn Bhd transforming a loss of RM4.80 million in 2012 to a RM2.16 million profit in 2013, as well as maiden contribution from Danamin, the newly-acquired subsidiary which was consolidated into the Group effective 1 July 2013.

However, certain IV companies are still underperformed. These are either being rehabilitated, sold or ceased operations.

PROSPECTS AND PLANS

Outlook of Palm Oil Industry and Group Production

CPO is expected to continue to be the leading vegetable oil commodity in the world. Its relatively lower cost of production and proven nutrient value guarantee its prominent position in the world market. From a global perspective, production growth was lower than market expectations in the major oil palm growing region, and there was a clear biological yield reduction induced by yield cycle factors. Alternative vegetable oils supply was strong in 2013 resulting in a narrowing of the CPO discount to soy oil from approximately USD300 per tonne to USD60 per tonne as at the time of writing. Supply concerns for soybeans due to recent hot weather has been much publicised so the outlook for palm oil demand remains robust with the strengthening of the global economy and mandatory biodiesel implementation by the world's two (2) biggest palm oil producers, Indonesia and Malaysia, bodes well for future pricing.

Looking at the outlook for production in 2014 for the Group, weather conditions are expected to be a key factor in the supply equation of palm oil. The impact of the recent El-Nino phenomenon experienced by the Malaysian plantations in the first quarter of 2014 is expected to continue to be felt in mid-2014.

The anticipated onslaught of EL-Nino would have a negative impact on oil palm production and we expect the FFB production for 2014 to be correspondingly affected by the anticipated lower production in the second half of 2014.

Expansion of Oil Palm Plantation in Indonesia

Steps were taken during the year to expand the Group's land bank in Indonesia. Following the completion of CSPA with PT GSB acquiring 74% equity in PT WIN on 14 February 2014, the focus now is on the on-going programmes to facilitate "land release" towards securing *Hak Guna Usaha* ("HGU") that includes identifying the extent of land use for compensation.

M.T. Nautica Pontian - a 3,747 dwt tanker of E.A. Technique (M) Berhad

ESTABLISHING NEW PROFIT STREAMS; An operator performing material Composition Check using Positive Material Testing ("PMI"), one of Non Destructive Testing's ("NDT") Conventional methods.

The target planting for 2014 is 500 hectares. The first 500 hectares of land clearing for a new planting programme together with the setup of 80 hectares of oil palm nursery is expected to commence in the third quarter of 2014. Thereafter, we are looking to accelerate the new planting programme to between 5,000 to 7,000 hectares per annum in subsequent years.

The new areas we have secured in Indonesia will be key to achieving the rate of growth we are planning for the Plantation segment. Palm oil output in Indonesia is expected to grow by up to 6% to 28.5 million tonnes in 2014 and global prices should also rise as the world economy recovers to an average USD850 to USD950, supported by a recovery in global economic conditions and higher Indonesian demand due to new biodiesel regulations. The favourable conditions for plantations in Indonesia make that country the best prospect for the future expansion of Kulim's upstream activities in the palm oil industry. As we expand our oil palm hectarage, we remain resolutely focused on managing our cost of production to maximise margins and profitability, while at the same time abiding by the principles of sustainability.

Entering a New Dimension – the O&G Sector

Under the terms of the MOU signed with PT GSB on 3 October 2013, Kulim together with PT GSB will explore strategies to take advantage of the Indonesian Government's decision to liberate the O&G sector by the offering of O&G blocks to foreign investors. To safeguard the interest of all stakeholders, any investment will be subject to careful deliberation and certification of proven reserves from a reputable O&G consultant as this proposed investment is new to the Group. However we are quietly confident of growing this segment into the other major earner for the Group, just as we have made successes of our venture into the then for us, the new field of oleochemicals and the Pizza Hut and KFC franchises.

Continued Focus on Cost Management and Value Addition

2013 has been a challenging year for Kulim with stagnant revenues owing to the low CPO price, rising operating costs, and NBPOL's operations in PNG and SI affected by adverse foreign exchange fluctuations and extreme weather conditions.

Steps will continue to be taken to reduce costs and ensure production maximisation. Indeed a special coordination team has been tasked to review various aspects of cost reduction in order to bring about a cost efficient production and operation. We are especially excited to use our learnings in managing fast food business and its attendant requirement for super-fast response and amalgamate it with the longer term perspective of the oil palm industry.

One of the initiatives taken to meet our commitment to reduce our carbon foot print and simultaneously reduce energy cost was the introduction of biogas plants at Group mills. The biogas plant at Sedenak Palm Oil Mill is expected to reach full completion in June 2014. This will be the first biogas plant commissioned for Kulim's Malaysian operation.

As a responsible corporate entity heeding growing concerns over environmental issues, especially with regard to effluent discharge quality, Kulim together with the Malaysian Palm Oil Board ("MPOB") is constructing a tertiary plant which will be attached to a biogas plant at Sindora Palm Oil Mill. This project will reduce the Biological Oxygen Demand ("BOD") level to below 50 ppm as per the requirement by the Department of Environment, Malaysia. Subject to the stability of power generation by the new biogas plant, further value-added downstream processing activities including palm oil recovery plant from palm fibres and bottling of bioCNG ("Compressed Natural Gas") are also being explored and evaluated.

Two (2) other biogas plants will be constructed at Sindora Palm Oil Mill and Pasir Panjang Palm Oil Mill respectively in 2014 and are expected to be completed in 2015.

Food Security

Agriculture is the key component of Malaysia's food security and self-sufficiency plans for the future. To meet agricultural productivity challenges, public and private sectors must work together to achieve sustainable solutions for food security. In recent years, Kulim has taken an increasing interest in helping to address the issue of national food security. We view the plantation of food crops and cattle rearing in Malaysia as part of the Group's promise of corporate responsibility and commitments. As our contribution to achieving national food security, Kulim currently cultivates approximately, 166 hectares of pineapple, 30 acres of corn and owns about 5,900 heads of cattle.

Biogas Plant, Sedenak Palm Oil Mill, Kulai

WORDS OF APPRECIATION

2013 was a year of continued progress for the Group seeing existing operations expanded and enhanced, and new initiatives undertaken. Kulim is eager to pursue the strategy of expansion into Indonesia to widen our plantation footprint and is poised to make inroads into new areas of opportunity especially in servicing the O&G sector and undertaking selective property development. The Board is acutely aware of its duty to build on these initiatives to improve the Group's financial and operational performance so that Kulim can continue to grow on a well-diversified basis and generate superior returns on investment. The ultimate objective remains what it has always been, to maximise long-term shareholders' value.

On behalf of the Board of Directors, we would like to take this opportunity to welcome our new Executive Director, Abdul Rahman Sulaiman and express our appreciation to all management and personnel within the Kulim Group in Malaysia, Papua New Guinea and the Solomon Islands. Your continuous dedication and loyalty towards the Group have ensured that Kulim remains amongst the top performers in our respective industries.

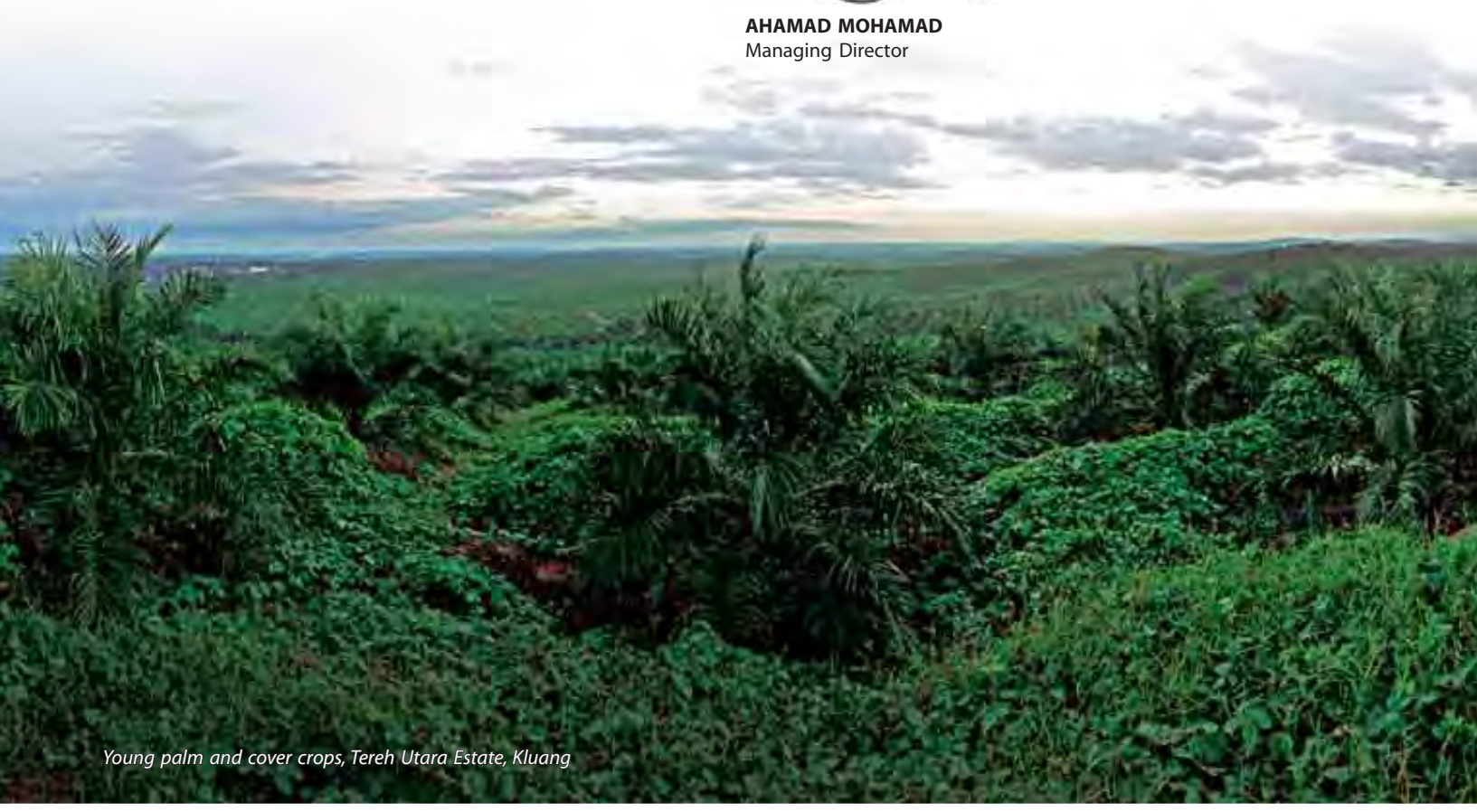
We also extend our hands in gratitude to all our employees, partners, associates, bankers, consultants and stakeholders who have all contributed their part in all the respective locations that Kulim operates. We wish to also thank the relevant Government bodies in Malaysia, Indonesia, Papua New Guinea and the Solomon Islands for assisting in the smooth running of our operations in their countries.

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 look forward to the Board's sustained contribution to the Group's common cause and active participation in managing the challenges as together we chart the Group towards reaching our vision of being a corporation that continues to excel in delivering quality and adding value, to our customers and stakeholders, to the State of Johor and the nation as a whole.

DATO' KAMARUZZAMAN ABU KASSIM
Chairman

AHAMAD MOHAMAD
Managing Director



Young palm and cover crops, Tereh Utara Estate, Kluang

CORPORATE EVENT HIGHLIGHTS 2013

1.

7 JANUARY – 17 APRIL

Kulim's Roundtable Conference ("RTC") at Sibu Islands Resort and Puteri Resort, Melaka. The series of RTC is an open platform where executives, albeit in smaller group for each session held, come together to share and discuss opinions, ideas and issues directly with the Managing Director and Senior Management.

8 – 10 MARCH

Kulim participated in the booth exhibition at *Karnival Mahabbah IKIM FM*, held at Plaza Angsana, Johor Bahru.

15 MARCH – 15 SEPTEMBER

Kulim participated in the series of *Karnival Pendidikan, Kerjaya dan Keusahawanan* ("KEPAK 2013") at Johor Bahru and Pasir Gudang.

2.

17 – 19 MAY

Kulim participated in the Malaysia Investment & Stock Exchange Expo 2013 ("MISEE 2013"), the first investment expo of its kind in Malaysia, held at Persada Johor International Convention Centre, Johor Bahru.

3.

6 JULY

An annual gathering of Group employees to recognise the long-service employees and performance achievers, *KMB Awards* 2013, was held at Prime City Hotel, Kluang.

4.

5 – 8 SEPTEMBER

Kulim participated in the *Karnival Biotek Johor* 2013 at Bukit Layang-Layang, Pasir Gudang.

5.

7 SEPTEMBER

Gerak Kemas Perdana 2013 and the Launching Ceremony of QE/5S Certification Programme was held at KSRT Club House. *Gerak Kemas Perdana* is an annual event to promote the adoption of 5S "house-keeping" philosophy by focusing on effective work place organisation, standard and simplified working environment.

27 – 29 SEPTEMBER

Kulim participated in the BN Youth Job Fair 2013, held at Putra World Trade Centre, Kuala Lumpur.

6.

1 – 3 OCTOBER

Kulim participated in the National Innovative Creative Circle ("ICC") Convention 2013, an annual event organised by Malaysian Productivity Corporation ("MPC") at Bukit Gambang Resort. Kulim's Kuntum Enggang from Enggang Estate won the second place for Service Sector during the event.

8.

3 OCTOBER

The signing ceremony between Kulim and PT Graha Sumber Berkah was held at Hotel Kempinski, Jakarta, in relation to the acquisition of PT Wisesa Inspirasi Nusantara by Kulim, marking Kulim's re-entry into Indonesian oil palm plantation sector.

9.

22 – 23 OCTOBER

Hari Mekar Kulim 2013, an annual event to promote total quality initiatives, held at Akademi Kemahiran & Latihan Insan, Kota Tinggi.

22 – 30 OCTOBER

Kulim participated in the exhibition during *Festival Konvokesyen UTM* at Universiti Teknologi Malaysia, Skudai, Johor.

10.

18 NOVEMBER

ACCA Malaysia Sustainability Reporting Awards ("MaSRA") prizing ceremony was held at The Hilton, Kuala Lumpur. Kulim's Annual Report 2012 and Sustainability Report 2010/2011 were shortlisted.

11.

21 NOVEMBER

Kulim won the Industry Excellence Award (Main Board) – Plantations & Mining in the National Annual Corporate Report Award 2013 ("NACRA 2013") at Sime Darby Convention Centre, Kuala Lumpur.

12.

27 NOVEMBER – 1 DECEMBER

Kulim participated in the *Ekspo Agro Johor* 2013 held at Pusat Pertanian Moden, Kluang. Both Kulim's Cavendish Banana – 'Montel' and MD2 Pineapple were named as the winner in their respective categories during the event.

13.

13 DECEMBER

Kulim's Extraordinary General Meeting ("EGM") in relation to the Employees' Share Option Scheme ("ESOS") was held at KSRT Club House, Ulu Tiram, Johor.

14.

16 DECEMBER

Malaysia-ASEAN Corporate Governance Index 2013 was held at Sime Darby Convention Centre, Kuala Lumpur. Kulim was ranked 44th among the top 50 companies for the awards.

SUSTAINABILITY EVENT HIGHLIGHTS 2013

1.

30 MARCH

Hi Tea with Ustaz Hazlin Baharin, held at Persada Johor International Convention Centre.

2.

1 APRIL

Kulim participated in the Wildlife Conservation Awareness Day as one of the co-organisers and exhibitors, held at Persada Johor International Convention Centre.

3.

6 APRIL – 8 JUNE

Kulim through KSRT participated in the Johor Corporation Sports Carnival 2013, organised by *Pertubuhan Kebajikan Pekerja Induk*, JCorp and was declared as the first runner-up.

4.

17 APRIL

Kulim sponsored RM150,000 for *Tunas Bistari* Programme, an annual programme with the objective to nurture entrepreneurship skill among the school children, initiated by JCorp.

5.

18 – 21 APRIL AND 25 – 28 APRIL

Iskandar Shoot 2013, 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.

6.

8 JUNE

Inter Region Youth Sports Carnival organised by KSRT, held at Sindora Complex, Kluang.

7.

9 JUNE

KSRT annual dinner with the theme 'Living Colors' , was held at Persada Johor International Convention Centre.

8.

20 JUNE

A celebration of Kulim's 4th International Women's Day was held at KSRT Club House Ulu Tiram, Johor with the theme '*Kesatria Pembela Keselamatan Keluarga*'.

9.

24 AUGUST

Hari Raya Aidilfitri celebration with the theme '*Warna Warni Aidilfitri*', was held at Kulim Corporate Office, Ulu Tiram, Johor.

10.

4 – 6 SEPTEMBER

Raja Zarith Sofiah Wildlife Defenders Challenge 2013, a series of biodiversity awareness programme for secondary school and tertiary education students, was held at Taman Negara Endau-Rompin (Peta), Johor, organised by Kulim Wildlife Defenders ("KWD").

11.

14 SEPTEMBER

As part of Kulim's sustainability initiatives, *Infaq 1 Warisan*, a tree-planting project in its 4th consecutive years, was held at Basir Ismail Estate, Kota Tinggi, Johor.

12.

22 JUNE

Perbarisan Briged Waqaf, an annual event of Briged Waqaf Johor Corporation, an NGO under the Johor Corporation Group, was held at Kompleks Mutiara Johor Land, Johor Bahru.

13.

28 SEPTEMBER

Kulim participated in the *Larian Hari Jantung Sedunia*, a charity run organised by KPJ's Johor Specialist Hospital.

14.

29 OCTOBER

Kulim participated in a charity walk, World Hunger Relief 2013 at Dataran Putrajaya, to raise funds for the World Food Programme under the auspices of the United Nations ("UN").

15.

9 NOVEMBER

Raja Zarith Sofiah Wildlife Defenders Challenge 2013, a series of biodiversity awareness programme for primary school students, was held at *Pusat Biodiversiti Jamaluang*, Mersing, Johor, organised by KWD.

16.

1 DECEMBER

In collaboration with Institut Pembangunan Pengurusan Johor ("IPPJ") and Joran Bagus Sdn Bhd, 'Kulim Eco Boat Fishing Challenge 2013' was organised at Basir Ismail Estate, Kota Tinggi.

17.

14 DECEMBER

Ceramah Keluarga Terbilang, Anak Gemilang followed by distribution of school uniform, an annual uniform subsidy for school children at operating units, was held at KSRT Club House, Ulu Tiram, Johor.

18.

21 – 22 DECEMBER

KMB Paintball Cup 2013 ("KPC 2013") was held in collaboration with IPPJ at REM Estate, Kota Tinggi.


10.


11.


12.

13.


14.


15.


16.


17.


18.

RECOGNITIONS AND ACCREDITATIONS

AWARDS RECEIVED 2013

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

AWARDS RECEIVED 2012

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

AWARDS RECEIVED 2011

	AWARDED BY	RECEIVING COMPANY/OPERATING UNIT
NACRA AWARDS 2011 • Winner of Industry Excellence Award (Main Board) – Plantations & Mining	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
3 Star (SME Competitiveness Rating for Enhancement)	SME Corp Malaysia	KCW Civilworks Sdn Bhd
ACCA MaSRA Awards 2011 • Annual Report 2011 – Shortlisted	ACCA Malaysia	Kulim (Malaysia) Berhad
Industry Excellence Award • Plantation Sector 2010/2011	• Basis Holdings Sdn Bhd • Malaysia National News Agency (BERNAMA) • Malaysia External Trade Development Corporation (MATRADE)	Kulim (Malaysia) Berhad
Malaysia's Best Certificate	Federal Agriculture Malaysia Authority (FAMA)	Kulim Montel Farm (Basir Ismail Estate)
The Edge Billion Ringgit Club Award 2011 • Best Performing Stock - Highest Returns to Shareholders Over Three Years (Plantation Sector) • Highest Profit Growth Company – Highest Growth in Profit Before Tax Over Three Years (Plantation Sector)	The Edge	Kulim (Malaysia) Berhad

AWARDS RECEIVED 2010

	AWARDED BY	RECEIVING COMPANY/OPERATING UNIT
ACCA (Sustainability Reporting Awards) MaSRA 2010 • Winner – Best Sustainability Report • Commendation – Reporting on Strategy and Governance • Shortlisted – Sustainability Report • Shortlisted – Sustainability Report within Annual Report	ACCA Malaysia	Kulim (Malaysia) Berhad
NACRA AWARDS 2010 • Winner of Industry Excellence Award (Main Board) – Plantations & Mining	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
Prime Minister's CSR Awards 2010 • Honorable Mention for Outstanding Work in Empowerment of Women	Ministry of Women, Family and Community Development	Kulim (Malaysia) Berhad
Scored A in Malaysian Corporate Governance (MCG) (MCG) Index 2010	MSWG	Kulim (Malaysia) Berhad
Skim Amalan Ladang Baik Malaysia	Department of Agriculture, Malaysia	Kulim (Malaysia) Berhad

AWARDS RECEIVED 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 • Gold CSR for Best Environmental Excellence Award	Pinnacle Group International	Kulim (Malaysia) Berhad
CICM Responsible Care Awards 2007/2008 Category: Oleochemicals • Distribution Code – Merit • Process Safety Code – Merit • Employee Health and Safety Code – Merit • Products Stewardship Code - Gold	Chemicals Industries Council of Malaysia (CICM)	Natural Oleochemicals Sdn Bhd
ACCA MaSRA 2009 • Shortlisted • Winner of Best First Time Reporter (Sustainability Report 2006/2007) • Commendation: Reporting on Strategy and Governance	ACCA Malaysia	Kulim (Malaysia) Berhad
NACRA AWARDS 2009 • Silver Awards for Most Outstanding Annual Report • Winner of Industry Excellence Award (Main Board) - Plantations and Mining	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
MPOB Code of Practice 2009 for • Good Agricultural Practice • Oil Palm Nursery • Mill Operations	Malaysia Palm Oil Board (MPOB)	Sindora Estate 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 • Overall Champion • 1st Place for Service Category • 3-Star Award	Malaysia Productivity Corporation (MPC)	Kulim (Malaysia) Berhad
National MPC 2009 – 3-Star Award	MPC	Kulim (Malaysia) Berhad Kulim Montel Farm – Tereh Selatan Estate
National MPC 2009 – 3-Star Award	MPC	Kulim (Malaysia) Berhad Sindora Palm Oil Mill

IN THE NEWS

Starting the young on conservation

EARLY EXPOSURE: Raja Zarith Sofiah launches Wildlife Defenders Challenge

Kulim optimis

Peeled to perfection

Kulim buys 75pc of Indonesia's Wisesa Inspirasi for US$43m

Usaha kekalkan kehijauan alam sekitar

Uptrend seen for Kulim

Analysts expect higher FFB output, contribution from subsidiary

Perkonal Sungai Johor sebagai ekopelancongan

Kulim serves takeover notice on UK-listed NBPOL

PETALING JAYA: Kulim (M) Bhd has served a takeover notice on UK-listed New Britain Palm Oil Ltd (NBPOL) to acquire up to 30,000,621 shares in the company at £5.50 (RM27.24) each or a total £165.05mil (RM812.3mil).

The plantation player said in a statement to Bursa Malaysia yesterday that it had served the takeover notice on NBPOL's board of directors.

Kulim announced last month that it was ... NBPOL by 20% to 66.97%.

...e represents a premium of ... to the volume weighted aver... POL's depositary interests on ... Exchange in the past 30 and ...ding days.

...esents a price-to-book ratio of ..., taking into account NBPOL's ...

居林斥資1.3亿购印尼种植公司

居林 1.1亿售 Orkim 51%

Taking a leaf from Kulim-NBPOL case

售肯德基盈餘3.3億

居林首季淨利漲4倍

（吉隆坡22日讯）居林（KULIM, 2003, ...肯德基（KFC）資产获得3亿3千100万令吉盈 3月31日止第一季淨利飙漲4倍，由6千870万 千553万1千令吉。

同期营业額增加23.9%，从2亿零889万 5千886万2千令吉。

該公司在初步报告中說，原棕油跌价影 然情况料有改善，但恐怕低于2012年平均价 望仍算正面。

Kulim offers to buy 20pc stake in NBPOL

Kulim tries its hand at oil and gas business

Kulim eyes Kalimantan land

Kulim melabur semula di Indonesia

Saharuddin Mustafa

FINANCIAL CALENDAR

QUARTERLY RESULTS

Quarter	Date of Announcement
1st	22.05.2013
2nd	28.08.2013
3rd	28.11.2013
4th	28.02.2014

ANNUAL REPORT AND GENERAL MEETINGS

	Date
Issuance of Annual Report 2012	29.05.2013
Annual General Meeting	20.06.2013
Extraordinary General Meeting	13.12.2013

Shares and Warrants Event	Units Listed and Quoted	Listing Date
1. Exercise of warrants 2011/2016 – Listing of New Ordinary Shares of RM0.25 each	1,551,025	08.01.2013
	62,000	08.01.2013
	1,543,478	25.01.2013
	1,250	05.02.2013
	4,500	13.02.2013
	16,000	08.03.2013
	3,250	19.03.2013
	1,600,870	09.04.2013
	3,200,000	10.04.2013
	1,500,000	18.09.2013
	2,000,000	26.09.2013
	21,875	02.12.2013
Total warrants converted in 2013	**11,504,248**	

2. Share Buy-back - Ordinary Shares of 0.25 each

Date	Description	Unit	RM
02.01.2013	Ordinary Shares	420,000	2,095,205
09.01.2013	Ordinary Shares	2,093,600	8,244,492
10.01.2013	Ordinary Shares	620,400	2,391,767
11.01.2013	Ordinary Shares	618,900	2,391,760
22.01.2013	Ordinary Shares	179,100	666,099
22.02.2013	Ordinary Shares	500,000	1,753,617
25.02.2013	Ordinary Shares	357,000	1,278,179
26.02.2013	Ordinary Shares	193,000	695,782
27.02.2013	Ordinary Shares	100,000	357,596
11.04.2013	Ordinary Shares	360,000	1,359,928
Total Share Buy-back in 2013		**5,442,000**	**21,234,426**
Total Treasury Shares as at 31.12.2012		**9,880,000**	**45,828,705**
Total Treasury Shares as at 31.12.2013		**15,322,000**	**67,063,130**

SECTION 2: ABOUT KULIM

Quality checked at tissue culture laboratory; Kulim TopPlant Sdn Bhd, Kota Tinggi

AN AFFIRMATIVE TO ACTION

We attribute this success to our ability to effectively execute our strategies – our biasness towards **Action**.

CORPORATE PROFILE

THE FOUNDATION OF KULIM

Kulim (Malaysia) Berhad ("Kulim") traces its history back to 1933 when Kulim Rubber Plantations Ltd was incorporated in the United Kingdom. Kulim was later incorporated as a public limited company and was listed on Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad) in 1975. In 1976, Johor Corporation became the major shareholder of Kulim.

Over the years, Kulim has grown to become a diversified plantation company and continues to strengthen its position by securing new hectarages whilst developing and strengthening its intrapreneur ventures. At end-2013, Kulim once again made its way into Indonesia with the acquisition of 74% equity in PT Wisesa Inspirasi Nusantara, a plantation holding company in Indonesia with approximately 40,000 ha of potential oil palm land in Central Kalimantan. With the completion of this strategic acquisition, as at the time of writing, the Kulim Group's direct and indirect landholding stands at approximately 226,000 hectares, spread across Malaysia, Papua New Guinea, the Solomon Islands and Indonesia.

CORE BUSINESSES

PLANTATION

Kulim is recognised as one of the leading palm oil company with operations span over Malaysia, Papua New Guinea, the Solomon Islands and the recent addition, Indonesia.

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

INTRAPRENEUR VENTURES

Established as one of Kulim's principal growth thrust, Intrapreneur Ventures ("IV") Division is involved in a diverse range of businesses including shipping and logistics, support operations for plantations, including agricultural machinery, oil palm nursery and mills maintenance, support operations for O&G sector including NDT and pipe rolling mill, facilities management and civil works as well as IT-related services.

The selections of IV companies are subject to a systematic process, management and control to ensure they continue to deliver value and returns to the shareholders. They will be developed and nurtured, with the aim to subsequently transform into strategic business division of the Group.

BUSINESS STRATEGY

Our business portfolio is a progressive development from our traditional business of palm oil, pursued in line with our aim to sustain value creation for all our stakeholders via the adoption of an evolving and balanced business mix.

While plantation and agriculture will dominate our business profile, we will continue to explore, identify and invest in businesses that offer superior long-term potential for growth and profitability, with the aim to minimise earning fluctuations so as to enable the Group to provide attractive returns to our shareholders. Kulim is confident in carving a new growth path with its experience and proven ability to develop businesses, including those outside its traditional palm oil business.

Driven by its Balance Business Strategy, Kulim is uncovering opportunities in a new business dimension - Oil and Gas ("O&G") sector, upstream and downstream, in the quest to business growth and value deliverance to its shareholders. Our pursuit of value and growth is firmly underpinned by our commitment to embrace sustainability and strong corporate governance as the overriding philosophy.

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

CORPORATE MILESTONES

THE BEGINNING

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

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

"REBRANDING" AND RESTRUCTURING

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

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

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

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

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

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

CONSOLIDATION AND GROWTH

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

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

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 its entire equity in Waterside Rubber Estates Ltd, Nigeria to focus on its Malaysian plantation.

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.

DIVERSIFYING AND FURTHER GROWTH

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

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

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

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

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

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

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

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

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

1999 – NBPOL was successfully admitted to Port Moresby Stock Exchange, PNG.

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

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

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

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

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

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

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

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

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

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

– Kulim divested all of the Group's plantation in 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.

SUSTAINABLE GROWTH

2008

- Sindora became a 77%-owned subsidiary of Kulim in May, adding plantation land and bringing in a number of Intrapreneur Venture ("IV") companies into the Group.
- In October, NBPOL acquired 100% stake in Ramu Agri-Industries Limited ("Ramu"), PNG, further expanding the Group's landbank to 124,833 hectares.
- NBPOL became one of the first plantation companies to receive Roundtable on Sustainable Palm Oil ("RSPO") certification in September.
- Construction commenced for NBPOL's 200,000 TPA refinery plant in UK.
- Expansion of QSR into Cambodia for KFC restaurants.

2009

- Official RSPO certification was accorded to Kulim-owned plantations in Malaysia in January.
- In January, QSR increased its shareholdings in KFCH to 50.25% and KFCH became a subsidiary of QSR.
- Estate swap with Sime Darby Plantations Sdn Bhd ("SDP") in September, involving Sindora's Sungai Simpang Kiri Estate and SDP's Sungai Tawing Estate, to realise potential rationalisation benefits of their respective locations.
- Sindora and its subsidiary, E.A. Technique (M) Sdn Bhd acquired 20% and 18% respectively, of Orkim Sdn Bhd ("Orkim"), increasing its tanker fleet, bringing along charter contracts with major oil companies.
- KFCH received the franchise rights to operate KFC restaurants in Mumbai and Pune, India.

2010

- In April, NBPOL acquired 80% stake in CTP (PNG) Ltd (now known as Kula Palm Oil Limited), bringing in additional 26,000 hectares of plantation land to the Group's landbank.
- Completion of equity swap in Nexsol (S) Pte Ltd and Nexsol (M) Sdn Bhd between Kulim and Peter Cremer (Singapore) GmBH in April. Following the exercise, Nexsol (M) Sdn Bhd became a 100% subsidiary of Kulim, while at the same time Nexsol (S) Pte Ltd ceased to be an associate of Kulim.
- In May, NBPOL officially launched its refinery in Liverpool.
- NBPOL's subsidiary, Ramu, was officially accorded with RSPO certification in August.
- In September, Kulim concluded the disposal of NatOleo and its subsidiaries, marking the Group's exit from the oleochemicals business.

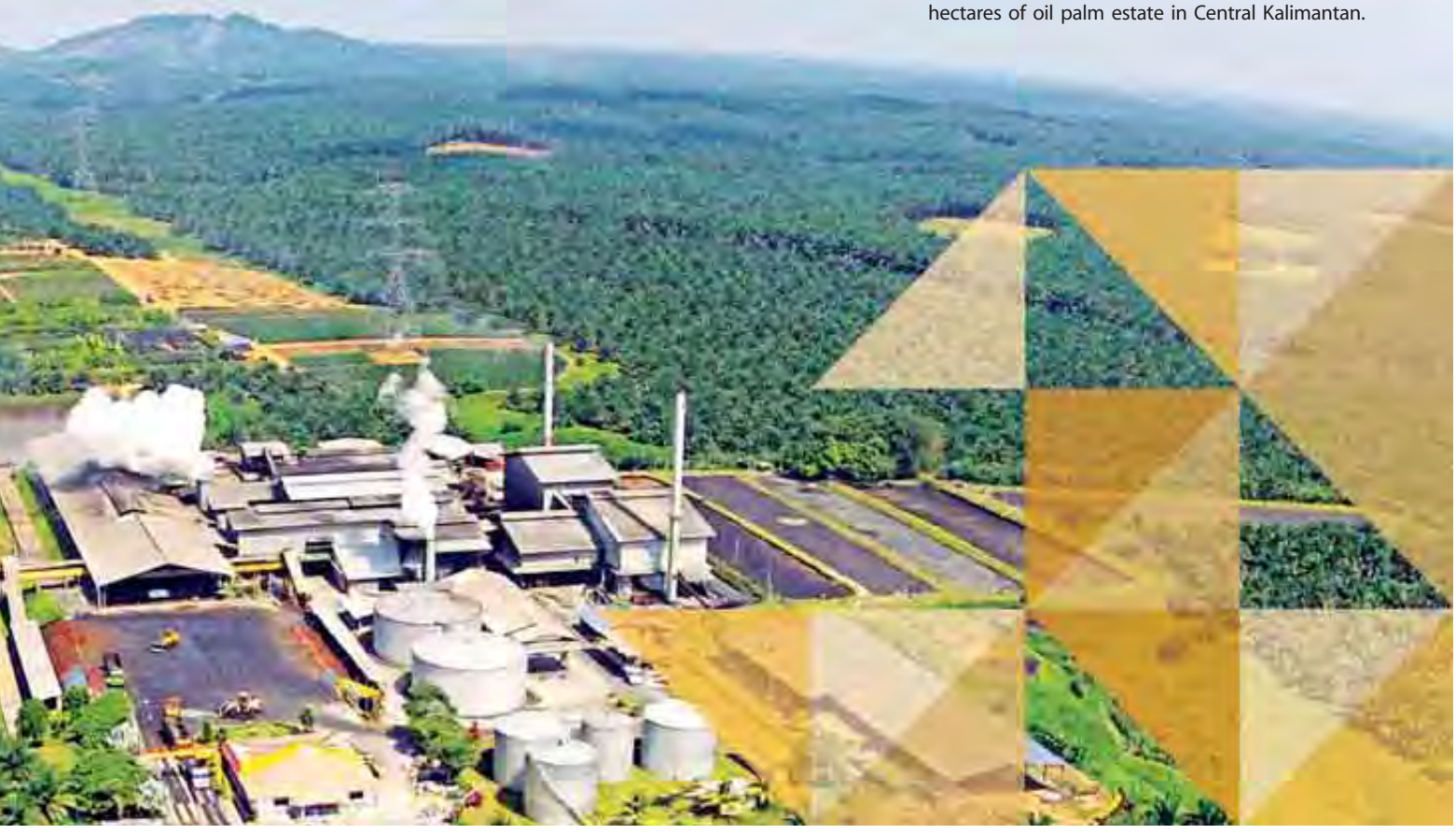
Bird-eye view of Sedenak Palm Oil Mill and Sedenak Estate, Kulai

ENTERING NEW DIMENSION

2011
- Kulim completed its capital restructuring exercise, involving a share split, bonus shares and free warrants in March.
- Kulim acquired six (6) parcels of oil palm estates measuring approximately 13,687 hectares and two (2) palm oil mills from JCorp.
- Sindora became a wholly-owned subsidiary of Kulim and delisted from the official list of Bursa Malaysia Securities Berhad effective 30 November.

2012
- Kulim's shareholding in NBPOL diluted to 48.97% in May pursuant to the issuance of new shares to the minority shareholders of KPOL to streamline the shareholding structure of KPOL. However, NBPOL is still consolidated as a subsidiary pursuant to FRS 10: Consolidated Financial Statements.
- Kulim, via Sindora, completed the disposal of Metro Parking (Malaysia) Sdn Bhd Group to Damansara Realty Berhad.

2013
- The disposal of business and undertakings by QSR and KFCH was concluded in January 2013. Both companies were delisted from the official list of Bursa Malaysia Securities Berhad effective 7 February 2013.
- In April, Kulim via Sindora, completed the disposal of Orkim Sdn Bhd to GMV-Orkim Sdn Bhd.
- Kulim acquired 60% of Danamin (M) Sdn Bhd, a company involved in O&G servicing activities in June 2013.
- Kulim launched the Proposed Partial Offer of up to 20% of NBPOL in June 2013. The Proposed Partial Offer was subsequently announced as lapsed on 5 September 2013.
- On 3 October 2013, Kulim has entered into the Conditional Sale and Purchase Agreement ("CSPA") with PT Sumber Graha Berkah for the acquisition of up to 75% stake in PT Wisesa Inspirasi Nusantara, which will give it control over approximately 40,000 hectares of oil palm estate in Central Kalimantan.



GROUP'S SIGNIFICANT SUBSIDIARIES AS AT 31 MARCH 2014

PLANTATION

100%
Mahamurni Plantations Sdn Bhd

100%
Kulim Plantations (Malaysia) Sdn Bhd

100%
Selai Sdn Bhd

100%
Ulu Tiram Manufacturing Company (Malaysia) Sdn Bhd

100%
EPA Management Sdn Bhd

94%
Kumpulan Bertam Plantations Berhad

74%
PT Wisesa Inspirasi Nusantara

60%
Kulim TopPlant Sdn Bhd

49%
New Britain Palm Oil Limited

- 100% Dami Australia Pty Ltd
- 100% New Britain Oils Limited
- 100% Ramu Agri-Industries Limited
- 100% Kula Palm Oil Limited
- 80% Guadalcanal Plains Palm Oil Limited

INTRAPRENEUR VENTURES

100%
Sindora Berhad

- 51% E.A. Technique (M) Berhad
  - 100% Johor Shipyard & Engineering Sdn Bhd
- 100% Epasa Shipping Agency Sdn Bhd
- 90% MIT Insurance Brokers Sdn Bhd
- 60% Microwell Bio Solutions Sdn Bhd

UNDER KULIM (MALAYSIA) BERHAD

100%
JTP Trading Sdn Bhd

- 100% JTP Montel Sdn Bhd

100%
The Secret of Secret Garden Sdn Bhd

75%
Renown Value Sdn Bhd

75%
Kulim Nursery Sdn Bhd

60%
Danamin (M) Sdn Bhd

100%
Skellerup Industries (Malaysia) Sdn Bhd

- 90% SIM Manufacturing Sdn Bhd

UNDER EPA MANAGEMENT SDN BHD

75%
Extreme Edge Sdn Bhd

75%
Edaran Badang Sdn Bhd

- 75% Perfect Synergy Trading Sdn Bhd
- 75% Optimum Status Sdn Bhd

75%
Kulim Civilworks Sdn Bhd

- 100% KCW Hardware Sdn Bhd
- 100% KCW Electrical Sdn Bhd
- 100% KCW Kulim Marine Services Sdn Bhd
- 100% KCW Roadworks Sdn Bhd

90%
Special Appearance Sdn Bhd

95%
Pinnacle Platform Sdn Bhd

95%
AKLI Resources Sdn Bhd

100%
Kulim Safety Training and Services Sdn Bhd

100%
Kulim Livestock Sdn Bhd

Malaysia Papua New Guinea Others

The full list of companies under Kulim Group is set out in Notes 16 to the Financial Statements on pages 215 to 225.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman/Non-Independent Non-Executive Director

DATO' KAMARUZZAMAN ABU KASSIM

Managing Director

AHAMAD MOHAMAD

Executive Director

JAMALUDIN MD ALI
ABDUL RAHMAN SULAIMAN

Non-Independent Non-Executive Director

DATIN PADUKA SITI SA'DIAH SH BAKIR
WONG SENG LEE
ZULKIFLI IBRAHIM
ROZAN MOHD SA'AT

Independent Non-Executive Director

TAN SRI DATO' SERI UTAMA ARSHAD AYUB
DATUK HARON SIRAJ
DR. RADZUAN A. RAHMAN
LEUNG KOK KEONG

AUDIT COMMITTEE

TAN SRI DATO' SERI UTAMA ARSHAD AYUB (Chairman)

DR. RADZUAN A. RAHMAN

LEUNG KOK KEONG

NOMINATION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM (Chairman)

TAN SRI DATO' SERI UTAMA ARSHAD AYUB

DATUK HARON SIRAJ

REMUNERATION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM (Chairman)

TAN SRI DATO' SERI UTAMA ARSHAD AYUB

DR. RADZUAN A. RAHMAN

BOARD OPTION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM (Chairman)

AHAMAD MOHAMAD

ROZAN MOHD SA'AT

DR. RADZUAN A. RAHMAN

SECRETARIES

IDHAM JIHADI ABU BAKAR
(MAICSA 7007381)

NURALIZA A. RAHMAN
(LS 0008565)

REGISTERED OFFICE

Suite 18, Lot 1B, Podium1
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
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Tel : +607-226 7692 /
+607-226 7476
Fax : +607-222 3044

REGISTRAR

PRO CORPORATE MANAGEMENT SERVICES SDN BHD
Suite 18, Lot 1B, Podium1
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel : +607-226 7692 /
+607-226 7476
Fax : +607-222 3044
Email : nursheila@jcorp.com.my

PRINCIPAL BANKERS

CIMB Bank Berhad

OCBC Bank (M) Berhad

RHB Bank Berhad

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

Standard Chartered Bank Malaysia

Asian Finance Bank Berhad

The Bank of Nova Scotia Berhad

AUDITORS

Ernst & Young

WEBSITE

www.kulim.com.my

STOCK EXCHANGE LISTING

GROUP'S LISTED ENTITIES	STOCK EXCHANGE	LISTED SINCE	STOCK CODE
Kulim (Malaysia) Berhad	Main Market - Bursa Malaysia Securities Berhad	14 November 1975	2003
New Britain Palm Oil Limited	Main Market - London Stock Exchange	17 December 2007	NBPO
	Port Moresby Stock Exchange	19 December 1999	NBO

BOARD OF DIRECTORS

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

2. AHAMAD MOHAMAD
   Managing Director

3. WONG SENG LEE
   Non-Independent Non-Executive Director

4. ZULKIFLI IBRAHIM
   Non-Independent Non-Executive Director

5. JAMALUDIN MD ALI
   Executive Director

6. TAN SRI DATO' SERI UTAMA ARSHAD AYUB
   Independent Non-Executive Director

7. ABDUL RAHMAN SULAIMAN
Executive Director

8. ROZAN MOHD SA'AT
Non-Independent Non-Executive Director

9. DATIN PADUKA SITI SA'DIAH SH BAKIR
Non-Independent Non-Executive Director

10. DATUK HARON SIRAJ
Independent Non-Executive Director

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

12. LEUNG KOK KEONG
Independent Non-Executive Director

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

Aged 50, is a Non-Independent Non-Executive Director and the Chairman of Kulim (Malaysia) Berhad. He was appointed to the Board of Kulim as Director on 1 January 2008 and appointed as Chairman on 12 January 2011. He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987.

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

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

He sits as the Chairman of Damansara REIT Managers Sdn Bhd, the manager of Al-Aqar KPJ REIT beginning 12 January 2011. He is also the Chairman of Damansara Realty Berhad and KPJ Healthcare Berhad, which are JCorp's Group of Companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Johor Land Berhad and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp's Corporate Responsibility programmes. He also sits as 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 seven (7) Board of Directors' Meetings of the Company in the financial year ended 31 December 2013.

AHAMAD MOHAMAD
Managing Director

Aged 61, is the Managing Director of Kulim (Malaysia) Berhad and was appointed to the Board of Kulim (Malaysia) Berhad on 24 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. He is presently a member of the Board of Directors of KPJ Healthcare Berhad and New Britain Palm Oil Limited (Papua New Guinea). He is also the Chairman and Director of several other companies within the JCorp Group.

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 seven (7) Board of Directors' Meetings of the Company in the financial year ended 31 December 2013.

JAMALUDIN MD ALI
Executive Director

Aged 56, was appointed to the Board of Kulim (Malaysia) Berhad as an Non-Independent Non-Executive Director on 1 July 2012 and was re-designated as the Executive Director on 4 December 2012.

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

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

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

ABDUL RAHMAN SULAIMAN
Executive Director

Aged 56, was appointed to the Board of Kulim (Malaysia) Berhad as an Executive Director on 1 September 2013.

He graduated with a Bachelor of Science of Agribusiness degree from Universiti Putra Malaysia in 1980 and Master of Business Administration from Henley Management College, United Kingdom in 2005. He started his career with Sime Darby Plantation Sdn Bhd as an Executive in 1980.

He joined EPA Management Sdn Bhd as an Assistant Manager in 1984 and was appointed as the Managing Director of Tepak Marketing Sdn Bhd from 1996 to 2005. Prior to his appointment as the Executive Vice President (Land & Business Development) of JCorp, he was the Chief Operating Officer of Natural Oleochemicals Sdn Bhd from 2005 to 2010.

He is presently a Director of Sindora Berhad and also the member of the Board of Directors of several other companies within the Kulim 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. Since his appointment date, he attended two (2) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

ZULKIFLI IBRAHIM
Non-Independent Non-Executive Director

Aged 56, was the Chief Operating Officer of Kulim (Malaysia) Berhad since 3 November 2003. He was appointed to the Board of Kulim (Malaysia) Berhad as an Executive Director on 1 July 2011 and was re-designated as the Non-Independent Non-Executive Director on 1 September 2013. Currently, he is the Chief Operating Officer of JCorp.

He is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), 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 joined Kulim (Malaysia) Berhad as the Chief Operating Officer in 2003. He is also the Chairman and Director of several other companies within the JCorp Group.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

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

Aged 62, was appointed to the Board of Kulim (Malaysia) Berhad on 1 January 2005. She is currently a Non-Independent Non-Executive Director of Kulim (Malaysia) Berhad.

Datin Paduka served as the Managing Director of KPJ Healthcare Berhad ("KPJ") since 1 March 1993 until her retirement on 31 December 2012. She was appointed as the Corporate Advisor of KPJ on 1 January 2013. She graduated with a Bachelor of Economics degree from University of Malaya and holds an MBA from Henley Management College, University of Reading, London, United Kingdom.

Her career with JCorp commenced in 1974 and she has been directly involved with JCorp's Healthcare Division since 1978. She was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") from 1989 until the listing of KPJ in November 1994.

Datin Paduka currently sits as a Director of KPJ, Kulim and Damansara REIT Managers Sdn Bhd. She was also a Board member of MATRADE from 1999 to 2010 and was an Independent Non-Executive Director of Bursa Malaysia from 2004 to 2012.

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 until to date.

In 2010, Datin Paduka was named the 'CEO of the Year 2009' by the New Straits Times Press and the American Express. She had also received many more awards and accolades due to her contributions in the healthcare industry in Malaysia.

She had also launched her book entitled "Siti Sa'diah : Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia in 2013. In February 2014, she was appointed both as a Member of the Academic Committee of the Razak School of Government ("RSOG"), and as a Member of the University of Reading Malaysia ("UoRM") Advisory Board.

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 six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

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

Aged 55, is currently a Non-Independent Non-Executive Director of Kulim (Malaysia) Berhad. He was appointed to the Board of Kulim on 1 January 2008. He is currently the Managing Director of PIJ Holdings Sdn Bhd, a subsidiary company of the Johor State GLC, Perbadanan Islam Johor. He is also the Executive Director of JCorp Hotels & Resorts Sdn Bhd.

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 15 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.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

WONG SENG LEE
Non-Independent Non-Executive Director

Aged 64, was appointed to the Board of Kulim (Malaysia) Berhad on 8 January 1996. He formerly served as an Executive Director and was re-designated as Non-Independent Non-Executive Director on 1 February 2014.

He qualified as a Certified Accountant with the ACCA and is also a Fellow of the ACCA. In 1974, he joined an international audit firm in Singapore and left to join EPA Management Sdn Bhd as an Accountant in July 1979. He was the Financial Controller for Kulim Group prior to his appointment as the Managing Director of Natural Oleochemicals Sdn Bhd until 2010.

He is presently a member of the Board of Directors of several other companies within the Kulim 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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

TAN SRI DATO' SERI UTAMA ARSHAD AYUB
Independent Non-Executive Director

Aged 86, was appointed to the Board on 31 January 1987. He is currently an Independent Non-Executive Director of Kulim (Malaysia) Berhad. He is the Chairman of the Audit Committee, and a member of the Remuneration and Nomination Committee of Kulim.

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).

He is the Chairman of Karex Berhad, Malayan Flour Mills Berhad and Tomypak Holdings Berhad. He also holds directorship in Top Glove Corporation Berhad. Tan Sri also sits on the Board of Directors of several private limited companies amongst others, PFM Capital Holdings Sdn Bhd, Land Rover (M) Sdn Bhd, Bata (M) Sdn Bhd, Bistari Johor Berhad and Zalaraz Sdn Bhd.

He is the Pro Chancellor of UiTM, Chancellor of KPJ International University College and Chairman of the University of Malaya Board.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

DATUK HARON SIRAJ
Independent Non-Executive Director

Aged 70, was appointed to the Board of Kulim (Malaysia) Berhad on 9 January 2006 as an Independent Non-Executive Director.

He graduated with a Bachelor in 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 at Ministry of International Trade and Industry (1986 – 1987), Director of International Trade at 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 directorships in Scomi Group Berhad, HSBC Amanah Takaful Sdn Bhd and Apex Communications Group 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 six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

DR. RADZUAN A. RAHMAN
Independent Non-Executive Director

Aged 71, was appointed to the Board of Kulim (Malaysia) Berhad on 1 November 2006 as an Independent Non-Executive Director. He is also a member of the Audit and Remuneration Committee of Kulim.

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

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 and Inch Kenneth Kajang Rubber Pte Ltd. Additionally, he sits on the Board of Malaysian Biotechnology Corporation Sdn Bhd, Marditec Sdn Bhd, Kenanga Cergas Sdn Bhd, MAEP Management Sdn Bhd and Green Capital Sdn Bhd.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

LEUNG KOK KEONG
Independent Non-Executive Director

Aged 46, was appointed to the Board of Kulim (Malaysia) Berhad as an Independent Non-Executive Director on 9 November 2011. He is also a member of the Audit Committee of Kulim.

He obtained his Bachelor Degree in Accounting, Curtin University of Technology, Australia in December 1989 and is a Certified Practising Accountant & Chartered Accountant, CPA Australia and a member of Malaysian Institute of Accountants.

Trained as an investment banker, he has significant experience in corporate finance and business development as well as management. He was the founding member and former Executive Director of Newfields Advisors Sdn Bhd, a boutique financial and corporate advisory firm from August 2001 - August 2006. He was the Chief Executive Officer, Platinum Energy Group from September 2006 - February 2008.

His wide and vast experience spanned from his earlier years as an Investment & Corporate Planning Manager, Hong Leong Credit Berhad from 1994 to 2001 and was an Audit Senior, Coopers & Lybrand Kuala Lumpur since 1990 – 1994.

He is currently an Independent Non-Executive Director of Damansara Realty Berhad. He is also an Independent Non-Executive Director of Tebrau Teguh Berhad, and the Executive Director of Acritaz 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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2013.

MANAGEMENT TEAM

1. AHAMAD MOHAMAD
Managing Director

Aged 61, has been the Managing Director since 1993. He holds a Bachelor of Economics (Honours) from University of 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 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. JAMALUDIN MD ALI
Executive Director/Vice President, Business Development

Aged 56, is currently an Executive Director of Kulim since 4 December 2012. 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 joined JCorp in 1992 and has held senior positions within JCorp. He has served as the Group Managing Director of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd from June and July 2006 respectively until 4 December 2012. He also sits on the Board of several other companies within JCorp and Kulim Group.

3. ABDUL RAHMAN SULAIMAN
Executive Director/Vice President, Oil & Gas/Plantation Operation

Aged 56, was appointed to the Board as Executive Director on 1 September 2013. Prior to his appointment as the Executive Vice President (Land & Business Development) of Johor Corporation, he was the Chief Operating Officer of Natural Oleochemicals Sdn Bhd from 2005 to 2010. He graduated with a Bachelor of Science of Agribusiness degree from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1980 and Master of Business Administration from Henley Management College, United Kingdom in 2005. He is presently a Director of Sindora Berhad and also the member of the Board of Directors of several other companies within the Kulim Group.

4. WONG SENG LEE
Director, Budget Oversight & Inspectorate

Aged 64, has been the Executive Director of Kulim since 8 January 1996 before re-designated as Non-Independent Non-Executive Director on 1 February 2014. He qualified as a Certified Accountant in 1974 and is a Fellow of the ACCA, 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 until 1994. He also sits on the Board of several other companies within the Kulim Group.

5. IR. IZHAR MAHMOOD
Director, Special Project

Aged 60, was appointed as Director of Special Project on 1 September 2013. Prior to this, he has been the Director of Plantation Operation since 2008. He was the Director of Engineering Department from 2002 to 2008. 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 1 July 1990 as a Mill Manager. He also sits on the Board of several other companies within the Kulim Group.

6. AZLI MOHAMED
Vice President, Finance

Aged 46, appointed as Chief Financial Officer on 1 June 2011. He is a Member of the ACCA, United Kingdom and also a member of the Malaysian Institute of Accountants. He was with Messrs. PricewaterhouseCoopers from 1992 prior to joining KPJ Healthcare Berhad in 2001 until 2008. He then served JCorp as the General Manager of Finance Division until he assumed the current position. He also sits on the Board of other companies within JCorp and Kulim Group.

7. SATIRA OMAR
Vice President, Risk and System Management

Aged 47, was appointed as Vice President, Risk and System Management in 2012. She graduated with a Bachelor of Science majoring in Communication from the University of Southern Illinois, United States of America in 1992 and holds a Master of Business Administration from Henley Business School, University of Reading, United Kingdom. She joined JCorp Group in 1993 as an Executive before assuming her current position in Kulim in 2012. She also sits on the Board of several other companies within the Kulim Group.

8. ZULKIFLY ZAKARIAH
Vice President, Estate Operation

Aged 54, was appointed as the Vice President of Estate Operation in January 2013. He joined the Company in May 1980 as a Cadet Planter after completion of Higher School Certificate. He has served in Kulim's Indonesian operations from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor, Malaysia before assuming his current position. He also sits on the Board of several companies within the Kulim Group.

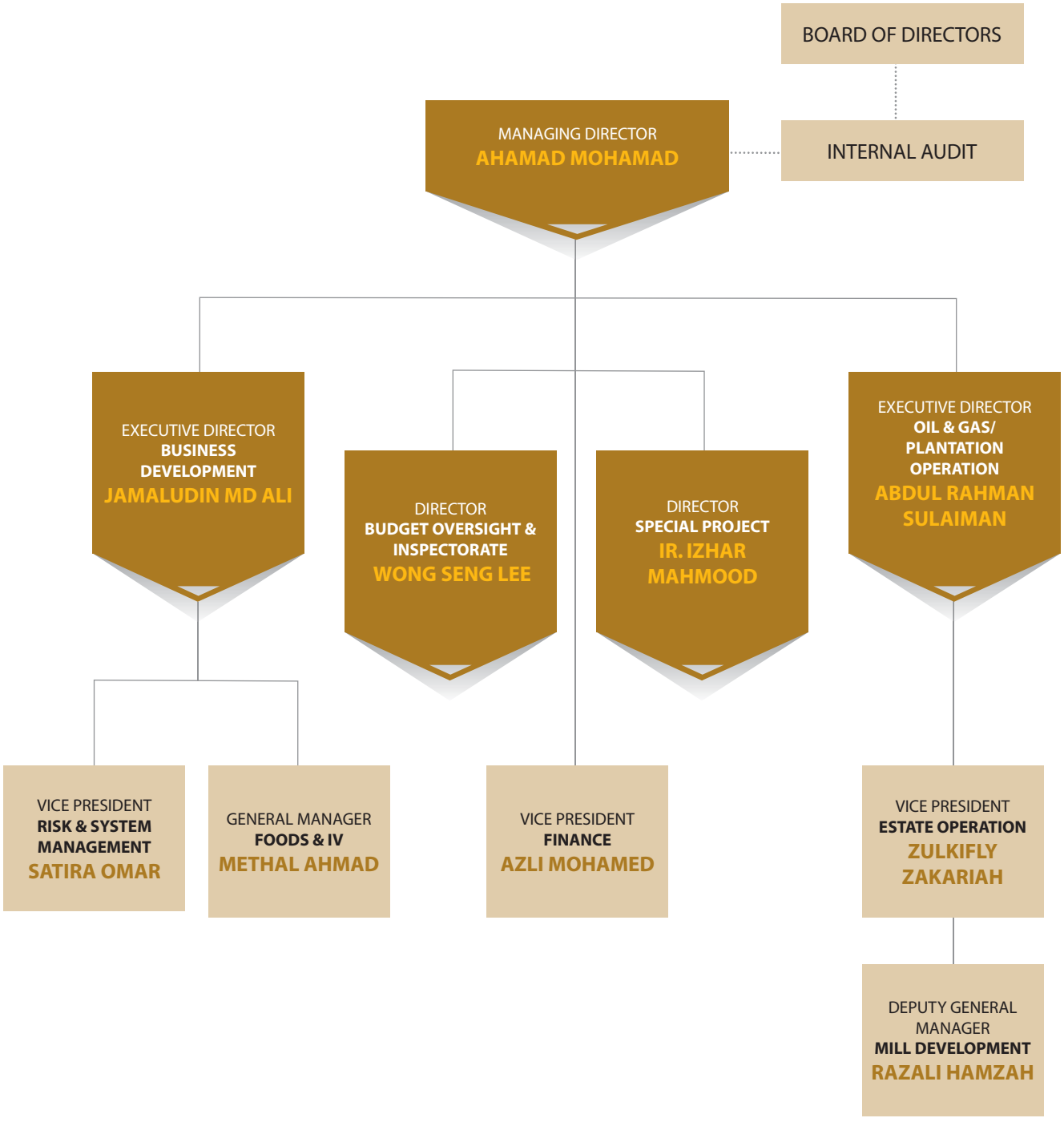
9. METHAL AHMAD
General Manager, Foods and Intrapreneur Ventures

Aged 52, appointed as General Manager of Foods & Intrapreneur Ventures Division on 1 January 2014. He holds the Bachelor of Science (Resource Economics) and Diploma of Science (Forestry) from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He joined Sindora Berhad on 19 October 1989 as Planning Executive. He also sits on the Board of several companies within the Kulim Group.

10. RAZALI HAMZAH
Deputy General Manager, Mill Development

Age 39, was appointed as Deputy General Manager of Mill Development Department on 1 January 2013. He holds the Bachelor of Mechanical Engineering (Hons) from Queensland University of Technology, Queensland, Australia and Diploma in Business Administration from Henley Management College, London, United Kingdom. He joined the Company on 29 April 1999 as a Cadet Engineer. He also sits on the Board of several companies within the Kulim Group.

ORGANISATION CHART



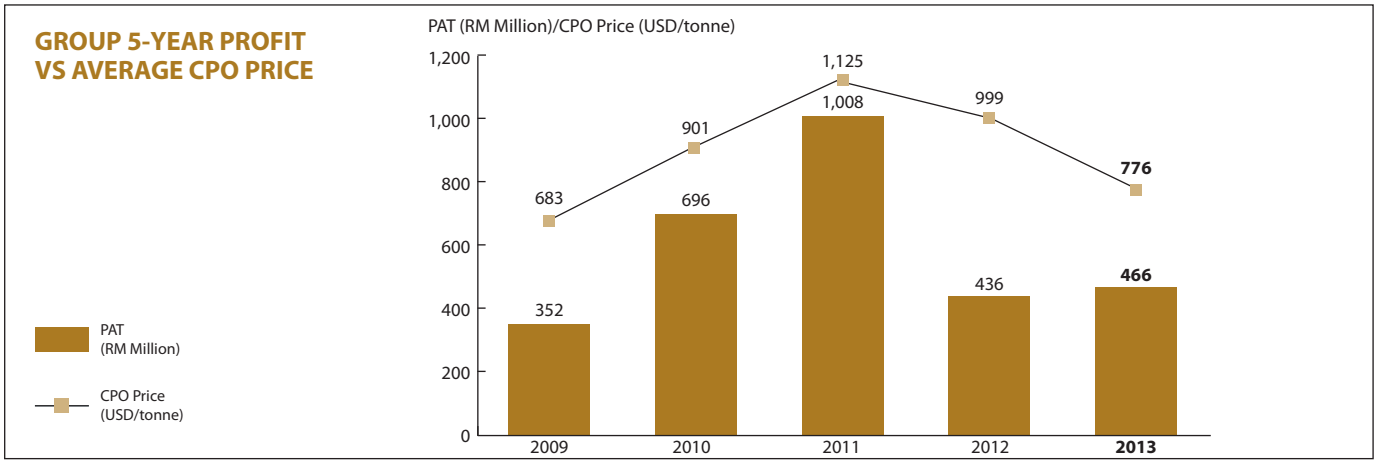
CPO storage tanks at Sedenak Palm Oil Mill, Kulai

SECTION 3: PERFORMANCE HIGHLIGHTS AND STATISTICS

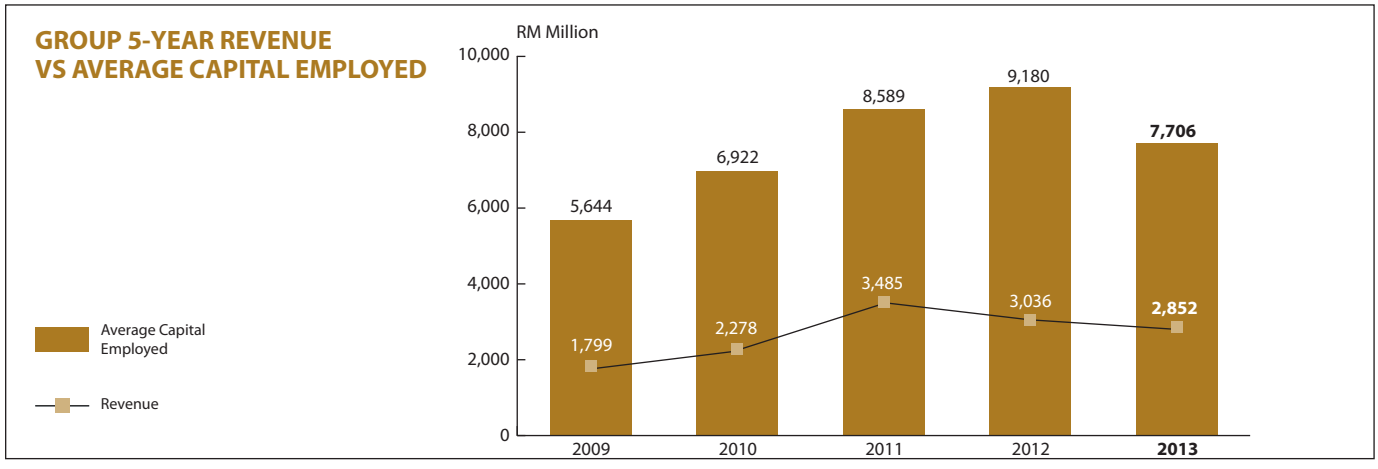
GROUP 5-YEAR FINANCIAL STATISTICS

	2013	2012	2011	2010	2009
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
REVENUE	**2,851,753**	3,035,893	3,484,970	2,277,814	1,798,901
Segment %:					
Plantation	**90%**	93%	94%	93%	89%
Intrapreneur Ventures	**7%**	6%	5%	5%	5%
Others	**3%**	1%	1%	2%	6%
PROFIT FROM OPERATIONS	**220,670**	421,379	1,132,781	557,352	357,677
Segment %:					
Plantation	**114%**	106%	100%	120%	113%
Intrapreneur Ventures	**20%**	6%	2%	(1%)	4%
Others	**(34%)**	(12%)	(2%)	(19%)	(17%)
Interest income	**11,109**	11,182	12,469	6,076	12,197
Finance costs	**(82,453)**	(93,327)	(67,218)	(65,791)	(54,933)
Share of results of associates	**300**	454	6,992	2,174	4,010
PROFIT BEFORE TAXATION	**149,626**	339,688	1,085,024	499,811	318,951
Taxation	**(99,864)**	(97,833)	(267,397)	(154,594)	(102,907)
PROFIT AFTER TAXATION FROM					
– Continuing operations	**49,762**	241,855	817,627	345,217	216,044
– Discontinued operation	**416,060**	193,888	190,239	350,609	135,867
NET PROFIT FOR THE YEAR	**465,822**	435,743	1,007,866	695,826	351,911
Attributable to:					
Owners of the Company	**431,068**	211,210	565,013	385,592	145,837
Non-controlling interests	**34,754**	224,533	442,853	310,234	206,074
NET PROFIT FOR THE YEAR	**465,822**	435,743	1,007,866	695,826	351,911

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



	2013	2012	2011	2010	2009
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
ASSETS EMPLOYED					
Other non-current assets	**6,624,596**	6,795,342	7,852,213	6,254,289	5,365,042
Intangible assets	**189,762**	204,667	1,097,799	1,046,895	891,691
Total Non-Current Assets	**6,814,358**	7,000,009	8,950,012	7,301,184	6,256,733
Other current assets	**1,238,362**	1,412,037	1,912,492	1,492,362	1,412,098
Cash and bank balances	**377,180**	280,889	644,702	452,146	405,227
Assets of disposal group classified as held for sale	**–**	3,408,193	13,032	–	–
Total Current Assets	**1,615,542**	5,101,119	2,570,226	1,944,508	1,817,325
Other current liabilities	**333,899**	1,487,009	935,471	1,084,744	847,454
Loans and borrowings	**1,030,716**	971,347	571,843	995,410	547,747
Liabilities of disposal group classified as held for sale	**–**	1,295,060	–	–	–
Total Current Liabilities	**1,364,615**	3,753,416	1,507,314	2,080,154	1,395,201
	7,065,285	8,347,712	10,012,924	7,165,538	6,678,857
FINANCED BY:					
Share capital	**323,513**	320,637	315,509	159,336	159,336
Reserves	**1,551,740**	1,622,712	1,540,087	1,433,182	1,491,041
Retained profits	**1,905,404**	1,474,336	2,436,500	1,972,850	1,720,988
Shareholders' equity	**3,780,657**	3,417,685	4,292,096	3,565,368	3,371,365
Non-controlling interests	**1,346,491**	2,781,972	2,628,603	1,977,374	1,699,037
Long-term borrowings	**1,032,921**	1,171,679	2,049,101	931,020	1,157,484
Other long-term liabilities	**905,216**	976,376	1,043,124	691,776	450,971
	7,065,285	8,347,712	10,012,924	7,165,538	6,678,857
Average capital employed	**7,706,499**	9,180,318	8,589,231	6,922,198	5,644,328
Average shareholders' equity	**3,599,171**	3,854,891	3,928,732	3,468,367	2,510,333



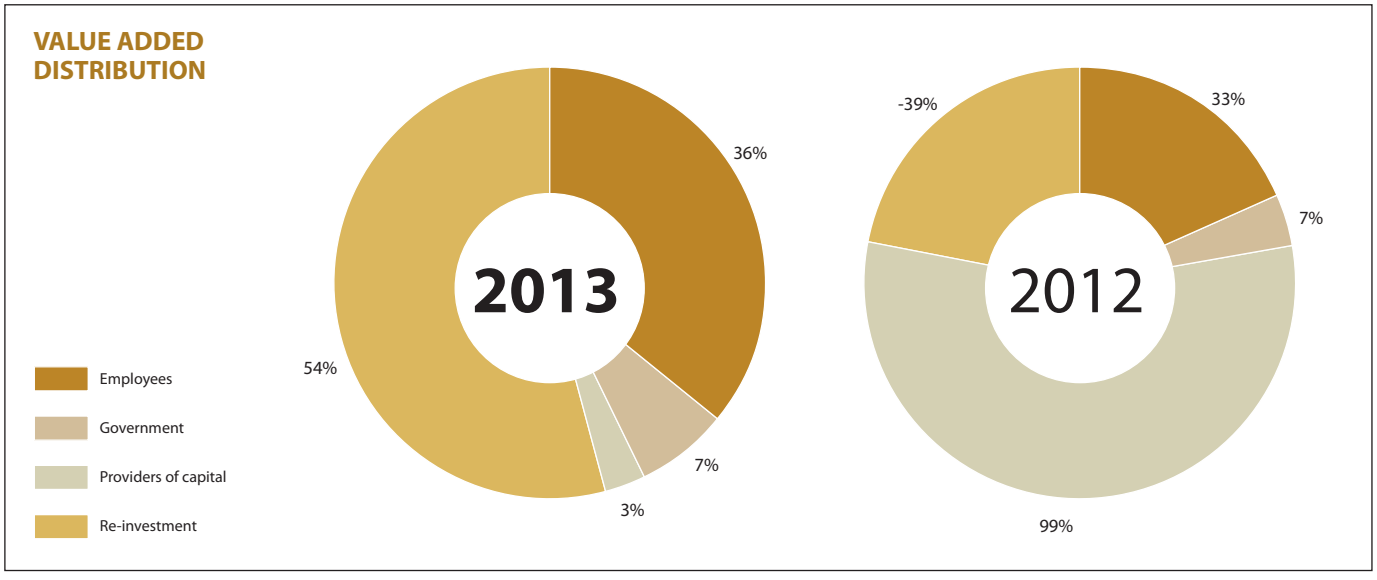
	2013	2012	2011	2010	2009
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flow from operating activities	**705,327**	971,707	1,441,863	804,778	641,664
Net cash flow from investing activities	**405,665**	(1,039,503)	(1,474,025)	(1,077,473)	(632,855)
Net cash flow from financing activities	**(1,345,144)**	168,250	180,358	316,116	(58,464)
Net change in cash and cash equivalents	**(234,152)**	100,454	148,196	43,421	(49,655)
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin	**7.74%**	13.88%	32.50%	24.47%	19.88%
PBT margin	**5.25%**	11.19%	31.13%	21.94%	17.73%
PATMI margin	**15.12%**	6.96%	16.21%	16.93%	8.11%
Return on average shareholders' equity	**11.98%**	5.48%	14.38%	11.12%	5.81%
Return on average capital employed	**5.59%**	2.30%	6.58%	5.57%	2.58%
Net assets per share (RM)	**2.96**	2.69	3.48	5.71	10.79
Solvency and Liquidity					
Gearing ratio (times)					
– Gross	**0.40**	0.35	0.38	0.35	0.34
– Net	**0.33**	0.30	0.29	0.27	0.26
Interest cover (times)	**2.81**	4.64	17.14	8.60	6.81
Current ratio (times)	**1.18**	1.36	1.71	0.93	1.30
Financial Market					
EPS (sen)					
– basic	**33.80**	16.84	45.90	30.86	47.22
– diluted	**33.48**	16.21	45.90	30.86	47.22
Gross dividend per share (sen)	**–**	98.44	5.00	50.00	17.50
Gross dividend rate (%)	**–**	394%	20%	100%	35%
Gross dividend yield (%)	**–**	21.12%	1.45%	5.83%	2.73%
Net dividend payout rate (%)	**–**	593.93%	10.93%	30.38%	16.06%
Average price-to-earning ratio (times)	**10.44**	27.67	7.53	27.77	13.58
Average price-to-book ratio (times)	**1.19**	1.74	0.99	1.50	0.59

GROUP QUARTERLY PERFORMANCE 2013

	2013			
	Q1	Q2	Q3	Q4
FINANCIAL PERFORMANCE (RM'000)				
Revenue	714,818	792,291	682,915	661,729
Plantation	91%	91%	89%	90%
Intrapreneur Ventures	8%	4%	8%	9%
Others	1%	5%	3%	1%
Operating results	52,029	50,270	64,668	53,708
Plantation	115%	131%	106%	105%
Intrapreneur Ventures	22%	(16%)	25%	49%
Others	(37%)	(15%)	(31%)	(54%)
Share of results of associates	30	136	18	116
Profit before interest	52,059	50,406	64,686	53,824
Add/(Less):				
Interest income	445	2,534	2,757	5,378
Finance cost	(19,881)	(19,485)	(21,958)	(21,129)
Profit before taxation	32,623	33,455	45,485	38,073
Basic earnings per share (sen)	27.46	5.24	1.30	(0.61)
OPERATIONAL RESULTS				
FFB production (tonnes)				
– Malaysia	158,827	179,466	243,020	234,583
– PNG and SI	405,157	425,467	325,626	339,896
Group	563,984	604,933	568,646	574,479
CPO production (tonnes)				
– Malaysia	58,906	54,242	70,027	71,560
– PNG and SI	121,758	139,354	94,973	105,975
Group	180,664	193,596	165,000	177,535

GROUP STATEMENT OF VALUE ADDED

	2013 RM'000	2012 RM'000
Revenue	**2,851,753**	3,035,893
Purchase of goods and services	**(1,902,063)**	(1,774,081)
Value added by the Group	**949,690**	1,261,812
Other income	**77,723**	133,820
Finance costs	**(82,453)**	(93,327)
Share of results of associates	**300**	454
Discontinued operation	**416,060**	193,888
Value added available for distribution	**1,361,320**	1,496,647
Distribution		
To employees		
Staff costs	**489,999**	496,740
To the Government		
Taxation	**99,864**	97,833
To providers of capital		
Dividends to shareholders	**–**	1,254,442
Non-controlling interests	**34,754**	224,533
To re-invest in the Group		
Depreciation and amortisation	**305,635**	466,331
Retained profits	**431,068**	(1,043,232)
	1,361,320	1,496,647
No. of employees at year end	**23,729**	21,758
Value added per employee (RM)	**40,022**	57,993
Wealth created per employee (RM)	**57,370**	68,786
No. of shares at year end ('000 units)	**1,278,731**	1,272,669
Value added per share (RM)	**0.74**	0.99
Wealth created per share (RM)	**1.06**	1.18



5-YEAR PLANTATION STATISTICS
GROUP

	2013	2012	2011	2010	2009
OIL PALM					
Production (tonnes)					
Fresh Fruit Bunches (FFB)	**2,312,042**	2,304,012	2,375,388	1,985,619	1,643,810
Crude Palm Oil	**716,795**	715,207	737,323	607,653	501,587
Palm Kernel	**182,331**	177,998	185,009	148,413	124,311
FFB processed	**3,345,529**	3,294,771	3,340,307	2,790,553	2,305,671
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**21.82**	22.72*	24.36	21.66	23.97
OER (%)	**21.43**	21.71	22.07	21.78	21.75
KER (%)	**5.45**	5.40	5.54	5.32	5.39
AREA STATEMENT (HECTARES)					
Oil palm					
– mature	**105,977**	101,916	101,303	100,185	68,583
– immature area	**21,015**	22,018	17,352	12,039	15,289
	126,992	123,934	118,655	112,224	83,872
Sugar	**7,718**	7,721	7,720	8,231	8,199
Other crops (excluding inter-row planted fruits)	**860**	955	910	900	846
	8,578	8,676	8,630	9,131	9,045
Planted area	**135,570**	132,610	127,285	121,355	92,917
Pastures	**9,282**	9,282	9,282	9,518	9,729
Reserve land, building sites etc	**40,919**	42,204	36,453	34,459	22,177
Titled area	**185,771**	184,096	173,020	165,332	124,823

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

5-YEAR PLANTATION STATISTICS

MALAYSIA

	2013	2012	2011	2010	2009
OIL PALM					
Production (tonnes)					
FFB produced – Processed by own mills	**801,297**	605,298	554,156	461,016	461,834
FFB produced – Sold to others	**14,599**	110,228	82,605	90,210	142,151
Total FFB produced	**815,896**	715,526	636,761	551,226	603,985
Purchased FFB	**458,561**	416,393	365,151	345,281	372,437
Total FFB processed	**1,259,858**	1,021,691	919,307	806,297	834,271
Crude Palm Oil	**254,735**	207,265	185,666	163,233	166,059
Palm Kernel	**70,891**	58,773	53,678	47,758	49,950
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**22.11**	20.68*	21.89	19.01	21.22
OER (%)	**20.22**	20.29	20.20	20.24	19.90
KER (%)	**5.63**	5.75	5.84	5.92	5.99
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	**2,472**	2,923	3,193	2,604	2,167
Palm Kernel (ex-mill)	**1,287**	1,599	2,300	1,666	1,052
RUBBER					
Production (kg)	**–**	–	–	33,398	626,760
Yield per mature hectare (kg)	**–**	–	–	362	1,250
Average selling prices (sen per kg)	**–**	–	–	1,032	591
AREA STATEMENT (HECTARES)					
Oil palm					
– mature	**36,909**	35,170	32,865	28,997	28,317
– immature	**10,198**	10,422	7,458	5,416	6,649
	47,107	45,592	40,323	34,413	34,966
Other crops:					
Rubber	**410**	503	498	498	501
Sentang	**25**	25	25	25	28
Pineapple	**166**	168	128	118	58
Fruits (inter-row planting with oil palm)	**666**	580	546	425	324
Planted area	**47,708**	46,288	40,974	35,054	35,553
Reserve land, building sites etc	**3,452**	3,263	2,916	2,396	2,516
Titled area	**51,160**	49,551	43,890	37,450	38,069

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

** Rubber area was leased out w.e.f. 1 April 2010.

5-YEAR PLANTATION STATISTICS

PAPUA NEW GUINEA

	2013	2012	2011	2010	2009
OIL PALM					
Production (tonnes)					
FFB produced	**1,364,046**	1,457,830	1,608,330	1,313,876	932,568
Purchased FFB	**578,548**	668,686	668,155	538,041	419,456
FFB processed	**1,942,595**	2,126,516	2,276,485	1,851,917	1,352,024
Crude Palm Oil	**429,906**	476,096	520,065	415,801	310,405
Palm Kernel	**103,898**	111,188	122,999	93,123	67,279
Refined Palm Oil	**57,810**	67,826	59,741	66,434	68,798
Palm Olein	**43,640**	48,695	27,120	34,418	34,413
Palm Stearin	**12,961**	12,496	16,398	15,448	11,537
Crude Palm Kernel Oil	**42,623**	33,878	36,283	31,039	27,625
Oil palm seeds (million sold)	**6.86**	14.73	11.78	8.35	4.51
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**21.47**	23.64	25.49	23.60	26.53
OER (%)	**22.13**	22.39	22.85	22.42	22.96
KER (%)	**5.35**	5.23	5.40	5.08	4.98
Average Selling Prices (USD per tonne CIF)					
Crude Palm Oil	**863**	1,062	1,014	771	631
Refined Palm Oil	**–**	1,337	–	726	896
Palm Olein	**1,124**	–	1,281	912	780
Palm Stearin	**900**	1,092	1,226	912	863
Crude Palm Kernel Oil	**951**	1,119	1,675	1,141	771
Seeds (USD per seed)	**0.78**	0.77	0.76	0.73	0.77
AREA STATEMENT (HECTARES)					
Oil palm					
– mature	**63,538**	61,668	63,091	65,306	35,154
– immature	**10,072**	10,560	8,924	6,191	7,392
	73,610	72,228	72,015	71,497	42,546
Sugar	**7,718**	7,721	7,720	8,231	8,199
Other crops	**259**	259	259	259	259
Planted area	**81,587**	80,208	79,994	79,987	51,004
Pastures	**9,282**	9,282	9,282	9,518	9,729
Reserve land, building sites etc	**36,002**	37,478	32,277	30,800	18,444
Titled area	**126,871**	126,968	121,553	120,305*	79,177

* Inclusive of Kula w.e.f. 1 May 2010.

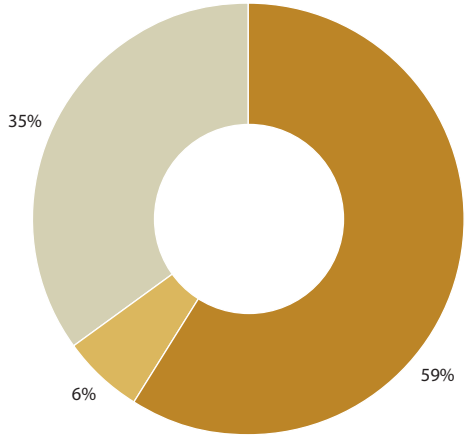
5-YEAR PLANTATION STATISTICS
SOLOMON ISLANDS

	2013	2012	2011	2010	2009
OIL PALM					
Production (tonnes)					
FFB produced	**132,100**	130,656	130,297	120,517	107,257
Purchased FFB	**10,976**	15,908	14,218	11,822	12,119
Processed FFB	**143,076**	146,564	144,515	132,339	119,376
Crude Palm Oil	**32,154**	31,846	31,592	28,619	25,123
Palm Kernel	**7,542**	8,037	8,332	7,532	7,082
Crude Palm Kernel Oil	**3,173**	3,387	3,537	3,206	3,098
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**23.89**	25.73	24.37	21.97	20.98
OER (%)	**22.47**	21.73	21.86	21.63	21.05
KER (%)	**5.27**	5.48	5.77	5.69	5.93
Average Selling Prices (USD per tonne CIF)					
Crude Palm Oil	**898**	1,067	1,014	771	640
Palm Kernel Oil	**1,151**	1,450	1,675	1,141	722
AREA STATEMENT (HECTARES)					
Oil palm					
– mature	**5,530**	5,078	5,347	5,882	5,112
– immature area	**745**	1,036	970	432	1,248
Planted area	**6,275**	6,114	6,317	6,314	6,360
Reserve land, building sites etc	**1,465**	1,463	1,260	1,263	1,217
Titled area	**7,740**	7,577	7,577	7,577	7,577

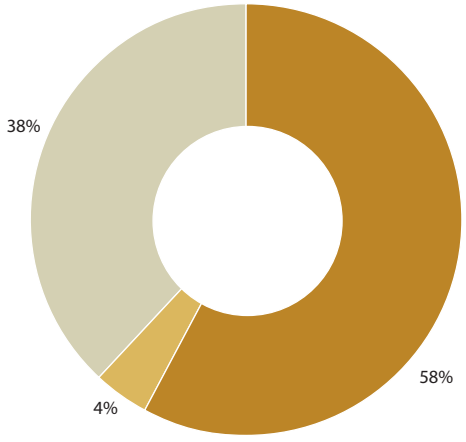
PLANTATION PERFORMANCE 2013

A SNAPSHOT

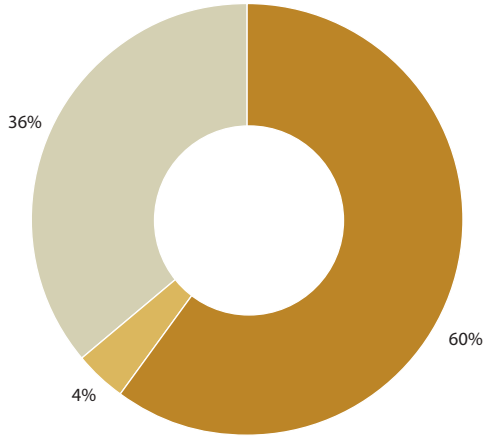
FFB PRODUCED
2,312,042 Tonnes



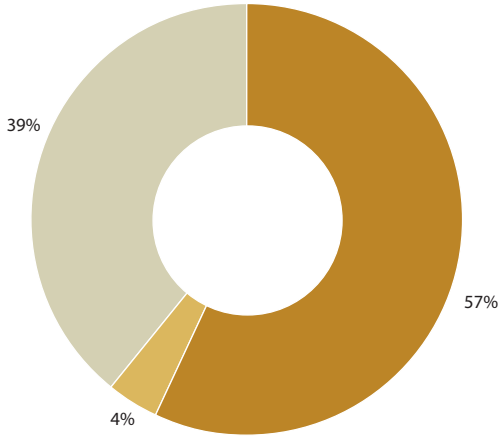
FFB PROCESSED
3,345,529 Tonnes



CPO PRODUCED
716,795 Tonnes



PK PRODUCED
182,331 Tonnes

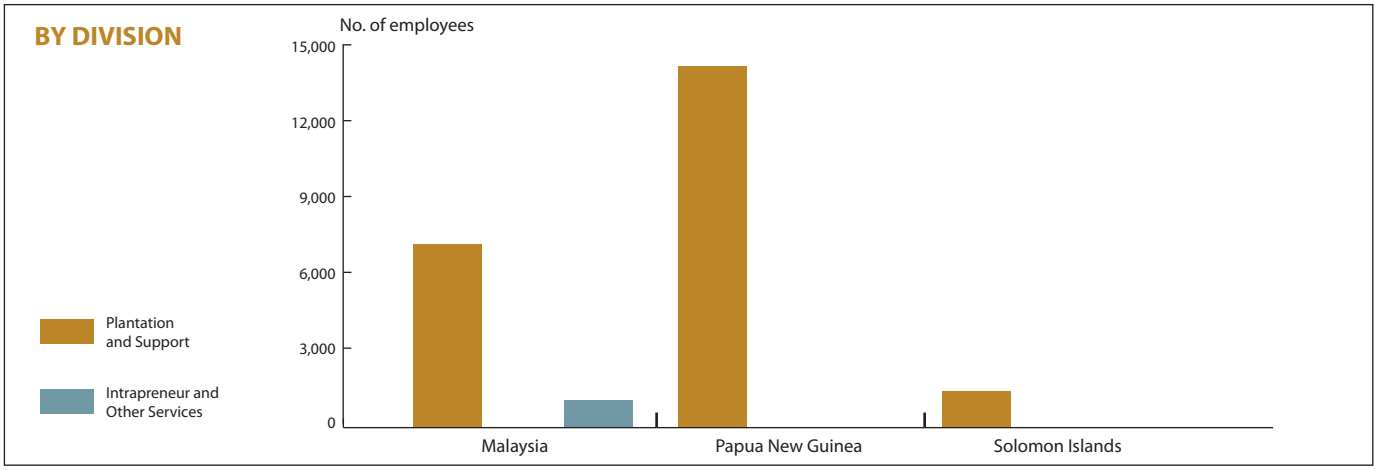


Malaysia Papua New Guinea Solomon Islands

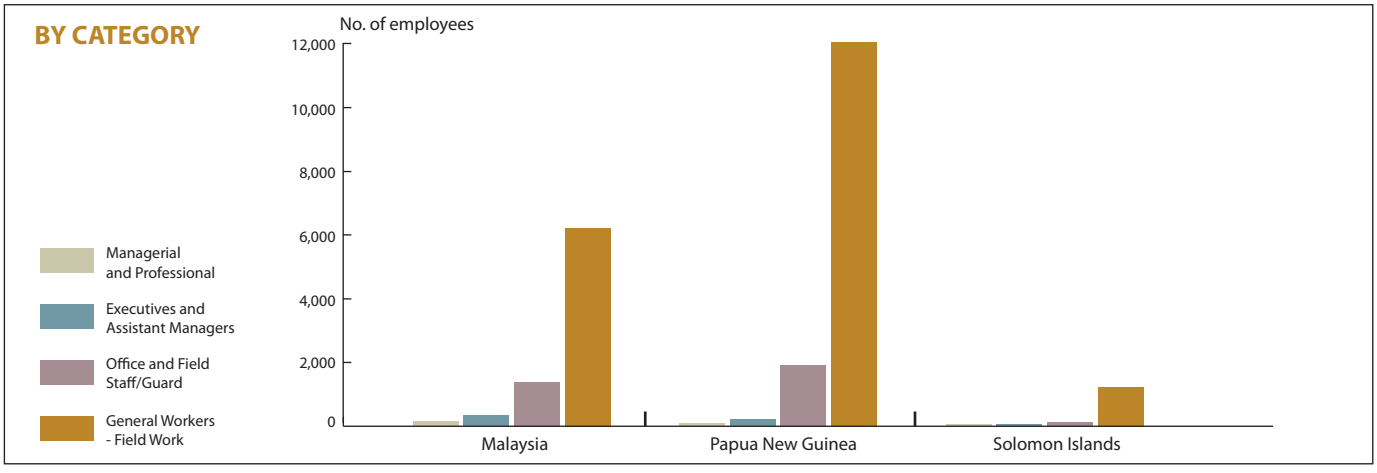
HUMAN CAPITAL STATISTICS

AS AT 31 DECEMBER 2013

	BY DIVISION			
	MALAYSIA	PAPUA NEW GUINEA	SOLOMON ISLANDS	TOTAL
Plantation and Support	7,053	14,257	1,376	22,686
Intrapreneur and Other Services	1,043	–	–	1,043
	8,096	**14,257**	**1,376**	**23,729**



	BY CATEGORY			
	MALAYSIA	PAPUA NEW GUINEA	SOLOMON ISLANDS	TOTAL
Managerial and Professional	161	59	13	233
Executives and Assistant Managers	336	221	15	572
Office and Field Staff/Guard	1,391	1,927	111	3,429
General Workers – Field Work	6,208	12,050	1,237	19,495
	8,096	**14,257**	**1,376**	**23,729**



SHAREHOLDING STATISTICS
AS AT 5 MAY 2014

Authorised Share Capital : RM500,000,000.00
Issued & Fully Paid-Up Capital : RM323,557,987.75 less RM3,830,500 Treasury Shares = RM319,727,487.75
Class of Shares : Ordinary Share of RM0.25 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	162	1.66	6,333	–
100 – 1,000	1,789	18.31	1,532,808	0.12
1,001 – 10,000	5,522	56.50	25,102,877	1.96
10,001 – 100,000	1,981	20.27	54,635,343	4.27
100,001 to less than 5% of Issued Capital	317	3.24	426,868,630	33.38
5% and above of Issued Capital	2	0.02	770,763,960	60.27
TOTAL	**9,773**	**100.00**	**1,278,909,951**	**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	Johor Corporation	672,024,160	52.55
2	Kumpulan Wang Persaraan (Diperbadankan)	98,739,800	7.72
3	Waqaf An-Nur Corporation Berhad	62,866,182	4.92
4	Citigroup Noms (T) Sdn Bhd – A/C Employees Provident Fund Board	53,704,000	4.20
5	HSBC Noms (A) Sdn Bhd – A/C NTGS LDN for Skagen Kon-Tiki Verdipapirfond	50,827,600	3.97
6	Citigroup Noms (T) Sdn Bhd – A/C Exempt AN for AIA Bhd.	24,807,000	1.94
7	Johor Corporation	22,478,400	1.76
8	HSBC Noms (A) Sdn Bhd – A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK)	11,530,000	0.90
9	Citigroup Noms (A) Sdn Bhd – A/C CBNY for Dimensional Emerging Markets Value Fund	9,518,600	0.74
10	Johor Corporation	7,336,800	0.57
11	AmanahRaya Trustees Berhad – A/C Public Islamic Select Treasures Fund	6,599,500	0.52
12	Tabung Amanah Warisan Negeri Johor	6,423,200	0.50
13	Citigroup Noms (T) Sdn Bhd – A/C Employees Provident Fund Board (CIMB PRIN)	5,152,500	0.40
14	AmanahRaya Trustees Berhad – A/C Amanah Saham Wawasan 2020	5,022,020	0.39
15	Zalaraz Sdn Bhd	4,900,800	0.38
16	Malaysia Noms (T) Sendirian Berhad – A/C Great Eastern Life Assurance (Malaysia) Berhad (LGF)	4,343,800	0.34
17	HSBC Noms (A) Sdn Bhd – A/C Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	4,225,400	0.33
18	Malaysia Noms (T) Sendirian Berhad – A/C Great Eastern Life Assurance (Malaysia) Berhad (LSF)	4,069,700	0.32

TOP THIRTY SECURITIES ACCOUNT HOLDERS (cont'd)

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

	NAME	NO. OF SHARES	%
19	AmanahRaya Trustees Berhad – A/C PUBLIC ISLAMIC SECTOR SELECT FUND	3,663,800	0.29
20	Citigroup Noms (A) Sdn Bhd – A/C CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,059,500	0.24
21	Lembaga Tabung Angkatan Tentera	3,008,600	0.24
22	Citigroup Noms (A) Sdn Bhd – A/C CBNY for DFA Emerging Markets Small Cap Series	2,828,900	0.22
23	DB (M) Nom (A) Sdn Bhd – A/C SSBT Fund WTAU For Wisdomtree Emerging Markets Smallcap Dividend Fund	2,826,931	0.22
24	CIMB Commerce Trustee Berhad – A/C Public Focus Select Fund	2,764,200	0.22
25	RHB Noms (T) Sdn Bhd – A/C Jedcon Engineering Survey Sdn Bhd	2,650,000	0.21
26	Citigroup Noms (T) Sdn Bhd – A/C Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,573,300	0.20
27	CIMSEC Noms (T) Sdn Bhd – A/C CIMB Bank for Arshad bin Ayub (My1393)	2,472,800	0.19
28	AmanahRaya Trustees Berhad – A/C Public Savings Fund	2,307,000	0.18
29	Gan Teng Siew Realty Sdn.Berhad	2,256,800	0.18
30	Jedcon Engineering Survey Sdn. Bhd.	2,050,600	0.16

SUBSTANTIAL SHAREHOLDERS

			DIRECT		INDIRECT	
	NAME		NO. OF SHARES	%	NO. OF SHARES	%
1	Johor Corporation		701,839,360	54.88	69,562,694	5.44
2	Kumpulan Wang Persaraan (Diperbadankan)	98,739,800				
	Citigroup Noms (T) Sdn Bhd – A/C Kumpulan Wang Persaraan (Diperbadankan) - 3 a/cs	4,912,100	103,651,900	8.10	–	–

ANALYSIS OF SHAREHOLDERS

		NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Malaysian	– Bumiputera	1,021	10.45	940,552,935	73.54
	– Others	7,912	80.96	197,502,975	15.44
Foreigners		840	8.59	140,854,041	11.02
TOTAL		**9,773**	**100.00**	**1,278,909,951**	**100.00**

WARRANTHOLDING STATISTICS
AS AT 5 MAY 2014

BREAK DOWN OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	440	10.01	13,503	0.01
100 – 1,000	1,687	38.38	981,723	0.79
1,001 – 10,000	1,686	38.36	6,620,255	5.33
10,001 – 100,000	472	10.74	15,561,976	12.54
100,001 to less than 5% of Issued Capital	107	2.44	38,749,113	31.21
5% and above of Issued Capital	3	0.07	62,228,650	50.12
TOTAL	**4,395**	**100.00**	**124,155,220**	**100.00**

TOP THIRTY SECURITIES ACCOUNT HOLDERS

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

	NAME	NO. OF WARRANTS	%
1	Johor Corporation	28,013,400	22.56
2	Waqaf An-Nur Corporation Berhad	25,777,700	20.76
3	HSBC Noms (A) Sdn Bhd – A/C NTGS LDN for Skagen Kon-Tiki Verdipapirfond	8,437,550	6.80
4	Su Ming Keat	2,899,800	2.34
5	HLIB Noms (T) Sdn Bhd – A/C Tan Kit Pheng (M)	1,696,000	1.37
6	HDM Noms (T) Sdn Bhd – A/C Mohd Fauzy bin Abdullah (M09)	1,300,000	1.05
7	Toh Cheok	1,069,100	0.86
8	Lee Keng Hong	864,900	0.70
9	Yeow Ho Huat	827,560	0.67
10	Saw Huat Seong	826,600	0.67
11	Britz Networks Sdn. Bhd.	815,000	0.66
12	Suraya Elland Yusoff	800,000	0.64
13	TA Noms (T) Sdn Bhd - A/C for Tan Kit Pheng	765,000	0.62
14	Yeo Hock Kim	740,000	0.60
15	Yayasan Teratai	700,000	0.56
16	CimSec Noms (T) Sdn Bhd – A/C CIMB for Lee Keng Hong (PB)	650,000	0.52
17	CimSec Noms (T) Sdn Bhd – A/C CIMB for Ahmad Fuad bin Md Ali (PB)	630,000	0.51
18	Eugene Wan Khai Yin	630,000	0.51
19	Nadzley binti Noordin	600,000	0.48
20	Nik Mohamed Din bin Nik Yusoff	600,000	0.48
21	Mohd Fauzy bin Abdullah	570,000	0.46
22	Toh Cheok	520,000	0.42
23	Syed Jalaludin bin Syed Salim	520,000	0.42
24	Low Swee Chong	520,000	0.42
25	Lee Keng Hong	513,300	0.41

TOP THIRTY SECURITIES ACCOUNT HOLDERS (cont'd)

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

	NAME	NO. OF WARRANTS	%
26	Citigroup Noms (A) Sdn Bhd – A/C Exempt An for OCBC Securities Private Limited (Client A/C-NR)	509,986	0.41
27	Koh Ping Ming @ Quek Ping Ming	500,000	0.40
28	Kenanga Noms (T) Sdn Bhd – A/C Lee Youn Sue (10MG00003)	494,000	0.40
29	Citigroup Noms (A) Sdn Bhd – A/C Exempt An For Citibank Na, Singapore (Julius Baer)	424,980	0.34
30	Lau Jit Weng	413,000	0.33

SUBSTANTIAL WARRANTHOLDERS

		DIRECT		INDIRECT	
	NAME	NO. OF WARRANTS	%	NO. OF WARRANTS	%
1	Johor Corporation	28,013,400	22.56	25,921,338	20.88
2	Waqaf An-Nur Corporation Berhad	25,777,700	20.76	–	–
3	HSBC Noms (A) Sdn Bhd - A/C NTGS LDN for Skagen Kon-Tiki Verdipapirfond	8,437,550	6.80	–	–

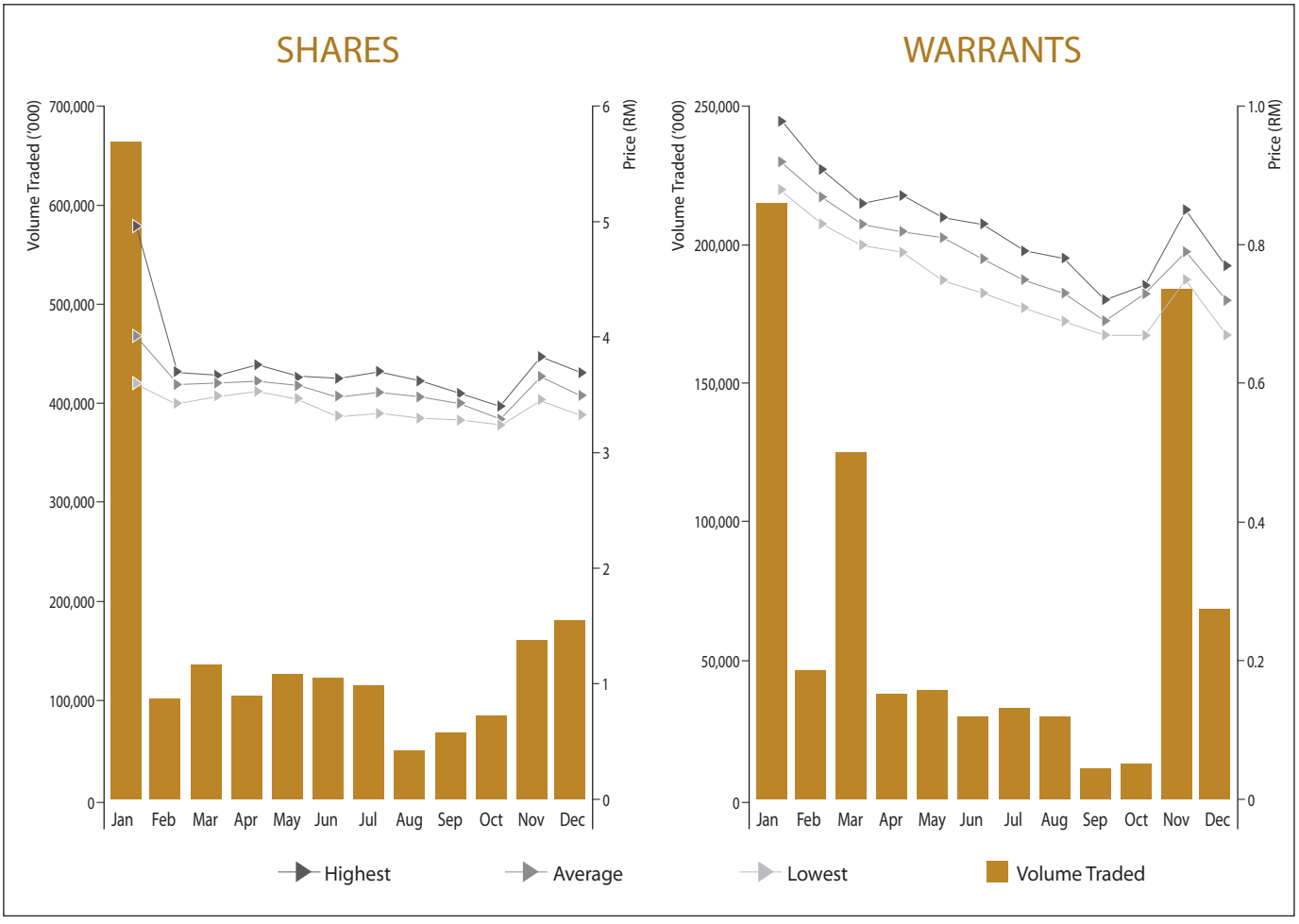
ANALYSIS OF WARRANTHOLDERS

		NO. OF WARRANTHOLDERS	%	NO. OF WARRANTHOLDERS	%
Malaysian	– Bumiputera	459	10.44	65,014,580	52.37
	– Others	3,420	77.82	44,190,614	35.59
Foreigners		516	11.74	14,950,026	12.04
TOTAL		4,395	100.00	124,155,220	100.00

PRICE PERFORMANCE AND VOLUME TRADED 2013

SHARES AND WARRANTS

Months	Closing Share Price (RM)			Volume Traded ('000)	Closing Warrant Price (RM)			Volume Traded ('000)
	Highest	Average	Lowest		Highest	Average	Lowest	
JANUARY	4.960	4.010	3.600	664,201	0.975	0.920	0.880	214,984
FEBRUARY	3.700	3.590	3.430	101,847	0.910	0.870	0.830	46,406
MARCH	3.670	3.600	3.490	136,427	0.855	0.830	0.800	125,123
APRIL	3.760	3.620	3.530	104,518	0.865	0.820	0.785	37,525
MAY	3.650	3.580	3.470	126,956	0.835	0.810	0.750	39,210
JUNE	3.640	3.490	3.320	121,694	0.825	0.780	0.730	30,019
JULY	3.700	3.520	3.340	115,682	0.795	0.750	0.710	32,740
AUGUST	3.620	3.480	3.300	48,894	0.775	0.730	0.690	29,662
SEPTEMBER	3.510	3.430	3.280	67,772	0.720	0.690	0.670	11,137
OCTOBER	3.400	3.290	3.240	85,302	0.735	0.730	0.670	12,610
NOVEMBER	3.830	3.660	3.460	160,564	0.850	0.790	0.745	183,982
DECEMBER	3.690	3.500	3.330	180,025	0.765	0.720	0.665	68,825



SECTION 4: SEGMENT REVIEW

The 7 acres wetland at Selai Estate, Kluang

RESOLVES A REACH FOR RESPONSIBILITY

We strongly subscribe and uphold the three pillars of **Responsible** business operations - People, Planet and Profit.

PLANTATION

INDUSTRY OVERVIEW

DURING THE YEAR, VEGETABLE OILS, EXCEPT FOR PALM OIL, MOSTLY DEPRECIATED IN PRICE. GLOBAL OILSEED OUTPUT FOR 2012/2013 ROSE TO 473.7 MILLION METRIC TONNES FROM 447 MILLION METRIC TONNES HARVESTED IN THE 2011/2012 PERIOD FOLLOWING A JUMP IN SOYBEAN PRODUCTION FROM SOUTH AMERICA AND RAPESEED OUTPUT FROM EUROPE. THE PRICES OF ALL VEGETABLE OILSEEDS AND OILS TRENDED DOWN IN LATE 2012 AND SUBSEQUENTLY FLUCTUATED THROUGHOUT THE FIRST HALF OF 2013 EFFECTED BY THE SOFTER SOYBEAN SEED, SOYBEAN OIL AND PALM OIL PRICES DUE TO FAVOURABLE HARVESTS IN THE MAIN SOYBEAN-PRODUCING COUNTRIES, WEAKER GROWTH IN DEMAND FROM CHINA AND THE EUROPEAN UNION AND AMPLE SUPPLIES FROM MALAYSIA AND INDONESIA, THE WORLD'S TOP PALM OIL PRODUCERS. FROM JULY, PALM OIL PRICES EASED FURTHER IN TANDEM WITH SOYBEAN OIL PRICES FOLLOWING GOOD WEATHER IN THE MIDWEST OF THE UNITED STATES AND KEY GROWING REGIONS IN BRAZIL.

On the supply side, contractions in supplies of olive and sunflower seed oils meant that world vegetable oil production in the 2012/2013 period increased only moderately to 160.6 million tonnes, some 3.2 million tonnes more than the preceding year. Palm oil production rose by 3.8 million tonnes year-on-year to 55.8 million tonnes. On the demand side, the rate of growth in the world's consumption of the 8 major vegetable oils continued to slow in 2012/2013 as buyers remained cautious following worldwide macroeconomic challenges and currency fluctuations, particularly in emerging markets. Total vegetable oil consumption was estimated at 158.4 million tonnes for the year, an increase of 3.5 percent in comparison to the 2011/2012 growth of 4.5 percent.

World vegetable oil stocks rose by 0.5 million tonnes to 18.0 million tonnes in 2012/2013 from 17.5 million tonnes in 2011/2012, with increases recorded only in rapeseed oil and palm oil stocks. The increase in palm oil stocks was unexpected. Leading consumers cut back on purchases late in the year expecting prices to go on weakening into 2014.

MALAYSIA

The year 2013 witnessed a mixed performance for the Malaysian palm oil industry. Crude Palm Oil ("CPO") productions and exports demand increased while imports were low throughout the year. The decrease in average local CPO prices were in line with weaker Brent crude oil prices in 2013 that were down to USD109 per barrel as against USD112 per barrel in 2012. Coupled with concerns over the uncertain global economic outlook during the first half of the year and a moderating world market for vegetable oils, the average export prices for processed palm oil products were depressed.

The average price of CPO, although lower than the previous year, was on an uptrend from RM2,221 in January 2013 to close at RM2,574 in December 2013. The CPO price stayed in the doldrums for the first half of the year mainly due to market concerns over the build-up in domestic palm oil stock levels until rallying in June to reach RM2,386 but then declined again. The CPO price rebounded to its highest level of RM2,574 in December mainly supported by higher export performance during the third quarter of the year and concerns over palm oil supply disruption as a result of the monsoon season in the oil palm growing states of the East Coast and Johor in Malaysia.

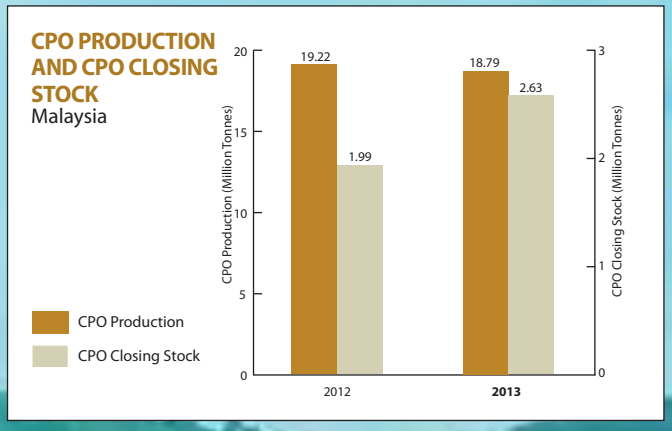
The annual average CPO price in 2013 was lower than the prior year, declining to RM2,371 per tonne as against RM2,764 per tonne in 2012, mainly pressured by market sentiment toward higher palm oil stock levels at 2.56 million tonnes and 2.43 million tonnes in January and February 2013, respectively. In addition, weaker soybean and rapeseed oil prices in 2013, down by USD169 per tonne and USD158 per tonne to USD1,057 per tonne and USD1,082 per tonne, respectively, further added to the bearish palm oil price sentiment for most of 2013.

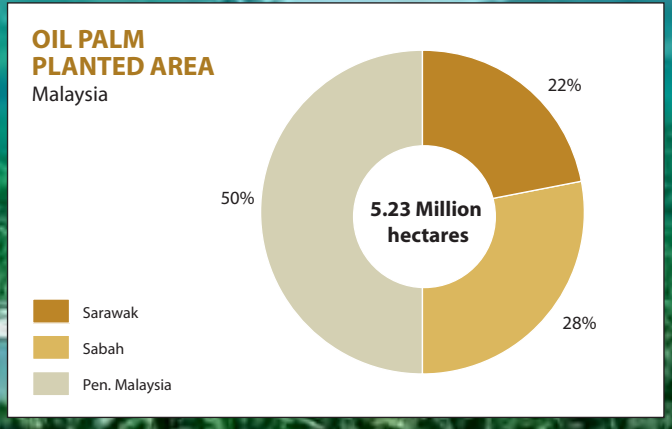
In 2013, national CPO production recorded an increase of 2.3% to 19.22 million tonnes against 18.79 million tonnes recorded in 2012. This was due to the higher Fresh Fruit Bunch ("FFB") yield, up 0.7%, as well as additional new matured areas coming into production especially in Sarawak. CPO production in Peninsular Malaysia recorded an increase of 0.1% to 10.33 million tonnes, while Sabah increased output by 4.2% to 5.78 million tonnes and Sarawak increased by 6.5% to 3.11 million tonnes. The oil palm planted area in 2013 reached 5.23 million hectares, an increase of 3.0% as against 5.08 million hectares recorded in the previous year. This was mainly due to the increase in new planted area in Sarawak, which recorded an increase of 7.9% or 84,660 hectares. Sabah registered a stand of 1.48 million hectares or 28% of the total oil palm planted area, followed by Sarawak with 1.16 million hectares or 22%, while Peninsular Malaysia accounted for 2.59 million hectares or 50%.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 4.5% to 25.70 million tonnes in 2013 from 24.59 million tonnes exported in 2012. Total export revenue, however, declined by 14.1% to RM61.36 billion compared to the RM71.45 billion achieved in 2012 due to lower export prices of all palm products. Palm oil proceeds recorded a decrease of 14.6% to RM45.27 billion as against the previous year which was recorded at RM52.99 billion tonnes.

Exports of palm oil increased by 3.3% to 18.15 million tonnes. The increase in palm oil export prices was mainly due to higher demand from China, Bangladesh, EU, Iran and Pakistan as well as from the impact of the CPO export duty structure implemented in January 2013 which triggered an increase in exports of processed palm oil by 9.5% from 12.93 million tonnes in 2012 to 14.16 million tonnes in 2013.

Palm oil stocks in 2013 were down by 24.3% to close at 1.99 million tonnes as compared to 2.63 million tonnes recorded in 2012. The lower closing stock was mainly due to higher exports up 3.1% to 18.12 million tonnes as well as the decline in imports by 60.1% to 0.56 million tonnes.





40 tonne-per-hour Sindora Palm Oil Mill, Kluang

PNG AND SI

The year was challenging for the industry in PNG and SI, with palm oil prices remaining subdued in the first half of the year, and akin to 2012, NBPOL endured another exceptionally wet first quarter in its biggest production location in West New Britain, which hampered crop harvesting and collection. At most of the production sites and regionally across South East Asia as a whole, FFB production was reportedly lower than expected in the second half of the year, suggesting this to be a biological yield effect. The lower palm oil prices obviously had a major impact on results. CPO prices peaked in April 2012 at USD1,200 and had fallen to USD770 by December 2012; in 2013 the prices remained range bound between USD770 and USD930. The total effect of prices on profitability when comparing 2013 with 2012 amounted to a USD79.7 million reduction in profit. Smallholder production was particularly impacted, down approximately 14% year-on-year. Lower palm prices disincentivised smallholders from harvesting fruits. Smallholders are typically more exposed to biological yield cycles due to lower fertiliser application.

FFB unloading at the loading ramp; Sedenak Palm Oil Mill, Kulai

FINANCIAL RESULTS

Revenue

BUSINESS SEGMENT	2013 RM Million	2013 %	2012 RM Million	2012 %
Plantation				
– Malaysia	**780.33**	**30%**	712.20	25%
– PNG and SI	**1,789.64**	**70%**	2,127.11	75%
Total Plantation	**2,569.97**	**100%**	2,839.31	100%

Profitability

BUSINESS SEGMENT	2013 RM Million	2013 %	2012 RM Million	2012 %
Plantation				
– Malaysia	**164.89**	**66%**	156.87	35%
– PNG and SI	**86.19**	**34%**	289.87	65%
Total Plantation	**251.08**	**100%**	446.74	100%

Total revenue from the Plantation Division in Malaysia, PNG, and SI dropped by 10% from RM2.84 billion in 2012 to RM2.57 billion in 2013, mainly due to lower revenue in the PNG and SI operations. The decline in PNG and SI was especially pronounced due to softer palm oil prices being compounded with lower production.

AVERAGE CPO PRICE	2013	2012
– Malaysia (RM/tonne)	**2,472**	2,923
– PNG and SI (USD/tonne)	**868**	1,062
– MPOB (RM/tonne)	**2,377**	2,764

Malaysia Plantation recorded a lower average palm oil price of RM2,472 per tonne in 2013 compared to RM2,923 per tonne in 2012 but compensated with higher production owing to full year contributions from plantation units acquired from Johor Corporation ("JCorp"): Palong, Mungka, Kemedak Estate for FFB, and Palong Cocoa Palm Oil Mill for CPO (2012: consolidated from 1 June 2012 onwards); and almost a full year's FFB contribution from Pasir Panjang Estate which was transferred to the Kulim Group from JCorp effective February 2013. Average prices achieved for Malaysia Plantation palm oil were above than the Malaysia Palm

Oil Board ("MPOB"). Productivity was maintained due to the continuous effort made by the operating units to enhance their agricultural best practices especially with regard to manuring, field upkeep, pest and disease control and adequate workforce.

At NBPOL, lower production was mainly due to heavy rainfall early in the year, the accelerated replanting of over 6,500 hectares of aged palms at Kula plantations during 2012 and 2013, and biological yield declines in the second half of the year.

Sugar sales in PNG for 2013 were 31,401 tonnes at an average price of USD1,464 per tonne (2012: 31,697 tonnes at an average price of USD1,761 per tonne), generating revenues of USD46.0 million, a decrease of USD9.8 million or 17.6% on the prior year. As sugar sales are denominated in PNG Kina, declared revenues suffered from the depreciation of the US Dollar during the year. Seed revenues of USD5.6 million were much lower than the USD11.8 million achieved in the prior year owing to reduced demand and a lower volume of 6.9 million seeds sold versus 14.7 million in 2012.

In terms of profitability, the 44% decline in Group Plantation Earnings Before Interest and Tax ("EBIT") as compared to last year was mainly attributable to the significant drop in performance by the PNG and SI operations where EBIT contracted by 70% from RM289.87 million in 2012 to RM86.19 million in 2013.

Production cost in Malaysia per tonne of CPO decreased slightly from RM1,985 per tonne in 2012 to RM1,835 per tonne in 2013 at gross mainly due to both higher FFB throughput and CPO production plus greater estate efficiencies and a number of cost control initiatives implemented during the year.

At NBPOL, the cost of sales covering cultivation, milling, labour and depreciation were negatively impacted by the lower FFB production from its own plantations and the lower throughput of FFB at the mills. However, the year-on-year depreciation in the PNG Kina against the US Dollar by approximately 17% reduced those costs denominated in the local currency, particularly on labour and overheads. In addition to the currency impact, NBPOL continued to progress its cost optimisation and efficiency review benefiting from the cheaper fertiliser and oil freight costs locked in at the end of 2012 as well as making reductions in management and general overheads. The benefits of supplying more of its electricity needs through the Clean Development Mechanism ("CDM") methane projects also had a marked impact on reducing direct milling and refining costs of NBPOL in 2013.

In field road at Tereh Selatan Estate, Kluang

"THE BENEFITS OF SUPPLYING MORE OF ITS ELECTRICITY NEEDS THROUGH THE CLEAN DEVELOPMENT MECHANISM ("CDM") METHANE PROJECTS ALSO HAD A MARKED IMPACT ON REDUCING DIRECT MILLING AND REFINING COSTS OF NBPOL IN 2013."

GROUP PLANTATION HIGHLIGHTS	**2013**	2012
FFB Production ('000 tonnes)		
– Group	**2,312.04**	2,304.01
– Malaysia	**815.90**	715.53
– PNG	**1,364.05**	1,457.83
– SI	**132.10**	130.66
FFB Yield (tonnes/ha)		
– Group	**21.82**	22.72
– Malaysia	**22.11**	20.68
– PNG	**21.47**	23.64
– SI	**23.89**	25.73
Industry - Peninsular Malaysia	**19.26**	19.05
CPO Production ('000 tonnes)		
– Group	**716.79**	715.21
– Malaysia	**254.74**	207.27
– PNG	**429.91**	476.10
– SI	**32.15**	31.85
OER (%)		
– Group	**21.43**	21.71
– Malaysia	**20.22**	20.29
– PNG	**22.13**	22.39
– SI	**22.47**	21.73
Industry - Peninsular Malaysia	**19.86**	19.98

ESTATES PERFORMANCE

Group's FFB production edged up marginally by 0.3% from 2.30 million tonnes to 2.31 million tonnes in 2013, mainly driven by Malaysia and SI operations, but offset by PNG's.

The Malaysian estates produced 35% of total Group FFB in 2013 (2012: 31%); the PNG estates 59% (2012: 63%); whilst the SI estates' contribution remained at 6% (2012: 6%). The Group's planted area to oil palm increased to 126,992 hectares as compared to 123,934 hectares in 2012. The acquisition of some 1,619 hectares of oil palm estate from JCorp completed on 1 February 2013 plus NBPOL's new planting during the year contributed to the increase in the production area of the Group.

The geographical distribution of planted oil palm hectarage - 37% in Malaysia, 58% in PNG and 5% in the SI, showed no significant change in the distribution pattern since end-2012. The Malaysian estates produced a total of 815,896 tonnes of FFB in 2013, some 14.03% higher than the 715,526 tonnes produced in 2012. The yield per hectare in 2013 increased to 22.11 tonnes from 20.68 tonnes in the preceding year. This performance was superior than the average yield achieved by the industry in Johor and Peninsular Malaysia in 2013, which were 19.49 tonnes and 19.26 tonnes, respectively. The average FFB yield for the whole country, inclusive of Peninsular Malaysia, Sabah and Sarawak, increased to 19.02 tonnes per hectare from 18.89 tonnes in 2012.

Malaysia Plantation recorded a marked increase in FFB production mainly due to the acquisition of Pasir Panjang Estate from JCorp in 2013 and the benefit of full year crops from the three (3) estates acquired from JCorp in the middle of 2012, namely Estates of Palong, Mungka and Kemedak. Yield per hectare significantly increased by 6.90% against 2012 as a result of continuous efforts made by the estates to enhance their agricultural practices especially with regard to manuring and field upkeep and the retention of a sufficient labour during the year. Some 1,626 new foreign workers were recruited for Kulim Group estates to replace those repatriated. An increase in prime area also contributed to this better yield achievement as a result of the progressive replanting programme carried out in the Group to replace older less productive palms.

The Group remains committed toward achieving its Vision "30:30" productivity target of raising fruit yield and palm product extraction rates to 30 tonnes per hectare and 30% respectively. The plantation operation in Malaysia may require a longer time to reach the target following the recent acquisition of estates from JCorp that have older palms due for replanting as well as varied topography, soil profiles and rainfall patterns. The acquisitions from JCorp have been fully absorbed, remedial works are underway including replanting of the older palm stands with new high yielding planting materials to derive higher and earlier yields, and the implementation of innovative plantation and palm oil mill practices using the latest technology, all the while balancing the improvement upgrades with the associated costs.

We can expect to reap better yields in the coming years by using better planting materials as well as by improving soil conditions via good agricultural practices. These practices include the application of biocompost, biofertilisers, water management, advanced mechanisation to improve productivity, and savings on labour. On top of this, the provision of a more conducive working environment including better employee income, amenities and facilities, will indirectly bear influence for better yields.

Backbone of the Company; Our foreign workers at Kuala Kabung Estate, Kulai

In PNG and SI, full year FFB production from the NBPOL estates was 1,496,146 tonnes with an additional 589,524 tonnes purchased from smallholders. Plantation yields per hectare dropped 9% from 23.8 tonnes per hectare in 2012 to 21.7 tonnes in 2013. Adverse weather conditions once again affected harvesting and crop movements in the first half of the year and in line with oil palm plantations in the wider South East Asian region, NBPOL experienced a biological drop in yield which was especially pronounced in the second half of the year. Whilst NBPOL FFB yield results were mixed in 2013, improvements were made to road and drainage infrastructure in the second half of the year. Harvesting rounds were well under control at the end of the year and NBPOL is well positioned as we move into 2014 when yields are expected to normalise during the course of the year.

In order to improve and sustain the FFB yield, a continuous effort has been made to ensure that Good Agricultural Practices ("GAP") and Good Manufacturing Practices ("GMP"), are adopted in all stages of plantation operations from plant breeding, nursery preparation, and field planting, through to estate and mill processing. In Malaysia, the adoption of Structured Block Supervision ("SBS") on harvesting, manuring, weeding and other field routines has further improved the efficiency and effectiveness of plantation operations.

The Group has taken proactive measures to enhance the implementation of mechanisation to reduce dependency on manual labour for field works particularly FFB harvesting and crop evacuation. Stressing the weight to be given to this initiative, the Group's operation in Malaysia has reformed a Mechanisation Committee to coordinate and streamline all mechanisation programmes in the Group and monitor performance towards achieving targeted coverage, productivity and cost parameters. The committee is also tasked to facilitate and evaluate any new mechanisation innovation and technology implementation whether derived, invented or initiated in-house or from outside the Company.

"THE GROUP'S OPERATION IN MALAYSIA HAS REFORMED A MECHANISATION COMMITTEE TO COORDINATE AND STREAMLINE ALL MECHANISATION PROGRAMMES IN THE GROUP AND MONITOR PERFORMANCE TOWARDS ACHIEVING TARGETED COVERAGE, PRODUCTIVITY AND COST PARAMETERS."

The mechanisation programme involves expanding the usage of motorised harvesting poles known as *Cantas* in the estates for FFB harvesting of palms below the height of 5 metres. *Cantas* have proved to be a success, improving harvesters' productivity by some 80%. The Group has increased the usage of *Cantas* to approximately 5,700 hectares (41.8%) out of 13,700 hectares total suitable area for *Cantas*. The Group is also working closely with the MPOB to expand the usage of the *Ckat*, a motorised cutter for palms over 20 feet tall and field trials are being conducted within the Group's estates.

REPLANTING AND NEW PLANTING

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

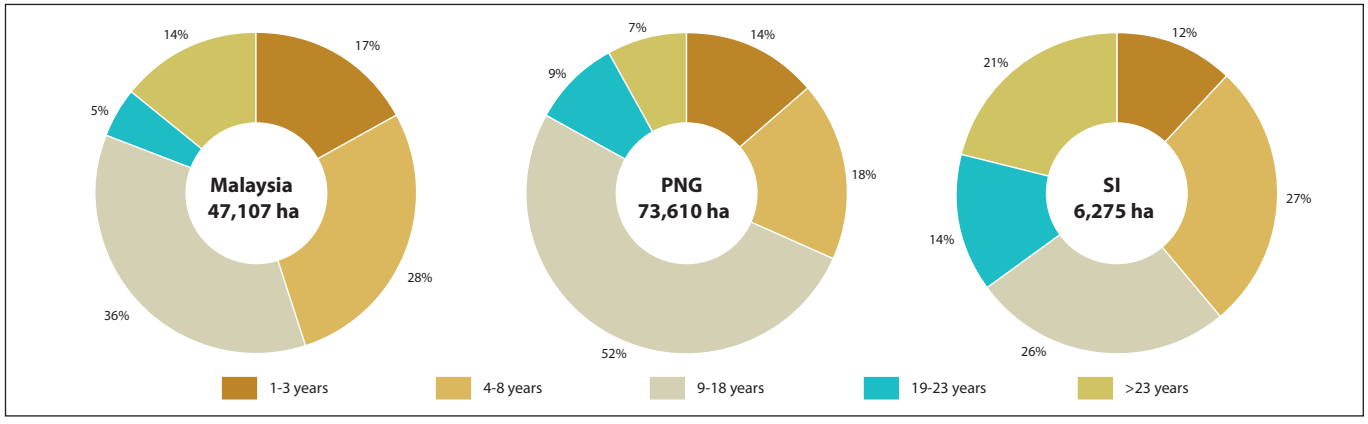
In Malaysia, 2,226 hectares were replanted in 2013 against the scheduled 2,656 hectares. The wet weather in the last quarter of the year affected some of the planting work that is now expected to be completed by early 2014. The progressive felling initiative introduced in estates, where possible, with staggered felling be carried out over up to three (3) months in order to exploit the maximum crop potential from the area. With the replanting, the Malaysian estates' average palm age improved to 11.30 years in December 2013 from 11.48 years in 2012 which will contribute to a better yield potential for the Group in future.

As part of the CPO supply management mechanism to stabilise the palm oil price, the Malaysian Government has reintroduced the replanting scheme incentive which provides RM1,000 per hectare for approved applicants to accelerate replanting to replace old and unproductive trees. We have tapped this opportunity and applied for the scheme for our scheduled replanting programme for the year and managed to claim for RM1.12 million to date from the scheme.

Oil Palm Area Statement

	OIL PALM PLANTED AREA				
	TITLED AREA (HA)	MATURE (HA)	IMMATURE (HA)	TOTAL (HA)	TOTAL (%)
Malaysia	51,160	36,909	10,198	47,107	37%
PNG	126,871	63,538	10,072	73,610	58%
SI	7,740	5,530	745	6,275	5%
Total	**185,771**	**105,977**	**21,015**	**126,992**	**100%**

Palm Age Profile As At 31 December 2013



NBPOL planted 970 new hectares in 2013 comprising the continuation of the Silovuti Project in West New Britain where 287 hectares were planted. Accessibility to the new area will improve considerably with the newly proposed section of road having received approval from the Provincial Government and work having commenced on clearing this route in the last quarter of the year. At Ramu, new plantings of 454 hectares were completed whilst at Higaturu, 229 hectares were planted.

Replanting at Kula Palm Oil Limited ("KPOL") continued to be the focus, with an additional 2,179 hectares replanted in 2013. Since acquisition, NBPOL has replanted over 6,500 hectares of aged palms at KPOL with its high yielding Dami elite seedlings and yields are expected to increase across the KPOL sites as these palms mature. At the end of 2013, the age profile of the NBPOL's palms should support yield growth with a weighted average palm age of 10.8 years similar to the 10.7 years reported last year.

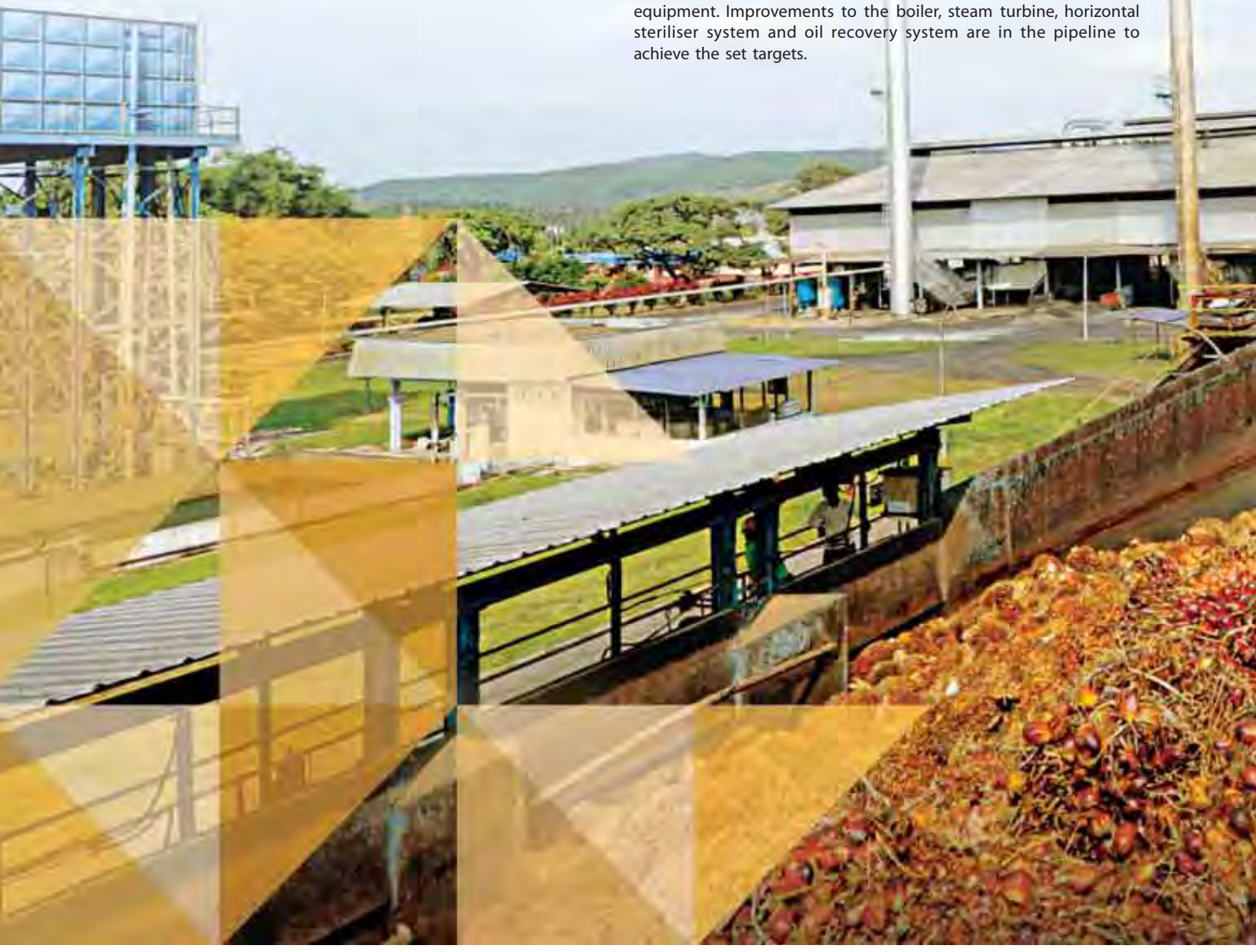
MILL PERFORMANCE

Group's CPO production increased marginally by 0.2% from 715,207 tonnes to 716,795 tonnes in 2013, similar to the FFB production trend, mainly driven by Malaysia and SI and offset by a drop in PNG operations.

The Oil Extraction Rate ("OER") for the Group averaged 21.43% in 2013, a slight improvement over 21.71% in 2012. The improvement was driven by SI with a 0.74% OER increment while Malaysia and PNG recorded slight declines.

In Malaysia, total CPO production was 254,735 tonnes in 2013, some 22.9% higher than the 207,265 tonnes in the prior year, due to full-year production from Palong Cocoa Palm Oil Mill which has been acquired from JCorp effective June 2012 as well as from a 23.31% higher tonnage of FFB processed from both Group estates and external FFB suppliers. Similarly, Palm Kernel ("PK") increased by 20.62% to 70,891 tonnes from 58,773 tonnes produced in 2012. For the Malaysian operations, OER marginally decreased from 20.29% to 20.22% whilst Kernel Extraction Rate ("KER") recorded a dip from 5.75% in 2012 to 5.63%, mainly due to higher external FFB processed in 2013. However, we were still ahead of the industry averages in Peninsular Malaysia of 19.86% and 5.53%, respectively.

The average OER and KER targeted for the Group's Malaysian mills in 2014 is 20.53% and 5.68%, respectively. In this respect, we are taking several proactive measures including further improving the overall quality of FFB from both the Group's own estates and outside suppliers; making improvements to the Group's mill plant and machinery to minimise milling losses; as well as enhancing the extraction rates and quality of palm products. Improvements to the mill plant and machinery will include, among other things, the replacement and/or rehabilitation of ageing and inefficient equipment. Improvements to the boiler, steam turbine, horizontal steriliser system and oil recovery system are in the pipeline to achieve the set targets.



In PNG and SI, NBPOL processed 2,085,671 tonnes of FFB, some 8.2% lower than 2012's 2,273,080 tonnes, mainly due to the drop in FFB production suffered in its own estates as well as from surrounding smallholders as result of the adverse weather conditions. The wet weather affected extraction rates with 507,856 tonnes of crude oil (CPO and PKO), produced from the NBPOL's 12 oil mills, a reduction of 7% from the 545,207 tonnes produced in 2012. In 2013, the last export of 282 tonnes of PK was completed as the new kernel crushing plants put into Milne Bay and Poliamba came into full production. There will be no further PK exports and NBPOL is now able to take full advantage of palm kernel oil revenues.

In West New Britain in PNG, Ramu and Higaturu rainfall was higher than in 2012 and much higher than the long-term average. A negative impact of this was that the fruit absorbed more water thereby reducing extraction rates especially at these sites.

NBPOL's OER decreased from 22.35% in 2012 to 22.15% in 2013. They improved significantly in the second half of the year, rising from an average 21.98% from January to June to 22.45% from July to December. As the extraction rates improved so did fruit quality, directly reflecting the reduced harvesting intervals, improved pruning standards and crop recovery ensuring the estates are better positioned moving into 2014. The lower capacity requirements at the mills also provided an opportunity for further maintenance to be carried out. NBPOL's KER increased from 5.25% in 2012 to 5.34% in 2013 reflecting an increased focus on loose fruit recovery in the field and tighter controls in most mills. NBPOL achieved an average palm product extraction rate of 27.50% in 2013, down 0.09% from the 27.59% achieved in 2012. The decrease is a reflection of the reduced OER in the first six months of the year.

The biogas plants at Kumbango and Mosa ran throughout the year providing savings and reducing the dependence on diesel generators. The Kumbango plant now supplies the refinery, with the exception of the package boiler, however work is in progress to utilise the excess gas as feedstock for the package boiler which will then allow the refinery to be completely run on biogas.

FFB are channeled to the loading ramp via shovel at Palong Cocoa Palm Oil Mill, Segamat

RESEARCH AND DEVELOPMENT

The Group's R&D personnel are involved in advisory services, seeds production, plant breeding, and feasibility studies on land suitability to optimise yields, reduce palm immaturity periods and enhance agro-waste utilisation.

As our operations are located in diverse geographies, R&D services for our Malaysian operation is undertaken by the Kulim Agro-Tech Centre based in Kota Tinggi, Johor, while NBPOL's Dami Oil Palm Research Station ("OPRS") based in West New Britain, undertakes R&D activities for the PNG and SI operations. Our R&D units are continuously collaborating and capitalising on cross border knowledge sharing to deliver innovative solutions.

Precision Agriculture And Analytical Services

All the Group's Malaysian estates have been mapped and digitised via the Kulim Agrotech Information Systems ("KATIS"). The integrated system leverages on a Global Positioning System ("GPS"), Geography Information System ("GIS") and Oil Palm Monitoring Programme to capture agronomic and management data. All new replanting fields are continuously updated on KATIS. The data offers a quick overview of an estate's current performance and enables managers to identify underperforming areas that require close attention.

Precision agriculture management involves the application of specific mitigation activities to specific areas. These activities include ensuring effective fertiliser usage, reducing fertiliser input and boosting yields through the higher yield attainable. Although aiming for the best yield possible, we acknowledge that the use of excessive inorganic fertilisers is not a sound business strategy. Therefore the Group aims to optimise application of fertiliser through regular agronomist visits to the fields, annual foliar sampling and periodical rachis analysis as well as soil tests rated against potential yield expectations.

"KULIM IS COMMITTED TO SHARE ITS SCIENTIFIC RESEARCH FINDINGS WITH THE RESEARCH COMMUNITY. IN NOVEMBER 2013, TWO SCIENTIFIC PAPERS WERE PRESENTED AT THE INTERNATIONAL PALM OIL CONGRESS, ONE BEING A STUDY ON 'THE EFFECT OF EFB-COMPOST APPLICATION ON OIL PALM' AND THE OTHER, A PAPER TITLED 'BREEDING OF OIL PALM FOR STRATEGIC REQUIREMENT OF THE INDUSTRY'."

Precision agriculture varies the allocation of production inputs on a field-by-field or palm-by-palm basis so that each field within the plantation reaches its maximum economic yield. KATIS increases the accuracy of the area computation, analyses yield gap, planting material selection, nutrient management, natural resource management and other agronomic parameters. Today, precision agriculture has become the cornerstone of sustainable agriculture.

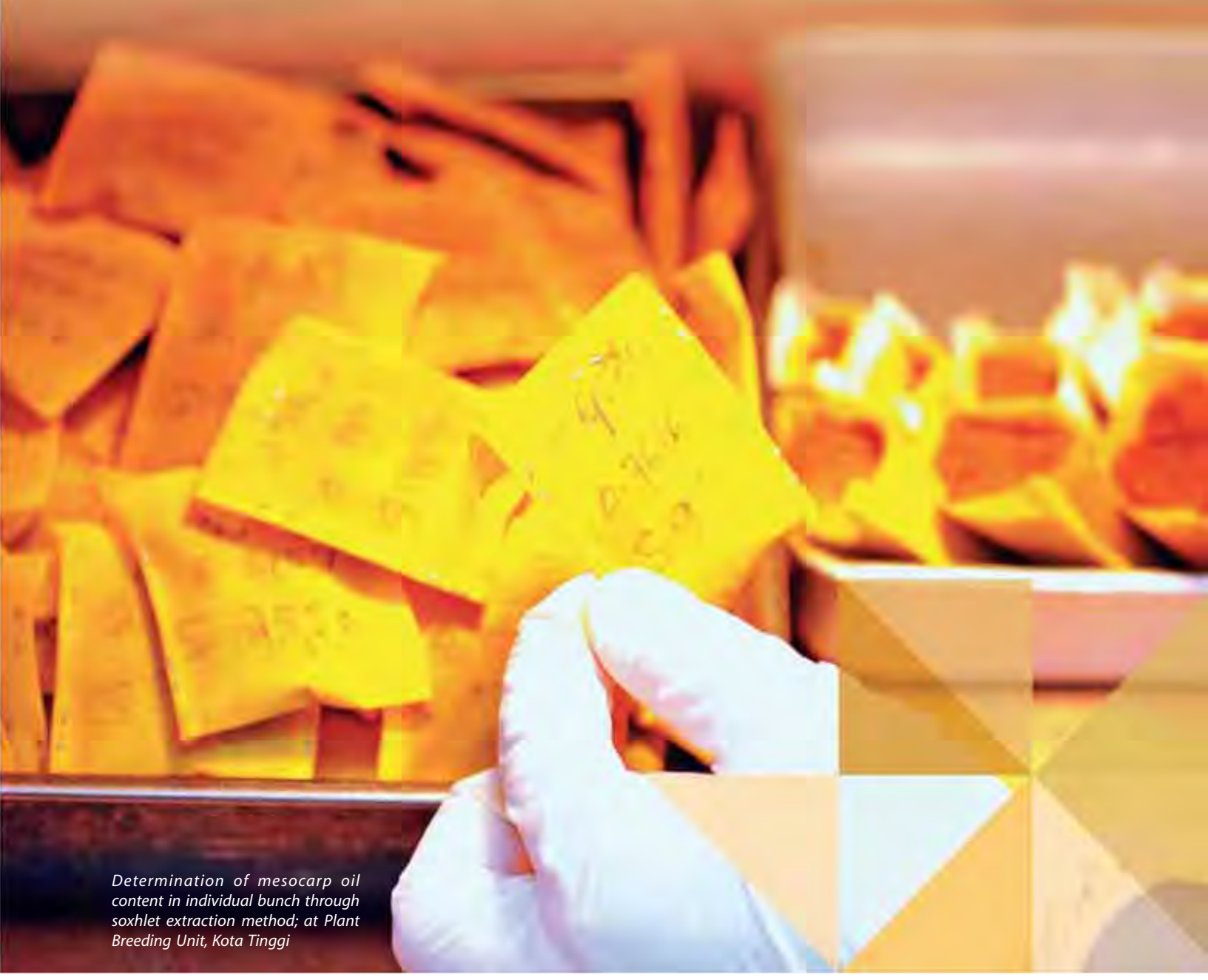
To further enhance precision agriculture at Kulim, Agronomy Advisory & Services is looking forward to incorporating high resolution aerial photos within the available GPS digital map. 10,000 hectares of the Kulim estates in Kluang have been chosen for a pilot project to capture aerial photo images. Based on a preliminary test, the aerial photos produced have been impressive. The information enables accurate palm inventory, palm health check and surveillance of field conditions.

Kulim is committed to share its scientific research findings with the research community. In the interests of disseminating knowledge to benefit the industry as a whole our agronomists and scientists attend and present papers on oil palm breeding, palm nutrition, oil palm by-products and new technologies at national and international forums. In November 2013, two scientific papers were presented at the International Palm Oil Congress, one being a study on 'The Effect of EFB-compost Application on Oil Palm' and the other, a paper titled 'Breeding of Oil Palm for Strategic Requirement of the Industry'.

Ulu Tiram Central Laboratory, Kota Tinggi

Kulim firmly advocates the development of agri-science and technology to improve crop and oil yields to meet increasing demand. The Ulu Tiram Central Laboratory ("UTCL") provides analytical services and technical support for the Group's plantations and mills. The laboratory offers soil, foliar and nutrient analyses, agronomic and fertiliser recommendations for high crop productivity as well as quality fertilisers and effluent testing for the palm oil mills. It makes good use of leading-edge testing equipment such as the Atomic Absorption Spectrophotometer ("AAS"), Flame Photometer, UV-spectrophotometer and Nitrogen Auto Distillation to ensure reliable and accurate analytical results.

In January 2013, UTCL acquired a fully automatic Nitrogen Analyser which uses the Dumas method to produce faster results: 5 minutes versus 17 minutes per sample or 3 hours versus 11 hours per set of 40 samples compared to the older machines. The upgrade to another advanced machine, an Inductive Coupled Plasma-Optical Emission Spectrometer ("ICP-OES") in July 2013, has enabled UTCL to handle samples more efficiently and produce more accurate results. Accredited under MS ISO/IEC 17025 SAMM (*Skim Akreditasi Makmal-Makmal Malaysia*) since 2005 from Department of Standards Malaysia, UTCL's competency is also recognised globally and supported by the ILAC-MRA (International Laboratory Accreditation Cooperation - Mutual Recognition Agreement), an international cooperation of laboratories and inspection accreditation bodies.



Determination of mesocarp oil content in individual bunch through soxhlet extraction method; at Plant Breeding Unit, Kota Tinggi

Agronomy

The Group's Agronomy arm possesses an oil palm management database in Malaysia which contains information collated over the past 18 years. Programmes based on the data are used to determine the performance of different fields across locations, provide analysis and recommendations on best practice, determine sites for new agronomy trials, and generate information to optimise planting schedules. The section's responsibilities have escalated from providing technical advice and services to the plantations, to undertaking full research and development activities. The interpreted data is made available to estates in order to enhance the monitoring of field performance to benchmark individual estates against the leading estates.

All Group's estates tap agronomic services based on Best Management Practices ("BMP") which aim to achieve maximum yields and production outputs in a sustainable manner. The service covers precision and site-specific management proposals to ensure maximum sustainable yields. By determining the yield gap between fields, the specific fertiliser responses are dictated. The provision of nutrient management as well as soil characterisation and conservation strategies, all aim to improve soil management.

In line with RSPO targets that single out soil fertility as a principle criterion for achieving sustainability, long-term fertiliser studies are aimed at increasing the efficiency of specific nutrient application as well as evaluating pesticides that are less toxic and more environmentally friendly. Improving soil health is one of the ways to ensure vigorous palm growth thus preparing the trees for unexpected pest and disease threats. Emphasis is given to the integration of inorganic and organic fertilisers to promote efficient energy usage and sustainable high palm oil yields especially when the price of inorganic fertilisers has become exorbitant. Efficacy trials on weedicides continue in order to provide estates with information on the most cost effective chemical for weed control.

The application of biocompost, an organic fertiliser currently produced by the Group's mills has enabled efficient by-product utilisation covering larger planting areas. A study carried out by the Agronomy Advisory & Services indicates biocompost acts as a soil ameliorant and its application results in better soil health thus producing further and faster root growth. Currently over 63,000 tonnes of biocompost are used over more than 9,161 hectares of oil palm fields across the Kulim estates. We will also be looking to other quality biofertilisers available in the market as possible alternatives.

Integrated Pest Management ("IPM"), the use of holistic and compatible methods of pest and disease control, has long been practised and refined by research, experience and on-the ground breakthroughs. A balanced IPM approach removes the over-dependence on pesticides, making the control process more bio-sustainable. The typical pests within an oil palm estate include rats, bagworms, nettle caterpillars and oryctes rhinoceros beetles.

Media autoclaving to sterilise microorganism; Kulim Topplant Sdn Bhd, Kota Tinggi

Predatory animals and insects such as barn owls that feed on rats are fostered to control pest populations. While barn owls and snakes keep a check on the rodent populations, predatory insects, parasitoids and entomopathogenic fungi help in keeping the defoliating insects at bay. Beneficial plants are cultivated to provide shelter and supplementary foods such as nectar encourage the population of predators and parasites. Insecticides are only resorted to in an outbreak situation where natural enemy predation is no longer sufficient to manage the pest population. Once the situation is within control, natural controls are reactivated.

Kulim has long established research collaboration with other research institutions, for instance the MPOB. One of the recent collaborations has been on research on Ganoderma, a prominent oil palm disease in Malaysia. In-house research on possible mitigation factors such as use of microbes (apart from field sanitation which has been long adopted) are being actively pursued. Field training has been successfully conducted in order to give hands on experience to the planters on dealing with disease.

The practical and environmentally sound technique of zero-burning replanting has been adopted and implemented by the Group. This is the best option to the previous practice of burning and is suitable for converting other crops into palm cultivation or for replanting. Using the zero-burning replanting technique, old and uneconomical stands of oil palm are shredded and left to decompose in *situ*. This technique also allows all plant tissues to be recycled, enhancing soil organic matter, helping to restore and improve soil fertility. The biomass of the palm residue through decomposition recycles nutrients into the soil and reduces the input of inorganic fertilisers. The return of organic matter also improves the physical and chemical properties of the soil. Besides being non-polluting, zero burning also contributes positively towards efforts in minimising global warming. Felling and clearing is no longer dependent on the vagaries of weather. In the past, wet weather often delayed burning and thus replanting. Such delays are now avoided. In the absence of burning, the cost of land clearing is substantially cheaper. Zero burning is non-polluting, contributes positively towards minimising global warming, and complies with environmental legislation.

Plant Breeding

Further selection of planting materials with desirable characteristics is being pursued. Besides developing new higher-yielding varieties, Kulim's plant breeding in Malaysia also focuses on selected genetic materials with economically important traits such as Ganoderma tolerance, high vitamin E, long-bunch stalk, high bunch number, early bearing, good oil extraction rates and big fruitlets. High yielding oil palms are the bedrock of the Group's Vision "30:30" strategy and the most influential driver of profitability, other than commodity prices.

Programmes for further high-yielding improvement is being carried out using various duras of elite duras of Deli lines and Angolan germplasm tested with tenera/pisifera of AVROS and Yangambi populations. During the year, a set of progeny testing involving 140 crosses were field planted in Sungai Papan Estate. This experiment will progeny-test elite duras from Dami, ex-OPGL, Kulim-Angola and Kulim duras with AVROS pisiferas from the Malaysian Palm Oil Board ("MPOB'), Kulim and Dami. Through this trial, Kulim should find new sources of improved dura and pisifera parents for future planting materials and select ortets for clonal propagation.

Cross Section of various oil palm fruits

A total of 100 MPOB Ganoderma tolerant DxP materials planted in 2009 in a Ganoderma hot spot area in Kemedak Estate were in bearing. Routine breeding data collections such as FFB yield recording and bunch analysis were carried out in 2013. Further negotiations with MPOB progressed to progeny testing some Duras and teneras/pisiferas of Zaire, Cameroon, Angola and Nigerian germplasm besides advanced population of the dura and tenera parental palms for further genetic improvement.

In 2013, Kulim obtained 1,000 seedlings of Angolan germplasm materials from MPOB that consists of 95 population samples, planted in REM estate. Kulim expects to explore this new set of germplasm for broadening its genetic base.

The current planting materials have short stalk length of 10 to 15 cm, embedded between frond axil and the trunk. This poses difficulty in reaching and cutting the stalk either manually or mechanically. For ease of harvesting, it has been recommended that the minimum stalk length for higher harvesting efficiency with a mechanical cutter is 20 cm. In Kulim, the long bunch-stalk programme involving an Angolan genetic material with stalk length measuring 28.8 cm was field planted in 2013 in REM Estate. Further bi-parental crossing programmes will be used for progeny testing of long-stalk bunch breeding materials.

Vitamin E in oil palm has excellent antioxidants and anti-cancer properties. Palm oil contains an average of about 800 ppm of vitamin E ranging between 600 ppm and 1000 ppm. A high vitamin E (2,496 ppm) of Nigerian-based MPOB tenera palm was field planted in 2013 at Sg Papan Estate. The multi-traits palm comes from Population 12 which is also known for dwarf characteristic and also high oil yield (8.32 tonnes per hectare).

A total of seven progenies of Single Seed Descend ("SSD") programme involving ex-OPGL duras were field planted in 2013, REM estate. This programme is an alternative path to shorten the period of creating an inbred line in a 5-year cycle instead of 10-year cycle using a standard selfing programme. The duras would be used as new mother palms in the future.

In 2013, focus on evaluation of clonal tenera palms was emphasised for a fast track programme. Preliminary observation showed very promising results of getting higher oil yield through clonal planting. A number of tenera palms with oil/bunch ("O/B") over 37% in nine clones of different genetic backgrounds were identified and some palms were recloned, targeted to produce oil yield of above 10 tonnes per hectare per year.

Fast track programmes may shorten the time taken to develop elite parental palms that produce uniformly high yielding planting materials. The limitation due to insufficient or small number of parental dura materials may be overcome through production of semi-clonal seeds. Some duras with O/B > 30% were identified for cloning. A selected selfed dura with O/B = 23% was cloned in 2013 for future semi-clonal DxP seeds production.

An effort to conserve nine potential BM119 pisiferas aged 23 years old in Basir Ismail Estate was carried out through slanting technique resulting in all the palms surviving. Seven out of nine palms were sampled for cloning, and to be included in future clonal DxP seeds. Based on available data, a total of six pisiferas were already identified fulfilling SIRIM certification requirement and would be used as male parents for pollen sources in commercial DxP.

Seed Production

In Malaysia, a total of 1.69 million commercial DxP seeds were produced and 0.94 million germinated seeds were sold by the Group's Malaysian Plant Breeding unit in 2013. The seed sales are expected to increase by 10% in 2014.

The Dami research facility in NBPOL is one of the world's leading seed producers. In 2013, it sold 6.86 million seeds against a budget of 14 million and against the 14.74 million seeds sold in 2012. Of this, 5.17 million were sold overseas in eight different countries whilst the balance of 1.69 million seeds were for internal use and within PNG. This was the first drop in seed sales in the last five years and can be attributed to the lower palm oil price prevailing and the depreciation of some Asian currencies against the US Dollar, leading plantation companies to defer their replanting programmes and development plans.

Seed sales in PNG is envisaged to be positively higher at 10 million seeds in 2014 as palm oil prices pick up and production returns to normal after a poor 2013, encouraging plantation companies to restart their replanting and development programmes.

Plant Breeding Unit; Kota Tinggi, Johor

Rooting stage in oil palm tissue culture process

Biotechnology

Research and development in this field being explored by the Group focuses upon yield improvement through tissue culture technique to clone new ortets of selected trees and recloning of elite clones. The research also seeks to hasten traditional breeding programmes by using Marker Assisted Selection ("MAS") to determine desirable oil palm breeding traits. Palms can be cloned both for increasing the number of elite breeding trees and for improving the quality of new oil producing feedstock. Advances in molecular biology have transformed biotechnology in recent years. Whereas 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 tolerance.

The construction of the Group's new dedicated R&D establishment in Malaysia to house genomic research besides is on-going, and expected to complete in the first half of 2014. This investment for the future is being taken because of the many advantages of working independently on genomic research, include among other effects, a more accurate result when the legitimacy of the off-spring can be confirmed through DNA finger printing. This is useful for quality assessment and control in plant breeding materials and tissue culture ramets. The number of breeding cycles will be reduced. MAS will assist in selecting palms that carry the genes/traits of interest more efficiently. Only palms that have the genes/traits of interest will be selected and included in crossing programmes. Fruit segregation can also be made as early as during the nursery stage rather than having to wait until fruit bearing as in the case of the conventional breeding method. Research methodology and progress can be secured and kept confidential before being published. Recent collaboration with MPOB confirmed the reliability of fruit segregation method for dura, tenera and pisifera which involved 21 leaf samples from various deli duras, pisiferas and teneras through a double blind test of the shell gene analysis kit.

NBPOL's current philosophy in pursuit of long term vision is to copy through tissue culture the best elite parent palms of the high producing palm hybrids. In 2013, after many years of intense selection and concurring research in tissue culture, NBPOL initiated the production of its own semi-clonal seeds from cloned female Dura parents. Dami Oil Palm Research Station maintains its continuing effort of improvement and has in tissue culture the newest high performing parental lines which will produce the seeds and palms of tomorrow.

Group of workers at Basir Ismail Estate, Kota Tinggi

HUMAN CAPITAL

The main thrust of the Group's effort and investment in Human Capital development lies in increasing the technical skills, creativity and innovation of the workforce that manages and operates the modern knowledge-based business models driving the Group's productivity, growth and profitability. Policies and strategies on education, training and lifelong learning ensure the delivery systems can produce sufficient highly qualified human capital to sustain the future competitiveness and sustainability of the business as well as the way it delivers that value. The Group's employees have always been our greatest assets.

The future of our organisation depends on developing a people strategy that enables every employee to remain competitive in a global economy. The Group's on-going 'People Excellence' campaign is about developing people to excel, to be the best, and do their best for customers.

As at the end of 2013, our plantations operations employed 22,686 personnel, mainly owing to inclusion of Pasir Panjang Estate, acquired from JCorp, into the Group. The composition by countries was as follows: Malaysia at 7,053 (31%), PNG at 14,257 (63%) and SI at 1,376 (6%).

The Group believes that an effective workforce is vital to the success of any organisation. Over the years, we have undertaken various initiatives to manage the training needs for all levels of employees in line with the Group's strategic direction and preservation of the Group's core values of honesty, integrity and hard work. Several courses, seminars, and internal and external workshops were held during the year with modules ranging from corporate culture familiarisation, awareness and productivity to effective communication, sustainability as well as executive and leadership development.

Our training programmes placed an emphasis on strengthening our operational management capability. The year saw nine employees who had registered for an Executive Diploma programme successfully completed the programme with good results. During the year, our Malaysian operations invested nearly RM1 million or 4.44% of payroll towards training and recorded on average 2.75 man-days of training per employee, which is within our target of 3 man-days.

The Performance Management System ("PMS") in the organisation ensures that the Group's corporate plans are implemented successfully at all levels in the Group hierarchy, in accordance with our vision, mission and corporate culture. The PMS aims to ensure our people are continuously being developed in line with a high-performance culture while bearing in mind the changing business environment.

Modernising labour legislation is necessary to ensure laws are suited for a modern economy to accelerate progress and global competitiveness by reducing the cost to business of labour management and ensuring effective worker protection. As the Group's Malaysian operations are dependent on foreign labour, especially immigrant workers from Indonesia, we welcome the move by the Malaysian and Indonesian Governments to regularise and protect the rights of each nation's citizens. This is in line with the Group's practice of working with *bona fide* labour suppliers to ensure the legality of its work force and eliminating making any distinction based upon an employee's race and origin. By proactively engaging with Government officials, staff and workers' union officials and Hospital Assistants Association representatives, we are enabling the effective exchange of information and building good rapport among the parties. The regular on-going consultations also help us resolve any differences and grievances.

The Group remains committed to managing its workforce in a responsible manner in adherence to the Code of Conduct for Industrial Harmony. A performance-management based organisational culture involves the establishment of a coaching environment and a conscious attempt at continuous interaction between management and staff. The annual Peers and Reverse Feedback ("PARFEED") appraisal system continues to achieve its aim of complementing the usual bottom-up appraisal by providing a more holistic assessment of an individual employee's performance and highlighting areas for further improvement. The resultant feedback guides employees to improve performance in the areas of teamwork, communication, leadership and organisational values.

The Ethics Declaration form has been firmly embedded within the Group. It serves as an important tool to promote a culture of integrity by encouraging employees to whistle-blow and alert the management about any ethical wrongdoings that might occur below the compliance radar. In 2013, all employees provided their valuable feedback and appropriate action was taken to address the issues raised.

In 2013, the Malaysian operation continued to tap the Strategic Enhanced Executive Development System ("SEEDS") Programme to further develop its talent pool and create dynamic leaders. Introduced in 2007, the SEEDS Programme has been re-engineered and registered with *Skim Latihan 1 Malaysia* ("SL1M"). The intake consisting of 25 trainees underwent a comprehensive familiarisation programme and periodical evaluation process in various business areas of the Group's operations for a continuous period of eight months. The programme was successfully completed in 2013 where 16 successful "SEEDLINGS" were absorbed into units and functions within the Division that suits their capability profile.

To protect employee security, eliminate any risks to the health, welfare and safety of the staff, as well as to increase productivity in the workplace, the Group does not tolerate the use of illegal drugs and alcohol in the workplace. Every employee is responsible for complying with the drug-free workplace programme and policy. The policy outlines the objectives, procedures and guidelines concerning the nature, frequency, and type of drug testing to be instituted, including random testing, voluntary testing, and testing as part of, or as a follow-up to, counselling or rehabilitation. An inspection programme to vet all internal grocery shops in the operating units for illegal medication and alcohol has also proven its worth as a first-line deterrence initiative.

Engagement activities among our security personnel see them immersing themselves into community volunteerism programmes as well as getting involved in wildlife reservation activities at the Group's premises. A fitness programme among the Group's security force is helping them to cultivate a healthy lifestyle as well as keeping them physically fit in their work environment.

The Group promotes various Islamic faith based activities throughout the organisation. The Group's annual *qurban* programme sees our staff sharing their blessings with the less fortunate. In 2013, some 252 employees from the Malaysian operations pooled resources and distributed meat to less fortunate families within the operating units and in the surrounding communities.

A series of social responsibility activities were planned and executed helping those in-need through the Value Unit. Malaysian operation employees volunteered support and help with distribution during *Ramadan, Maulidur Rasul, Ma'al Hijrah* and other Islamic festivals in the year. A total of RM50,000 worth of food and groceries were distributed to 200 in-need families during Ramadan. Besides this community effort, financial support was offered in the areas of education and medical aid.

Kulim strives to be the employer of choice at the local level and has a human resource outreach and external public relations strategy, to publicise its corporate success and attract the best and brightest talent to further our goal of building a winning organisation. This typically takes the form of road shows for school leavers and university graduates. 2013's promotional schedule included visits to institutions of higher learning and Kulim's participation in career and educational fairs and exhibitions. At these events, the Group expounded on the adventure and passion of the plantation business and the strategy the Group executes to maintain its leadership position.

Group of workers at Sindora Palm Oil Mill, Kluang

TOTAL QUALITY MANAGEMENT

The Group applies Total Quality Management ("TQM") as a comprehensive and structured approach to organisational management that seeks to improve the quality of products and services through ongoing refinements in response to continuous feedback. The Group's TQM initiatives look at the overall quality measures used including managing quality design and development, quality control and maintenance, quality improvement, and quality assurance. We remain committed to the continuous improvement of the service and product quality of the operating units through maintenance of the current standards certifications.

The RSPO certification, a global, multi-stakeholder initiative on sustainable palm oil, is a seal of approval that our palm oil is produced in a sustainable manner and volumes are traceable. All Kulim's operating units, including the recently acquired from JCorp except for Siang Estate, have obtained full certification since January 2009 and February 2010. NBPOL's operations in PNG and SI has also been 100% RSPO-certified since the end of 2012.

This year, five of the Group's operating units, namely Sedenak Palm Oil Mill ("POM"), Sindora POM, Tereh POM, Palong Cocoa POM and Tereh Selatan Estate, underwent surveillance audits of their quality systems under their ISO 9001 accreditations for successful recertification. ISO 9001:2008 is the internationally recognised standard for the quality management of businesses. It applies to the processes that create and control the products and services that an organisation supplies, as well prescribing systematic control of activities to ensure that the needs and expectations of customers are met. It is designed and intended to apply to virtually any product or service, made by any process anywhere in the world.

CERTIFICATIONS	RSPO	ISO 9001:2008	ISO 14001:2004	IEC 17025
Receiving Company/ Operating Units	All estates and mills in Malaysia (except for Siang Estate), PNG and SI	Malaysian operations – Sedenak POM, Sindora POM, Tereh POM, Palong Cocoa POM and Tereh Selatan Estate	All PNG operations and Malaysian operations – Sedenak Estate, Sindora Estate and Sindora POM	Ulu Tiram Central Laboratory (UTCL)

"KULIM'S OPERATING UNITS, INCLUDING THE RECENTLY ACQUIRED FROM JCORP, EXCEPT FOR SIANG ESTATE, HAVE OBTAINED FULL CERTIFICATION SINCE JANUARY 2009 AND FEBRUARY 2010. NBPOL'S OPERATIONS IN PNG AND SI HAS ALSO BEEN 100% RSPO-CERTIFIED SINCE THE END OF 2012."

Heading to work; morning scene at Mungka Estate, Segamat

The ISO 14001:2004 environmental management standard helps us minimise the impact of our operations on the environment (air, water, land, community and natural resources), and comply with applicable laws and regulations. Sedenak Estate, Sindora Estate and Sindora POM successfully underwent surveillance of their ISO 14001:2004 certification during the year under review.

During the year our Ulu Tiram Central Laboratory successfully extended its scope of activities to include water, fertiliser, compost, soil and latex analysis to ISO/IEC 17025 standards. ISO/IEC 17025, issued by the International Organisation of Standard, is the main standard used by testing and calibration laboratories to implement a quality system aimed at improving the ability to consistently produce valid results. The standard places great emphasis on the responsibilities of senior management, with explicit requirements for continual improvement of the management system itself, and particularly, communication with the customer.

In the second half of the year a series of refresher training courses on Understanding, Documenting and Implementation of ISO 9001:2008 and ISO 14001 were conducted for 23 personnel from the respective certified operating units. An integrated audit training on ISO 9001 QMS and 14001 EMS was conducted in October and a representative attended a seminar on International Lean Hands-on workshop in November 2013 organised by the Malaysia Productivity Corporation ("MPC").

The internationally recognised assessment specification Occupational Health and Safety Assessment Series ("OHSAS") 18001 guidelines are adopted as part of the Group's risk management strategy to address changing legislation and protect our workforce. OHSAS promotes a safe and healthy working environment by providing a framework that allows the organisation to consistently identify and control health and safety risks, reduce the potential for accidents, aid legislative compliance and improve overall performance. OHSAS 18001 is designed to be compatible with ISO 9001 and 14001 and helps the organisation meet health and safety obligations in an efficient manner. The key areas addressed by OHSAS 18001 are planning for hazard identification, risk assessment and risk control, the OHSAS management programme, structure and responsibility, training, awareness and competence, consultation and communication, operational control, emergency preparedness and response and performance measuring, monitoring and improvement.

The Group's adoption of OHSAS 18001 embeds a formal procedure to reduce the risks associated with health and safety in the working environment for employees, customers and the public, thereby reducing and preventing accidents and accident related loss of lives, time and resources. To involve employees in productivity and efficiency improvement activities, a team-based environment has been developed in which they can participate actively in improving their process, product, or service performance.

One such employee participation programme is the Quality Control Circle ("QCC") directed towards improvements in the workplace focusing on areas such as cost, safety and productivity. Other complementary initiatives such as the Innovative and Creative Circles ("ICC") and the Japanese 5S System are also integral components to enhance operations.

The Group organises an annual internal ICC/QCC competition and regularly participates in those organised at the holding company level by JCorp and by the MPC at both regional and national levels. *Hari Mekar*, the Company level quality convention, was successfully organised drawing participation from six ICC groups and 40 presentations from CEMPAKA. The quality journey of 2014 marked with Kulim hosted the 18th Johor Corporation Quality Convention a biennial quality convention better known as Hari Mekar Kumpulan Johor Corporation, a three-day event from 15-16 January 2014 at Persada Johor. Themed "Transformation Through Quality" it drew participation from 67 Quality groups participation in eight categories of presentation – ICC (Service, Technical and Cross-Functional presentation), CEMPAKA and QE/5S. Kulim was represented by 14 groups in these categories and was the overall runner-up of the event.

The CEMPAKA Suggestion Scheme provides the mechanism for employees to channel their suggestions and ideas for improvements. Annual awards tied to the level of participation help publicise the scheme which has also been strengthened by incentives. To maintain an adaptable and responsive organisation, we have developed a culture that actively solicits input and recommendations from every level of staff. Management makes every effort to help employees provide suggestions for the betterment of job processes and to harness the power of in-house creative ideas.

PROSPECTS AND PLANS

Outlook for Palm Oil Market Year 2013/2014

A large increase in the supplies of vegetable oil for 2013/2014 is in sight following a bounce in seed oil output. Higher rapeseed harvest for the second consecutive year and surge in sunflower from the black seas region and soybean from North and South America is expected to augment the supplies. As a result, global vegetable oil production for 2013/2014 is forecast to increase by 8.5 million tonnes to 169.2 million tonnes compared to the previous year's annual increment of 3.3 million tonnes. Combined output of palm oil and palm kernel oil is forecast to increase by 2.9 million tonnes to 65.2 million tonnes during the same period.

On the demand front, total consumption demand of eight major oils is forecast to increase by 6.6 million tonnes to 164.3 million tonnes. Robust demand from the food and feed use segment, coupled with prospects of increased usage in biodiesel production (on adoption of higher mandatory blends in Indonesia and Brazil) are seen as major contributing factors. Combined demand for palm oil is forecast to increase by 2.2 million tonnes year-on-year to 63.3 million tonnes during the period. Palm oil demand growth is forecast to slowdown in the coming year following the increase in seed oils availability. However, palm oil still dominates the overall vegetable oil consumption basket.

Despite improvement, the vegetable oil consumption growth for 2013/2014 still lags behind the vegetable oil supply growth potentially resulting in a stock build up. Global vegetable oil ending stocks are forecast to rise to 20.3 million tonnes from 18.1 million tonnes prevailing at the end of 2012/2013. In relative terms, stocks to use in 2013/2014 measure to 12.3% compared to 11.5% in the previous year and the past five year average of 10.7%. While increase in supplies might weigh on prices, weather uncertainty and a general improvement in consumer sentiment should provide underlying support to prices.

The Malaysian palm oil industry is expected to improve on its performance in 2014, compared with last year, supported by anticipated higher production and stronger demand from export destinations, and the use of biodiesel. The MPOB expects CPO production to increase to 19.5 million tonnes due to the recovery in the FFB yield performance, coupled with the increase in new mature areas coming into production and the assumption of normal weather.

The mature area planted to oil palm in Malaysia is expected to increase to 4.71 million hectares and the immature area to 0.74 million hectares. The CPO price is expected to firm in 2014 due to increasing demand for palm oil from major importing countries like China and India due to the continued CPO price discount *vis-a-vis* soybean oil and rapeseed oil, although the discount may narrow slightly. Increased palm oil demand for biodiesel is expected to support CPO prices too.

Banana planting at Rengam Estate, Kluang

Looking at the outlook for production in 2014 for the Group, weather conditions are expected to be a key factor in the supply equation of palm oil. The impact of the recent El Nino phenomenon experienced by the Malaysian plantations in the first quarter of 2014 is expected to impact significantly only in the next 22 to 24 months towards the end of 2015 or in early 2016. Since Group's estates in Malaysia have been receiving adequate rainfall over the last two years, the current year's crop is minimally affected, except marginally in the bunch formation process which may mildly impact yield in the second quarter of the coming year. To date crop production from Group's estates in Malaysia, as at February 2014, is still 15.46% ahead of the estimate and 5.16% higher than in the corresponding period in 2013.

Expansion of Oil Palm Plantation in Indonesia

Kulim is re-entering Indonesia in the plantations sector in the North Barito Regency in Central Kalimantan expanding Kulim's landbank by approximately 40,000 hectares. Following the completion of the acquisition of 74% equity in PT Wisesa Inspirasi Nusantara ("PT WIN") on 14 February 2014, the Group's focus now is to facilitate "land release" toward securing *Hak Guna Usaha* ("HGU") that includes identifying the extent of land use for compensation.

The target planting for 2014 is 500 hectares. The first 500 hectares of land clearing for a new planting programme together with the setup of 80 hectares of oil palm nursery is expected to commence by mid-2014. We should be able to accelerate the new planting to 5,000 to 7,000 hectares per annum in subsequent years.

The new areas we have secured in Indonesia will be key to achieving the rate of growth we are planning for the Plantation segment. Palm oil output in Indonesia is expected to grow by up to 6% to 28.5 million tonnes in 2014 and global prices should also rise to an average USD850 to USD950, supported by a recovery in the global economy and higher Indonesian demand due to new biodiesel regulations. The favourable conditions for plantations in Indonesia make it a good prospect for the future expansion of Kulim's upstream activities in the palm oil industry. As we expand our hectarage to oil palm we remain resolutely focused on managing our cost of production to maximise the margins and profitability, while at the same time abiding by the principles of sustainability.

"THE TARGET PLANTING FOR 2014 IS 500 HECTARES. THE FIRST 500 HECTARES OF LAND CLEARING FOR A NEW PLANTING PROGRAMME TOGETHER WITH THE SETUP OF 80 HECTARES OF OIL PALM NURSERY IS EXPECTED TO COMMENCE BY MID-2014. WE SHOULD BE ABLE TO ACCELERATE THE NEW PLANTING TO 5,000 TO 7,000 HECTARES PER ANNUM IN SUBSEQUENT YEARS."

Continued Focus on Cost Management and Value Addition

2013 has been a challenging year for Kulim with stagnant revenues owing to the low CPO price, rising operating costs, and NBPOL operations suffering from adverse foreign exchange fluctuations and extreme weather conditions.

To exercise discipline and control over rising operating costs, in light of the increase in the cost of labour as a result of the implementation of the national Minimum Wage effective from year 2013, plus increases in other materials costs during the year, Kulim has formed a dedicated taskforce. In collaboration with the operations personnel, including R&D, the team will analyse in-depth our production cost structure and explore avenues to manage the inputs and at the same time look for opportunities for value addition along the production chain.

We have taken the necessary steps to control our cost of production as effectively as possible by adopting budget and field programmes that maximise crop recovery and quality in the long run and achieve efficient use of resources without neglecting the need for sustainability. Measures taken include the correct and timely implementation of good agricultural and operational practices, enhanced supervision in the fields, expanding mechanisation programmes and the sharing of assets. Ideas generated from cross-functional brainstorming sessions as well as suggestions from our own CEMPAKA programme are thoroughly examined and fast-tracked into effect.

Oil palm nursery at Mungka Estate, Segamat

Due to this intensive effort, production cost was reduced to RM252 per tonne of FFB in 2013, a 4% saving compared to last year and the effort will continue into 2014. Total expenses for Malaysia Plantations for year-to-date December 2013 came in 11% below budget and were mainly attributable to these cost management practices at Estate Operations, Mills and IV operating units. The cost of production in 2014 is expected to be some RM269 per tonne FFB, subject to the outcome of the renegotiations of the expired MAPA/AMESU Salary Agreement for estate staffs' salaries and MAPA/NUPW Agreement on harvesters' and loaders' salaries in 2014.

One of the initiatives we have taken to meet our commitment to reduce our carbon footprint has been to introduce biogas plants at Group's mills. The biogas plant at Sedenak Palm Oil Mill was 70% complete at the end of 2013 and is expected to reach full completion in May 2014. This will be the first biogas plant commissioned for Kulim's Malaysia operation. Subject to the stability of power generation by the new biogas plant, further value-added downstream processing activities including palm fibre solvent and bottling of bioCNG (compressed natural gas) are also being explored and evaluated. Two other biogas plants will be constructed at Sindora Palm Oil Mill and Pasir Panjang Palm Oil Mill respectively in 2014 and are expected to be completed in 2015.

As a responsible corporate entity heeding growing concerns over environmental issues especially with regard to effluent discharge quality, Kulim together with the MPOB is constructing a tertiary plant which will be attached to a biogas plant at Sindora Mill. This project will reduce the biological oxygen demand ("BOD") level to below 50 ppm as per the requirement by the Department of Environment ("DOE").

Food Security

Agriculture is the key component of Malaysia's food security and self-sufficiency plans for the future. To meet agricultural productivity challenges, public and private sectors must work together to achieve sustainable solutions for food security. In recent years, Kulim has taken an increasing interest in helping to address the issue of national food security. We view the plantation of food crops and cattle rearing in Malaysia as part of the Group's promise of corporate responsibility. As our contribution to achieving national food security, Kulim currently cultivates approximately 166 hectares of pineapple, 30 acres of corn and owns about 5,900 heads of cattle. At Kulim we can play a useful role by applying the advanced agronomic practices we have honed in the oil palm plantations to help deliver higher crop yields in arable and orchard farming.

INTRAPRENEUR VENTURES

INTRODUCTION

THE INTRAPRENEUR VENTURES ("IV") DIVISION IDENTIFIES AND NURTURES START-UP COMPANIES FROM AN ORIGINAL IDEA TO FULL COMMERCIALISATION OF INNOVATIVE PRODUCTS AND SERVICES. THE STRATEGY EMPOWERS FLEDGING BUSINESSES TO LEVERAGE THEIR DEVELOPMENT BY CAPITALISING UPON ACCESS TO EXPERT TECHNICAL CONSULTANTS, POLICY ADVICE, FUNDING, AND LEGAL AND INFORMATION SERVICES PROVIDED BY THE GROUP. INTRAPRENEURS CAN ACCELERATE THE ENHANCEMENT OF THEIR PRODUCTS AND SERVICES AND TIME TO MARKET, RAPIDLY EXTENDING THEIR CORPORATE REACH, AND THESE NEW BUSINESSES SERVE AS THE ENGINES FOR THE FUTURE GROWTH OF THE GROUP. THE IV DIVISION IS REWARDED BY MULTIPLE REVENUE STREAMS AND HAS TRIED AND TESTED EXIT AND HARVEST STRATEGIES TO REALISE AND MAXIMISE RETURNS ON INVESTMENTS MADE.

In 2013, despite the more challenging business environment, the Group's IV division delivered another set of solid results validating the strategy of developing entrepreneurial talent. Despite net margins remaining under pressure as a result of stiff competition and challenging operating conditions this year, the division's fundamental operating model remained sturdy yielding resilient profits, stable assets quality and healthy capitalisations. We salute all the hardworking and enterprising intrapreneurs who we collaborate with for their dedication and ongoing commitment into the respective ventures.

CORPORATE DEVELOPMENTS

To maximise shareholders' value, the division applies effective cost controls and business management oversight over all its subsidiaries to bolster revenue streams and evaluates all enterprises for potential harvesting to achieve attractive returns on investments.

The dynamic structure of the IV segment was underscored by an acquisition and two (2) disposals this year. The acquisition of a 60% stake in Danamin (M) Sdn Bhd ("Danamin"), completed in June 2013, heralded our entry in the Oil and Gas ("O&G") industry. Danamin which is involved in the provision of Non-Destructive Testing ("NDT") services and electrical engineering works for the O&G marine, chemical and construction industries, reported a promising PBT of RM921,900 on the back of revenue of RM23.6 million for its maiden year in the Kulim Group.

Implementing the policy of harvesting successful investments, the disposals of Orkim Sdn Bhd ("Orkim") by E.A. Technique (M) Berhad (formerly know as E.A. Technique (M) Sdn Bhd) ("EATech") and Pro Office Solutions Sdn Bhd by Sindora, in April 2013 and August 2013 respectively, yielded a total gain of RM77.3 million to the Group.

M.V. Nautica Tg. Puteri XI - harbor tugboat at Sg. Udang Port, Melaka

FINANCIAL PERFORMANCE

For the IV segment as a whole, revenue rose by 21.7% from RM168 million to RM204.4 million in 2013 while operating profit increased from RM23.8 million to RM45.5 million. Our ship-owning subsidiary EATech was the mainstay of the segment contributing 47% and 85% respectively to division's revenue and operating profit. Kulim's recent announcement of its intention to list EATech on the Main Market of Bursa Malaysia is aimed at affording the company efficient access to funding and investment from the capital market in order to accelerate the pursuit of its business strategy and growth plan and thereby gain wider public recognition.

In addition, Orkim was disposed for RM110 million in a transaction concluded on 23 April 2013. Sindora received RM43.4 million from the disposal for its direct 20% shareholding in Orkim and an additional RM34.1 million through its 51% shareholding in EATech. Thus, the total proceeds that Sindora gained from its total divestment of Orkim amounted to RM77.5 million.

Edaran Badang Sdn Bhd recorded 3% growth, lifting revenue from RM27.74 million to RM28.50 million in 2013. This was mainly attributable to the increased sales of spares for multipurpose Mechanical Buffalo vehicles. However, the sales of agriculture machinery and equipment was decreased by RM123,000 compared to 2012 . As a result, its PBT has also decreased from RM1.97 million to RM1.73 million in 2013.

Kulim Nursery Sdn Bhd which is involved mainly in biocomposting, landscaping and oil palm nurseries turned around its operations, transforming a loss of RM4.80 million in 2012 to a RM2.16 million profit in 2013. This positive change was mainly driven by a hike in biocompost and landscaping sales, and greater offtake of oil palm seedlings.

The improved financial performance of the division was also attributed to the new income stream from Danamin, the newly-acquired 60% subsidiary, of which its results were consolidated effective 1 July 2013.

REVENUE
INCREASED BY
21.7%
TO **RM204.4** MILLION

OPERATING PROFIT
INCREASED BY
91.2%
TO **RM45.5** MILLION

OPERATIONAL REVIEW AND PROSPECTS OF SELECTED KEY COMPANIES

E.A. Technique (M) Berhad

Our involvement in the shipping business through EATech and our then subsidiary, Orkim, saw the Group emerge as a key player in the maritime sector and positioned as the second largest shipping company in Malaysia in the clean petroleum product tanker category servicing the O&G sector within Malaysia, until the Group disposed of Orkim in April 2013. Going forward, the Group's involvement in shipping services will be driven solely by EATech.

During the year under review, EATech has a paid-up capital of RM97.5 million with Sindora, Kulim's wholly-owned subsidiary, holding a 51% equity stake in the company. EATech operates in niche markets providing long-term charter contracts for the transportation of clean petroleum products, and upstream exploration support for oil majors.

The shipping business started to flourish in 2011 when EATech took delivery of four (4) newly constructed harbour tug boats for commission under long-term charter contracts. In 2013, three (3) more support vessels were delivered, two (2) of which commenced operations at Sungai Udang Port while the other rendered service at a refinery in Terengganu. In the same year, EATech was awarded a contract to build, operate and charter out six (6) units of Z-Peller harbour tugboats to Northport (Malaysia) Bhd ("Northport") over a period of 10 years, becoming the first local supplier of such vessels to Northport. On 17 September 2013, EATech entered into an agreement with PaxOcean Engineering Ltd for the construction of two (2) 40-tonne harbour tugboats. The vessels will be built at PaxOcean's shipyard in Zhuhai, China.

By the end of 2013, EATech owned 21 vessels comprising seven (7) oil tankers, five (5) harbour tug boats, five (5) mooring boats, two (2) fast crew boats and two (2) utility tug boats. Additionally to this fleet, EATech also chartered three (3) harbour tug boats and one (1) LPG tanker. Today, EATech has a total carrying capacity of more than 84,000 dwt. This marks an exponential increase from the initial eight vessels with a combined carrying capacity of 14,500 dwt when Sindora originally acquired EATech in late 2006.

Cockpit view of M.V. Nautica Tg Puteri XI

"KULIM'S RECENT ANNOUNCEMENT OF ITS INTENTION TO LIST EATECH ON THE MAIN MARKET OF BURSA MALAYSIA IS AIMED AT AFFORDING THE COMPANY EFFICIENT ACCESS TO FUNDING AND INVESTMENT FROM THE CAPITAL MARKET IN ORDER TO ACCELERATE THE PURSUIT OF ITS BUSINESS STRATEGY AND GROWTH PLAN AND THEREBY GAIN WIDER PUBLIC RECOGNITION."

EATech's largest vessel, the 40,000 dwt MTN Muar, underwent refurbishment and conversion into a floating storage unit ("FSU") during the year. It commenced operations in September 2013 after delivery to Kayu Manis Oilfield in Bintulu, Sarawak.

EATech will continue to operate in niche markets concentrating on the provision of long-term charter contracts for the transportation of clean petroleum product for oil majors, such as Petronas Trading Corporation Berhad ("Petco") and Shell, and the provision of support vessels.

Kulim Nursery Sdn Bhd

In 2013, the company strengthened its offerings of oil palm and rubber nurseries, landscaping, design, consulting and hardscape, maintenance and construction, planting of ornamental, herbal and annual plants and flowers, and organic fertilisers.

Kulim Nursery Sdn Bhd ("KNSB") has started to expand outside its base in Johor with its first branch being established in Kuala Lumpur in 2013. The focus there is on the marketing of horticultural products and landscaping in Putrajaya, Federal Territory. An oil palm nursery in Keningau, Sabah started on 15 October 2013 as a means of tapping into the East Malaysian market. Recently, the company introduced new fertiliser products, under the "BIONIK" brand which involves the production of five types for application on paddy, ornamental plants, grass, napier and commercial grade plants.

KNSB has been awarded Codes of Practice Certificate by the Malaysian Palm Oil Board for its nurseries at Basir Ismail Estate, REM Estate (Pasak Division) and Tunjuk Laut Estate (Kulim-managed estate). This is a promise of quality assurance that acknowledges the commitment by KNSB towards producing high quality seeds. The company has also been accorded with RSPO accreditation as well as ISO 14001.

Extreme Edge Sdn Bhd

Incorporated on 1 January 2010, Extreme Edge Sdn Bhd ("EESB") has set its sights on becoming a premier information technology solution integrator and business performance enhancer despite the fact that it faces some established competitors in Malaysia's ICT business landscape.

EESB serves as a one-stop centre that provides various solutions from hardware to applications software. It services include networking and communications, backup, recovery, and maintenance of hardware. The company also offers website design, development, hosting and management, advisory service and project management services. The EESB team comprises competent system engineers, application consultants, system analysts, application programmers and technical support engineers.

In the year under review, EESB registered higher revenue of RM5.5 million as compared to RM4.9 million in 2012. The increase in revenue was mainly due to more projects management services contracts acquired by EESB, mainly in the Tanjung Langsat Port. Despite the increase in revenue, PBT registered fell to RM739,000 compared with RM1.09 million recorded in 2012 due to increase in operating and administration cost.

Going forward, EESB has set its sights on greater specialisation of products and services through a merger and collaboration with Sovereign Multimedia Resources Sdn Bhd ("SMR"), an Intrapreneneur Company under Johor Corporation which has acquired the MSC-status. EESB is currently examining various opportunities to exploit the benefits of MSC-status via the consolidation of SMR into the Group.

Edaran Badang Sdn Bhd

Edaran Badang Sdn Bhd ("EBSB") is principally involved in the manufacture and selling of a motorised three-wheeler named the Mechanical Buffalo. The vehicle, designed for the mechanised evacuation of FFB on oil palm estates, is sold under the trademark "BADANG". The company also sells a motorised crawler that can maneuver on soft peat terrain.

In 2013, as part of its diversification and market penetration strategies, EBSB established a new product distribution centre in Lahad Datu, Sabah. The company imports and supplies the well-tested "BELUGA" – a transporter machine for peat soil conditions, for a wide range of agricultural activities. It can also be operated in peat areas as it uses rubber tracks that provide more traction and stability.

In the year under review, EBSB registered higher revenues of RM28.50 million as compared to RM27.74 million in 2012. Contributing to the increase in revenue was sales of spares for "BADANG" from RM3.14 million to RM4.05 million. Despite the improvement in revenue, the company registered a 12% decline in PBT from RM1.97 million in 2012 to RM1.73 million in 2013 due to decreased of sales for agricultural machinery and equipment and also lower margin of spares for "BADANG".

Danamin (M) Sdn Bhd

Established in 1994, Danamin was set up with the objective of providing reliable, high quality, cost effective, and technology-driven engineering, NDT, quality assurance, Asset Integrity Management and inspection services globally. In tandem with Danamin's vision to serve its clients with the most innovative and second-to-none services with a high degree of professionalism, Danamin operates in line with internationally-recognised standards such as ISO 9001:2008, Class certified societies DNV 402B for NDT and Industrial Rope Access Trade Association ("IRATA"). Building upon its accrued experience and knowledge, the company has quickly grown into an established market player and has set technology standards for electrical engineering works as well as NDT services.

In the year under review, Danamin Group registered revenue of RM23.58 million and PBT of RM921,900. Danamin has invested in the expansion of its pipe rolling mill at Bandar Penawar, Kota Tinggi, Johor to tap advantage of its proximity to the proposed Refinery and Petrochemical Integrated Development ("RAPID") project in Pengerang, Johor and its strong rapport with Malaysia Marine and Heavy Engineering ("MMHE"). The investment will involve the purchase of 7,500 tonnes of JCO Hydraulic Press Bending Machine and related machinery and the extension of the pipe mill building.

Hari Raya Aidilfitri celebration at Kulim's Corporate Office, Ulu Tiram, Johor

SECTION 5: SUSTAINABILITY

ENGAGES EVERYONE TOWARD ETHICS

Our **Ethical** business conducts are a culmination of management practices that espouse transparency and accountability.

PART I :
KULIM'S SUSTAINABILITY IN CONTEXT

POLICY FRAMEWORK

WE INTEGRATE OUR BUSINESS STRATEGY WITH SUSTAINABILITY THROUGH A COMMITMENT TO PEOPLE, PLANET AND PROFIT ("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.

POLICY, STRATEGY AND MANAGEMENT SYSTEM

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 environmental 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.

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

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.

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.

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.

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.

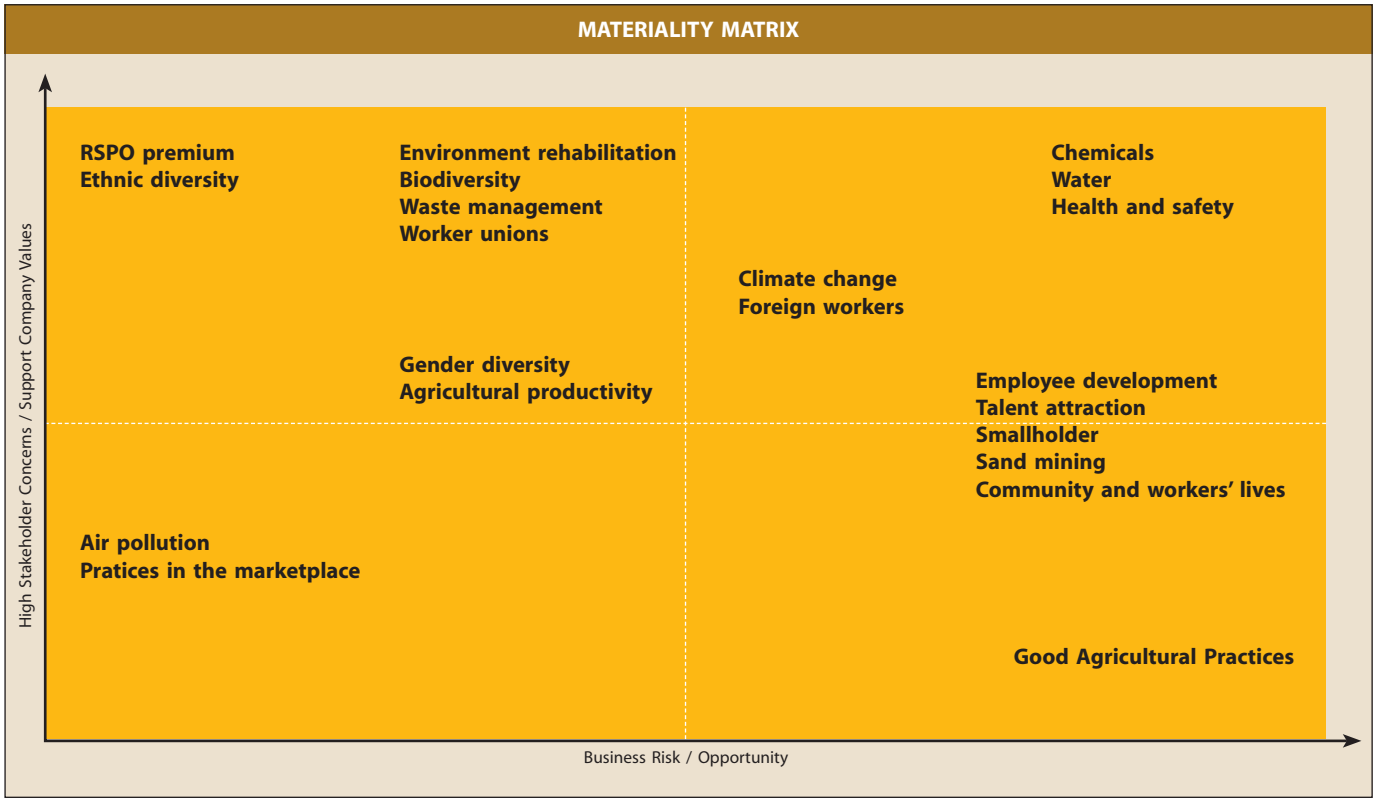
Strategy

Sustainability is central to our business strategy and stakeholders' concerns are key inputs in mapping out the corporate strategy. We believe active stakeholder engagement will highlight potential risks or opportunities for our business.

We prioritise our issues by developing a "Materiality Matrix." This approach combines the findings from our stakeholder engagements with our organisational priorities. In 2008 our senior management team developed the matrix based on the prevailing stakeholders' concerns, complemented by other management tools such as Social Impact Assessments ("SIA") and regulatory frameworks. We have since updated the "materiality matrix" to reflect current realities and concerns in this Annual Report.

The top three (3) material issues that are significant to our stakeholders and our organisation are:

- the use of chemicals such as paraquat, herbicides and pesticides in our estates;
- the amount of water used for our estates and mills; and
- health and safety standards in the workplace.



Management Systems

Certification – RSPO

Our overall sustainability management system is guided by the Principle and Criteria ("P&C") developed by the multi-stakeholder initiative, the RSPO. The standard's international credibility and commitment to stakeholder inclusion makes the certification credible and robust, though there are always opportunities for improvement. We believe that this standard represents the most responsible way to grow oil palm.

The RSPO P&C provides a robust framework to articulate issues fundamental to us. These issues include stakeholder engagement and value creation for the larger society.

We achieved the RSPO certification for all our estates in January 2009 and were one of the first palm oil companies to strive for the RSPO certification globally. Continuing our efforts and commitments towards Sustainable Development, all operating units under Kulim's Malaysia Plantation Division, including those acquired from Johor Corporation, except for Siang Estate, successfully underwent the RSPO re-certification audits in December 2013 with minor corrections to be addressed. The new RSPO certification was received in April 2014. Whereas for NBPOL's operations in PNG and SI, it has been 100% RSPO-certified since the end of 2012.

As part of a bigger supply chain that extends to the end consumer, we are working with our customers, mainly the refineries, to implement the RSPO mechanism for traceability – the Mass Balance and the Green Palm Book and Claim system. As one of the first few palm oil companies RSPO certified globally, we continue to manage our social and environmental risks in accordance with the guidelines developed by the RSPO. For us, the adaptation of RSPO P&C is also connected to Islamic teachings which focus on value creation, sustainable use of biodiversity and engagement of stakeholders.

Sustainability and Initiative Council

We consolidated the structure of our Corporate Responsibility ("CR") governance through the launch of the Sustainability and Initiative Council ("SIC") (previously known as Sustainability and Quality Council ("SQC")). The role of the SIC is to oversee our CR strategy and activities on behalf of the Board.

The SIC has established a Company-wide data collection system for monitoring and reporting against agreed metrics. The Council 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 SIC challenges the Management to assess and control risks while developing programmes to capitalise on opportunities. The SIC uses targets to monitor the performance in achieving these tasks and co-ordinates sustainability initiatives across departments.

The SIC 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. One (1) of our mills and two (2) 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 ISO 14001 provides a framework for a strategic approach to our environmental policy, plans and actions. As for biodiversity-related framework, we have developed HCV management plans and toolkits with the help of our partners, to manage biodiversity issues such as human-wildlife conflicts due to our proximity to national parks.

The framework was also used as a basis for implementing the RSPO Principles and Criteria. In addition to the RSPO Principles and Criteria, we adhere to other frameworks which form the basis of the current sustainability management systems. These frameworks include ISO 14001 environmental standard, SA8000 Labour Standards.

Our SIA are framed around the SA8000 standard – the leading international standard on labour conditions. We carry out ongoing SIA based on Principle 6 of the RSPO Principles and Criteria as well as SA8000 (established by Social Accountability International). SIA incorporates interviews with operational stakeholder such as 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.

We have also adopted the methodologies of the Occupational Safety and Health Administration ("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.

Kulim's estates in Malaysia and the Nexsol plant, respectively, have undergone second year audits for the International Sustainability and Carbon Certification ("ISCC") to demonstrate compliance with European and German requirements for sustainable biomass and bioenergy production. We successfully obtained the second year certification on 2 February 2014 and 18 December 2013 respectively.

Carbon Footprint Report

Kulim chalked another important milestone in its sustainability journey when it produced its first Carbon Footprint Report in November 2013. Reported in accordance with RSPO GHG Beta Version 1a guidelines, it made Kulim the first Malaysian plantation company in the world to have published a Carbon Footprint Report in the RSPO-recognised format.

Stakeholders Engagement

Stakeholders engagement is crucial to sustainability and organisational success. Stakeholders engagement enhances accountability by allowing an organisation to identify, understand and respond to sustainability issues – a valuable tool to better manage our risks and identify opportunities. It is also an excellent avenue to tap into expertise and existing networks. Most importantly, it enables us to develop trust and transparency in our relationship with the stakeholders.

STAKEHOLDER GROUP	ISSUE	METHOD	OUTCOME
Employees	a) Talent retention b) Employee development	Management and Employee Roundtable Conference, dialogues, surveys and workshops	Following climate survey, we conducted benchmark and review of salaries, initiated career and succession. Initiated an online peer and reverse performance feedback performance appraisal and assess competency training needs. Launched a RM1 million fund to support employee and their children in pursuit of higher education.
Workers	a) Labour policy and workers' lives b) Occupational Health and Safety	Annual Social Impact Assessments ("SIAs")	Renovated 94 units of housing.
Non-governmental organisations	a) Biodiversity loss b) Climate change c) Environment rehabilitation d) Good Agricultural Practices	Partnerships, multi-stakeholder forums and joint projects. Member of the Malaysian Nature Society. Roundtable on Sustainable Palm Oil ("RSPO")	a) *Infaq 1 Warisan* tree planting programme b) The Raja Zarith Sofiah Wildlife Defenders Challenge c) Human/Wildlife Conflict management project with Wildlife Conservation Society ("WCS") Program d) Wildlife Defender monitoring and patrol
Investors and bankers	Update on RSPO initiatives.	Meetings, road shows and group meetings	Incorporated sustainability issues into our investor relations communications strategy.
Industry bodies	a) Chemicals b) Water usage c) Occupational Health and Safety d) Climate Change e) Biodiversity loss f) Community and workers' lives g) Good Agricultural Practices	Multi-stakeholder initiatives, ad-hoc meetings with industry peers	Kulim was one of the first growers to be certified by RSPO globally. First Malaysian grower to publish standalone carbon report using Palm GHG tool. Feedback to GHG Working Group 2 on usability and accuracy of Palm GHG tool.
Outgrowers and communities	Commitment to certify 100% of the crops processed by our mills by 2019	Annual SIA, ad-hoc public meetings, workshops, individual meetings.	Pilot project with a controlled group of smallholder to implement outgrower certification. Certified one outgrower.
Customers	Supply chain certification	Joint ventures and ad-hoc meetings.	Our Certified Sustainable Palm Oil ("CSPO") is sold to our buyers via a) Green Palm Book b) Reported claim traceability mechanisms ("UTZ").

COMMITMENTS AND TARGETS – MALAYSIA PLANTATIONS

A workshop for the Kulim Sustainability Committee was conducted to review our sustainability commitments and performance indicators. The status of each indicator was reviewed to understand where we were successful and areas for improvement needed to meet targets. Boundaries for each indicator were defined clearly to ensure data would be captured correctly.

Following the review, seven (7) of our targets and commitments remained unchanged. One (1) new target was added, two (2) removed, and four (4) revised. Deadlines were extended or established for another four (4) targets along with a specific time bound plan to achieve targets.

TARGETS MAINTAINED	TARGET	COMMENT
Lost Time Accident rate below 10	On-going Commitment	
Reduce severity rate below 3.5	On-going Commitment	
Zero fatalities	On-going Commitment	
No peat development	On-going Commitment	
No development on land containing one or more high conservation values	On-going Commitment	
No fine for environment related incidents	On-going Commitment	
Biennial carbon report of Kulim plantation	2015	

TARGETS REMOVED	TARGET	COMMENT
Rollout of identity card programme to all foreign workers	2013	Identity cards for foreign workers is a matter of government policy. We will advocate for identity cards with government officials directly and through our industry association.
Formation of Gender committee	2009	Gender committee (Women OnWards) has been established in 2008

NEW TARGET	TARGET	COMMENT
Halal Certification of CPO	2015	In response to our customers' enquiries if our oil is *halal*

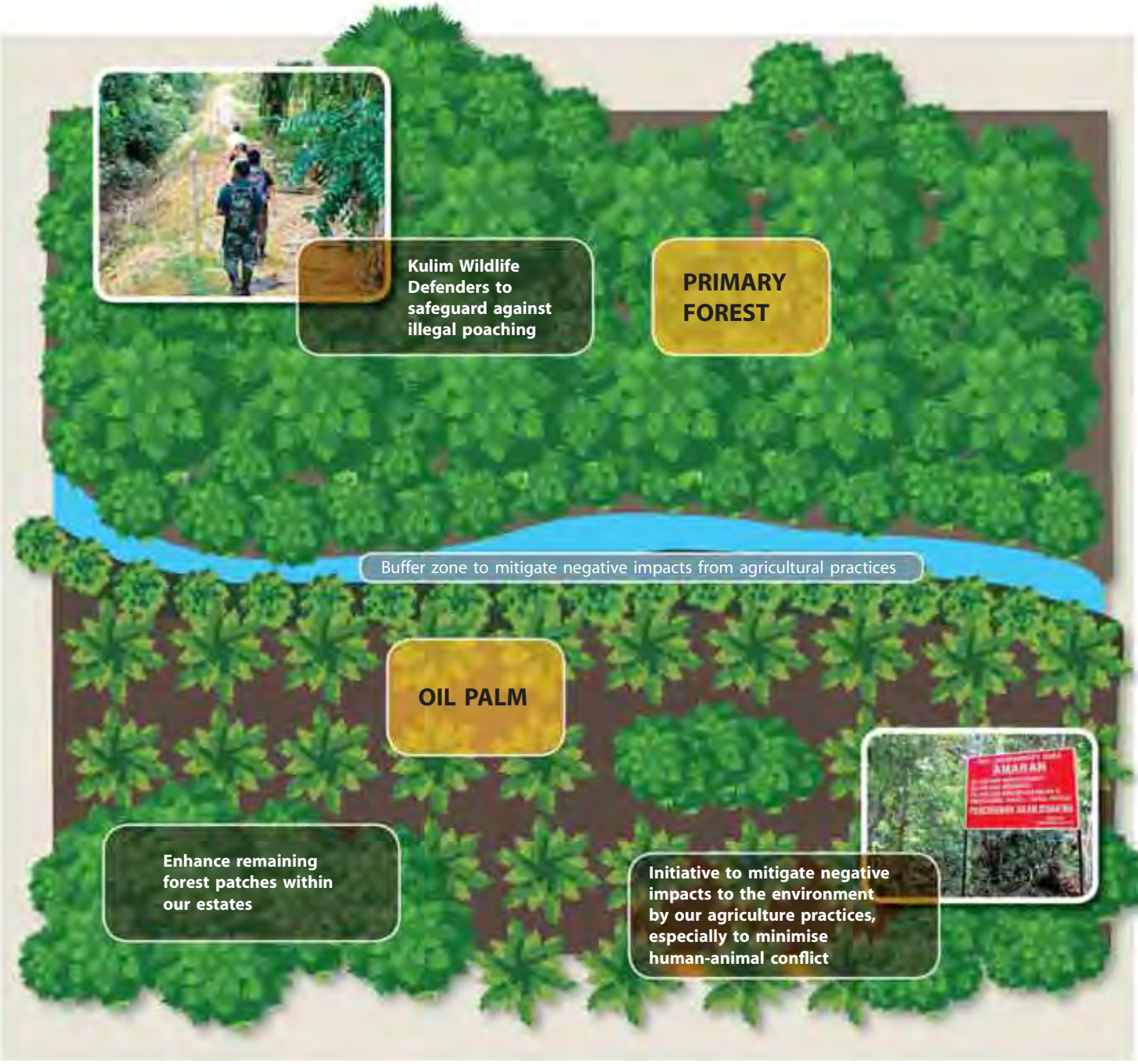
TARGETS REVISED	TARGET	COMMENT
Reduce herbicide usage by 10% from base year 2009	2% percent reduce usage of Glyphosate in one year old palms by 2020	A reduction of 2% in Glyphosate usage may be realised by increasing mulching in one-year old palms. In some cases for control of oil palm self-sown seedlings, the R&D Department recommends higher rate of Glyphosate of up to seven (7) litre/ha to kill the self-sown seedlings to avoid using paraquat.
Reduce paraquat usage by 10% base year 2009	5% percent reduce paraquat of total herbicide usage by 2020	
Reduce water usage to 0.7 m^3 per tonne of FFB	1.2 m^3 per tonne of FFB	Our previous reduction target did not take into account water used in the boiler for production of steam.
ISCC certification in two (2) mills	2017	Target to certify Palong Cocoa and Pasir Panjang mill in addition to our current three (3) ISCC certified mills.
CO_2 equivalent reduction at mills by 90% by 2011	2017	We have set a progressive CO_2 equivalent reduction target based CO_2 on the commission of five (5) biogas plants at our mills over the next three (3) years.
100% of external fruit to be certified by 2013	2019	We have set a progressive target to fully certify our outgrowers and traders by 2019.
Achieve average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("ER") of 30% by 2020 from a base year of 2011	2036	We have revised this target based on the estimate of advancement in planting materials. With a 25-year replanting cycle, time will be needed to replant existing oil palm with new higher yielding breeds of oil palms. We have set target of: Short term (15 years) = 25 tonnes per ha; 26% Palm Product ER by 2026 Medium term (25 years) =27 tonnes per ha; 28% Palm Product ER by 2036 Long term (>25 years)= 30 tonnes per ha; 30% Palm Product ER by 2037

PART II :
ENVIRONMENTAL PERFORMANCE

PROTECTING AND CONSERVING BIODIVERSITY

In 2008, we commissioned detailed surveys to assess the state of the flora and fauna present in and around our estates. Since our last report, the majority of the IUCN Red-listed mammals are in a more precarious state, except for the Southern Pig-tailed Macaque. We recognise our critical role to address this issue, as our plantation operation in Johor borders an important national park, the Endau-Rompin National Park in the southern part of Peninsular Malaysia. This is factored into the strategy for our biodiversity initiatives.

Our broad approach is underlined by the precautionary principle for unplanted areas, complemented by HCV management tools. Our strategy for biodiversity is largely aimed at enhancing or improving biodiverse areas or mitigating the negative impacts on biodiversity. We are strengthening our internal monitoring and control mechanisms, as well as working very closely with our Non-Governmental Organisation ("NGO") partners and government agencies to provide the additional resources.



Utilising HCV tools

In 2011, we commissioned a birds and bats survey on major water bodies in respective recommended estates by the Rapid Biodiversity Assessment ("RBA") Report. The survey is mainly to identify and understand the areas of high interest for the seasonal *East Asian–Australasian Flyway* migratory route as the area may play an important role for these migratory birds' species that has implications to our replanting planning and management. On the other hand, bats in plantations are normally potential pollinator agent and biological insect controller, at the same time its existence is an indicator for forest health around our plantation.

Enhancing potential biodiverse areas

Although our estates do not contain HCVs, we have started a process of planting trees to enhance the small areas of vegetation within our estates. All remaining forested areas within the estates are managed for development into full-fledged HCV forests or preparation for biological corridors. All estates have to identify and demarcate their river buffer zone area with white and blue peg stands, especially in the areas designated for replanting. As at 31 December 2013, we have 425.39 hectares of HCV (river buffer zone and jungle patches) including the newly-acquired estates from JCorp.

We have started a process of planting trees to enhance the small areas of vegetation within our estates. Our Natural Corridor Initiative, developed in partnership with social enterprise Wild Asia, has started to take shape as the trees planted five (5) years ago have grown. This initiative aims to provide wildlife or green corridors to link natural habitats separated by human-modified landscapes, thereby increasing the functional space for wildlife.

Mitigating impacts

We have several initiatives to mitigate our negative impacts on the environment, especially in view of the updated IUCN Red List, including working on managing the human-wildlife conflict. All our estates are required to provide a regular update on the species found in and around the estates, and track incidents of wildlife encroachment, particularly elephants.

We have buffer zones around major water bodies in or around the estates and adjacent to forest reserves. We conduct regular Rapid Biodiversity Monitoring in these buffer zones. All the estate managers have to update their buffer zone mapping twice yearly and reported any encroachment for further action.

To minimise soil erosion, we re-aligned our roads and constructed silt traps in our drains. We made sure that there are buffer zones around the major water bodies and that replanting is done in stages, with never more than one side exposed to the replanting process at any given time.

Within the estates, we have an Environmental Policy that prohibits hunting, fishing and taking of fauna within the estate and adjacent areas. According to auditor report on our RSPO Re-certification in November 2013, we are pleased that our employees have demonstrated commendable level of awareness with regards to Kulim's efforts towards environmental initiatives.

Strengthening monitoring and control

We have had in place an environmental unit within the Sustainability Department to analyse wildlife data, publish biodiversity bulletin and communicate with estates on outcomes and results of our studies on biodiversity. The unit also functions as a reference in any case of environmental issue with regards to environmental protection and control of pollution.

Spotted Leopard Cat ("Prionailurus Bengalensis") at Selai Estate, Kluang

Working beyond our estates

We understand that one company's effort at mitigation is not enough; we need push beyond our Company boundaries. As neighbours to the Endau-Rompin National Park and a few forest reserves, we work with Wildlife Conservation Society ("WCS") Johor, Malaysia to mitigate human-wildlife conflicts, in particular, elephants, at Sungai Tawing Estate and recently, Sindora Estate.

We have also worked with Wild Asia on the Natural Corridor Initiative, namely the Tree Host Pledge for period 2008-2010. This initiative aims to provide wildlife or green corridors to link natural habitats separated by human-modified landscapes, thereby increasing the functional space for wildlife.

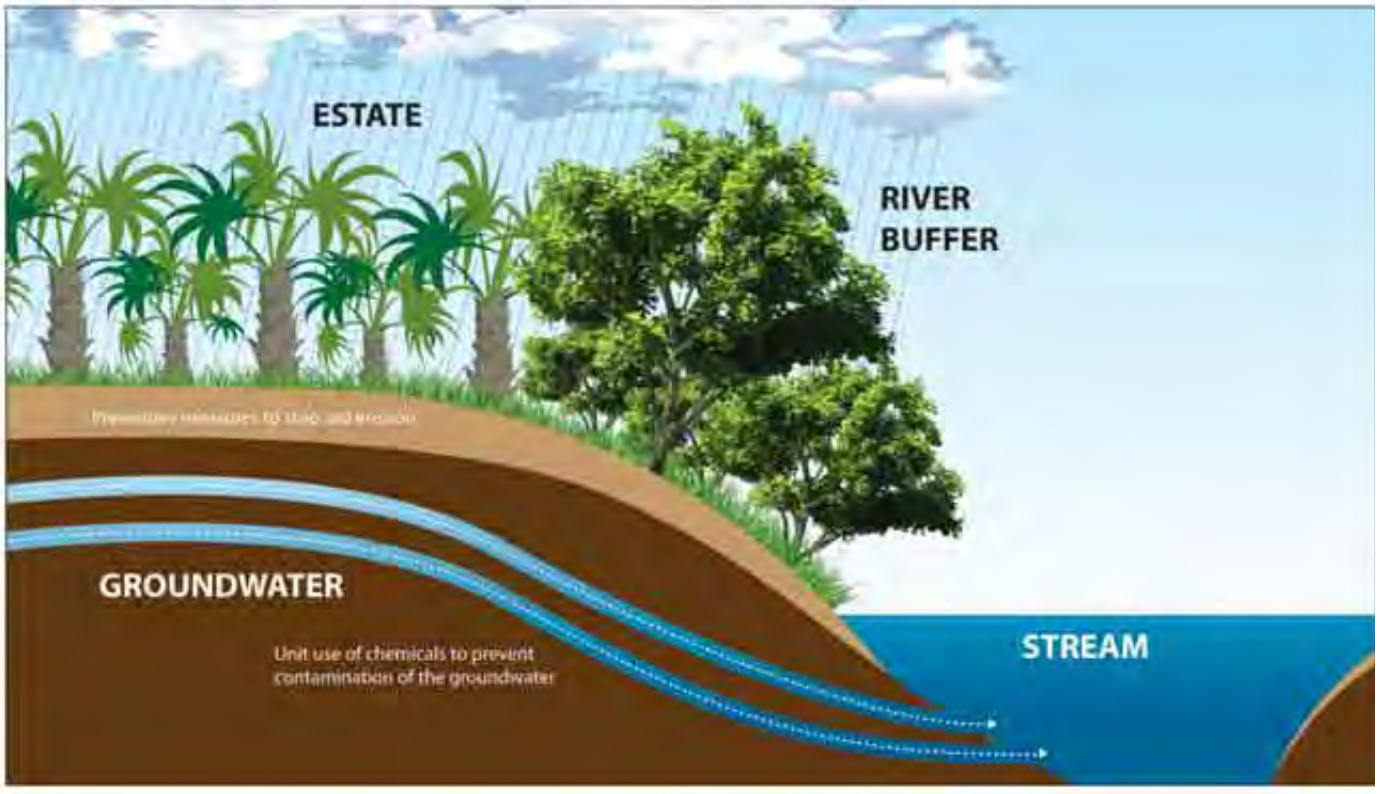
Towards end-2010, Kulim has initiated its own tree-planting programme, named *Infaq 1 Warisan*. The first *Infaq 1 Warisan* took place at Siang Estate, Kota Tinggi, Johor in September 2010. This programme serves as a channel for Kulim employees and the public to contribute into greening the earth by planting trees and encourage biodiversity. It is an annual event, which was subsequently held at Mungka Estate, Segamat in 2011, Siang Estate in September 2012 and the latest *Infaq 1 Warisan* was held at Basir Ismail Estate in September 2013.

As at 31 December 2013, there were 3,011 trees planted under the programme comprising more than 30 different species of native trees, covering some 30 hectares of our estates.

Kulim Wildlife Defenders

The Kulim Wildlife Defenders continues its partnership with WCS to protect the areas with HCVs adjacent to our estates. Together with the Johor National Parks Corporation, the Wildlife Department, the Forestry Department and the Police Force, the Johor Wildlife Conservation Project aims to eliminate poaching through intervention and enforcement, by protecting the boundary of the forest reserves adjacent to our estates. The Kulim Wildlife Defenders is now a registered Non-Governmental Organisation.

Since the inception of the Kulim Wildlife Defenders programme, 48 Kulim security guards and staff have been trained to participate in this programme. In 2013, they have logged 216 hours of patrol in our forest reserves linked to the National Parks.



Raja Zarith Sofiah Wildlife Defenders Programme

The profile of Kulim Wildlife Defenders received a huge boost when the HRH Raja Zarith Sofiah accepted our invitation to be the Patron of the 'Raja Zarith Sofiah Wildlife Defenders Programme 2013'. A long-time advocate for wildlife and conservation, her support has generated a much wider awareness of the issues of conservation in the state.

Launched in August 2013, the objective of the programme is for students to develop a campaign to increase awareness of wildlife conservation at their respective institution. Opened to all levels of educational institutions across Johor, the three-stage competition has attracted 20 schools, seven (7) higher learning institutions and 162 students. The winners will be announced in June 2014.

WATER CONSERVATION

Our updated Materiality Matrix has shown that water usage in the estates and mills and the risk of water contamination by chemicals continued to be the top issues raised by our stakeholders. Clean water is critical to our business and most importantly, it is fundamental to life on this planet. Our stakeholders are concerned that this precious resource faces significant challenges in estates such as environmental degradation and the impacts from climate change. We need to manage the use of water from the natural water bodies responsibly and to prevent chemicals and soil particles from contaminating the water sources.

Our mills recorded some increase in water usage from 1.15 tonnes per tonne FFB in 2012 to 1.17 tonnes in 2013. This is mainly due to lower FFB processed in 2013 with longer boiler running hours to reduce the consumption of diesel usage. Boiler water usage is the main component of the total mill water usage. The initiatives to reduce water usage include restricting the use of water for cleaning mill floors. As the main source of water for the mills comes from local rivers, the continued reduction in water usage can reduce our reliance on the local rivers. As for our estates, we do not use much water due to the abundant rainfall in this region, which provides water for the trees. Only a small amount of water is used to maintain our nurseries.

Preventing eroded soil particles from getting into the natural waterways

There is still a risk of contamination in the natural waterways due to soil erosion. As part of our standard operating practice, we use fast-growing leguminous cover crops to prevent eroded soil particles from polluting the water bodies, most importantly to prevent the erosion of the valuable topsoil.

We refrain from using synthetic fertilisers to avoid pollution from heavy metals. We utilise organic fertilisers such as Empty Fruit Bunch ("EFB") produced after milling, whenever possible. Another example of an organic fertiliser is the Palm Oil Mill Effluent ("POME") from our mills. The effluent is first treated before being recycled as fertiliser for our fields, in a process known as land application. The effluent for land application is measured by the level of Biological Oxygen Demand ("BOD"). The average BOD for our mills has increased substantially from 85 ppm in 2012 to 114 ppm in 2013.

We continue to improve our BOD levels from our mills. We achieved another 57% reduction in 2013 compared to 2011 through improvement of effluent treatment practice. Despite our improved performance, we received two (2) fines by the Department of Environment ("DOE") for not meeting their BOD levels requirement. These levels of BOD are extremely challenging to reach without significant new investment in mill efficiency and the commissioning of our biogas plants.

An emerging issue which will be monitored is the presence and impact of over 3,000 heads of cattle in our estates. Bred as part of our Foods & IV ("FIV") Division, we have seen soil compaction and overgrazing, resulting in soil erosion in some of our estates. With a target to breed up to 10,000 heads of cattle, we will need to balance the management goals of these two (2) businesses to ensure that we maintain good agricultural practices.

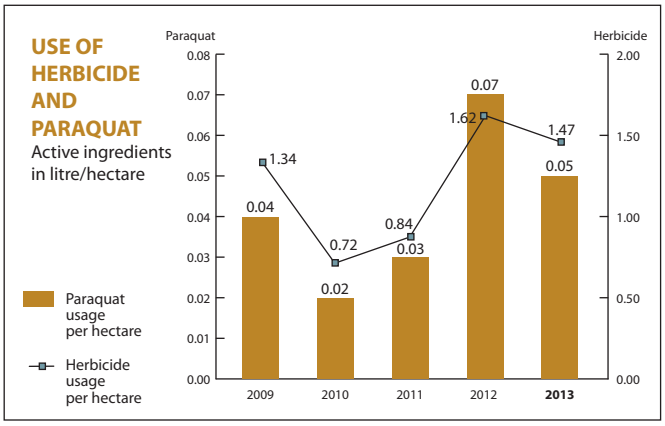
Reducing usage of chemicals – pesticides and herbicides

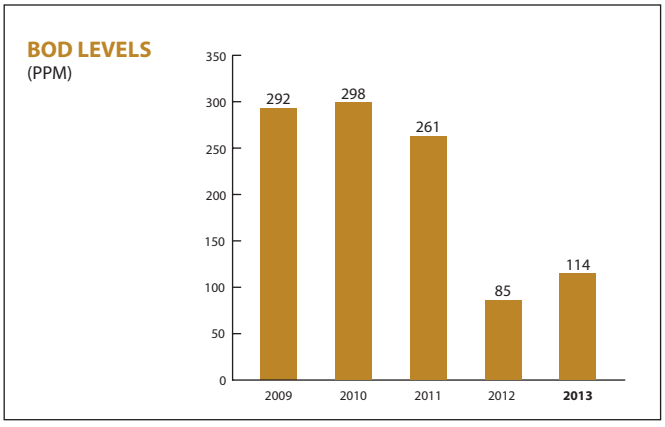
Another source of potential waterway contaminants is chemicals such as pesticides and herbicides. We seek actively to find biological alternatives for chemical pesticides, whenever possible. The Integrated Pest Management ("IPM") techniques are central to our operations, as IPM techniques are responsible for managing the issues of pests, diseases, weeds and invasive introduced species and for minimising the use of pesticides. The use of chemical control is considered only as a last resort when all biological methods fail.

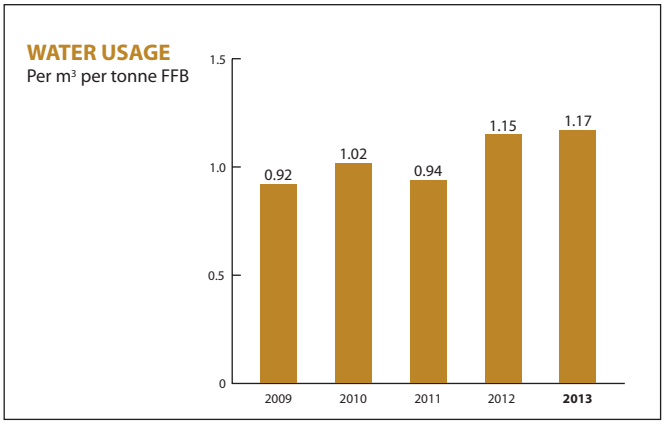
For example, barn owls have been introduced at each estate to control the rat population. Paraquat is used in small doses to treat young palms. The use of Paraquat continues to be a challenge for us. Since 2004, we have reduced Paraquat as an active ingredient by 50%. In our operations, we monitor closely the handling, application technique, and post handling of Paraquat by our employees. Our usage of Paraquat has decreased from 0.07 in 2012 to 0.05 in 2013 (active ingredients in litre per hectare).

We are aware that some plantations have committed to stop using Paraquat in their operations and we look towards learning how they are adopting this within their operations. The RSPO has conducted ongoing engagement to develop alternatives to Paraquat. These recommendations are still being debated by RSPO members and we will await for further guidance on best practice.

We ensure that those who handle, store, use, spread or dispose of any chemical that could pollute the water, soil or air are aware of their responsibilities. We have been collaborating with the Malaysian Croplife and Public Health Association and Department of Agriculture (Malaysia), in an initiative known as 'Empty Pesticides Containers Recycling Programme', since 2007.







Mills only. Figures do not cover irrigation in estates and nurseries

Minimising solid waste

All solid waste output from our mills is used in line with Standard Operating Procedures ("SOP") within the industry. The EFB are used as biocompost for our estates. The fibre and shell are used as biomass for our mills. Burning the biomass generates a small amount of boiler ash, which can be used for reducing acidity in soil. We do generate a small amount of hazardous waste that is transported to designated public facilities by an authorised agent.

SIMPLIFIED OVERVIEW OF PALM OIL PRODUCTION

ADDRESSING CLIMATE CHANGE ISSUES

We believe that climate change constitutes the most significant environmental threat to livelihoods and the environment, and we believe that any sustainable business must contribute to reducing Greenhouse Gas ("GHG") emissions. We support the initiative by the Malaysian Government to reduce GHG emissions by up to 40% by 2020, as well as the recommendations of the RSPO GHG2 Working Group to incorporate GHG emission reduction requirements into the RSPO Principles and Criteria. In 2012, we used the RSPO Palm GHG to calculate our carbon baseline, and are committed to updating this every two (2) years.

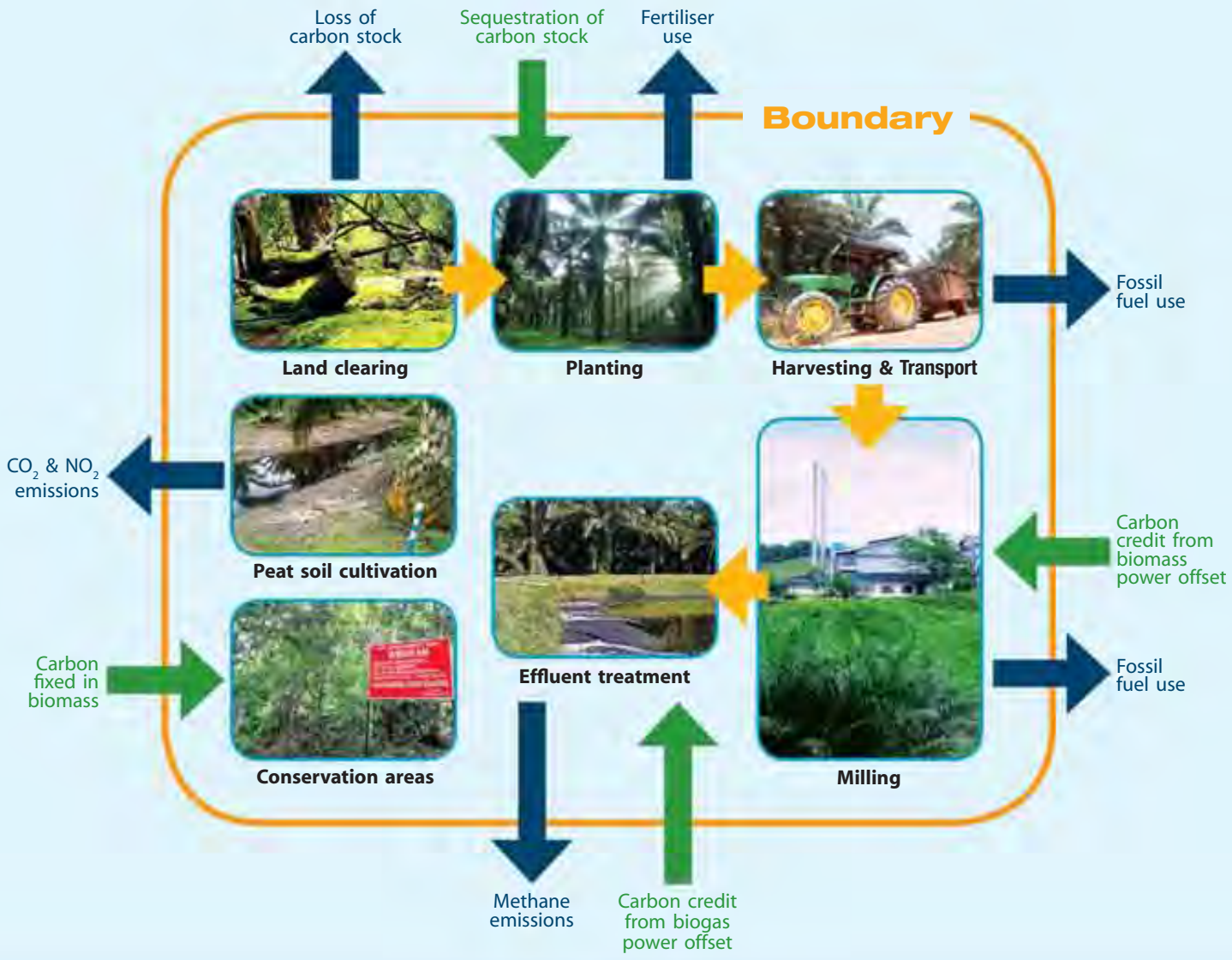
We cannot tackle climate change alone, so we will work in partnership with peers and stakeholders. We hope to learn from others and develop our own initiatives to provide inspiration and guidance to our industry and beyond.

Our carbon emission baseline

We calculated that our net GHG emissions for 2012 amounted to 403,974 mt CO_2e. With a total CPO production of 254,735 mt and PK production of 70,891 mt, this equates to a product carbon footprint of 1.26 mt CO_2e per tonne of CPO and 1.26 mt CO_2e per tonne of PK.

Our largest carbon impact comes from land clearing, which accounts for 54% of total emissions. However, replanting of oil palm and conversion of other crops, such as rubber, to oil palm are the reasons for our land clearance. Carbon sequestration by planted oil palm actually offset land clearing and we calculate a carbon-positive by 66,000 mt CO_2e. A small area of peat soil adds to land emissions by just over 100,000 mt CO_2e per year.

CARBON REDUCTION STRATEGY



Investing in biogas plants

Methane emissions from Palm Oil Mill Effluent ("POME") accounts for 22% of our total emission. By installing biogas plants in our five (5) mills, we estimate that our emissions from POME can reduce by 90%. The biogas plants will also help us develop downstream businesses such as compost plant to manufacture organic fertiliser, and polishing plants to reduce our effluence and BOD levels by 90%. It will also reduce our dependence on generators to provide electricity to houses on our estates. We estimate a five (5) to seven (7) year payback for investment of each biogas plant.

The installation and commissioning of our first biogas plants at Sedenak Mill has been delayed and is due to be commissioned in May 2014. We have approved the commencement of a second methane capture project at Sindora Mill that is expected to be commissioned in mid 2015. We target to install biogas in all of our five (5) mills by 2017.

Tracking our palm kernel shells

We produce approximately 60,000 mt of Palm Kernel Shells ("PKS") annually. We estimate that 76% of PKS is currently used for power generation in our mills. The remainder is sold to traders for third party consumption. Active monitoring and verification that the PKS purchased by third parties is used for power generation to offset consumption of fossil-based fuel, would translate to potential 30,000 mt CO_2e credit.

Efficient use of fertiliser

Reduction in the use of fertiliser also reduces our Scope 3 GHG emissions, as there would be less emission from production and transportation. We have already begun field data collection to investigate the optimum level needed between the uses of both organic and chemical fertiliser. In addition, we already have composting projects in all our five (5) mills to recycle the nutrient from the EFB and POME back to the fields.

Improving outgrower GHG data

The diversity of external suppliers, insufficient record keeping, and emissions from non-palm related activities factored into a higher margin of error for data collected from our external FFB. Through engagement with these stakeholders using questionnaires and interviews, we are able to presume that external FFB and the Company's FFB have a similar carbon profile.

Kulim will seek to enhance its relationship with stakeholders within this supply chain by engaging these parties to disseminate our commitment to lowering our GHG emissions and improve the accuracy of the field data collected from the outgrowers.

Special attention will be given to FFB traders who provide services to outgrowers who own land assets near primary forests and peat land. Close monitoring mechanism will be established to strengthen our commitment to prevent any exploitation of sensitive areas for palm cultivation.

International Sustainability and Carbon Certification ("ISCC")

The ISCC is the most comprehensive and the only certification for biofuel and bioliquids in the world. Products that are ISCC certified can be sold in Europe and be in compliant with the European Union Renewable Energy Directive. The ISCC is orientated towards GHG reduction, sustainable management of land, the protection of the natural habitat, and social sustainability.

In 2013, we successfully certified our Sindora, Tereh and Sedenak Palm Oil Mills under ISCC. These mills were audited in early 2014 and have been re-certified. We target to certify Palong Cocoa Palm Oil Mill and Pasir Panjang Palm Oil Mill by 2017.

EMISSION AND REDUCTION SOURCES

Field - oil palm cultivation

Fertiliser transport and use of fertilisers.

Field fuel use due to harvesting and collection of FFB. Diesel and gasoline combustion is a source of CO_2 emissions.

Land clearing release stored carbon in the biomass. The level of emissions depends on the type of previous land use, with high levels of forest cover, such as primary forest releasing high levels of CO_2, whereas grass land releasing only small amounts.

Peatland cultivation - these represent a significant source of GHG emissions. We have a small portion of peat within the cultivated area - 1,380 hectares (slightly over 1% of our cultivated land). This land was cultivated in 1999 - 2002 and the total area has remained unchanged since.

Carbon sequestration in the palm biomass. Oil palm can act as a 'sink' which fixes carbon and prevents emissions into the atmosphere.

Mill - palm oil production

Mill diesel usage - fuel combustion is a source of CO_2.

Palm Oil Mill Effluent release methane, which is a powerful GHG.

Mill fuel offset - most power generation in the mill is based on biomass, (shell and fibre) with only a small volume of diesel used for back-up generators. This leads to avoided emissions and can be offset.

PART III : SOCIAL PERFORMANCE

LABOUR STANDARDS

We are guided by the principle that all employees, including foreign workers, must be treated fairly, and with respect. Our labour policies are grounded in Malaysia's labour legislation, as well as on the International Labour Organisation ("ILO") Declaration on Fundamental Principles and Rights at Work. This covers core labour standards including the right to collective bargaining, elimination of forced or compulsory labour, no child labour and the elimination of discrimination in the workplace.

A highly motivated and productive workforce is critical to our business. While our earlier work aimed at improving the welfare and housing of our workers, we are now focusing on end-of-career training and contributing to fulfilling, active and decent retirement for our workers.

We have 7,053 full-time employees in Malaysia Plantation as at 31 December 2013, of which 5,917 (84%) are categorised as workers.

Besides Malaysian, our workers are predominantly from Indonesia, India and Bangladesh.

Policy of non-discrimination

We recognise value of diversity and the benefits of a diverse workforce. We practice non-discrimination towards women, ethnic or religious minorities and foreign workers. We have equal pay for equal work for all field, office and management workers based on predefined grades.

In addition, we have guidelines on HIV/AIDS. Workers who have the disease are guaranteed confidentiality and retained in employment as long as they are healthy and able to perform. This policy is institutionalised in our Sustainability Handbook for employees and the Foreign Workers Handbook for our workers. During the induction of foreign workers, an interpreter (usually a senior worker from respective nationality) will explain the terms to the workers.

No child labour

As a fundamental principle, we do not employ children or young people under 16. Many of our workers reside with their families, and hence there are children living in and around our estates. These children have access to schools and do not work for us.

Workers' Union

We recognise the workers' right to form unions. There is a local committee consisting of union representatives elected by members at each mill and estate. While 1,332 employees (18.7%) of our employees are union members (as at 31 December 2013), all workers including foreign workers, are covered by a collective bargaining agreement.

Fair wage

Our pay and conditions for workers meet at least the legal or industry minimum standards and are sufficient to provide decent living wages. All our contracts of employment provide details on payments and conditions of employment. Information on working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice is provided in their native language or explained to them by a management official.

Daily roll call at dawn; Mungka Estate, Segamat

In January 2013, Malaysia passed a Minimum Wage Order 2012 stipulating a minimum wage of RM900 a month in the Peninsular and RM800 in Sabah, Sarawak and Labuan. This law has been fully enforced on 1 January 2014.

Our workers are paid according to the recommended wages of the Malaysian Agricultural Producers Association and the National Union of Plantation Workers. We also provide housing and utilities to our workers.

Bonded labour

We do not subject any of our workers to bonded labour. Workers enter into employment voluntarily and freely, without duress. Local workers have the freedom to terminate employment without penalty with reasonable notice. Foreign workers are under a three-year contract. We do not allow changes to their working conditions, unless it is changes required under national guidelines and legislation. All workers are covered by insurance which covers accidents and disability.

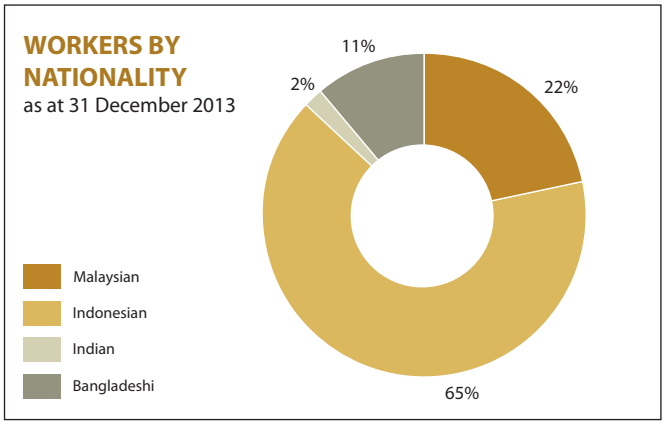
Turnover rates

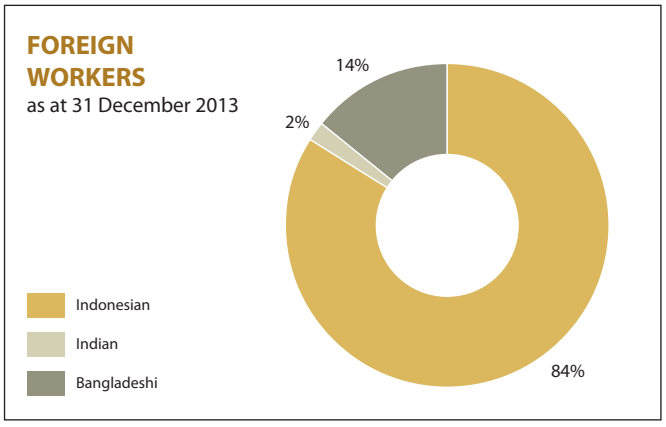
The turnover rates for workers in 2013 was 19% and 24% in 2012, as compared to 4.6% in 2011.

As with 2010, the increase in turnover rate for 2012 coincided with the year where most of the contracts for our workers ended, involving repatriation of some 931 workers. These workers typically work on a three-year, full-time contracts. Some of the workers will make use of the window period between the end of the contract period until the start of another contract, to go home for a longer period of time, resulting in a higher turnover in the workforce.

Managing foreign workers

In 2013, we employed 4,618 foreign workers in our plantations accounting for 65% of our total employees for Malaysia Plantation. Our foreign workers originate from Indonesia, Bangladesh and India.





Though Indonesians still account for the majority of workers, improving economic conditions in Indonesia have decreased their numbers seeking opportunities in Malaysia. We have thus seen an increase in the number of workers from Bangladesh over the past two (2) years.

Recruitment and Orientation

Recruitment of workers is conducted by agents in countries of origin. Workers do not have to repay a bond to work for us. Workers are met at the airport and transferred to our plantations upon arrival in the country. Briefing is conducted in their mother tongue by a representative and each worker is provided with a handbook in their national language. Workers undergo an orientation programme which covers workers' rights, safety, labour laws and local cultural sensitivities.

Passport and ID

Passports are surrendered with consent for safe keeping. We recognise that our workers have the right to their identity documents, therefore passports are handed back to them upon request.

One of our targets for this reporting period was to obtain worker identity cards for our workers. In 2013, the Immigration Department delayed issuance of identity cards for all foreign workers. In early 2014, the Government introduced a new colour-coded identity card which embeds a high-tech chip and biometric information. We are in the process of registering all our foreign workers with this new identity card.

Managing Overtime

During peak crop season, mill workers tend to work long hours to ensure the fruits are processed before the quality deteriorates.

To manage the number of hours worked in the interests of the workers, the departmental heads have to update the mill manager weekly on overtime and adhere to the Department of Labour's guidelines on monthly overtime limits.

Decent living conditions

Workers are accommodated in a two or three-bedroom house. We provide a minimum of 9.60 sq. metre per worker in our accommodation. In response to social impact assessment for improved housing with better sanitation, water and electricity, we have renovated 94 units of our quarters over the last two (2) years. In 2014, we target to renovate an additional 84 units. By which time, over 50% of our housing stock will have been upgraded.

EMPLOYEES RETENTION

A company without skilled management talent will not be able to progress much further. According to a report by the World Bank in April 2011, the Malaysian economy faces an acute brain drain – the migration of talent across borders – the skilled diaspora is now three (3) times larger than two (2) decades ago. This development has a significant impact upon our future. In the longer term, we need to prepare for a possible shortage in skilled management talent in the oil palm plantation industry. A skilled managerial workforce is crucial for our future growth. In 2013, we worked on strengthening our talent management programmes and instilling a performance-driven culture.

We have 7,053 full-time employees and workers in Malaysia Plantation as at 31 December 2013, of which 16% are categorised as employees, comprising of our staff and management.

Employee policy and guidelines

Our fundamental guiding principle is that all employees must be treated equally, fairly and with respect. Our labour policy is based on the ILO Declaration on Fundamental Principles and Rights at Work, covering the core labour standards such as the elimination of discrimination in respect of employment and occupation. These topics are covered in our Kulim Sustainability Handbook. The handbook is distributed to all our employees and is translated into standard operating procedures, guidance documents and training throughout our operations. It is also available on our corporate website.

Incorporating feedback from the Employee Climate Survey

Based on our latest Employee Climate Survey in 2010, it highlighted employees' concern with remuneration, especially relating to market competitiveness and fairness of the current salary scheme. In response, we have conducted a salary benchmarking survey to review the competitiveness of the salary scheme. These subsequently resulted in the revised salary scale and scheme of service for executive and non-executive level staff as well as security guards. With the competitive remuneration package and additional benefits, we are looking to motivate our people and enhance their productivity.

Employee Development

Our employees are one of our key stakeholders for engagement. In our engagement workshop, one of the issues highlighted was the lack of young people in the plantation business and the problem of retaining talent. We will need to prepare for a possible shortage in skilled management talent in the plantation industry when the current batch of older employees retires. One of the main ways to retain young people, or commonly known as Gen Y, is to give them room to develop their professional skills and provide opportunities for feedback.

We have training and development programmes for our Gen Y employees and generally for all levels. These programmes are structured around formal courses, seminars and workshops, which are organised internally or by external consultants. The Human Resource and Administration Department is responsible for coordinating the training, which covers myriad subjects such as effective communication, sustainability, productivity, executive development and induction programmes for new employees. We offer formal courses, seminars and workshops, which are organised internally or by external consultants. We also launched a RM1 million fund to support employee and their children in pursuit of higher education.

We spent about 4% of payroll cost on training and achieved an average 2.75 man days of training per employee in 2013, which is within our target of three (3) man days per employee. In 2012, we also supported 11 employees to obtain their formal qualifications but due to temporary budget restrictions as a result of low palm oil prices, we did not sponsor any formal qualifications in 2013.

Developing leadership

The Strategic Enhanced Executive Development System ("SEEDS") Programme was introduced in 2007, has been re-engineered and registered with *Skim Latihan 1 Malaysia* ("SL1M") under the Economic Planning Unit, Prime Minister's Office. The programmes outlined are in accordance to the SL1M requirement in developing and enhancing leadership amongst the younger generations.

The first batch of management trainees in 2008 has a retention rate of 77%, of which 20 are still with the Company and are working in different operating units.The second batch of SEEDS was launched in December 2012 with 25 intakes of fresh graduates from local higher learning institution.The programme was successfully completed in 2013 where 16 successful "SEEDLINGS" were absorbed into units and functions within the Division that suits their capability profile.

Celebrating our employees

Celebrating employee service anniversaries is a time tested and memorable way to show appreciation to the employees for their commitment to our organisation. Recognising employees on an individual basis in a meaningful way has been proven to increase motivation and help us to maintain a personal connection with our employees. The programme, known as Service Milestone Awards, recognises staff who are eligible for service awards for minimum of 10 years of continuous service. At each milestone, employees receive a certificate of service and a gift from the Company.

We also recognise the need to provide platforms for employees at the estates, mills and head office. Starting December 2012, we have organised series of Kulim Roundtable Conference ("RTC"). The RTC is an open platform where executives can come together to share and discuss opinions and ideas directly with the Managing Director. During the RTC sessions, former senior employees also shared their experiences on best practices in the Golden Era as well as those practices that were still relevant in today's context.

Measuring performance

We are constantly communicating our performance appraisal system via road shows within the Group's operations. The Performance Management System ("PMS") aims to measure individual employee's performance against critical targets, in particular Key Performance Indicators ("KPIs"). The PMS include a peer review appraisal system, while the KPIs include dimensions on sustainability such as Health and Safety.

OCCUPATIONAL HEALTH AND SAFETY

Each mill and estate has a designated Occupational Health and Safety ("OHS") co-ordinator who is responsible for organising safety training, toolbox meetings, investigations and reporting accidents and incidents. All coordinators report to the OHS Manager. Coordinators meet on a quarterly basis to review issues and address concerns.

Our goal is have zero accidents and zero fatalities to ensure the safety of our employees. Each of our workers undergoes on average 48 hours of safety training each year. This includes correct use of personal protection equipment, correct use of sharp equipment, handling, application and disposal of chemicals. Workers assigned to operate machineries and vehicles, undergo 16 hours of supervised training and a practical exam before they are allowed to operate independently.

Lost Time Accident Rate

We have seen a slight increase in our Lost Time Accident Rate ("LTAR") though we remain below our target LTAR of 10. Our LTAR was 5.9 in 2012 and 7.43 in 2013. We attribute the increase to the transfer and inclusion of health and safety data from six (6) JCorp estates. We have found that these estates are more isolated and have a less robust safety culture. Our health and safety team have been spending more time in these estates to assess and initiate performance improvement plans.

Zero Accident and Zero Fatality

We aim for zero accident and zero fatality. Nevertheless, it was with great regret that we report two (2) work-related deaths in the past two (2) years. We have one (1) fatality in 2012 and one (1) in 2013, an increase from zero fatality in 2009. All of us at Kulim offer our condolences to the families of the deceased. Decisive action has been taken to avoid such occurrences in the future. We have begun a series of training programmes to reinforce health and safety procedures and priorities among management and senior managers.

Severity Rate

We recorded an improvement in our severity compared to 2011. We registered 1.6 and 2.28 for 2012 and 2013 respectively, achieving below our target of 3.5.

Despite our improvements, we note that there is an increase in the number of road accidents on our estates during working hours. The rise in road accidents corresponds with our road improvements programme where 38.7 km of mud roads on our estates were upgraded to paved roads. These improvements allow for faster travel, especially for our workers on motor cycles.

We have begun to review signage on the estate roads to ensure that there are sufficient warning and directional signage for drivers. We will be conducting road safety awareness campaign with the Public Works Department and the Automotive Association of Malaysia to educate our workers. We plan to carry out more enforcement of traffic regulations and ensure safety checks of estate and personal vehicles.

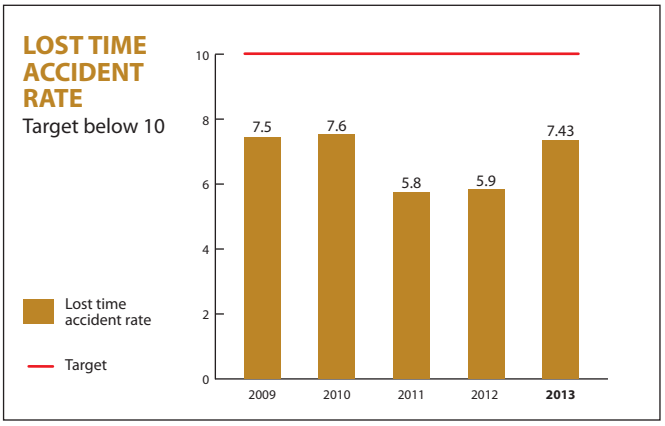
Beyond OHS

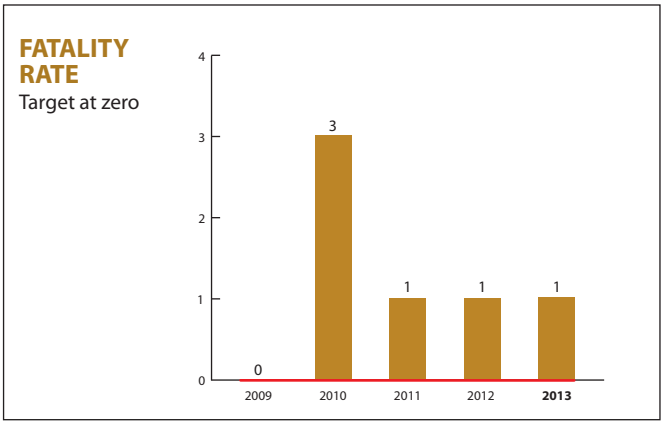
Issues beyond OHS in the workplace are prioritised because these issues also have an impact on productivity in the workplace. For example, we operate a strict No Drugs policy that is enforced through regular and random drug testing. We conducted periodic inspections on all internal grocery shops in the operating units for illegal medication and alcohol.

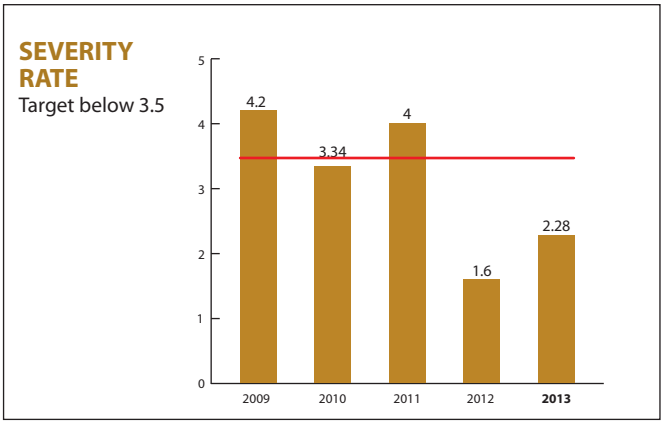
We also have a HIV/AIDS policy for the workers. We provide training to ensure that our employees are aware of the policy. There is a non-discrimination clause if there are affected workers on our plantations. The policy also guarantees the confidentiality of the workers.

We have also expanded our scope of health and safety measures to include occupational illness. This means that we monitor for the prevalence of any longer term health issues arising from our operational activities, especially the risk of lumbago for our harvesters.

We also have in place an OSH Plan to look into the welfare and health of employees as well as environmental aspects. Under welfare, closer attention is paid to the adequacy and safety aspects of facilities provided by the Group, such as crèches, clinics, canteens and workers' quarters. The health aspect of the programme will cover mosquito fogging schedule, vaccination programme for Hepatitis B and other diseases, water treatment facilities and health surveillance. The OSH Plan also covers various aspects of preservation of the environment. Close attention will be given to the rubbish pit collection and disposal, line site cleanliness and beautification, proper maintenance of drainage systems and the enforcement of the Group's 'No Open Burning Policy'. The Group also has plans to obtain formal certification on OHSAS 18001:2007 as part of the Group's OSH Management System.







Woman OnWards ("WOW") activities at Sedenak Estate, Kulai

EMPOWERMENT AND DIVERSITY

Our commitment to gender equality is seeing positive results. Our Women OnWards initiative goes from strength to strength, increasing opportunities for women at all levels. We are also supportive of the recommendations adopted by the Government and Bursa Malaysia that 30% of decision-makers in PLCs should be female.

As at 31 December 2013, women comprised of approximately 24% of our management group and most of the women managers are based at our headquarters. We do not discourage or discriminate women from working in our estates. We currently have one (1) woman assistant manager in our estates. However, we recognise the challenge of remaining on our estates, as family commitments and child care responsibilities often cause women to leave or seek a transfer

We believe that this diversity is creating a more balanced, productive and attractive workplace for all employees and there are opportunities for the gender mix to be improved in the future.

Women OnWards ("WOW")

WOW was originally called *Panel Aduan Wanita* or the Women's Grievance Panel, part of a larger strategy to reach out to all levels of employees, in particular the field workers. It is endorsed by the management and the activities are fully funded by the Group. In the early days, WOW conducted awareness programmes of its existence and how WOW can help the women.

The focus of WOW these past 2 years have been on providing more entrepreneurship opportunities for women at Kulim. Through a series of roadshows to each estate, there is now a WOW unit at each of our estates. Each of the group had developed a unique product or service. They sell these products and services during festive seasons, at our Group functions, JCorp-related events, and to the public. These include tailoring, baking of cakes and cookies, arts and handicraft. In 2013, WOW raised over RM33,850 from these activities.

Kulim recognised the celebration for International Women's Day annually. To date, WOW has successfully organised 4 Kulim's International Women's Day ("KIWD") programme, in 2010, 2011 2012 and 2013 respectively. Each year's celebration carried different inspiring theme. In recent years, a carnival was held as a pre-event to the official KIWD and various creative and sport programmes were slotted during the carnival.

WOW also aims to develop and equip the ladies with entrepreneurship skills, particularly among the female employees, with trainings provided free of charge or at minimal fees called *Jejari Bistari*, which can help in yielding additional income, such as sewing, handcrafting and baking. WOW also seeks to expose members to business opportunities through participation in various activities organised by the Group such as taking part in food selling/catering during *Infaq 1 Warisan*, Kulim Eco Boat Fishing Challenge, and Kulim Paintball Challenge.

Sexual harassment

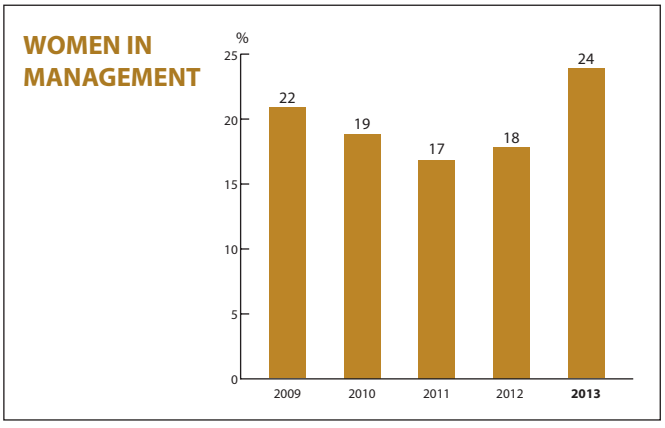
Our efforts in reaching out to the women in the Group and getting them to report cases on sexual harassment are proving to be successful. The women in the Company are now more aware of their rights and are more open to reporting cases on sexual harassment.

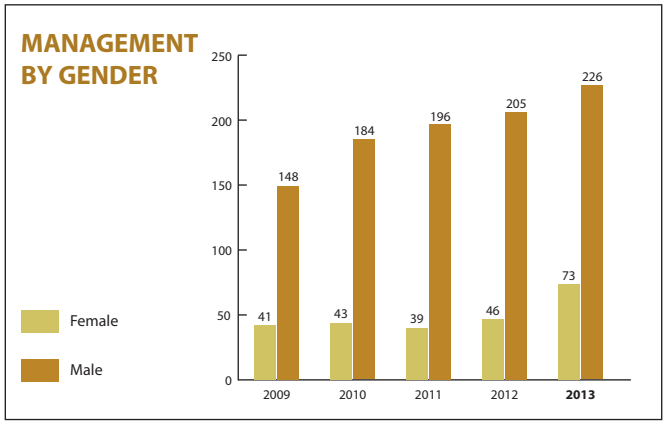
We have made significant improvements in reducing the number of sexual harassment in the workplace. There is much higher level of awareness among men and women of what is inappropriate behaviour and this is reinforced on an on-going basis.

In 2013, we had one (1) reported case of sexual harassment. This involved a security guard making unwanted passes. The case was investigated and resolved by issuing a warning letter to the guard that these behaviour is not acceptable at Kulim.

Return to work and maternity leave

All our female employees are entitled to 60 consecutive days of paid maternity leave, in accordance to the Malaysian Government regulations. The number of female employees who took maternity leave was 14 in 2012 and 12 in 2013. All employees returned to work after their maternity leave ended and remain employed with the Company 12 months after their return to work. We are proud of the 100% retention rate.





A panorama of workers' housing facilities at Sedenak Estate, Kulai

COMMUNITY AND ECONOMIC CONTRIBUTIONS

We recognise that our presence among the local communities impacts the social environment surrounding our operations, and not just the economics. Our business has strong dependencies on the surrounding communities for continuity and growth.

We adopt a management approach that has a holistic understanding of the net impact of our presence. We conduct annual SIA to measure our overall impact and review the Social Action Plan based on these SIA. We try to create a positive impact with an active community investment programme that combines cash contributions, in-kind donations and employee volunteering activities.

Communicating with local communities

We have an open approach to communication with the local communities. Local communities can contact the estate or the mill manager directly if they wish to address any issues regarding our operations. The communication process is complemented by annual SIA, which are conducted by our internal and external auditors.

Measuring our community investments

The key themes of our community investments are community sports, Group health and infrastructure as well as children, and education. The community investment activities are structured around a Group-wide programme known as 'We Care We Share'. This programme was rolled out in January 2009 to promote the spirit of volunteerism amongst our employees.

INSTITUTION/PROGRAMME	PURPOSES	APPROXIMATE CONTRIBUTIONS (RM'000)
Persatuan Bolasepak Negeri Johor	National sports sponsorship	4,018
Johor Clay Target Shooting Association	Sponsorship for sporting event	2,900
Tabung Tijarah Ramadhan	A programme to help the under-privileged	100
Bistari Young Entrepreneur	Sponsorship for *Tunas Bistari* programme	150
Charity @ Mutiara JCorp 2013	Sponsorship for walkathon programme	20
New Britain Foundation	A programme to improve the health and education of people living within the NBPOL operations	162
As-Sajadah Fund	Kulim's internal charity fund, raised especially for recipients within Kulim's operating units	35
Strategic Partner for KEPAK 2013 (*Kerjaya, Perniagaan dan Kemahiran 2013*)	Series of career exhibitions initiated by Unit Perancangan Ekonomi Negeri Johor ("UPENJ")	40
Hoki Piala Sultan Johor	Sponsorship for sporting event	50
Kejohanan Hoki Remaja Antarabangsa Johor	Sponsorship for sporting event	50
Raja Zarith Sofiah Wildlife Defenders Challenge 2013	A programme for students to develop a campaign to increase awareness of wildlife conservation at their respective institution	32

Surau dapat kelulusan tunai solat Jumaat

Surau Ar-Rahman – Granted for Friday Prayer

In November 2013, Surau Ar-Rahman, located in Rengam Estate has been granted permission by Jabatan Agama Islam Johor as a designated area for Friday prayer. This has brought convenience to about 200 employees in Rengam Estate as previously the employees need to travel to Masjid Jamek Rengam, located about 5km from the Estate for the Friday prayer.

Johor Clay Target Shooting Association

As part of our Corporate Responsibility programmes towards promoting sporting events in Malaysia, Kulim has been closely involved in the activities of the Johor Clay Target Shooting Association ("JCTSA"). Established in 1997, JCTSA organises monthly shooting clinic and provides platform for trainings conducted by the Malaysian International Practical Shooting Confederation ("IPSC"). Located within Kulim's REM Estate in Kota Tinggi, JCTSA's shooting range offers 24 comprehensive training grounds with target boards and training materials provided for members. The shooting range was also selected as the official shooting range for Australasia 2010 IPSC Level IV Competition.

Each year, JCTSA becomes the home to Iskandar Shoot (formerly known as Sultan Iskandar Shooting Championship), jointly organised by Kulim and the Johor State Sport Council. The event has also gained support from the State Government and has been included in the Johor State Tourism Calendar.

In 2013, a total of RM2.9 million was contributed to JCTSA which includes the upgrading of shooting range, gun purchases as well as sponsorship to the shooting tournaments organised during the year.

The followings are the achievements of JCTSA shooters in 2013:

TOURNAMENT	VENUE	CATEGORY	ACHIEVEMENT
Tun Tan Siew Sin Trophy 2013	National Shooting Range Subang	Double Trap – Men	Gold, Silver, Bronze
		Double Trap – Men (Team)	Gold
NSAM President Ally T.H. Ong Trophy 2013	National Shooting Range Subang	Double Trap – Men	Gold, Silver, Bronze
Tun Hanif Trophy 2013	National Shooting Range Subang	Double Trap – Men	Gold, Silver, Bronze
37th South East Asia Shooting Championship 2013	National Shooting Range Subang	Double Trap – Men	Silver
Chia Woh Trophy 2013	National Shooting Range Subang	Double Trap – Men	Gold

PART IV :
DOING OUR PART FOR THE PALM OIL SUPPLY CHAIN

THE BULK OF OUR CROP IS SOLD TO REFINERIES, WHICH IN TURN PRODUCE FOOD INGREDIENTS AND COOKING OILS LARGELY FOR DOMESTIC SALES. THERE IS A GROWING PRESSURE ON THE PALM OIL PLAYERS TO ENSURE AN ETHICAL AND SUSTAINABLE SUPPLY CHAIN THAT IS FULLY TRACEABLE TO THE ORIGINS OF THE CROP. WE ARE WORKING ON FULL CERTIFICATION OF ALL THE FRESH FRUIT BUNCHES ("FFB") PROCESSED BY OUR MILLS, AS PART OF OUR COMMITMENT TO RSPO. MORE THAN 30% OF OUR FFB ARE PURCHASED FROM INDEPENDENT FFB TRADERS, OUTGROWERS AND SMALLHOLDERS. OUR STRATEGY IS TO MAP OUT THE SUPPLIERS OF EXTERNAL FFB TO OUR MILLS, IDENTIFY PARTNERS WHO CAN HELP US INCREASE AWARENESS FOR RSPO CERTIFICATION AND MOST IMPORTANTLY, ENHANCE UNDERSTANDING ON PRACTICAL IMPLEMENTATION IN THE ESTATES.

40 tonne-per-hour Palong Cocoa Palm Oil Mill, Segamat

ENGAGING FFB TRADERS, OUTGROWERS AND SMALLHOLDERS

According to the RSPO, smallholders produce much of the world's palm oil. In the two (2) major producing countries – Indonesia and Malaysia – which account for over 80% of the world's production, smallholders cultivate about 40% of the oil palm area in these two (2) countries.

Outgrowers and smallholders are therefore key stakeholders for a fully traceable sustainable supply chain, as they supply most of the crops to the mills. As with most mill owners, it is challenging to include external FFB in the certification. The certification is challenging because of the complexity in tracing the individual outgrowers, given most of our mills purchases are from independent FFB traders. In an initial consultation with a sample group of suppliers, comprising of outgrowers and FFB traders, most of them were aware of RSPO but did not have detailed knowledge of the RSPO requirements.

In 2013, about 37% of the FFB processed by our mills are sourced externally. These are supplied by smallholders who represent outgrowers and traders. There are currently six (6) outgrowers and 17 traders registered to supply FFB to our mills.

In 2013, we had targeted to certify one (1) outgrower and one (1) trader. However, we managed to certify only one (1) outgrower, which represents 1.2% of external FFB supply. Based on our experience and understanding on the challenges of outreach and engagement with smallholders, we have revised our target to certify all our external FFB by 2019.

ESTABLISHING AN ETHICAL AND SUSTAINABLE SUPPLY CHAIN

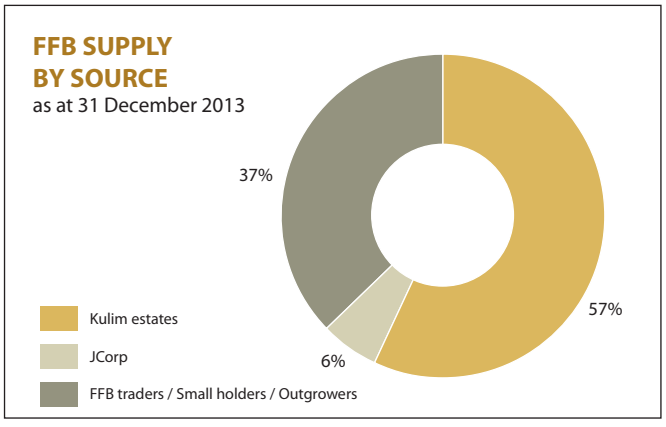
The RSPO has made significant progress in sustainable sourcing since our last report. Over the last two (2) years, industry players have worked hard to iron out issues on practical implementation of the mechanisms – testimony to the strength of a formal multi-stakeholder initiative. For example, some of the rules were changed to better reflect commercial realities, rather than from a technical and process engineering perspective.

Kulim's sustainable palm oil is sold to the market via the Green Palm Book and Claim and the Mass Balance mechanisms. The Green Palm trading mechanism, a Book and Claim system, allows our customers to buy certificates for the volume of certified palm oil required. The Book and Claim mechanism is the most simplified method for a buyer to obtain certified oil without the high administrative costs and complex logistics. On the other hand, the Mass Balance mechanism allows certified palm oil to be mixed with conventional palm oil, but the entire process is monitored administratively. This method is slightly more stringent and complex than the Book and Claim system.

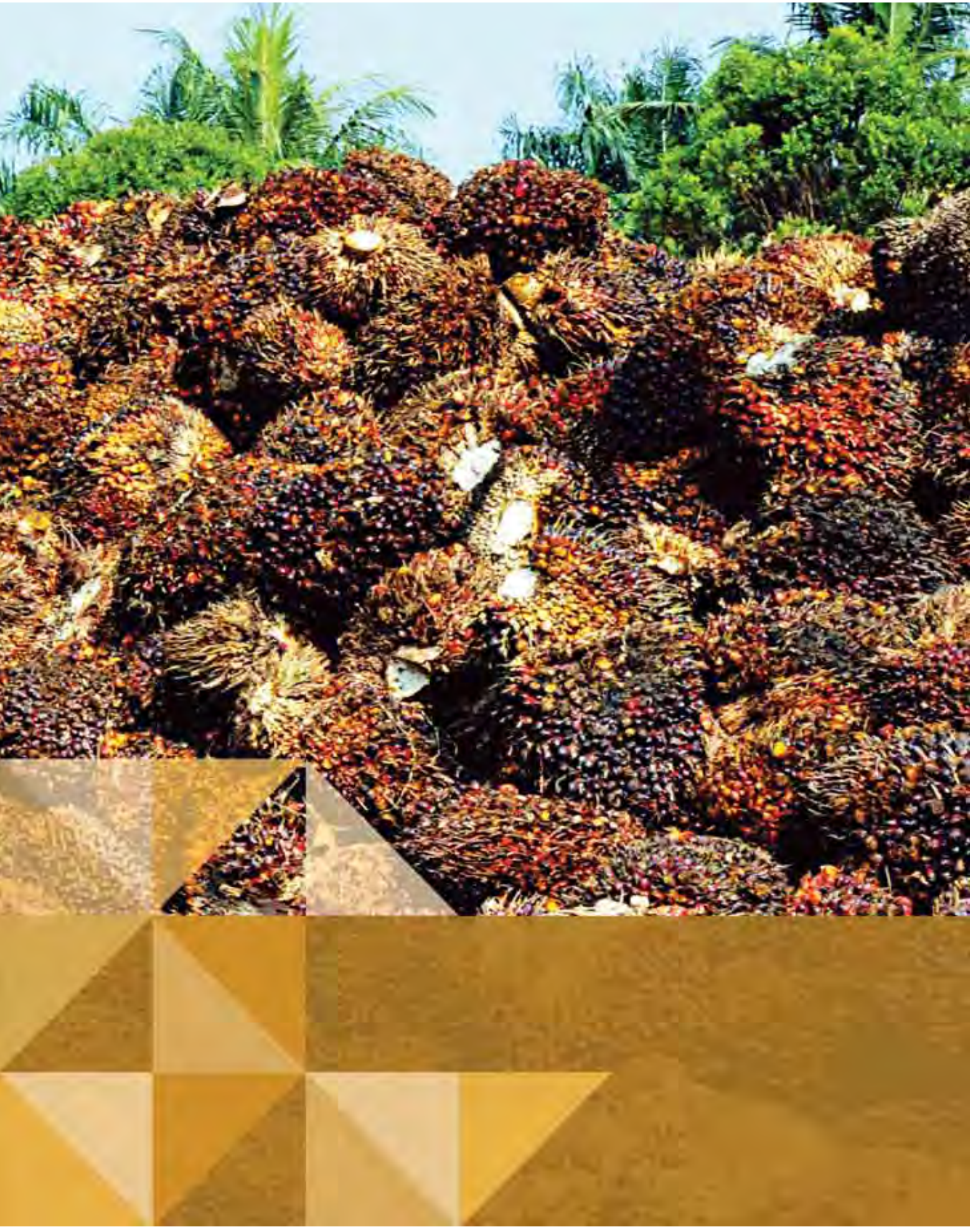
HALAL CERTIFICATION

The bulk of our crop is sold to refineries which process it to produce food ingredients and cooking oil for the Malaysian market. We have received many enquiries from our customers regarding *Halal* certification of our oil extracted from oil palm fruits.

We have therefore applied to the relevant authorities for *Halal* certification and we target to have our process certified by 2015.



SECTION 6: GOVERNANCE STATEMENT



INTRODUCTION

THE BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD SUBSCRIBES TO AND SUPPORTS THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012") AS A 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 31 DECEMBER 2013 WHICH INVOLVED IN STRENGTHENING BOARD STRUCTURE AND COMPOSITION, RECOGNISING THE ROLE OF DIRECTORS AS ACTIVE AND RESPONSIBLE FIDUCIARIES. THE BOARD BELIEVES THAT THE GROUP HAS PROVIDED A NARRATIVE STATEMENT ON CORPORATE GOVERNANCE PRACTICES. PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS AND EXCEPT FOR THE MATTERS SPECIFICALLY IDENTIFIED, THE BOARD, TO THE BEST OF THEIR KNOWLEDGE, CONFIRMS THAT THE GROUP HAS APPLIED THE PRINCIPLES SET OUT IN THE MCCG 2012 TOGETHER WITH THE RECOMMENDATIONS STATED UNDER EACH PRINCIPLE.

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 determinants 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 2013 and up to the reporting date in 2014:

- ACCA Malaysia Sustainability Reporting Awards ("MaSRA") – Short listed
- National Annual Corporate Report Awards ("NACRA") 2013 – Winner of Industry Excellent Award (Main Board) for Plantation and Mining
- Malaysia-ASEAN Corporate Governance Index 2013 - Kulim was ranked 44th among the 50 companies for the awards.

Being amongst the earliest plantation companies in the world to be certified as a sustainable palm oil producer under RSPO serve as a testament to the Group's commitment towards enhancing its governance standards. The Group took its sustainable commitment to the next level when it became the first within the plantation industry to publish sustainability reporting. This report emphasised the Group's commitment towards subscribing to the RSPO Principle and Criteria. The Group produced its inaugural Sustainability Report 2007/2008 in October 2008, published separately for both its Plantation operations in Malaysia and Papua New Guinea. The second and third Sustainability Report were published in 2010 and September 2012. While the fourth Sustainability Report is expected to be published in June 2014.

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

Kulim's has been certified with the International Sustainability and Carbon Certification ("ISCC") in February 2013. The ISCC certification standard is for biomass and bioenergy and meets the Renewable Energy Directive of the European Union.

The Group continuously maintains its commitment towards sustainability and transparency and was the first Malaysian plantation company in the world to have published a Carbon Footprint Report in the RSPO–recognised format, using the RSPO GHG Beta Version 1a guidelines. The report was published in November 2013.

CLEAR ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

Size and Composition of Board

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

- Two (2) 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 Dato' Seri Utama Arshad Ayub
2. Datuk Haron Siraj
3. Dr. Radzuan A. Rahman
4. Leung Kok Keong

Recommendation 3.5 of the MCCG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise of a majority of Independent Directors. Although Kulim is yet to be in line with Recommendation 3.5, the Board believes that the interests of shareholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of shareholders.

The approach is not an uncommon practise among to global companies and leading multi national corporations. The prime consideration is the strategic advantage that Kulim being part of JCorp's larger group provides wider access and greater reach to a much larger pool of talent, skills and expertise. Collectively, the Directors bring to the Board a wide range of business, financial and technical experience for the effective management of the Kulim's diversified businesses. The Directors' profiles are presented on pages 42 to 47 of this Annual Report.

The Company does not presently have a formal gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent regardless of gender, to maximise the effectiveness of the Board; taking into account the balance of skills, experience, knowledge and independence, and based on the Group's need and circumstances.

The Board strives to achieve a balance of skills, experience, diversity and perspective among its Directors. The Nomination Committee conducts an annual review of the size and composition of the Board, taking into consideration the required mix of skills, competencies and experience relevant to the business of Kulim Group.

An assessment of the Board's performance is carried out every year, including the Independent Directors' performance. For the year under review, the Board is satisfied with the existing number and composition of its members and is of the view that with the current mix of skills, knowledge, experience and strengths, the Board is able to discharge its duties and responsibilities effectively.

Principal Duties and Responsibilities

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

a. Clarify the role of the Board

b. Enhancing Board effectiveness

c. Encourage corporate disclosure policy

d. Safeguarding the integrity of financial reporting

e. Emphasis the importance of risk management and internal controls

The Board assumes the following responsibilities:

1. Reviewing and adopting a strategic plan for the Company. The Board will review and approve the annual budget and strategic plan for the Group.

   The Group's strategic and business plan for 2014 was tabled, discussed and approved by the Board at its meeting on 21 November 2013.

   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 determine 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.

3. Identifying principal risks and ensuring the implementation of appropriate internal control and mitigation measures. The Group has set up a Risk and Issues Management Committee for this purpose to assist the Board.

   The Risk and Issues Management Committee met three (3) times in 2013 to review the Group's risks. Details on Risk and Issues Management Committee are on pages 144 to 146 of this Annual Report.

4. Succession planning

   The Board's responsibility in this aspect is being closely supported by the Human Resource Department. 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.

   The Group has identified and sent its qualified potential successors to a Leadership Program organised by Johor Corporation and six (6) of our second-liners with excellent performance are undergoing the programme.

5. Overseeing the development and implementation of a shareholders' communication 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's affairs and developments. Information on our shareholders' communication activities is on pages 142 to 143 of this Annual Report.

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

   The Board's function as 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 Statement on Risk Management and Internal Control and Audit Committee Report in this Annual Report.

Board Committees

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 pages 146 to 148 of this Annual Report.

The list of Board 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 151 to 154 of this Annual Report.

2. Option Committee

   The Board Option Committee was formed following the establishment of Kulim (Malaysia) Berhad Employees' Share Option Scheme ("ESOS") on 31 December 2013. The ESOS was approved by the shareholders in the EGM held on 13 December 2013. The ESOS shall expire on 30 December 2018.

   The composition of the Board Option Committee is as follows:-

   1. Dato' Kamaruzzaman Abu Kassim – Chairman
   2. Ahamad Mohamad
   3. Dr. Radzuan A. Rahman
   4. Rozan Mohd Sa'at

   Pursuant to the By-laws, the Committee shall administer the ESOS in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it by the Board including the powers:

   a. Subject to the provisions of the ESOS, to construe and interpret the ESOS and option(s) granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration. The Committee in the exercise of this power may correct and defect, supply any omission or reconcile any inconsistency in the ESOS or in any agreement providing for an option(s) in a manner and to the extend it shall deem necessary to expedite and make the ESOS fully effective; and

b. To determine all questions of policy and expediency that may arise in the administration of the ESOS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

3. Nomination and Remuneration Committee

The Board of Directors of the Company established its own Nomination and Remuneration Committee ("NRC") in accordance to the Best Practices of Corporate Governance.

The NRC is accountable to the Board of the Company and not to the executive management of the Company. Subject to the Corporate Governance Principles, the primary functions of the NRC are to:

1. Assess the necessary and desirable competencies of Board members;
2. Review Board succession plans;
3. Evaluate the Board's performance;
4. Make recommendations to the Board on the following:
   a. Executive remuneration and incentive policies;
   b. Remuneration packages of senior management;
   c. The Company's recruitment, retention and termination policies for senior management;
   d. Incentive Schemes;
   e. Superannuation arrangements; and
   f. The remuneration framework for directors.

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

The compositions of the NRC of the Company are as follows:

Remuneration Committee

1. Dato' Kamaruzzaman Abu Kassim – Chairman
2. Tan Sri Dato' Seri Utama Arshad Ayub
3. Dr. Radzuan A. Rahman

Nomination Committee

1. Dato' Kamaruzzaman Abu Kassim – Chairman
2. Tan Sri Dato' Seri Utama Arshad Ayub
3. Datuk Haron Siraj

Terms of Reference

The terms of reference of the NRC are as follows:

A. Nomination

Purpose

The Nomination Committee, a Committee of the Board of Directors ("Board"), is established primarily to:

1. Identify and recommend to the Board, candidates for board directorships of Kulim (Malaysia) Berhad ("the Company");
2. Recommend to the Board, directors to fill the seats on Board Committees;
3. Evaluate the effectiveness of the Board and Board Committees (including its size and composition) and contributions of each individual director; and
4. Ensure an appropriate framework and plan for Board succession for the Company.

Membership

The Nomination Committee shall have at least three (3) members, all of whom shall be non-executive directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one (1) should be independent directors. The Nomination Committee members and Chairperson shall be appointed by the Board. The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) directors form the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one (1) of their numbers to chair the meeting.

The Nomination Committee shall have no executive powers.

Meetings

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairperson. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

The Committee 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 the Board and at the cost of the Group. The Committee may request other directors, members of management, counsels, and consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities. Non-committee directors and members of management in attendance may be required by the Chairperson to leave the meetings of the Committee when so requested.

The Secretary of the Committee shall be appointed by the Committee from time to time. Committee meeting agendas shall be the responsibility of the Committee Chairperson with input from Committee members. The Chairperson may also request management to participate in this process. The agenda for each meeting including supporting information shall be circulated at least seven (7) days before each meeting to the Committee members and all those who are required to attend the meeting.

The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. 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 conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board members.

The Committee, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance to the Principle 2 of MCCG 2012.

The Chairperson of the Committee shall be available to answer questions about the Committee's work at the AGM of the Company.

Scope of Activities

The duties of the Nomination Committee shall include the followings:

1. 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.

2. To review annually and recommend to the Board with regards to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experiences, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently.

3. 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 on the candidate for directorship, the Committee shall have regard to:

   - Size, composition, mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Board;
   - The Board nomination and election process of the directors and criteria used by the Nomination Committee in the selection process; and
   - The assessment undertaken by the Nomination Committee in respect of Board, committees and individual directors together with the criteria used for such assessment.

4. To propose to the Board the responsibilities of non-executive directors, including membership and Chairperson of Board Committees.

5. 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.

6. To establish and implement process for assessing the effectiveness of the Board as a whole, the Committee of the Board and for assessing the contribution of each director.

7. To evaluate on an annual basis:

   - the effectiveness of each director's ability to contribute to the effectiveness the Board and the relevant Board Committees and to provide the necessary feedback to the directors in respect of their performances;
   - the effectiveness of the Committees of the Board; and
   - the effectiveness of the Board as a whole.

8. 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 directors in accordance with policy, for cause or other appropriate reasons.

9. To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.

10. 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 regards to their contribution to the Board and Company.

11. To consider other matters as referred to the Committee by the Board.

B. Remuneration

Purpose

The Remuneration Committee, a Committee of the Board, is established primarily to:

1. Provide assistance to the Board in determining the remuneration of executive directors and, if applicable, senior management and in particular the Chief Executive Officer where the person is not a member of the boards of directors. In fulfilling this responsibility, the Committee is to ensure that executive directors and applicable senior management of the Company:

    - are fairly rewarded for their individual contributions to overall performance;
    - that the compensation is reasonable in light of the Company's objectives; and
    - that the compensation is similar to other companies.

2. Establish the Managing Director/Chief Executive Officer's goals and objectives; and

3. Review the Managing Director/Chief Executive Officer's performance against the goals and objectives set.

Membership

The Remuneration Committee shall consist entirely of non-executive directors. It shall have at least three (3) members and the quorum for the Committee shall be two (2) members. Remuneration Committee members and the Chairperson shall be appointed by the Board based on the recommendations of the Nomination Committee. The appointment of a committee member terminates when the member ceases to be a director, or as determined by the Board.

In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) directors form the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one of their numbers to chair the meeting.

The Committee members shall:

- have a good knowledge of the Company and its executive directors, and a full understanding of shareholders' concern; and
- have a good understanding, enhanced as necessary by appropriate training or access to professional advice, on/of areas of remuneration.

Meetings

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairperson. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

The Committee may consult the Chairperson of the Board regarding proposals relating to the remuneration of executive directors. The Committee may consult other non-executive directors in its evaluation of the Managing Director/Chief Executive Officer. The Committee may request other directors and key executives to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities.

The Committee 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 the Board and at the cost of the Company. The Committee is authorised by the Board to obtain external legal or other professional advice, as well as information about remuneration practices elsewhere. The Committee may, if it thinks fit, secure the attendance of external advisers with relevant experience and expertise, and shall have the discretion to decide who else other than its own members, shall attend its meetings. No director or executive shall take part in decisions on his/her own remuneration.

The Secretary of the Committee shall be appointed by the Committee from time to time. Committee meeting agendas shall be the responsibility of the Committee Chairperson with input from Committee members. The Chairperson may also ask management to participate in this process.

The agenda for each meeting shall be circulated at least seven (7) 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 management or external consultants shall be received together with the agenda for the meetings.

The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. 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 conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board members.

The Committee, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Principle 2 of MCCG 2012.

The Chairperson of the Committee shall be available to answer questions about the Committee's work at the AGM of the Company.

Scope of Activities

The duties of the Remuneration Committee shall include the followings:

1. To establish and recommend the remuneration structure and policy for executive directors and key executives, if applicable, and to review for changes to the policy, as necessary.

2. 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.

3. To review and recommend the entire individual remuneration packages for each of the executive directors 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 by the Company.

4. To review with the Managing Director/Chief Executive Director, his/her goals and objectives and to assess his/her performance against these objectives as well as contribution to the corporate strategy.

5. To review the performance standards for key executives to be used in implementing the Group's compensation programs where appropriate.

6. 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.

7. To consider other matters as referred to the Committee by the Board.

FORMALISED ETHICAL STANDARDS THROUGH CODE OF ETHICS

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual consists of 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; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

In general, the code of ethics defines the standards of conduct that are assisting the employees to make the right decision at the highest standards of ethic, integrity and governance as per stated on page 150.

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.

Fraud Policy was established and approved by the Board of Directors 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 and misconduct. The detail of Whistle blowing Policy is contained on pages 149 to 150.

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 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 Ethic Declaration Form. Further to that, Kulim has established a Grievance Policy and Procedure as well as Women OnWards to ensure that throughout the Group, there is a transparent process for ensuring stakeholders' grievances and complaints are dealt with fairly, consistently and promptly. The corporate climate is also continuously nourished by value-centred programmes for team-building and active subscription to core values.

The Group has made a commitment to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge that has been signed in January 2014. The Group will work towards creating a business environment that is free from corruption, protect the interests of the Company and the Board of Directors and will uphold the Anti-Corruption Principles in the conduct of its business.

Board Meetings and Supply of Information

All Board meetings for the ensuing year are scheduled by December in the year before so as to allow Directors to plan ahead. Board meetings are held at least four (4) times a year. Apart from the regular scheduled meetings, additional meetings are convened as and when necessary to deliberate and approve ad-hoc, urgent and important issues.

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the directors receive all notices, agendas and minutes of the previous meetings and is supplied with pertinent information well in advance of each meeting. The 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 are 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. This is in accordance to Principle 1 (of the MCCG 2012).

In addition to matters relating to the 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 and special dividend as well as recommendation of any final dividend; and
- 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 seven (7) times during the financial year 2013 and all Directors have complied with the minimum 50% attendance as required by Paragraph 15.05 of the Listing Requirements. The members of the Board of Directors and their attendances at Board meetings in 2013 are set out below:

	273rd BOD 21.2.2013	Special BOD 13.6.2013	274th BOD 20.6.2013	275th BOD 23.8.2013	Special BOD 2.9.2013	276th BOD 21.11.2013	Special BOD 13.12.2013	%
Dato' Kamaruzzaman Abu Kassim	/	/	/	/	/	/	/	100
Ahamad Mohamad	/	/	/	/	/	/	/	100
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	/	/	/	/	100
Datin Paduka Siti Sa'diah Sh Bakir	/	/	/	/	/	X	/	85.70
Zulkifli Ibrahim	/	/	/	/	/	/	/	100
Jamaludin Md Ali	/	/	/	/	/	/	/	100
Wong Seng Lee	/	/	/	/	/	/	/	100
Datuk Haron Siraj	/	X	/	/	/	/	/	85.70
Dr. Radzuan A. Rahman	/	/	/	/	/	/	/	100
Rozan Mohd Sa'at	/	/	/	/	/	/	/	100
Leung Kok Keong	/	/	/	/	/	/	/	100
Abdul Rahman Sulaiman	–	–	–	–	/	/	X	66.67
Natasha Kamaluddin	/	–	–	–	–	–	–	–

Notes:-

- Natasha Kamaluddin: resigned on 22.02.2013
- Zulkifli Ibrahim: re-designated as Non-Independent Non-Executive Director on 1.9.2013
- Abdul Rahman Sulaiman: appointed as Executive Director on 1.9.2013
- Wong Seng Lee: re-designated as Non-Independent Non-Executive Director on 1.2.2014

STRENGTHEN COMPOSITION AND REINFORCE INDEPENDENCE

Appointment and Re-Election of Directors

The number and composition of Board membership are reviewed on a regular basis appropriate to the prevailing size, nature and complexity of the Group's business operations so as to ensure the relevance and effectiveness of the Board in accordance to Principle 2 of MCCG 2012 where the Board should have transparent policies and procedures that will assist in the selection of the Board members. In the event of a need to appoint new member(s) of the Board, nominations will be tabled and deliberated in the Company's Nomination Committee ("NC") meeting to assess the qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company. The NRC will then recommend their findings for consideration and approval by the Board. The power to appoint the director(s) nominated is vested wholly on 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 Paragraph 7.26(2) of the Listing Requirements, all directors shall retire once at least in every three (3) years.

In accordance with Article 97 of the Company's Article of Association, Dato' Kamaruzzaman Abu Kassim, Ahamad Mohamad and Rozan Mohd Sa'at retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

In accordance with Article 103 of the Company's Article of Association, Abdul Rahman Sulaiman, who was appointed during the year, retire at the forthcoming AGM and being eligible, offer himself for re-election.

Tan Sri Dato' Seri Utama Arshad Ayub being above 70 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(2) of the said Act, to hold office until the conclusion of the next AGM of the Company.

In addition, in line with Recommendation 3.2 and 3.3 of the MCCG 2012, the NC has conducted an assessment of independence under the nomination and election process of Independent Non-Executive Directors, particularly for Tan Sri Dato' Seri Utama Arshad Ayub, whose tenure on the Board exceeds a cumulative term of more than nine (9) years since his appointment to the Board on 31 January 1987. The NC is satisfied with the judgement, skills and contribution he has brought to the Board. In this regards, the Board supports and recommends his re-appointment as Independent Non-Executive Director, subject to the shareholders' approval at the Company's forthcoming AGM, due to his wide knowledge and experience in the industry as well as most pertinently, professionalism and objectivity.

Effectiveness of Board

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 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.

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, Dato' Kamaruzzaman Abu Kassim whose principal responsibility is to ensure the effective running of the Board and independent of the management. The current Chairman has never held the post of 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 various 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 (4) Independent Non-Executive Directors, representing 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' are set out in page 42 to 47 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 Independent Directors provide broader views, and an independent and balanced assessment of proposals. The Board has appointed Tan Seri Dato' Seri Utama Arshad Ayub as the Senior Independent Non-Executive Director of the Board to whom concerns of the Group may be conveyed.

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction or matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships. Each Director is required to disclose any interest in a transaction. If so, the Director abstains from the deliberations and decisions of the Board on the subject.

DIRECTORS' REMUNERATION

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre and with sufficient experience and talents to contribute to 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	FEES / ALLOWANCES / OTHER EMOLUMENTS	BONUSES	BENEFIT IN-KIND	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Kamaruzzaman Abu Kassim	–	117	–	80	197
Ahamad Mohamad	990	538	607	152	2,287
Tan Sri Dato' Seri Utama Arshad Ayub	–	69	–	–	69
Datin Paduka Siti Sa'diah Sh Bakir	–	61	–	–	61
Zulkifli Ibrahim	150	286	350	–	786
Jamaludin Md Ali	600	292	50	27	969
Wong Seng Lee	360	140	210	60	770
Datuk Haron Siraj	–	59	–	–	59
Dr. Radzuan A. Rahman	–	67	–	–	67
Rozan Mohd Sa'at	–	59	–	–	59
Leung Kok Keong	–	67	–	–	67
Abdul Rahman Sulaiman	59	32	–	17	108
Natasha Kamaluddin	–	10	–	–	10
	2,159	**1,797**	**1,217**	**336**	**5,509**

On 31 December 2013, the Company established its second Employees' Share Option Scheme ("ESOS") at Option Price of RM3.05, applicable throughout the 5-year ESOS tenure ending 30 December 2018. The details of respective director's entitlement to the ESOS are as follows:

	ESOS ENTITLEMENT
	Unit
Dato' Kamaruzzaman Abu Kassim	1,000,000
Ahamad Mohamad	500,000
Tan Sri Dato' Seri Utama Arshad Ayub	150,000
Datin Paduka Siti Sa'diah Sh Bakir	150,000
Zulkifli Ibrahim	150,000
Jamaludin Md Ali	250,000
Wong Seng Lee	250,000
Datuk Haron Siraj	150,000
Dr. Radzuan A. Rahman	150,000
Rozan Mohd Sa'at	150,000
Leung Kok Keong	150,000
Abdul Rahman Sulaiman	250,000
	3,300,000

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 including assesses the independence of Independent Directors which taking into account the individual Director's capability to exercise independent judgement at all times. 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 2013, which was conducted in February 2014, 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.

FOSTER COMMITMENT

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' 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. Directors has devoted sufficient time to carry out the responsibilities, regularly update their knowledge and enhanced their skills as promoted in Principle 4 of the MCCG 2012. 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:

- Directors' Conference – Johor Corporation
- Fraud Detection and Prevention
- Financial Statement Integrity & Directors' Legal Responsibility
- Reviewing the Risk and Control on the Quality of Financial Information
- Sultan Iskandar Marine Parts Scientific Expedition and Lab – Perbadanan Tanah Negara Johor
- Directors' Seminar Remuneration 2013

The Board is gratified with the time commitment given by all the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Board meetings and number of directorship in Public Listed Companies ("PLC") held by the individual Directors which are at the maximum of five (5) PLCs. This will enable Directors to sustain their active participation in Board discussion and have a sufficient time to execute their responsibilities.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

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 is in accordance to Principle 5 of the MCCG 2012 and also applies to other price-sensitive public reports and reports to regulators. Timely release of announcements reflects the Board's commitment to provide up-to-date and transparent information on the Group's performance.

In the preparation of the financial statements, the Directors will consider compliance with all applicable Financial Reporting Standards, provisions of the Companies Act 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.

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 151 to 154 of this Annual Report.

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.

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 (2) 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 153.

RECOGNISE AND MANAGE RISKS

The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial and operational level. The Group has done this by developing and adopting risk management framework that determines the process and identifies tools for realising its objectives. It enhances the Company's capability to respond timely to the changing environment and it ability to make better decision. This is in accordance to Principle 6 of the MCCG 2012.

The Board also has established an internal audit function which is led by the Certified Internal Auditor ("CIA") who reports directly to the Board of Audit Committee and responsible for providing independent assurance to the Board on the effectiveness of internal control.

The Group's Statement on Risk Management and Internal Control are set out on pages 144 to 150.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE; AND STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Corporate Disclosure

Communication and Investor Relations

In line with the Group's commitment as stated in Principle 7 of the MCCG 2012, 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 Securities 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 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 rose. 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 2013	NO. OF TIMES
IR meetings	6
Conference calls	3

Senior Management Personnel for Investor Relations activities are:

- Jamaludin Md Ali, Executive Director
- Abdul Rahman Sulaiman, Executive Director
- Wong Seng Lee, Non-Independent Non-Executive Director
- Azli Mohamed, Vice President – Finance
- Md. Faizal Abdullah, Deputy General Manager, Corporate Affairs Department

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.

The Company acknowledges that stakeholder's engagement is crucial to sustainability and organisational success. Stakeholder engagement enhances accountability by allowing an organisation to identify, understand and deliver the sustainable returns. Most importantly, it enables us to develop trust and transparency in our relationship with the stakeholders. The Stakeholders Engagement is contained on page 106 of this Annual Report.

Annual General Meeting

The AGM is a vital platform for dialogue and interaction with the shareholders of the Company. The shareholders are given sufficient time through an early notice of AGM which allows them to make a necessary arrangements to attend, participate and 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.

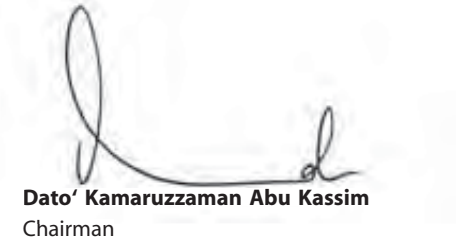
Other than the Board Chairman and the Managing Director, the shareholders or any stakeholders may convey any concerns that they may have to Tan Sri Dato' Seri Utama Arshad Ayub, an Independent Non-Executive Director and Chairman of the Audit Committee.

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 ended 31 December 2013 are set out on pages 243 to 247 of this Annual Report.

This Statement is made in accordance with the Board of Directors' Circular Resolution dated 11 April 2014.



Dato' Kamaruzzaman Abu Kassim
Chairman

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

THE BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD ("THE BOARD") IS PLEASED TO PROVIDE THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL PURSUANT TO PARAGRAPH 15.26(B) OF MAIN MARKET LISTING REQUIREMENTS WHICH REQUIRES DIRECTORS OF LISTED COMPANIES TO INCLUDE A STATEMENT IN THEIR ANNUAL REPORTS ON THE STATE OF THEIR INTERNAL CONTROL AND WHETHER IT HAS BEEN PREPARED IN ACCORDANCE WITH THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS.

BOARD'S RESPONSIBILITIES

The Board recognises the importance of sound risk management and internal control system practices to good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets.

The Board affirms its overall responsibility and commitment to articulating, implementing and reviewing the effectiveness and efficiency of the risk management and internal control.

The Group has in place an ongoing control structure and process for managing the significant risks affecting the achievement of its business objectives throughout the financial year under review up to the date of approval of this statement, which includes actively identifying, evaluating, and monitoring these risks. This process is regularly reviewed by the Board with assistance from the management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

The Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives which could arise from human error, the possibility of poor judgment in decision making, control process being deliberately circumvented by employees and others, management overriding controls and the incidence of unforeseeable circumstances. Thus, it must be recognised that it can only provide reasonable and not absolute assurance against misstatement, breaches of laws or regulations, fraud or losses. In addition, the management needs to consider the expected cost and benefits to be derived from the implementation of the internal control system.

RISK MANAGEMENT FRAMEWORK

The Group adopts an Enterprise Risk Management ("ERM") framework which incorporates the principles and guidelines of ISO 31000:2009 Risk Management. The framework has been approved by the Board in December 2012 and supersedes the previous framework which was based on principles and guidelines of AS/NZS 4360: 2004 – Risk Management. The framework determines the process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation.

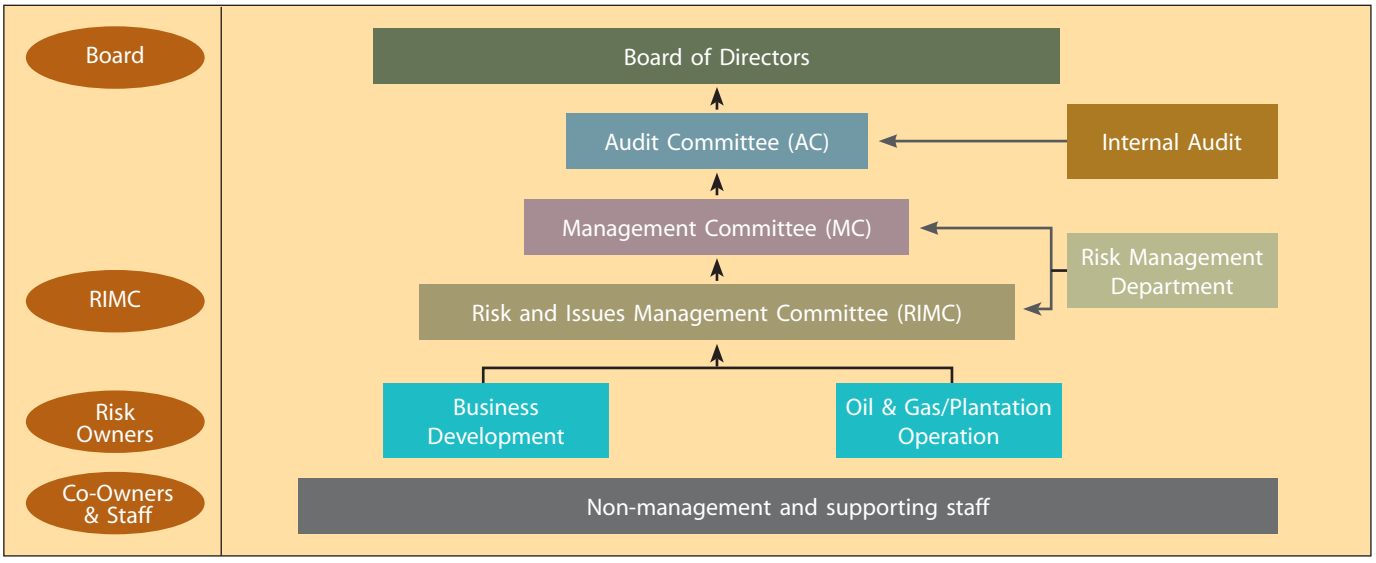
The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. The Group has established a Risk & Issues Management Committee ("RIMC") in 2003. The Committee is chaired by the Executive Director of the Group; and represented by senior management members from all functions of the Group. The Committee met three (3) times in 2013.

Apart from complying with the governance requirement, this Committee, which is cross-functional in nature, was formed to assist the Board in implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control and to ensure proper management of risks to which the Group is exposed and to take appropriate and timely actions to manage such risks.

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. A strong culture of ownership and accountability is built through a clear identification of specific roles and responsibilities from the Board, Audit Committee, Management Committee, RIMC, Risk Management Department, Risk Owner, Risk Co-Owner, Staff and Internal Audit Department.

On an annual basis, the Internal Audit function assists the Audit Committee in reviewing the effectiveness of risk management and internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

The ERM risk reporting structure implemented in Kulim Group is as follows:



Group risks are managed on an integrated basis and their evaluation is incorporated into the Group decision-making process such as the strategic planning and project feasibility studies. The management of Group risks is facilitated by the use of risk management software.

The Group has identified and implemented a systematic approach in managing the significant risks. This is done through the Risk Action Plan process which documents the detailed actions on how the approved chosen treatment options will be implemented as well as clearly identifies the priority order and designated person through which individual risk treatments should be implemented. Furthermore, to ensure that the agreed Risk Action Plan is being appropriately implemented, follow up processes are periodically performed on the Risk Owner until the agreed treatment options are executed successfully.

A risk management report is tabled to the Audit Committee on a quarterly basis and to the Board on a half-yearly basis. The report identifies the Top Risks affecting or likely to affect the Group and documents the implementation of appropriate actions to adequately manage those risks. In addition to the above, the Audit Committee and Board will be promptly updated with special risk reports or flash reports pertaining to any significant emerging risk issues that may arise from time to time during the year.

In ensuring the Group achieves its objectives, the risk management process and approach is tailored to Kulim's structure and constantly changing environment to ensure that the Group can continuously monitor and review its risks and the effectiveness of its risk management over time. Continuous ERM phases are practised by the Group and based on the results of monitoring and reviews, decisions are made on how the risk management programme can be improved. These decisions should lead to improvements in the Group's management of risks and its risk management culture.

A separate risk management function also exists within the Group's significant listed subsidiary with the establishment of Risk & Issue Management Committee within the respective companies to assess and evaluate the risk management process of the respective companies on a periodic basis.

In essence, the management of risks is treated as an iterative process. The benefits arising from the setting up of this Committee is the creation of 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.

Profile of key risks faced by the Group

The RIMC shall report to the Audit Committee and the Board the profile of key risks that may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives.

Other than the inherent risks in oil palm industry such as fluctuation of CPO price, dependency on foreign workers and prolonged adverse weather condition which are beyond the Group's control, the Group is focusing more on the significant risks where the internal controls can be put in place or enhanced.

Among top risks for the Group which are within the Group's control are the risk of disease, ensuring the oil extraction and production of Fresh Fruit Bunch ("FFB") are within the budget and minimising the impact on increasing operating cost through the cost control programme. Control measures through a combination of preventive, detective and corrective methods have been designed, updated and reported periodically to the Audit Committee and the Board.

Promotion of Risk Awareness

The Group's vision for future risk management is to have a culture in which risk is managed in an integrated manner that will enable the Group to:

- be recognised for best practice management;
- achieve the Group's Vision, Mission and Business Goals;
- achieve financial and operational goals; and
- be seen as a Group with high ethics and that is managing its risks responsibly.

During the annual induction programme for new employees, the Chief Risk Officer ("CRO") will conduct a briefing on the Group's approach to risk management and internal controls across the various departments. This session will also enable new employees to understand the internal control process and their specific roles and responsibilities in managing the risks.

REACTIVE	PROACTIVE	ADAPTIVE
BASIC	MATURE	STRATEGIC
Stay in compliance	Become a management process	A strategic tool for Board / Management
Actions are in response to what has just happened	Focus on response to continuity of services with the least amount of interruptions possible	Shift from loss prevention to revenue preservation and generation
Manual Monitoring	Automation of ERM initiatives	An integrated web-based software for automation of ERM initiatives and enables virtual real-time monitoring
Kulim is committed to establishing an organisational philosophy and culture that ensure effective business risk management as an integral part of all Group's activities and a core management capability		

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

Key to the Group's Internal Control and Risk Management process is its Control Self-Assessment ("CSA") process. The process is a recognised and flexible management tool for acquiring information about business process risks, while empowering the risk owners to undertake responsibility for managing those risks. Risk assessment and evaluation form an integral part of the annual strategic cycle. The Board, as part of the annual strategic review, considers and approves the Group's risk structure.

The Board has adopted a control framework in ensuring the achievement of Group's established objectives and that the Group's business operations are effectively managed.

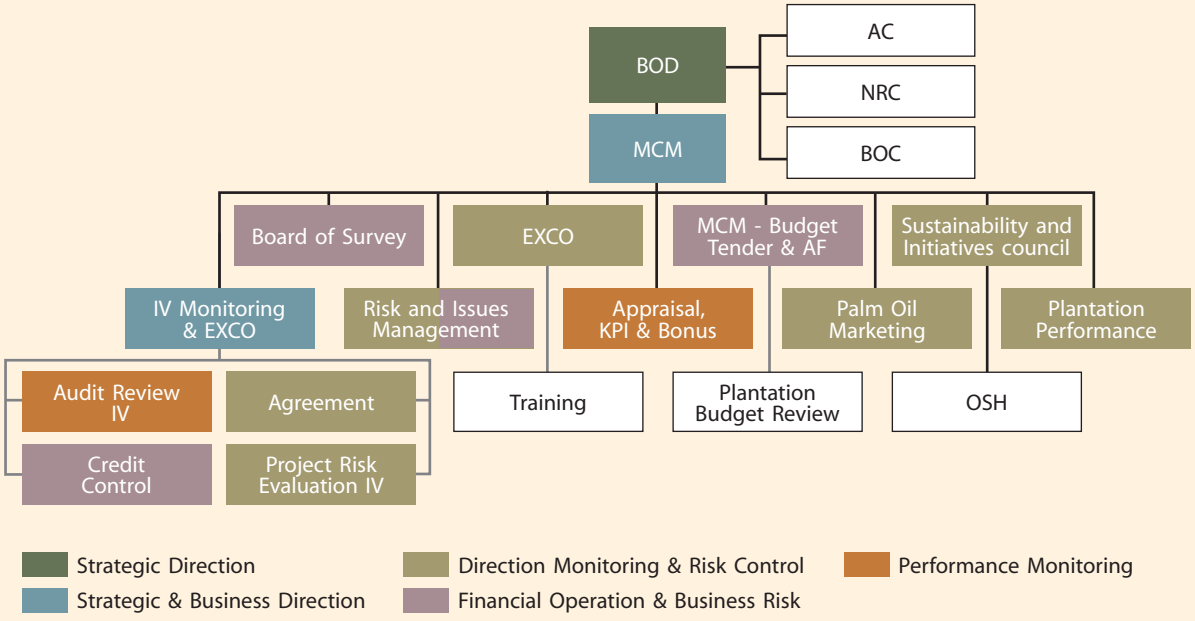
The key elements of the Group's system of internal control are as follows:

Board and Management Committees

Board and Management Committees are set up to promote corporate governance, transparency and accountability and to assist the Board in implementing and monitoring the system of internal controls within the Group with the aim of realising the vision, mission, strategies and objectives established for the Group.

The Committees oversee the areas assigned according to their Terms of Reference ("TOR") which are carefully developed to ensure it is aligned with Group's objectives, short-term and long-term strategic plans and to avoid overlapping activities and gaps in governance coverage.

COMMITTEE STRUCTURE



BOARD COMMITTEE	
NAME OF COMMITTEE	PRIMARY FUNCTION
Audit Committee ("AC")	To assist the Board in maintaining a sound system of internal control by ensuring the openness, integrity and accountability of the Group's activities so as to safeguard the rights and interest of the shareholders.
Nomination and Remuneration Committee ("NRC")	To oversee the selection and assessment of directors by development, maintenance and review of the criteria to be used in the recruitment process and annual assessment of directors. The Committee is also responsible for establishing formal and transparent remuneration policies and procedures to attract and retain directors.
Board Option Committee ("BOC")	To administer the ESOS in accordance with the By-laws of the ESOS.

MANAGEMENT COMMITTEE	
NAME OF COMMITTEE	PRIMARY FUNCTION
Management Committee ("MCM")	To review and evaluate the performance progress including the key policy and strategy implementations of the various divisions, subsidiaries and operating units of the Group. Where authorised, to formulate and approve matters relating to Group policy, objectives and business strategy and projects, and where necessary to evaluate and recommend for Board's approval.
Executive Committee ("EXCO")	To coordinate departmental roles and administrative matters in relation to the various divisional operations and to review, recommend and seek Management's approval on any related proposals.
Management Committee – Budget, Tender and Additional Capital & Revenue Expenditure ("MCM – Budget, Tender & AF")	To recommend to the MCM the award of contracts for purchases and projects to suppliers/ contractors in accordance with the Contract Administration Guidelines and Procedures of the Company. To review the budget and all requests pertaining to capital and revenue spending and to recommend them for the ratification of the MCM.
Risk & Issues Management Committee	To conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure that the Group is managing risks effectively. Further details on the Committee are set out in pages 144 to 146.
Plantation Performance Committee	To ensure that estates and mills owned and managed by the Group operate in accordance with Group's requirements and at the best possible standards.
Palm Oil Marketing Committee	To review and decide on the appropriate selling arrangement, quantity and prices of the Group's palm products.
Board of Survey	To review all requests pertaining to write-off/back of fixed assets, debtors, stocks and creditors and recommend them for the ratification of the MCM.
Sustainability and Initiatives Council	To oversee and monitor the development, implementation, maintenance, compliance and effectiveness of all matters relevant to sustainability and quality initiatives of the Group as well as ensuring compliance with the principles and criteria of RSPO.
Appraisal, KPI and Bonus Committee	To deliberate on performance, KPIs, behavioural competencies and recommend appropriate increments, promotions and merit of all executives and corporate office staff.
Training Committee	To formulate training plan to meet the objective of enhancing the knowledge, skill and competencies of Kulim's employees.
Plantation Budget Review	To ensure the Plantation Operation budget is prepared with the objective of maximising the long-term profitability of the Group's oil palm plantations, and at the same time, maintaining their sustainability.
OSH Committee	To foster cooperation and consultation between management and workers in identifying, evaluating and controlling hazards at workplaces.

COMMITTEES FOR INTRAPRENEUR VENTURES	
NAME OF COMMITTEE	PRIMARY FUNCTION
IV Monitoring & Executive Committee ("IV EXCO")	To monitor progress and development of all the IV companies with the objective of strengthening their business and management capabilities by providing necessary business guidance and referrals. To evaluate viability of projects, proposals, funding, capital expenditure or capital adequacy of the IV companies.
Credit Control Committee	To appraise the financial health, performance of the IV companies and their compliance to accounting standards, Income Tax Act and internal controls by the IVs.
Project Risk Evaluation Committee	To ensure that IV companies/projects of the Group are being run, coordinated and managed at the best possible standards and in compliance with the Group's requirements and risk management policies.
Audit Review Committee	To monitor the Internal Control System and recommend improvement of the Internal Control System and practices to achieve the company's objectives. To ensure operations of IV companies are in compliance with laws and regulations and the Group's Code of Conduct and Business Ethics and that the IV companies are being managed in line with the aspiration and expectations of Kulim.
Agreement Committee	To ensure that material agreements are forwarded for Committee discussion and/or approval. This is to ensure and safeguard the Group's interest.

Organisation Structure

The Board has established a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It has put in place suitably qualified and experienced management personnel to head the Group's diverse operating units with focus on delivering results. Their performance is measured against Key Performance Indicators which have been 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 operates within the Audit Charter approved by the Audit Committee and performs internal audit across the Group's diverse areas and environment focusing on any management, accounting, financial and operational activities including the effectiveness of risk management process and internal control within the organisation. In year 2013, 60% of the audit coverage were focused on risk based audit established on risk assessment profile produced by risk management function, and the remaining 40% were focused on compliance, financial, ad-hoc and special request, consulting and follow-up audit.

The Group's Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness. In year 2013, periodic self-assessment review on conformance with the International Standards for the Professional Practice of Internal Auditing ("Standards") and follow up on the action plans taken pertaining to observations and recommendations raised during the Quality Assurance Review ("QAR") programme in 2012 was performed.

External Auditors

The External Auditors issue a Management Letter highlighting issues and weaknesses, which came to their attention during the conduct of their normal audit procedures. The Group's Internal Audit subsequently performs follow-up reviews to determine the extent to which the recommendations have been implemented.

The External Auditors are appointed by the Board to review this Statement on Risk Management and Internal Control and to report thereon.

This Statement on Risk Management and 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 2013. 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 sections above, the other elements of the Group's Internal Controls are as follows:

Financial Authority Limit

The Financial Authority Limit defines revenue and capital expenditure spending limits for each level of management within the Group. These limits cover authority for cheques signatories, major capital and revenue expenditure spending limits, purchasing and contract procedures and approval mechanism for budget.

Budget Approval

Budget is an important control mechanism used by the Group to ensure an efficient allocation of Group's resources and that the operational managers have sufficient guidance in making business decisions. Budgets are generated annually at each subsidiary and operating unit.

For the plantation units, budgets will be reviewed by the Regional Controllers followed by their presentation to a Plantation Budget Review Committee for further deliberation.

Significant subsidiaries will have their budgets reviewed by their own budget committee. All budgets will then be presented for deliberation of the MCM - Budget, Tender and AF Committee, and subsequently will be tabled to MCM for approval and endorsement. Finally the budgets will be presented to the Board for final review and approval.

Procurement

A centralised and coordinated procurement function is established at each of the Group's key business division which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures.

Major contract and supply works of both capital and revenue natures exceeding the defined threshold amounts in the relevant contract procedure are required to be tendered out. Eligible bidders for contract works will need to attend a contract interview with the Contract Interview Committee, which is made up of representatives from several departments at the divisional head-quarter including the acquiring unit's Manager. The Contract Interview Committee will then forward the recommendations to the MCM - Budget, Tender and AF Committee for further review and approval.

Plantation Performance Control

Through meetings of the Plantation Performance Committee, 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, plantation inspectorates' 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 Group's estates/mills regularly. Regular discussions are also carried out via phone, fax and e-mail. Regional Controllers, Plantation Inspectorates and Agronomists separately visit the operating units. A detailed report on the state of affairs of the units is prepared 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 up to point of delivery.

IV Operational Control

Through internal committee meetings, the operational and financial performances as well as progress of projects undertaken by the respective IV companies are monitored. The reports on the financial performance of the IV companies are also submitted on monthly basis to the Group. Any major issues highlighted will be tabled at the Management Committee Meeting.

Operating and Procedural Manuals

The Group has reference manuals covering agricultural practices, procurement, financial operating system and financial policies and procedures. These will assist and guide employees on purchasing and contract awards, preparing of financial statements, observing the various internal control policies and procedures, as well as maintaining good management practices to ensure cost efficiencies, integrity of financial records and to safeguard the Group's assets. The Board believes that all these control measures will significantly enhance the internal control of the Group.

The major written Policy and Procedure Manuals include:

1) Agricultural Manual
2) Accounting Policies & Procedures
3) Executive and Staff Schemes of Service
4) Contract Administration and Purchasing Guidelines Procedures
5) RSPO Malaysia National Interpretation Working Group (RSPO - MY NIWG 5)
6) ERM Framework
7) Internal Audit Manual
8) Internet Access Policy and Notebook Accommodation Policy
9) Standard Operating Procedures

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 a forward policy covering a maximum of six (6) months and 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 Plantation Division in Malaysia, the Sustainability Department is responsible to ensure that the plantation operations are conducted within the applicable laws, regulations and quality standards.

Whistleblowing Policy

The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

This Policy was established to ensure that a process is in place to allow stakeholders to report alleged improper or unlawful conducts without fear of retribution. It is an integral component of Kulim's zero tolerance policy on fraud and corruption.

The Group views any detrimental action taken against a whistleblower or any person related to or associated with the whistleblower in reprisal for a disclosure of improper conduct seriously and will treat such action as gross misconduct.

This Policy aims to:

- Encourage stakeholders to feel confident in raising serious concerns and to question and act upon concerns.
- Provide avenues to raise those concerns and receive feedback on any action taken.
- Ensure that whistleblower receives a response and aware of how to pursue if they are not satisfied.
- Reassure that whistleblower will be protected from possible retaliations.

The Group has also established a Grievance Policy and Procedure as well as Women OnWards so as to allow employees to bring to the attention of management of Kulim any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The management will attempt to resolve the grievance in a manner, which is acceptable to the employee concerned and the Group.

Code of Ethics

This code of ethics defines the standards of conduct that are expected of employees to help them make the right decision in the course of performing their jobs to the highest standards of ethic, integrity and governance. Among others, the Code also requires the employees to ensure the following:

- maintaining full and accurate company records;
- all assets and property of the company will be used only for the benefit of the company;
- always dealing with customers and suppliers based on merit and fairness;
- engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage;
- always act to ensure a workplace environment that is free from harassment and discrimination; and
- deal with all team members with respect, courtesy and fairness.

All employees are required to adhere to the Group's code of ethics and to submit the Ethics Declaration Form annually. Employees are also encouraged to engage in an open dialogue with the senior management through the Group's Roundtable Conference ("RTC").

Maintaining Compliance to the RSPO Certification Requirement

Sustainability is a core value of the Group. Kulim has established its sustainability credentials by attaining RSPO certification. Safeguarding this reputation is critical to the organisation and the Group has put in place 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 with the stringent requirements of RSPO. Among the key measures are:

- Site follow-up visits and inspections are conducted on periodic basis to review the status of compliance, weaknesses and gaps in the implementations of various programmes, which is also in line with the requirement of Principle 8 of RSPO on Continuous Improvement;
- Key Performance Indicators ("KPI") affecting key aspects of the certification requirements are developed to complement the economic indicators, which are subject to regular monitoring on their achievement progress;
- RSPO trainings and briefings are conducted regularly to ensure changes and updates on RSPO requirements are communicated to all affected employees;
- In relation to the requirements of laws and regulation in the areas of safety and health, Kulim regularly collaborates with suppliers and contractors towards ensuring both parties' responsibilities in complying with the relevant legislations.
- Proper documentation and reference systems are established. These include Kulim Sustainability Handbook that sets out all the relevant policies to guide employees. All system documentation are monitored and controlled through the Document Annual Review and all changes affecting the documents are traced through the Document Change Note System; and
- In relation to the social impact of the business on the various levels of stakeholders, internal social impact assessments, guided by the SA8000 Standard are conducted on all Operating Units to identify shortcomings 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. During the year under review, there has been no significant control failure or weakness or any adverse compliance events 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's view is arrived at after taking into consideration the followings:

- consistent internal audit and risk management reports;
- periodic discussions and debates on the internal audit and risk management reports;
- continuous risk and internal control reviews in the Risk & Issues Management Committee and Management Committee involving the CEO and CFO that are debated and presented to the Audit Committee and the Board;
- assurance from the CEO and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group; and
- periodic management reports on the state of the Group's internal controls.

The Board is therefore pleased to affirm 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 Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

COMPOSITION AND ATTENDANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 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 DATO' SERI UTAMA ARSHAD AYUB
Chairman /
Independent Non-Executive Director

DR. RADZUAN A. RAHMAN
Member /
Independent Non-Executive Director

LEUNG KOK KEONG
Member /
Independent Non-Executive Director

The attendance record of the members of the Audit Committee during the financial year 2013 was as follows:

DIRECTORS	DATE OF MEETING			
	18/2/2013	15/5/2013	19/8/2013	18/11/2013
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	via Tele-conference
Dr. Radzuan A. Rahman	/	/	/	/
Leung Kok Keong	/	/	/	/

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, this 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 (3) 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 (3) members, the Board of Directors shall, within three (3) 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 (1) member of the Audit Committee:
   (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
   (b) if he is not a member of MIA, he must have at least three (3) 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:
   i. knowledge of the industries in which the Group operates;
   ii. 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
   iii. 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 (corporate, subsidiaries, associates, joint ventures, where applicable) in its activities, including approval of appointments of senior executives and budget in these functions; and
6. To 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; and
   (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 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 transactions 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 Main Market 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.

Meetings

1. Meetings of the Committee shall be held not less than four (4) 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 (2) 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 seven (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 AGM 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 2013/2014;

2. Review of the External Auditors' audit observations, 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 the financial year ended 31 December 2013 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 Main Market 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 finding 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 Risk Management and Internal Control pursuant to the Main Market 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 Department ("IAD") and led by a Certified Internal Auditor ("CIA"). The IAD reports directly to the Audit Committee and is guided by its Internal Audit Charter. The IAD assists the Board in fulfilling its fiduciary responsibilities over the areas of financial, operational, information systems, investigations, risk management and governance process in accordance with the approved Risk Based Annual Audit Plan.

On quarterly basis, the IAD provides the Audit Committee with independent and objective reports on the state of internal control, highlighting any areas for improvement and updates on the extent to which the recommendations have been implemented. The management is responsible to ensure that corrective actions on reported weaknesses as recommended are taken within the required time frame to ensure that all potential weaknesses in system and risks under reviewed area are mitigated or remain within acceptable levels.

Other IAD activities carried during the year are summarised as below:

1. Conducted consultation and validation on the existing and new Control Self-Assessment ("CSA") topic with the estate/mill management at all complexes.

2. Worked together with the estates and mills in specific risk and control review through CSA programmes.

3. Participated in Corporate Responsibility ("CR") programmes organised by management.

4. Performed periodic self-assessment review on conformance with the International Standards for the Professional Practise of Internal Auditing ("Standards").

5. Conducted special review based on requests from the Audit Committee and/or management

The total cost incurred for the Internal Audit function at the Group Corporate Office level for the financial year ended 31 December 2013 was approximately RM1,841,000.

ADDITIONAL COMPLIANCE INFORMATION

THE FOLLOWING INFORMATION IS PROVIDED IN COMPLIANCE WITH THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013:

Utilisation of Proceeds from Corporate Proposals

There was no corporate proposal, specifically intended to raise funds undertaken during the financial year ended 31 December 2013, which has resulted in the receipt of proceeds for utilisation.

Share Buy-Backs

The Company had, on 20 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 has acquired 5,442,000 units of its own shares pursuant to the renewed mandate for the share buy-back as approved by the shareholders of the Company at the 38th AGM held on 20 June 2013.

As at 31 December 2013, a total of 15,322,000 ordinary shares were held as treasury shares. The details of the buy-backs are set out in page 29.

Options, Warrants or Convertible Securities Exercised

Effective from 31 December 2013, the Company has implemented the Employees' Share Option Scheme ("ESOS") for the eligible employees and Directors of Company and its subsidiaries to subscribe for up to 63,935,462 new ordinary shares of the Company ("ESOS Options"). The ESOS Options have vesting period of 5 years commencing 31 December 2013 and expiring on 30 December 2018.

The Directors have obtained a relief under Section 169(1) of the Companies Act 1965 ("the Act") exempting the Company from including a list of the share options granted and exercised during the financial year pursuant to Section 169(11) of the Act in the Annual Report, except for grantees receiving ESOS Options amounting to 150,000 units and above. This exemption is subject to a yearly renewal. All information regarding the allocation and exercise of the said ESOS Options are registered in the Company's Register of Options.

There was no ESOS Options exercised during the financial year ended 31 December 2013.

A total of 156,174,319 free warrants were issued by the Company in conjunction with the share split and bonus issue on 28 February 2011. The warrants have an exercise period of 5 years commencing 28 February 2011 and expiring on 27 February 2016.

In 2013, 11,504,248 warrants have been exercised and converted into new ordinary shares.

The Company has not issued any other convertible securities in respect of the financial year ended 31 December 2013.

Depository Receipt Programme

The Company has not sponsored any depository receipt programme for the financial year ended 31 December 2013.

Sanctions and/or Penalties

There were no material 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 RM1,017,000 (please refer to page 197 of the audited financial statements).

Variation in Results

There is no material variance between the results for the financial year 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 year ended 31 December 2013.

Material Contracts

Other than those disclosed in the financial statements from page 243 to page 247, 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.

Recurrent Related Party Transactions of Revenue and/or Trading Nature

At the AGM held on 20 June 2013, 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 page 156 of the Annual Report.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE AND/OR TRADING NATURE

THE AGGREGATE VALUE OF THE RECURRENT TRANSACTIONS OF REVENUE AND/OR TRADING NATURE CONDUCTED PURSUANT TO THE SHAREHOLDERS' MANDATE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 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")	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Datin Paduka Siti Sa'diah Sh Bakir Rozan Mohd Sa'at Zulkifli Ibrahim	Kulim is a 60.26% owned subsidiary of JCorp	Sales of FFB	15,893,000
			Purchasing and sales commission on oil palm products	1,594,000
			Sales of goods	1,870,000
2. Johor Franchise Development Sdn Bhd ("JFDSB")	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Datin Paduka Siti Sa'diah Sh Bakir Rozan Mohd Sa'at Zulkifli Ibrahim JCorp	JFDSB is a wholly-owned subsidiary of JCorp	Sales of goods	1,727,000
3. Johor Land Berhad ("JLand")	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Datin Paduka Siti Sa'diah Sh Bakir Rozan Mohd Sa'at Zulkifli Ibrahim JCorp	JLand is a wholly-owned subsidiary of JCorp	Purchase of FFB	2,084,000

SECTION 7: FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

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 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	465,822	645,077
Profit attributable to:		
Owners of the Company	431,068	645,077
Non-controlling interests	34,754	-
	465,822	645,077

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
Special tax exempt (single-tier) dividend of 90.94 sen per share, totalling approximately RM1,158,450,000 declared on 27 December 2012 and paid on 25 January 2013	1,158,450
Total dividends paid by the Company since 31 December 2012	1,158,450

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Kamaruzzaman Abu Kassim
Tan Sri Dato' Seri Utama Arshad Ayub
Ahamad Mohamad
Wong Seng Lee
Datin Paduka Siti Sa'diah Sh Bakir
Datuk Haron Siraj
Dr Radzuan A. Rahman
Rozan Mohd Sa'at
Zulkifli Ibrahim
Leung Kok Keong
Jamaludin Md Ali
Abdul Rahman Sulaiman (Appointed on 1 September 2013)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.25 each			
	As at 1.1.2013	Acquired	Disposed	As at 31.12.2013
Company				
Direct interest				
Tan Sri Dato' Seri Utama Arshad Ayub	1,976,800	354,000	(4,000)	2,326,800
Ahamad Mohamad	963,400	–	–	963,400
Wong Seng Lee	251,200	–	–	251,200
Datin Paduka Siti Sa'diah Sh Bakir	278,000	–	–	278,000
Rozan Mohd Sa'at	8,800	–	–	8,800
Deemed interest				
Tan Sri Dato' Seri Utama Arshad Ayub	4,800,800	100,000	–	4,900,800

DIRECTORS' INTERESTS (cont'd)

	Number of options over ordinary shares of RM0.25 each			
	As at 1.1.2013	Granted	Exercised	As at 31.12.2013
Dato' Kamaruzzaman Abu Kassim	–	1,000,000	–	1,000,000
Ahamad Mohamad	–	500,000	–	500,000
Wong Seng Lee	–	250,000	–	250,000
Jamaludin Md Ali	–	250,000	–	250,000
Abdul Rahman Sulaiman	–	250,000	–	250,000
Datin Paduka Siti Sa'diah Sh Bakir	–	150,000	–	150,000
Rozan Mohd Sa'at	–	150,000	–	150,000
Zulkifli Ibrahim	–	150,000	–	150,000
Tan Sri Dato' Seri Utama Arshad Ayub	–	150,000	–	150,000
Datuk Haron Siraj	–	150,000	–	150,000
Dr. Radzuan A. Rahman	–	150,000	–	150,000
Leung Kok Keong	–	150,000	–	150,000

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2013	Acquired	Disposed	As at 31.12.2013
In related companies				
Damansara Realty Berhad				
Direct interest				
Ahamad Mohamad	9,600	–	–	9,600
Datin Paduka Siti Sa'diah Sh Bakir	320	–	–	320
Rozan Mohd Sa'at	20,000	–	–	20,000
Deemed interest				
Ahamad Mohamad	3,200	–	–	3,200
KPJ Healthcare Berhad				
Direct interest				
Ahamad Mohamad	750	375	–	1,125
Tan Sri Dato' Seri Utama Arshad Ayub	1,732,000	970,500	(1,000)	2,701,500
Rozan Mohd Sa'at	500	250	–	750
Datin Paduka Siti Sa'diah Sh Bakir	728,250	784,125	(420,000)	1,092,375
Deemed interest				
Tan Sri Dato' Seri Utama Arshad Ayub	1,985,000	1,007,500	–	2,992,500
Datin Paduka Siti Sa'diah Sh Bakir	12,500	6,250	–	18,750

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM320,637,000 to RM323,513,000 by way of the issuance of 11,504,000 ordinary shares of RM0.25 each upon the conversion of 11,504,000 warrants at the weighted-average exercise price of RM3.23 per new ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

TREASURY SHARES

During the financial year, the Company repurchased 5,442,000 of its issued ordinary shares from the open market at an average price of RM3.90 per share. The total consideration paid for the repurchase including transaction costs was RM21,234,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

At 31 December 2013, the Company held as treasury shares a total of 15,322,000 of its 1,294,053,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM67,063,000 and further relevant details are disclosed in Note 27(h) to the financial statements.

EMPLOYEE SHARE OPTION SCHEME

At an Extraordinary General Meeting held on 13 December 2013, shareholders approved the Employee Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by issuance of the ordinary shares of the Company to eligible senior executives and employees.

The salient features and other terms of the ESOS are disclosed in Note 27(j) to the financial statements.

During the financial year, the Company granted 54,579,000 share options under the ESOS. These options expire on 31 December 2018 and are exercisable over several tranches depending on whether the employee or senior executive remain in service at specific dates ranging from 31 December 2013 to 31 December 2017.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 150,000 ordinary shares of RM 0.25 each. Details of options granted to directors are disclosed in the section on directors' interests in this report. No other persons have been granted more than 150,000 options.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (cont'd)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent events are disclosed in Note 32 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 March 2014

Dato' Kamaruzzaman Abu Kassim

Ahamad Mohamad

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Kamaruzzaman Abu Kassim and Ahamad Mohamad, being two of the directors of Kulim (Malaysia) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 166 to 263 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 position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 39 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 March 2014.

Dato' Kamaruzzaman Abu Kassim

Ahamad Mohamad

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Azli Mohamed, being the officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 166 to 264 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Azli Mohamed at Johor Bahru)
in the State of Johor on 19 March 2014)

Azli Mohamed

Before me,

PESURUHJAYA SUMPAH
No. J 204
MOHDZAR BIN KHIR
P.L.P. P.J.S.
MALAYSIA
No. 89, Jalan Trus,
80000 Johor Bahru

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kulim (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 166 to 263.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the 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 position of the Group and of the Company as at 31 December 2013 and of their financial performance 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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 39 to the financial statements on page 264 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

Ernst & Young
AF 0039
Chartered Accountants

Abraham Verghese A/L T.V. Abraham
1664/10/14(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 19 March 2014

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Continuing operations					
Revenue	4	2,851,753	3,035,893	200,424	325,836
Cost of sales		(1,936,457)	(1,945,980)	(87,506)	(89,372)
Gross profit	5	915,296	1,089,913	112,918	236,464
Other income		66,614	122,638	608,041	6,492
Distribution expenses		(235,115)	(246,889)	(367)	(1,089)
Administrative expenses		(451,472)	(481,602)	(45,509)	(37,533)
Other expenses		(74,653)	(62,681)	(10,728)	(11,541)
Profit from operating activities		220,670	421,379	664,355	192,793
Interest income	6	11,109	11,182	5,030	5,777
Finance costs	7	(82,453)	(93,327)	(7,568)	(17,752)
Share of results of associates		300	454	–	–
Profit before tax	8	149,626	339,688	661,817	180,818
Income tax expense	10	(99,864)	(97,833)	(16,740)	(7,736)
Profit from continuing operations		49,762	241,855	645,077	173,082
Discontinued operations					
Gain from discontinued operations, net of tax	11	416,060	193,888	–	–
Profit for the year		465,822	435,743	645,077	173,082
Net other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Foreign currency translation differences for foreign operations		(266,781)	(69,643)	–	–
Transfer to reserves		254	1,972	–	–
Cash flow hedges		1,573	9,405	–	–
Fair value changes on available-for-sale financial assets		(655)	(4,348)	(721)	(1,780)
Other comprehensive income for the year, net of tax		(265,609)	(62,614)	(721)	(1,780)

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000
Total comprehensive income for the year		200,213	373,129	644,356	171,302
Profit attributable to:					
Owners of the Company		431,068	211,210	645,077	173,082
Non-controlling interests		34,754	224,533	–	–
Profit for the year		465,822	435,743	645,077	173,082
Total comprehensive income attributable to:					
Owners of the Company		306,954	169,637	644,356	171,302
Non-controlling interests		(106,741)	203,492	–	–
Total comprehensive income for the year		200,213	373,129	644,356	171,302
Basic earnings per ordinary share (sen):					
– from continuing operations	12	4.64	11.13		
– from discontinued operations	12	29.16	5.71		
		33.80	16.84		
Diluted earnings per ordinary share (sen):					
– from continuing operations	12	4.60	10.71		
– from discontinued operations	12	28.88	5.50		
		33.48	16.21		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000 Restated
Assets					
Non-current assets					
Property, plant and equipment	13	6,433,580	6,614,261	1,106,421	1,100,483
Investment properties	14	107,758	95,602	107,758	95,602
Intangible assets	15	189,762	204,667	–	–
Investment in subsidiaries	16	–	–	784,657	1,316,737
Investments in associates	17	2,060	1,718	–	–
Other investments	18	81,198	83,761	62,991	62,852
		6,814,358	7,000,009	2,061,827	2,575,674
Current assets					
Other investments	18	12,609	23,860	–	22,344
Inventories	20	655,327	711,685	2,041	2,312
Trade and other receivables	21	503,478	604,920	212,827	302,425
Prepayments		23,293	18,586	383	499
Current tax assets		27,536	28,858	12,386	13,579
Derivatives	22	16,119	24,128	–	–
Cash and bank balances	23	377,180	280,889	147,270	107,228
		1,615,542	1,692,926	374,907	448,387
Assets of disposal group classified as held for sale	11(c)	–	3,408,193	–	–
		1,615,542	5,101,119	374,907	448,387
Total assets		8,429,900	12,101,128	2,436,734	3,024,061
Equity and liabilities					
Current liabilities					
Trade and other payables	25	307,410	306,689	56,993	157,874
Current tax liabilities		26,489	21,870	–	–
Loans and borrowings	24	1,030,716	971,347	130,000	130,000
Dividend payable		–	1,158,450	–	1,158,450
		1,364,615	2,458,356	186,993	1,446,324
Liabilities of disposal group classified as held for sale	11(c)	–	1,295,060	–	–
		1,364,615	3,753,416	186,993	1,446,324
Net current assets/(liabilities)		250,927	1,347,703	187,914	(997,937)

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Company 2013 RM'000	Company 2012 RM'000 Restated
Non-current liabilities					
Loans and borrowings	24	1,032,921	1,171,679	–	–
Deferred tax liabilities	19	905,216	976,376	68,767	66,770
		1,938,137	2,148,055	68,767	66,770
Total liabilities		3,302,752	5,901,471	255,760	1,513,094
Net assets		5,127,148	6,199,657	2,180,974	1,510,967
Equity attributable to owners of the Company					
Share capital	26	323,513	320,637	323,513	320,637
Reserves	27	1,551,740	1,620,308	1,179,675	1,157,621
Retained profits	28	1,905,404	1,474,336	677,786	32,709
Reserves of disposal group classified as held for sale	11(c)	–	2,404	–	–
		3,780,657	3,417,685	2,180,974	1,510,967
Non-controlling interests		1,346,491	2,781,972	–	–
Total equity		5,127,148	6,199,657	2,180,974	1,510,967
Total equity and liabilities		8,429,900	12,101,128	2,436,734	3,024,061

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to shareholders of the Company															
	Non-distributable															
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group																
Opening balance at 1 January 2013	320,637	204,820	98,979	–	48,766	3,858	(2,041)	1,339,419	4,933	(45,829)	(32,597)	2,404	1,474,336	3,417,685	2,781,972	6,199,657
Foreign exchange translation differences	–	–	–	–	(124,483)	–	–	–	–	–	–	–	–	(124,483)	(142,298)	(266,781)
Adjustment to revaluation reserves	–	–	–	–	–	–	–	254	–	–	–	–	–	254	–	254
Cash flow hedges	–	–	–	–	–	770	–	–	–	–	–	–	–	770	803	1,573
Fair value changes on available-for-sale financial assets	–	–	–	–	–	–	(655)	–	–	–	–	–	–	(655)	–	(655)
Total other comprehensive income for the year	–	–	–	–	(124,483)	770	(655)	254	–	–	–	–	–	(124,114)	(141,495)	(265,609)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	431,068	431,068	34,754	465,822
Total comprehensive income for the year	–	–	–	–	(124,483)	770	(655)	254	–	–	–	–	431,068	306,954	(106,741)	200,213
Transactions with owners																
Conversion of warrants	2,876	42,687	(8,393)	–	–	–	–	–	–	–	–	–	–	37,170	–	37,170
Grant of equity-settled share options to employees	–	–	–	9,715	–	–	–	–	–	–	–	–	–	9,715	–	9,715
Issue of shares by subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,990	2,990
Treasury shares acquired	–	–	–	–	–	–	–	–	–	(21,234)	–	–	–	(21,234)	–	(21,234)
Dividends to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(24,718)	(24,718)
Disposal of subsidiaries	–	–	–	–	(585)	–	–	310	–	–	33,046	(2,404)	–	30,367	(1,307,012)	(1,276,645)
At 31 December 2013	323,513	247,507	90,586	9,715	(76,302)	4,628	(2,696)	1,339,983	4,933	(67,063)	449	–	1,905,404	3,780,657	1,346,491	5,127,148

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Attributable to shareholders of the Company														
	Non-distributable														
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group															
Opening balance at 1 January 2012	315,509	116,013	113,945	95,714	(748)	1,256	1,337,757	4,933	(96,186)	(32,597)	–	2,436,500	4,292,096	2,628,603	6,920,699
Foreign exchange translation differences	–	–	–	(44,854)	–	–	–	–	–	–	–	–	(44,854)	(24,789)	(69,643)
Adjustment to revaluation reserves	–	–	–	–	–	–	1,972	–	–	–	–	–	1,972	–	1,972
Cash flow hedges	–	–	–	–	4,606	–	–	–	–	–	–	–	4,606	4,799	9,405
Fair value changes on available-for-sale financial assets	–	–	–	–	–	(3,297)	–	–	–	–	–	–	(3,297)	(1,051)	(4,348)
Total other comprehensive income for the year	–	–	–	(44,854)	4,606	(3,297)	1,972	–	–	–	–	–	(41,573)	(21,041)	(62,614)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	211,210	211,210	224,533	435,743
Total comprehensive income for the year	–	–	–	(44,854)	4,606	(3,297)	1,972	–	–	–	–	211,210	169,637	203,492	373,129
Transactions with owners															
Conversion of warrants	5,128	88,807	(14,966)	–	–	–	–	–	–	–	–	–	78,969	–	78,969
Treasury shares acquired	–	–	–	–	–	–	–	–	(45,829)	–	–	–	(45,829)	–	(45,829)
Treasury shares disposed	–	–	–	–	–	–	–	–	96,186	–	–	46,290	142,476	–	142,476
Dividends to shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,254,442)	(1,254,442)	–	(1,254,442)
Dividends to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(70,331)	(70,331)
Issue of shares to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	51,898	51,898	3,088	54,986
Treasury shares cancelledby subsidiary	–	–	–	–	–	–	–	–	–	–	–	(17,120)	(17,120)	17,120	-
Reserves attributable to disposal group classified as held for sale	–	–	–	(2,094)	–	–	(310)	–	–	–	2,404	–	–	–	-
At 31 December 2012	320,637	204,820	98,979	48,766	3,858	(2,041)	1,339,419	4,933	(45,829)	(32,597)	2,404	1,474,336	3,417,685	2,781,972	6,199,657

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Attributable to shareholders of the Company									
	Non-distributable									
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Distributable retained profits RM'000	Total RM'000
Company										
At 1 January 2012	315,509	116,013	113,944	–	897,579	(313)	4,165	(96,187)	1,067,779	2,418,489
Fair value changes on available-for-sale financial assets, representing total other comprehensive income	–	–	–	–	–	(1,780)	–	–	–	(1,780)
Profit for the year	–	–	–	–	–	–	–	–	173,082	173,082
Total comprehensive income for the year	–	–	–	–	–	(1,780)	–	–	173,082	171,302
Conversion of warrants	5,128	88,807	(14,965)	–	–	–	–	–	–	78,970
Treasury shares acquired	–	–	–	–	–	–	–	(45,829)	–	(45,829)
Treasury shares disposed	–	–	–	–	–	–	–	96,187	46,290	142,477
Dividends to shareholders	–	–	–	–	–	–	–	–	(1,254,442)	(1,254,442)
At 31 December 2012	320,637	204,820	98,979	–	897,579	(2,093)	4,165	(45,829)	32,709	1,510,967
Fair value changes on available-for-sale financial assets, representing total other comprehensive income	–	–	–	–	–	(721)	–	–	–	(721)
Profit for the year	–	–	–	–	–	–	–	–	645,077	645,077
Total comprehensive income for the year	–	–	–	–	–	(721)	–	–	645,077	644,356
Conversion of warrants	2,876	42,687	(8,393)	–	–	–	–	–	–	37,170
Grant of equity-settled share options to employees	–	–	–	9,715	–	–	–	–	–	9,715
Treasury shares acquired	–	–	–	–	–	–	–	(21,234)	–	(21,234)
At 31 December 2013	323,513	247,507	90,586	9,715	897,579	(2,814)	4,165	(67,063)	677,786	2,180,974

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Operating activities				
Profit before tax				
– continuing operations	149,626	339,688	661,817	180,818
– discontinued operations	417,266	272,720	–	–
Adjustments for:				
Reversal of impairment loss on other investment	(5)	–	–	–
Fair value changes on other investments	3,010	(6,025)	(29)	(4,900)
Allowance for slow moving inventories	8	6	–	–
Net provision for/(reversal of) allowances for impairment losses on receivables	1,307	(453)	–	–
Amortisation and depreciation of:				
– deferred farm expenditure	–	1,468	–	–
– intangible assets	1,761	9,758	–	–
– property, plant and equipment	305,635	466,331	15,793	11,915
Change in fair value of investment properties	(12,156)	(717)	(12,156)	(717)
Dividend income	(1,831)	(2,623)	(59,123)	(170,925)
(Gain)/loss on:				
– disposal of subsidiary	(408,508)	(6,717)	(592,264)	–
– disposal of other investments	934	(11,555)	1,440	766
– disposal of property, plant and equipment	(1,255)	8,057	16	51
Group's share of net results in associates	(300)	(454)	–	–
Grant of equity-settled share options to employees	9,715	–	9,715	
Interest expense on:				
– continuing operations	82,453	93,327	7,568	17,752
– discontinued operations	2,358	27,618	–	–
Interest income	(11,109)	(11,182)	(5,030)	(5,777)
Defined benefit plan	–	401	–	–
Unrealised foreign exchange loss/(gain), net	80,798	29,352	648	921
Write off of:				
– Property, plant and equipment	3,789	4,236	3,177	2
– Intangible assets	–	813	–	–
Write down of inventories	342	–	–	–
Operating profit before changes in working capital	623,838	1,214,049	31,572	29,906
Changes in working capital:				
Inventories	55,953	(2,508)	271	(421)
Payables	(13,810)	4,308	(106,813)	(49,803)
Receivables and prepayments	86,846	(82,977)	95,646	4,940
Cash generated from/(used in) operations	752,827	1,132,872	20,676	(15,378)
Employee benefits paid	–	(55)	–	–
Tax paid	(47,500)	(163,039)	(14,609)	(35,418)
Tax refunded	–	1,929	360	–
Net cash generated from/(used in) operating activities	705,327	971,707	6,427	(50,796)

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Cash flows from investing activities				
Acquisition of subsidiaries, net cash outflow	(6,648)	–	–	–
Dividends received	1,831	2,623	59,123	170,925
Interest received	11,109	11,182	5,030	5,777
Additions to:				
– equity interest in subsidiaries	–	–	(12,948)	(103)
– other investments	(33,045)	(62,788)	(20,160)	(46,411)
– property, plant and equipment	(596,581)	(1,166,200)	(25,235)	(36,032)
– intangible assets	–	(22,568)	–	–
– investment properties	–	(283)	–	(283)
– deferred farm expenditure	–	(11,953)	–	–
Net cash inflow on disposal of subsidiaries	982,126	2,096	1,137,131	–
Proceeds from:				
– disposal of other investment	43,006	118,266	41,093	65,593
– disposal of property, plant and equipment	3,867	86,122	311	192
– disposal of investment properties	–	4,000	–	–
Net cash flows generated from/(used in) investing activities	405,665	(1,039,503)	1,184,345	159,658
Cash flows from financing activities				
Dividends paid to:				
– shareholders of the Company	(1,158,450)	(95,992)	(1,158,450)	(95,992)
– minority shareholders of subsidiaries	(24,718)	(70,331)	–	–
Proceeds from borrowings	638,281	1,344,374	–	130,000
Repayment of borrowings	(734,372)	(1,119,459)	–	(273,171)
Issue of shares arising from conversion of warrants	37,170	78,970	37,170	78,970
Sale of treasury shares	–	142,476	–	142,476
Purchase of treasury shares	(21,234)	(45,829)	(21,234)	(45,829)
Issue of shares to non-controlling interests	2,990	54,986	–	–
Interest paid				
– continuing operations	(82,453)	(93,327)	(7,568)	(17,752)
– discontinued operations	(2,358)	(27,618)	–	–
Net cash flows (used in)/generated from financing activities	(1,345,144)	168,250	(1,150,082)	(81,298)
Net (decrease)/increase in cash and cash equivalents	(234,152)	100,454	40,690	27,564
Effect of exchange rate fluctuations on cash held	46,410	6,231	(648)	–
Cash and cash equivalents at 1 January	513,119	406,434	106,878	79,314
Cash and cash equivalents at 31 December (Note 23)	325,377	513,119	146,920	106,878

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

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Board of 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

Suite 12B, Level 12 Menara Ansar
65 Jalan Trus, 80000 Johor Bahru, Johor.

The Company's ultimate holding corporation is Johor Corporation ("JCorp"), a body corporate established under the Johor Corporation Enactment (No. 4, of 1968) (As amended by Enactment No.5, 1995).

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2013 as described fully in Note 2.2.

The financial statements have been prepared on the historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

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

On 1 January 2013, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

	Effective for annual periods beginning on or after
FRS 101 Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)	1 July 2012
FRS 10: Consolidated Financial Statements	1 January 2013
FRS 11: Joint Arrangements	1 January 2013
FRS 12: Disclosure of interests in Other Entities	1 January 2013
FRS 13: Fair Value Measurement	1 January 2013
FRS 119: Employee Benefits	1 January 2013
FRS 127: Separate Financial Statements	1 January 2013
FRS 128: Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

	Effective for annual periods beginning on or after
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets whose fair values were determined.

FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The application of FRS 10 affected the accounting for the Group's equity interest in New Britain Palm Oil Limited ("NBPOL"), which was previously treated as an associate of the Group and accounted for using the equity method of accounting, as discussed below:

As at 31 December 2013, the Group owns 48.97% of the voting rights of NBPOL. The remaining 51.03% voting rights are widely dispersed with the next 10 shareholders controlling less than 33% of the voting rights. NBPOL's Constitution states that the Board of Directors of NBPOL has all the necessary powers for managing, directing and supervising the management of the business and affairs of NBPOL. NBPOL's Constitution also provides for the appointment or removal of any director by ordinary resolution. Accordingly, the directors of Kulim (Malaysia) Berhad assessed that the Group retained control of NBPOL even though the Group's equity interest in NBPOL was diluted from 50.68% to 48.97% in April 2012. This was previously accounted for as a deemed disposal in subsidiary.

The change in accounting of the Group's investment in NBPOL has been applied in accordance with the relevant transitional provisions set out in FRS 10. The above change in accounting policy has affected the amounts reported in the Group's and Company's financial statements, as set out below. There was no impact on net assets and equity of the Group and Company as at 1 January 2012 as NBPOL was accounted for as a subsidiary as at 1 January 2012.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(i) Impact of the application of FRS 10 on net assets and equity of the Group and Company as at 31 December 2012

	31 December 2012 as previously reported RM'000	FRS 10 Adjustment RM'000	31 December 2012 as restated RM'000
Group			
Non-current asset			
Property, plant and equipment	3,149,132	3,465,129	6,614,261
Investment properties	95,602	–	95,602
Intangible assets	27,778	176,889	204,667
Investments in associates	1,868,694	(1,866,976)	1,718
Other investments	83,761	–	83,761
	5,224,967	1,775,042	7,000,009
Current assets			
Other investments	23,860	–	23,860
Inventories	82,387	629,298	711,685
Trade and other receivables	226,894	378,026	604,920
Prepayments	1,704	16,882	18,586
Current tax assets	28,858	–	28,858
Derivatives	–	24,128	24,128
Cash and bank balances	222,336	58,553	280,889
	586,039	1,106,887	1,692,926
Assets of disposal group classified as held for sale	3,408,193	–	3,408,193
	3,994,232	1,106,887	5,101,119
Total assets	9,219,199	2,881,929	12,101,128
Equity and liabilities			
Current liabilities			
Trade and other payables	153,089	153,600	306,689
Current tax liabilities	466	21,404	21,870
Loans and borrowings	655,647	320,876	976,523
Dividend payable	1,158,450	–	1,158,450
	1,967,652	495,880	2,463,532
Liabilities of disposal group classified as held for sale	1,295,060	–	1,295,060
	3,262,712	495,880	3,758,592
Net current assets	731,520	611,007	1,342,527

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(i) Impact of the application of FRS 10 on net assets and equity of the Group and Company as at 31 December 2012 (cont'd)

	31 December 2012 as previously reported RM'000	FRS 10 Adjustment RM'000	31 December 2012 as restated RM'000
Group			
Non-current liabilities			
Loans and borrowings	470,722	695,781	1,166,503
Deferred tax liabilities	166,170	810,206	976,376
	636,892	1,505,987	2,142,879
Total liabilities	3,899,604	2,001,867	5,901,471
Net assets	5,319,595	880,062	6,199,657
Equity attributable to owners of the Company			
Share capital	320,637	–	320,637
Reserves	1,573,541	46,767	1,620,308
Retained profits	2,038,526	(564,190)	1,474,336
Reserves of disposal group classified as held for sale	2,404	–	2,404
	3,935,108	(517,423)	3,417,685
Non-controlling interests	1,384,487	1,397,485	2,781,972
Total equity	5,319,595	880,062	6,199,657
Total equity and liabilities	9,219,199	2,881,929	12,101,128

	31 December 2012 as previously reported RM'000	FRS 10 Adjustment RM'000	31 December 2012 as restated RM'000
Company			
Non-current asset			
Property, plant and equipment	1,100,483	–	1,100,483
Investment properties	95,602	–	95,602
Investment in subsidiaries	1,100,347	216,390	1,316,737
Investments in associates	216,390	(216,390)	–
Other investments	62,852	–	62,852
	2,575,674	–	2,575,674

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(i) Impact of the application of FRS 10 on net assets and equity of the Group and Company as at 31 December 2012 (cont'd)

	31 December 2012 as previously reported RM'000	FRS 10 Adjustment RM'000	31 December 2012 as restated RM'000
Company			
Current assets			
Other investments	22,344	–	22,344
Inventories	2,312	–	2,312
Trade and other receivables	302,425	–	302,425
Prepayments	499	–	499
Current tax assets	13,579	–	13,579
Cash and bank balances	107,228	–	107,228
	448,387	–	448,387
Total assets	3,024,061	–	3,024,061
Equity and liabilities			
Current liabilities			
Trade and other payables	157,874	–	157,874
Loans and borrowings	130,000	–	130,000
Dividend payable	1,158,450	–	1,158,450
	1,446,324	–	1,446,324
Net current liabilities	(997,937)	–	(997,937)
Non-current liabilities			
Deferred tax liabilities	66,770	–	66,770
Total liabilities	1,513,094	–	1,513,094
Net assets	1,510,967	–	1,510,967
Equity			
Share capital	320,637	–	320,637
Reserves	1,157,621	–	1,157,621
Retained profits	32,709	–	32,709
Total equity	1,510,967	–	1,510,967
Total equity and liabilities	3,024,061	–	3,024,061

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(ii) Impact of the application of FRS 10 on profit of the Group for the financial years ended 31 December 2013 and 31 December 2012

	Total FRS 10 Adjustment 2013 RM'000	2012 RM'000
Group		
Increase in revenue	1,789,642	2,129,074
Increase in cost of sales	(1,139,225)	(1,314,546)
Increase/(Decrease) in other income	33,640	(1,812,755)
Increase in distribution expenses	(229,906)	(245,253)
Increase in administrative expenses	(311,813)	(352,408)
(Increase)/Decrease in other expenses	(55,066)	1,275,191
Increase in interest income	42	132
Increase in finance costs	(30,798)	(32,725)
Decrease in share of results of associates	(10,965)	(63,263)
Increase in income tax expense	(33,044)	(64,546)
Decrease in gain from discontinued operations, net of tax	–	(93,885)
Increase/(Decrease) in profit for the year	12,507	(574,984)
(Decrease)/Increase in profit attributable to:		
Owners of the Company	(2,748)	(620,441)
Non-controlling interests	15,255	44,917
	12,507	(575,524)

(iii) Impact of the application of FRS 10 on cash flows of the Group for the financial years ended 31 December 2013 and 31 December 2012

	Total FRS 10 Adjustment 2013 RM'000	2012 RM'000
Group		
Net cash outflow from operating activities	(463,448)	(615,294)
Net cash inflow/(outflow) from investing activities	265,064	(214,209)
Net cash inflow from financing activities	161,751	1,021,223
Net cash (outflows)/inflows	(36,633)	191,720

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 10, FRS 12, and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
Annual Improvements to FRSs 2010-2012 Cycle	
Annual Improvements to FRSs 2011-2013 Cycle	1 January 2014
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
FRS 9 Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and may in the alternative, apply Financial Reporting Standards (FRS) as its financial reporting framework for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first set of MFRS financial statements when the MFRS Framework is mandated by the MASB. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2013 could be different if prepared under the MFRS Framework.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation

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

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iii) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation (cont'd)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.5 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Foreign currency

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.6 Property, plant and equipment

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

Freehold and leasehold plantation lands of the Group have not been revalued since they were last revalued in 1997. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation.

All expenditure relating to the development of oil palm field (immature field) is classified under estate development expenditure. This cost will be amortised over the useful life when the field reaches maturity. The maturity date for estate development expenditure is the point in time when such new planting areas achieve yields of at least 8.60 tonnes of fresh fruit bunches per hectare per annum or 48 months from the date of initial planting, whichever is earlier. Estate overhead expenditure is apportioned to profit or loss and estate development expenditure on the basis of proportion of mature to immature areas.

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

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

Leasehold land	33 – 904 years
Leasehold improvements and renovations	10 years
Estate development expenditure	17 – 22 years from year of maturity
Buildings	4 – 50 years
Other assets, comprising:	
– 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

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment (cont'd)

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

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

2.7 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.9 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

2.10 Subsidiaries

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition, the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2.12 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

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

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

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

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Financial assets (cont'd)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.13 Impairment of financial assets

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

(a) Trade and other receivables and other financial assets carried at amortised cost

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

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

The carrying amount of the financial asset is reduced through the use of an allowance account. When the asset becomes uncollectible, it is written off against the allowance account.

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.15 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 relating 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.

The cost of agricultural produce is based on the weighted average method and includes the cost of direct materials and an appropriate proportion of estate revenue expenditure, manufacturing costs and overhead costs based on normal operating capacity.

Agricultural produce consist mainly of palm oil products and sugar stocks. Inventories of palm oil products comprises processed and refined palm oil products in tanks awaiting shipment at the end of the reporting period. The cost of palm oil produce includes direct materials and labour and an appropriate proportion of overheads relating to the milling and refining process.

The cost of materials, consumables and livestocks is based on the 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 seed stocks and manufactured finished goods, cost includes direct materials 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.

2.16 Provisions

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

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

2.17 Financial liabilities

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

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss

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

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

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

(b) Other financial liabilities

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

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

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

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

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

2.18 Financial guarantee contracts

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

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

2.19 Borrowing costs

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

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.21 Leases

(a) As lessee

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

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(d).

2.22 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Recognition of revenue and other income

Revenue or other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue or other income is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of palm-based products

These represents revenues earned from sales of the Group's palm-based products, net of trade allowance and duties and taxes paid. Revenue is recognised when there has been a passing of the title and risk to the customer, and:

- The 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; and
- The selling price can be determined with reasonable accuracy.

(b) Freight and time charter hire income

Revenues from sea transportation, shipping and forwarding services which include freight, time charter and other related income are recognised when services are rendered.

(c) Services

Revenue from parking management, bulk mailing and printing and plantation management services, are recognised as and when the services are rendered.

(d) Rental income

Rental income from investment properties is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(e) Dividend income

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

2.24 Income taxes

(a) Current tax

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

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Income taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report to the Group Managing Director who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

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

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are given in Note 15.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount and details of the Group's receivables at the reporting date are disclosed in Note 21.

(c) Control over New Britain Palm Oil Limited

As disclosed in Note 16, the directors consider that the Group has control of New Britain Palm Oil Limited ("NBPOL") even though it controls less than 50% of the voting rights. The Group is the majority shareholder of NBPOL with a 48.97% interest. The next 10 largest shareholders control less than 33% of the voting rights. The non-controlling interests do not have the practical ability to collectively out-vote the Group in any resolution due to the wide dispersion of their shareholdings.

Accordingly, the directors assessed that the Group retained control over NBPOL even though the Group's equity interest in NBPOL was diluted from 50.68% to 48.97% in April 2012. Therefore, in accordance with the requirements of FRS 10, NBPOL continues to be accounted for as a subsidiary since April 2012.

4. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Sales of goods:				
Palm-based products	2,396,468	2,643,300	124,227	138,847
Biodiesel	46,017	–	–	–
Sugar	147,277	178,360	–	–
Livestocks and meats	27,957	23,916	–	–
Rubber-based manufactured products	4,588	5,798	–	–
Banana products	10,627	11,229	6,626	6,354
Agricultural equipment and other related products	18,531	19,562	–	–
Intrapreneur ventures:				
Freight time-charter hire and related services	127,088	108,899	–	–
Sales of wood-based products	1,876	2,722	–	–
Insurance brokerage	6,367	5,521	–	–
Construction of oil and gas equipment	15,531	–	–	–
Plantation management services and sales of related goods	38,335	25,259	–	–
Rental income from investment properties	9,260	8,644	9,260	8,644
Dividend income	1,831	2,683	59,123	170,925
Other income	–	–	1,188	1,066
	2,851,753	3,035,893	200,424	325,836

5. GROSS PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Sales of goods:				
Palm-based products	792,394	931,765	47,131	61,539
Biodiesel	(9,931)	(4,509)	–	–
Sugar	62,718	91,558	–	–
Rubber-based products	691	66	–	–
Banana products	3,616	4,006	1,881	1,727
Livestocks and meats	2,085	2,744	–	–
Agricultural equipment and other related products	10,455	6,466	–	–
Intrapreneur ventures:				
Freight time-charter hire and related services	45,745	43,137	–	–
Sales of wood-based products	(719)	225	–	–
Insurance brokerage	6,367	3,713	–	–
Construction of oil and gas equipment	5,852	–	–	–
Plantation management services	(10,911)	4,450	–	–
Rental income from investment properties	5,103	3,609	5,103	3,121
Dividend income	1,831	2,683	59,123	170,925
Other income	–	–	(320)	(848)
	915,296	1,089,913	112,918	236,464

6. INTEREST INCOME

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Interest income on:				
Deposits with licensed banks	11,109	11,182	2,716	3,312
Amount due from subsidiaries	–	–	2,302	2,449
Others	–	–	12	16
	11,109	11,182	5,030	5,777

7. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Interest expense on:				
Bank overdraft	620	93	–	5
Term loans	55,560	80,085	–	13,240
Other borrowings	26,273	13,149	6,330	515
Amount due to subsidiaries	–	–	1,238	3,992
	82,453	93,327	7,568	17,752

8. PROFIT BEFORE TAX

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Profit before tax and net gain from discontinued operations is arrived at after charging:				
Allowance for slow moving inventories	8	6	–	–
Allowance for impairment losses on:				
– Trade and other receivables	1,520	654	–	–
Amortisation and depreciation of:				
– Intangible assets	1,761	9,758	–	–
– Property, plant and equipment	305,635	466,331	15,793	11,915
– Deferred farm expenditure	–	1,468	–	–
Auditors' remuneration:				
– Statutory audit				
– Ernst & Young	911	973	100	93
– Other auditors	1,921	3,386	–	–
– Other services				
– Ernst & Young	325	306	325	215
– Other auditors	692	1,321	–	–
Fees paid/payable to ultimate holding corporation for services of directors	183	272	–	–

8. PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Loss on disposal of property, plant and equipment	–	8,057	16	51
Loss on disposal of other investment	934	–	1,440	766
Foreign exchange loss:				
– Realised	343	167	–	–
– Unrealised	80,830	29,372	648	921
Technology transfer fee payable to corporate shareholder of a subsidiary	200	200	–	–
Write down of inventories	342	–	–	–
Write off of:				
– Property, plant and equipment	3,789	4,236	3,177	2
– Intangible assets	–	813	–	–
Rental of plant and machinery	1,649	507	–	–
Rental of land and building paid to:				
– Ultimate holding corporation	629	629	629	629
– Others	18,258	289,910	–	–
Staff costs (excluding key management personnel):				
– Salaries, wages, allowances and bonuses	476,152	918,348	31,788	24,026
– Defined contribution plan	10,408	68,754	1,147	914
– Defined benefit plan	–	401	–	–
– Other employee benefits	3,439	194,849	93	2,044
Fair value changes on other investments	3,010	–	–	–
and after crediting:				
Dividend income from:				
– Unquoted shares in Malaysia	1,228	2,623	1,228	2,623
– Shares quoted in Malaysia	603	–	603	7,056
– Shares quoted outside Malaysia	–	–	19,962	67,208
– Subsidiaries (unquoted shares in Malaysia)	–	–	37,330	94,038
Gain on:				
– Disposal of subsidiaries	408,508	6,717	592,264	–
– Disposal of property, plant and equipment	1,255	–	–	–
– Disposal of other investments	–	11,555	–	–
– Disposal of investment properties	–	306	–	–
Foreign exchange gain:				
– Realised	2,424	236	–	
– Unrealised	32	20	648	921
Rental income	2,259	4,072	988	1,145
Reversal of allowance for impairment losses:				
– Trade and other receivables	213	1,107	–	–
– Other investment (non current)	5	–	–	–
Fair value gain on investment properties	12,156	717	12,156	717
Fair value changes on other investments	–	6,025	29	4,900
Guaranteed return on car park concession	2,152	2,552	–	–

9. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive Directors				
– Fees	644	832	141	418
– Salaries, allowances and bonuses	2,307	4,715	2,307	3,780
– Estimated money value of benefits-in-kind	196	517	196	296
– Defined contribution plan	468	721	468	614
– Other emoluments	263	416	253	146
	3,878	7,201	3,365	5,254
Non-executive Directors				
– Fees	517	428	300	245
– Salaries, allowances and bonuses	1,070	440	1,070	–
– Estimated money value of benefits-in-kind	140	28	140	–
– Defined contribution plan	169	45	169	–
– Other emoluments	203	87	194	56
	2,100	1,028	1,873	301
Independent non-executive Directors				
– Fees	208	319	208	277
– Other emoluments	61	100	61	87
	271	419	271	364
Total directors' remuneration	6,248	8,648	5,509	5,919

10. INCOME TAX EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Statement of comprehensive income				
Current income tax				
– Malaysian income tax	35,745	29,144	12,916	18,223
– Foreign tax	(1,419)	10,761	–	–
Underprovision in prior year	18,820	5,744	2,526	7,439
	53,146	45,649	15,442	25,662
Deferred tax (Note 19):				
Origination and reversal of temporary differences	49,232	51,480	3,720	3,363
(Over)/underprovision in prior year	(2,514)	704	(2,422)	(21,289)
	46,718	52,184	1,298	(17,926)

10. INCOME TAX EXPENSE (cont'd)

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Income tax attributable to continuing operations	99,864	97,833	16,740	7,736
Income tax attributable to discontinued operations (Note 11)	1,206	78,832	–	–
Income tax expenses recognised in profit and loss	101,070	176,665	16,740	7,736

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax from continuing operations	149,626	339,688	661,817	180,818
Profit before tax from discontinued operations (Note 11)	417,266	272,720	–	–
	566,892	612,408	661,817	180,818
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	141,723	153,102	165,454	45,205
Different tax rates in other countries	6,294	22,919	–	–
Effect of non-deductible expenses	42,915	74,647	4,700	2,579
Effect of income exempt from tax	(109,945)	(78,274)	(153,518)	(26,198)
Utilisation of previously unrecognised deferred tax assets	(336)	(2,177)	–	–
Deferred tax assets not recognised	4,113	–	–	–
Underprovision of income tax in prior year	18,820	5,744	2,526	7,439
(Over)/underprovision of deferred tax in prior years	(2,514)	704	(2,422)	(21,289)
	101,070	176,665	16,740	7,736

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Disposals of discontinued operations in 2013

(i) Disposal of foods and restaurants business under QSR Brands Bhd and its subsidiaries ("QSR")

On 18 May 2012, QSR announced that it had entered into an agreement to dispose substantially all of its businesses and undertakings to QSR Brands (M) Holdings Sdn Bhd (formerly known as Triple Platform Sdn Bhd) ("QSRB"), a wholly-owned subidiary of Massive Equity Sdn Bhd ("MESB").

QSR's foods and restaurants business represents a separate major line of business of the Group and this decision was made as part of a internal restructuring of operations at the holding corporation (JCorp) level.

On 21 January 2013, QSR announced that the disposals were completed. Following the completion of the disposals, QSR was delisted from the Main Board of Bursa Malaysia Securities Berhad on 7 February 2013.

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(a) Disposals of discontinued operations in 2013 (cont'd)

(ii) Disposal of Orkim Sdn Bhd ("Orkim")

On 30 November 2012, the Group announced that it had entered into an agreement for the disposal of its subsidiary, Orkim which is involved in the provision of shipping and forwarding services. This decision is consistent with the Group's strategy to focus on its main core businesses in oil palm plantations.

The disposal was completed during the current financial year.

(iii) Disposal of Pro Office Sdn Bhd ("Pro Office")

During the previous financial year, the Group entered into an agreement to dispose of its interest in Pro Office which is respectively involved in bulk mailing and printing. This decision is consistent with the Group's strategy to focus on its main core businesses in oil palm plantations.

The disposal was completed during the current financial year.

The disposals of QSR, Orkim and Pro Office had the following effects on the financial position and results of the Group for the year ended 31 December 2013:

Assets and liabilities of the disposed subsidiaries

	QSR RM'000	Orkim RM'000	Pro Office RM'000	Total RM'000
Property, plant and equipment	1,457,910	194,182	1,659	1,653,751
Intangible assets	893,570	7,318	1,931	902,819
Investment in associates	–	27,128	–	27,128
Inventories	270,254	–	311	270,565
Trade and other receivables	184,096	63,805	10,348	258,249
Current tax assets	14,294	–	240	14,534
Cash and cash equivalents	250,910	21,701	(743)	271,868
Deferred tax liabilities	(88,809)	(66)	(278)	(89,153)
Employee benefits	(3,347)	–	–	(3,347)
Trade and other payables	(469,188)	(11,081)	(2,951)	(483,220)
Loans and borrowings	(495,730)	(190,410)	(1,562)	(687,702)
Taxation	(13,334)	(791)	–	(14,125)
Reserves	30,567	–	–	30,567
Net assets	2,031,193	111,786	8,955	2,151,934
Non-controlling interests	(1,225,285)	(79,274)	(1,889)	(1,306,448)
Net assets attributable to the Group	805,908	32,512	7,066	845,486
Proceeds from disposal (cash)	(1,137,131)	(110,000)	(6,863)	(1,253,994)
(Gain)/Loss on disposal to the Group	(331,223)	(77,488)	203	(408,508)
Cash inflow arising on disposals:				
Cash consideration	1,137,131	110,000	6,863	1,253,994
Cash and cash equivalents of subsidiaries disposed	(250,910)	(21,701)	743	(271,868)
Net cash inflow on disposals	886,221	88,299	7,606	982,126

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(a) Disposals of discontinued operations in 2013 (cont'd)

Results of disposed subsidaries presented as discontinued operations

	QSR RM'000	Orkim RM'000	Pro Office RM'000	Total RM'000
Revenue	–	31,235	16,985	48,220
Expenses	–	(21,557)	(16,375)	(37,932)
Profit from operations	–	9,678	610	10,288
Finance costs	–	(2,358)	–	(2,358)
Share of results of associate	–	828	–	828
Gain on disposal to the Group	331,223	77,488	(203)	408,508
Profit before tax from discontinued operations	331,223	85,636	407	417,266
Taxation	–	(65)	(1,141)	(1,206)
Gain from discontinued operations, net of tax	331,223	85,571	(734)	416,060

Cash flows of disposed subsidiaries presented as discontinued operations

	Orkim RM'000	Pro Office RM'000	Total RM'000
Net cash from operating activities	(4,365)	973	(3,392)
Net cash from investing activities	(223)	(223)	(447)
Net cash from financing activities	(6,080)	(538)	(6,618)
Net cash (outflows)/inflows	(10,668)	212	(10,457)

(b) Disposal of discontinued operations in 2012

On 9 May 2012, the Group announced that it had entered into an agreement for the disposal of Metro Parking (M) Sdn Bhd and its subsidiaries ("Metro") which was previously reported in the parking management services segment. This decision is consistent with the Group's strategy to focus on its main core businesses in oil palm plantations. The disposal was completed on 30 September 2012.

The results of Metro are presented separately on the statement of comprehensive income as "Gain from discontinued operation, net of tax".

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(b) Disposal of discontinued operations in 2012 (cont'd)

The disposals of Metro had the following effects on the financial position of the Group as at 31 December 2012:

	RM'000
Property, plant and equipment	13,155
Intangible assets	1,763
Deferred tax assets	276
Inventories	2,035
Trade and other receivables	11,036
Cash and cash equivalents	10,104
Deferred tax liabilities	(1,174)
Trade and other payables	(21,695)
Loans and borrowings	(9,713)
Taxation	(304)
Net assets attributable to the Group	5,483
Proceeds from disposal (cash)	(12,200)
Gain on disposal to the Group	(6,717)
Cash inflow arising on disposals:	
Cash consideration	12,200
Cash and cash equivalents of subsidiaries disposed	(10,104)
Net cash inflow on disposals	2,096

(c) Disclosures on discontinued operations and disposal groups classified as held for sale in 2012

Statements of financial position disclosures as at 31 December 2012

The major classes of assets and liabilities of subsidiaries classified as held for sale and the related reserves as at 31 December 2012 are as follows:

	QSR RM'000	Orkim RM'000	Others RM'000	Total RM'000
Assets:				
Property, plant and equipment	1,457,910	196,547	2,084	1,656,541
Intangible assets	893,570	7,318	1,931	902,819
Investment in associates	–	26,485	–	26,485
Inventories	270,254	–	206	270,460
Trade and other receivables	184,096	63,032	7,856	254,984
Current tax assets	14,294	634	327	15,255
Cash and bank balances	250,910	29,117	1,622	281,649
Assets of disposal group classified as held for sale	3,071,034	323,133	14,026	3,408,193

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(c) Disclosures on discontinued operations and disposal groups classified as held for sale in 2012 (cont'd)

Statements of financial position disclosures as at 31 December 2012 (cont'd)

	QSR RM'000	Orkim RM'000	Others RM'000	Total RM'000
Liabilities:				
Trade and other payables	(469,188)	(22,423)	(3,789)	(495,400)
Deferred tax liabilities	(88,809)	(66)	(444)	(89,319)
Employee benefits	(3,347)	–	–	(3,347)
Current tax liabilities	(13,334)	(231)	–	(13,565)
Loans and borrowings	(495,730)	(196,490)	(1,209)	(693,429)
Liabilities directly associated with disposal group classified as held for sale	(1,070,408)	(219,210)	(5,442)	(1,295,060)
Net assets directly associated with disposal group classified as held for sale	2,000,626	103,923	8,584	2,113,133
Reserves:				
Revaluation reserve	310	–	–	310
Translation reserve	2,094	–	–	2,094
	2,404	–	–	2,404

Statement of comprehensive income disclosures for the financial year ended 31 December 2012

The results of the discontinued operations for the year ended 31 December 2012 are as follows:

	Metro RM'000	QSR RM'000	Orkim RM'000	Others RM'000	Total RM'000
Revenue	85,832	3,619,003	76,008	25,112	3,805,955
Expenses	(82,642)	(3,357,344)	(56,704)	(22,233)	(3,518,923)
Profit from operations	3,190	261,659	19,304	2,879	287,032
Finance costs	(732)	(18,422)	(8,464)	–	(27,618)
Share of results of associate	–	–	6,589	–	6,589
Gain on disposal to the Group	6,717	–	–	–	6,717
Profit before tax from discontinued operations	9,175	243,237	17,429	2,879	272,720
Taxation	(460)	(78,000)	(179)	(193)	(78,832)
Gain from discontinued operation, net of tax	8,715	165,237	17,250	2,686	193,888

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(c) Disclosures on discontinued operations and disposal groups classified as held for sale in 2012 (cont'd)

Cash flow disclosures for the financial year ended 31 December 2012

The cash flows attributable to the discontinued operations for the year ended 31 December 2012 are as follows:

	Metro RM'000	QSR RM'000	Orkim RM'000	Others RM'000	Total RM'000
Operating	5,161	293,590	13,841	283	312,875
Investing	(2,244)	(261,871)	17,903	5,125	(241,087)
Financing	(3,171)	53,466	(26,386)	(6,459)	17,450
Net cash (outflows)/inflows	(254)	85,185	5,358	(1,051)	89,238

12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

	Group	
	2013 RM'000	2012 RM'000
Profit for the year attributable to shareholders		
– continuing operations	59,180	139,556
– discontinued operations	371,888	71,654
	431,068	211,210

	Group	
	2013 '000	2012 '000
Weighted average number of ordinary shares	1,275,386	1,254,127

12. EARNINGS PER SHARE (cont'd)

	Group	
	2013 Sen	2012 Sen
Basic earnings per share		
– continuing operations	4.64	11.13
– discontinued operations	29.16	5.71
	33.80	16.84

The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2013 '000	2012 '000
Weighted average number of ordinary shares	1,275,386	1,254,127
Effect of dilution arising from:		
– conversion of warrants	11,189	49,005
– exercise of share options	1,238	–
	1,287,813	1,303,132

	Group	
	2013 Sen	2012 Sen
Diluted earnings per share:		
– continuing operations	4.60	10.71
– discontinued operations	28.88	5.50
	33.48	16.21

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long term leasehold 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
Group								
Cost								
At 1 January 2012	1,512,503	691,357	461,644	2,148,573	1,415,022	3,205,817	470,503	9,905,419
Additions	15,383	168,525	7,345	201,407	48,267	350,528	375,054	1,166,509
Disposals	(2,581)	–	(85)	(83,480)	(1)	(82,860)	–	(169,007)
Write off	–	–	–	(3,855)	(482)	(6,084)	–	(10,421)
Disposal of subsidiaries	–	–	–	–	–	(49,987)	(2,321)	(52,308)
Attributable to discontinued operations	(226,889)	(88,615)	(468,551)	–	(280,417)	(1,482,064)	–	(2,546,536)
Reclassification	–	–	–	–	158,124	356,072	(514,196)	–
Reclassification from deferred farm expenditure	–	–	–	22,832	–	–	–	22,832
Exchange differences	–	–	–	5,407	(8,305)	(17,175)	(1,008)	(21,081)
At 31 December 2012/ 1 January 2013	1,298,416	771,267	353	2,290,884	1,332,208	2,274,247	328,032	8,295,407
Acquisition of subsidiaries	–	2,212	–	–	57	1,832	1,684	5,785
Additions	–	59,960	–	249,448	7,520	85,691	194,434	597,053
Disposals	–	–	–	–	(25)	(5,925)	–	(5,950)
Write off	–	–	–	(33,131)	(562)	(6,415)	(99)	(40,207)
Reclassification	–	–	–	–	54,405	251,501	(305,906)	–
Exchange differences	–	–	–	(267,903)	(104,135)	(34,010)	(15,291)	(421,339)
At 31 December 2013	1,298,416	833,439	353	2,239,298	1,289,468	2,566,921	202,854	8,430,749
Accumulated depreciation								
At 1 January 2012	–	42,795	170,549	326,924	241,746	1,298,423	–	2,080,437
Charge for the year	–	11,447	41	46,608	48,298	359,937	–	466,331
Disposals	–	–	(21)	–	(85)	(74,722)	–	(74,828)
Write off	–	–	–	(397)	(334)	(5,454)	–	(6,185)
Disposal of subsidiaries	–	–	–	–	–	(39,153)	–	(39,153)
Attributable to discontinued operations	–	(4,502)	(170,477)	–	(37,072)	(582,701)	–	(794,752)
Reclassification from deferred farm expenditure	–	–	–	2,846	–	–	–	2,846
Exchange differences	–	–	–	(2,959)	(2,590)	(10,137)	–	(15,686)
At 31 December 2012/ 1 January 2013	–	49,740	92	373,022	249,963	946,193	–	1,619,010
Charge for the year	–	9,121	41	49,581	42,573	204,319	–	305,635
Disposals	–	–	–	–	(194)	(3,144)	–	(3,338)
Write off	–	–	–	(30,016)	(538)	(5,864)	–	(36,418)
Exchange differences	–	–	–	4,444	9,161	36,539	–	50,144
At 31 December 2013	–	58,861	133	397,031	300,965	1,178,043	–	1,935,033

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Long term leasehold 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
Group								
Accumulated impairment losses								
At 1 January 2012	61,293	540	1,276	12,177	30,867	50,286	940	157,379
Attributable to discontinued operations	(61,293)	(540)	(1,276)	–	(30,867)	(1,267)	–	(95,243)
At 31 December 2012/ 31 December 2013	–	–	–	12,177	–	49,019	940	62,136
Net carrying amount:								
At 31 December 2012	1,298,416	721,527	261	1,905,685	1,082,245	1,279,035	327,092	6,614,261
At 31 December 2013	1,298,416	774,578	220	1,830,090	988,503	1,339,859	201,914	6,433,580

Other assets of the Group can be further analysed as follows:

	Vessels, plant and machinery RM'000	Restaurant and office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group					
Cost					
At 1 January 2012	2,282,644	755,198	81,858	86,117	3,205,817
Additions	172,138	157,135	6,377	14,878	350,528
Disposals	(22,797)	(57,176)	(1,002)	(1,885)	(82,860)
Write off	(2,919)	–	(1,710)	(1,455)	(6,084)
Disposal of subsidiaries	(41,918)	–	(6,248)	(1,821)	(49,987)
Attributable to discontinued operations	(573,536)	(854,389)	(1,861)	(52,278)	(1,482,064)
Reclassification	355,975	–	97	–	356,072
Exchange differences	(17,175)	–	–	–	(17,175)
At 31 December 2012/1 January 2013	2,152,412	768	77,511	43,556	2,274,247
Additions	75,929	166	4,232	5,364	85,691
Disposals	(905)	–	(90)	(4,930)	(5,925)
Write off	(3,657)	–	(452)	(2,306)	(6,415)
Acquisition of subsidiaries	1,556	–	104	172	1,832
Reclassification	251,424	–	77	–	251,501
Exchange differences	(34,010)	–	–	–	(34,010)
At 31 December 2013	2,442,749	934	81,382	41,856	2,566,921

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Vessels, plant and machinery RM'000	Restaurant and office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group					
Accumulated depreciation					
At 1 January 2012	900,703	308,807	33,526	55,387	1,298,423
Charge for the year	246,241	100,828	3,098	9,770	359,937
Disposals	(19,184)	(55,245)	(481)	188	(74,722)
Write off	(2,456)	–	(972)	(2,026)	(5,454)
Disposal of subsidiaries	(32,798)	–	(5,214)	(1,141)	(39,153)
Attributable to discontinued operations	(192,662)	(354,080)	(1,352)	(34,607)	(582,701)
Exchange differences	(10,137)	–	–	–	(10,137)
At 31 December 2012/1 January 2013	889,707	310	28,605	27,571	946,193
Charge for the year	194,883	512	4,235	4,689	204,319
Disposals	(185)	–	(313)	(2,646)	(3,144)
Write off	(3,124)	(127)	(1,043)	(1,570)	(5,864)
Exchange differences	36,539	–	–	–	36,539
At 31 December 2013	1,117,820	695	31,484	28,044	1,178,043
Accumulated impairment losses					
At 1 January 2012	49,009	1,267	–	10	50,286
Impairment loss for the year	–	(1,267)	–	–	(1,267)
At 31 December 2012/31 December 2013	49,009	–	–	10	49,019
Carrying amount					
At 31 December 2012	1,213,696	458	48,906	15,975	1,279,035
At 31 December 2013	1,275,920	239	49,898	13,802	1,339,859

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Long term leasehold land RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Company							
Cost							
At 1 January 2012	774,737	207,768	136,924	50,816	28,583	4,324	1,203,152
Additions	–	–	24,997	357	4,154	6,524	36,032
Disposals	–	–	–	–	(335)	–	(335)
Write off	–	–	(1,285)	(35)	(626)	(1)	(1,947)
Reclassification	–	–	–	2,045	68	(2,113)	–
Reclassification from deferred farm expenditure	–	–	4,208	–	–	–	4,208
At 31 December 2012/1 January 2013	774,737	207,768	164,844	53,183	31,844	8,734	1,241,110
Additions	–	–	18,684	250	1,602	4,699	25,235
Disposals	–	–	–	–	(533)	(99)	(632)
Write off	–	–	(11,389)	(42)	(651)	–	(12,082)
Reclassification	–	–	–	552	77	(629)	–
At 31 December 2013	774,737	207,768	172,139	53,943	32,339	12,705	1,253,631
Accumulated depreciation							
At 1 January 2012	–	12,127	66,269	29,671	22,682	–	130,749
Charge for the year	–	1,218	6,678	1,697	2,322	–	11,915
Disposals	–	–	–	–	(92)	–	(92)
Write off	–	–	(1,285)	(35)	(625)	–	(1,945)
At 31 December 2012/ 1 January 2013	–	13,345	71,662	31,333	24,287	–	140,627
Charge for the year	–	1,218	10,342	1,789	2,444	–	15,793
Disposals	–	–	–	–	(305)	–	(305)
Write off	–	–	(8,274)	(42)	(589)	–	(8,905)
At 31 December 2013	–	14,563	73,730	33,080	25,837	–	147,210
Net carrying amount:							
At 31 December 2012	774,737	194,423	93,182	21,850	7,557	8,734	1,100,483
At 31 December 2013	774,737	193,205	98,409	20,863	6,502	12,705	1,106,421

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Other assets of the Company can be further analysed as follows:

	Plant and machinery RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 January 2012	12,519	7,278	8,786	28,583
Additions	1,291	1,248	1,615	4,154
Disposals	–	–	(335)	(335)
Write off	(137)	(81)	(408)	(626)
Reclassification	68	–	–	68
At 31 December 2012/1 January 2013	13,741	8,445	9,658	31,844
Additions	272	396	934	1,602
Disposals	–	–	(533)	(533)
Write off	(208)	(132)	(311)	(651)
Reclassification	–	77	–	77
At 31 December 2013	13,805	8,786	9,748	32,339
Accumulated depreciation				
At 1 January 2012	10,557	5,783	6,342	22,682
Charge for the year	667	686	969	2,322
Disposals	–	–	(92)	(92)
Write off	(137)	(81)	(407)	(625)
At 31 December 2012/1 January 2013	11,087	6,388	6,812	24,287
Charge for the year	718	758	968	2,444
Disposals	–	–	(305)	(305)
Write off	(208)	(131)	(250)	(589)
At 31 December 2013	11,597	7,015	7,225	25,837
Carrying amount				
At 31 December 2012	2,654	2,057	2,846	7,557
At 31 December 2013	2,208	1,771	2,523	6,502

Assets held under finance lease

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of approximately RM597,053,000 (2012 : RM1,166,509,000) and RM25,235,000 (2012 : RM36,032,000) respectively, of which RM472,000 (2012 : RM309,000) of the Group were acquired by means of finance lease.

Included in property, plant and equipment of the Group are assets acquired under lease arrangements at net book value of RM3,092,000 (2012: RM 1,597,000). The leased assets consist of equipment and motor vehicles (Note 24).

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets pledged as security for borrowings

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Carrying amount of assets pledged as security for borrowings:				
– freehold lands	–	55,338	–	44,953
– long term leasehold lands	–	126,470	–	126,470
– estate development expenditure	1,172,491	1,272,412	–	1,251
– buildings	902,743	999,800	–	–
– other property, plant and equipment	1,371,161	1,486,418	–	–
	3,446,395	3,940,438	–	172,674

Acquisition of oil palm plantations from ultimate holding corporation

On 16 August 2011, the Company made an announcement to Bursa Malaysia in relation to the proposed acquisition through its wholly owned subsidiary, Mahamurni Plantations Sdn Bhd, of six estates (together with all buildings and mills erected thereon) owned by the ultimate holding corporation, Johor Corporation, for a cash consideration of RM700 million. During the current financial year, the Company acquired Pasir Panjang estate for RM71,783,000 and together with the cumulative acquisitions of estates amounting to RM628,217,000 reported in previous financial years, brought the acquisition exercise to a close.

14. INVESTMENT PROPERTIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	95,602	98,296	95,602	94,602
Additions from subsequent expenditure	–	283	–	283
Disposal	–	(3,694)	–	–
Net gain from fair value adjustments recognised in profit or loss (Note 8)	12,156	717	12,156	717
At 31 December	107,758	95,602	107,758	95,602

Investment properties comprise a number of commercial properties that are leased to third parties. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.

Investment properties are stated at fair value, which has been determined based on valuation as at 31 December 2013 performed by Rahim & Co, an accredited independent valuer. The valuation as at 31 December 2012 was performed by CH Williams Talhar and Wong.

In arriving at the fair value of investment properties, the comparison method and investment method of valuation have been adopted by using transactions observable in the market.

15. INTANGIBLE ASSETS

	Brands RM'000	Franchise rights RM'000	Goodwill RM'000	Concession rights RM'000	Franchise fees RM'000	Supplier relationship RM'000	Others RM'000	Total RM'000
Group								
Cost								
At 1 January 2012	86,452	725,852	61,150	14,198	82,498	177,435	3,788	1,151,373
Additions	–	–	–	207	22,361	–	–	22,568
Write off	–	–	(562)	–	(6,933)	–	(251)	(7,746)
Disposal of subsidiary	–	–	(1,763)	–	–	–	–	(1,763)
Attributable to discontinued operations	(86,452)	(725,852)	(38,866)	–	(97,926)	–	–	(949,096)
Exchange difference	–	–	–	–	–	(547)	–	(547)
At 31 December 2012/ 1 January 2013	–	–	19,959	14,405	–	176,888	3,537	214,789
Acquisition of subsidiaries	–	–	8,589	–	–	–	–	8,589
Exchange differences	–	–	–	–	–	(21,733)	–	(21,733)
At 31 December 2013	–	–	28,548	14,405	–	155,155	3,537	201,645
Accumulated amortisation and impairment								
At 1 January 2012	–	–	2,780	4,000	45,311	–	1,483	53,574
Amortisation for the year	–	–	–	1,167	7,899	–	692	9,758
Write off	–	–	–	–	(6,933)	–	–	(6,933)
Attributable to discontinued operations	–	–	–	–	(46,277)	–	–	(46,277)
At 31 December 2012/ 1 January 2013	–	–	2,780	5,167	–	–	2,175	10,122
Amortisation for the year	–	–	–	468	–	–	1,293	1,761
At 31 December 2013	–	–	2,780	5,635	–	–	3,468	11,883
Net carrying amount								
At 31 December 2012	–	–	17,179	9,238	–	176,888	1,362	204,667
At 31 December 2013	–	–	25,768	8,770	–	155,155	69	189,762

Supplier relationship

The supplier relationship arose from the acquisition of palm oil plantations in Papua New Guinea and reflect the net present value of the future benefits from purchase of fresh fruit bunches produced by neighbouring smallholders. These assets have an indefinite useful life and are tested annually for impairment.

Concession rights

The concession rights arose from a 15 year Concession Agreement with the ultimate holding corporation for a subsidiary to manage, operate and maintain a multi-storey car park together with other parking facilities at Persada Johor International Convention Centre. The Group anticipates that the cost will be recovered through future income derived from the car park operations. The income is guaranteed by the ultimate holding corporation pursuant to the Concession Agreement. The Concession Agreement has a remaining amortisation period of 7.8 years (2012 : 8.8 years).

15. INTANGIBLE ASSETS (cont'd)

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets with indefinite useful lives have been allocated to the following cash-generating units ("CGU").

	Goodwill		Supplier relationship		Concession rights		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group								
Parking operator	–	–	–	–	8,770	9,238	8,770	9,238
Shipping and forwarding agent	5,829	5,904	–	–	–	–	5,829	5,904
Provision of sea transportation and related services	5,660	5,660	–	–	–	–	5,660	5,660
Insurance broker	1,642	1,642	–	–	–	–	1,642	1,642
Agricultural fertilizer trading and biotechnology research and development	3,584	3,584	–	–	–	–	3,584	3,584
Palm oil milling	–	–	155,155	176,888	–	–	155,155	176,888
Construction of oil and gas equipment	8,589	–	–	–	–	–	8,589	–
Others	464	389	–	–	69	1,362	533	1,751
	25,768	17,179	155,155	176,888	8,839	10,600	189,762	204,667

Key assumptions used in value-in-use calculations

The recoverable amount of the CGUs have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management.

The key assumptions on which management has based its cash flow projections are as follows:

Other segments

- Cash flows are projected based on the management's most recent 5-year business plan.
- Profit margins are projected based on the industry trends, historical profit margin achieved or pre-determined profit margin for property projects.
- Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital. The average discount rate applied for cash flow projections is 10%.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

16. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	2012 RM'000 Restated
At cost:		
Unquoted shares in Malaysia	589,972	577,024
Less : Impairment losses	(21,705)	(21,705)
	568,267	555,319
Quoted shares in Malaysia	–	545,028
Quoted shares outside Malaysia	216,390	216,390
	784,657	1,316,737
Market value:		
Quoted shares in Malaysia	–	1,130,402
Quoted shares outside Malaysia	1,577,065	1,868,694

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	2012	% of ownership interest held by non-controlling interests* 2013	2012
Held by the Company:						
Mahamurni Plantations Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	–	–
Selai Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	–	–
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd	Malaysia	Oil palm plantation	100.00%	100.00%	–	–
Kumpulan Bertam Plantations Berhad	Malaysia	Oil palm plantation	94.49%	94.49%	5.51%	5.51%
EPA Management Sdn. Bhd.	Malaysia	Investment holding, provision of management services and consultancy, and mechanical equipment assembler	100.00%	100.00%	–	–
Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Manufacturer of rubber-based products	100.00%	100.00%	–	–
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	60.00%	60.00%	40.00%	40.00%
JTP Trading Sdn. Bhd.	Malaysia	Trading/distribution of tropical fruits	100.00%	100.00%	–	–
Kulim Energy Sdn. Bhd.	Malaysia	Investment holding	100.00%	100.00%	–	–
Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	51.00%	51.00%	49.00%	49.00%
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	–	–

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held by the Company: (cont'd)						
+@ New Britain Palm Oi Limited	Papua New Guinea	Oil palm plantation	48.97%	48.97%	51.03%	51.03%
+# QSR Brands Bhd.	Malaysia	Investment holding	–	56.83%	–	43.17%
Sindora Berhad	Malaysia	Investment holding, operations of oil palm million and rubber estates	100.00%	100.00%	–	–
Cita Tani Sdn. Bhd.	Malaysia	Cultivation of sugar cane and other agriculture produce	100.00%	100.00%	–	–
Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	75.00%	75.00%	25.00%	25.00%
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	75.00%	75.00%	25.00%	25.00%
The Secret of Secret Garden Sdn. Bhd.	Malaysia	Marketing of personal care products	100.00%	100.00%	–	–
Danamin (M) Sdn. Bhd.	Malaysia	Construction of oil and gas equipment	60.00%	–	40.00%	–
Held through Mahamurni Plantations Sdn. Bhd.:						
Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	100.00%	100.00%	–	–
United Malayan Agricultural Corporation Berhad	Malaysia	Oil palm plantation	100.00%	100.00%	–	–
Held through Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.:						
EPA Futures Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
Held through EPA Management Sdn. Bhd.:						
Akli Resources Sdn. Bhd.	Malaysia	Provider of in-house and external training programmes	95.00%	95.00%	5.00%	5.00%
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	75.00%	75.00%	25.00%	25.00%
Kulim Civilworks Sdn. Bhd.	Malaysia	Facilities maintenance, project and construction works	75.00%	75.00%	25.00%	25.00%
Panquest Ventures Limited	British Virgin Island	Dormant	100.00%	100.00%	–	–
Kulim Livestocks Sdn. Bhd.	Malaysia	Breeding and sale of cattle	100.00%	100.00%	–	–
Special Appearance Sdn. Bhd.	Malaysia	Production house and event management	90.00%	90.00%	10.00%	10.00%
Superior Harbour Sdn. Bhd.	Malaysia	Aquaculture	78.00%	78.00%	22.00%	22.00%
Extreme Edge Sdn. Bhd.	Malaysia	Computer equipment supplier and services	75.00%	75.00%	25.00%	25.00%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through EPA Management Sdn. Bhd.: (cont'd)						
Pinnacle Platform Sdn. Bhd.	Malaysia	Software maintenance and supplier	95.00%	95.00%	5.00%	5.00%
Kulim Safely Training & Services Sdn. Bhd. *(Previously known as Palma Bumimas Sdn. Bhd.)*	Malaysia	Dormant	100.00%	100.00%	–	–
+PT Kulim Agro Persada	Indonesia	Management services	100.00%	100.00%	–	–
Held through Kulim Livestocks Sdn. Bhd.:						
Exquisite Livestock Sdn. Bhd.	Malaysia	Commercial cattle farming	100.00%	100.00%	–	–
Held through Edaran Badang Sdn. Bhd.:						
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	90.00%	90.00%	10.00%	10.00%
Optimum Status Sdn. Bhd.	Malaysia	Mill maintenance	100.00%	100.00%	–	–
Held through Kulim Civilworks Sdn. Bhd.:						
KCW Hardware Sdn. Bhd.	Malaysia	Hardware supplier	100.00%	100.00%	–	–
KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Port services	100.00%	100.00%	–	–
KCW Electrical Sdn. Bhd.	Malaysia	Electrical installation services	100.00%	100.00%	–	–
KCW Roadworks Sdn. Bhd	Malaysia	Dormant	100.00%	100.00%	–	–
Held through Skellerup Industries (Malaysia) Sdn. Bhd.:						
Skellerup Foam Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
SIM Manufacturing Sdn. Bhd.	Malaysia	Investment holding and manufacturers and dealers in rubber and rubber products of all kinds	90.00%	90.00%	10.00%	10.00%
Held through Kulim Energy Sdn. Bhd.:						
Nexsol (Malaysia) Sdn. Bhd.	Malaysia	Dormant	51.00%	51.00%	49.00%	49.00%
Held through JTP Trading Sdn. Bhd.:						
JTP Montel Sdn. Bhd.	Malaysia	Trading and distribution of tropical fruits	100.00%	100.00%	–	–
Held through New Britain Palm Oil Limited:						
+Dami Australia Pty. Limited	Australia	Research and production of oil palm seeds	48.97%	48.97%	51.03%	51.03%
+New Britain Nominees Limited	Papua New Guinea	Operate as legal entity for New Britain Palm Oil Limited Share Ownership Plan	48.97%	48.97%	51.03%	51.03%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through New Britain Palm Oil Limited: (cont'd)						
+Guadalcanal Plains Oil Limited	Solomon Islands	Operate as legal entity for New Britain Palm Oil	39.18%	39.18%	60.82%	60.82%
+New Britain Plantation Services Pte. Limited	Singapore	Sale of germinated oil palm seeds	48.97%	48.97%	51.03%	51.03%
+Ramu Agri-Industries Limited	Papua New Guinea	Oil palm, cultivation of sugar cane and other agriculture produce	48.97%	48.97%	51.03%	51.03%
+Dumpu Limited	Papua New Guinea	Landholding	48.97%	48.97%	51.03%	51.03%
+New Britain Oils Limited	United Kingdom	Refinery	48.97%	48.97%	51.03%	51.03%
+Kula Palm Oil Limited	Papua New Guinea	Oil palm cultivation and processing	39.18%	39.18%	60.82%	60.82%
+Plantation Contracting Services Limited	Papua New Guinea	Contractual earthworks and roadworks projects	48.97%	48.97%	51.03%	51.03%
+Poliamba Limited	Papua New Guinea	Oil palm cultivation	39.18%	39.18%	60.82%	60.82%
Held through QSR Brands Bhd.:						
+Pizza Hut Holdings (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	–	56.83%	–	43.17%
+QSR Ventures Sdn. Bhd.	Malaysia	Investment holding	–	56.83%	–	43.17%
+# KFC Holdings (Malaysia) Bhd. ("KFCH")	Malaysia	Investment holding	–	29.02%	–	70.98%
+Kampuchea Food Corporation	Cambodia	Restaurants	–	31.26%	–	68.74%
+Efinite Value Sdn. Bhd.	Malaysia	Customer service call centre	–	56.83%	–	43.17%
+Pizza Hut Delco Sdn. Bhd.	Malaysia	Dormant	–	56.83%	–	43.17%
+SBC Coffee Holdings Sdn. Bhd.	Malaysia	Dormant	–	56.83%	–	43.17%
+Sterling Distinction Sdn. Bhd.	Malaysia	Dormant	–	56.83%	–	43.17%
+Pizza Hut Restaurants Sdn. Bhd.	Malaysia	Restaurants	–	56.83%	–	43.17%
+PH Property Holdings Sdn. Bhd.	Malaysia	Dormant	–	56.83%	–	43.17%
+Multibrand QSR Holdings Pte. Ltd.	Singapore	Investment holding	–	56.83%	–	43.17%
+QSR Captive Insurance Limited	Labuan	Captive insurer	–	56.83%	–	43.17%
+Integrated Poultry Industry (Kampuchea) Private Limited	Cambodia	Dormant	–	56.83%	–	43.17%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through KFCH:						
+Cilik Bistari Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Gratings Solar Sdn. Bhd.	Malaysia	Trading of solar equipment	–	29.80%	–	70.20%
+Integrated Poultry Industry Sdn. Bhd.	Malaysia	Poultry processing plant	–	29.80%	–	70.20%
+KFC Events Sdn. Bhd.	Malaysia	Sales of food product vouchers	–	29.80%	–	70.20%
+KFC India Holdings Sdn. Bhd.	Malaysia	Investment holding	–	29.80%	–	70.20%
+Ayamas Food Corporation Sdn. Bhd.	Malaysia	Poultry processing and investment holding	–	29.80%	–	70.20%
+Ayamas Integrated Poultry Industry Sdn. Bhd.	Malaysia	Breeder, broiler farms, hatchery, feedmill and investment holding	–	29.80%	–	70.20%
+QSR Manufacturing Sdn. Bhd. (*formely known as KFC Manufacturing Sdn. Bhd.)*	Malaysia	Bakery, trading in consumables and investment holding	–	29.80%	–	70.20%
+KFC Restaurants Holdings Sdn. Bhd.	Malaysia	Investment holding	–	29.80%	–	70.20%
+KFCH Education (M) Sdn. Bhd, *(formerly known as Paramount Holdings (M) Sdn. Bhd.)*	Malaysia	College/learning institute	–	29.80%	–	70.20%
+KFCIC Assets Sdn. Bhd *(formerly known as Paramount Management Sdn. Bhd.)*	Malaysia	Property holding	–	29.80%	–	70.20%
+Region Food Industries Sdn. Bhd.	Malaysia	Sauce manufacturing plant	–	29.80%	–	70.20%
+Roaster's Chicken Sdn. Bhd.	Malaysia	Investment holding	–	29.80%	–	70.20%
+WP Properties Holdings Sdn. Bhd.	Malaysia	Investment holding	–	29.80%	–	70.20%
+Ayamas Shoppe Sdn. Bhd.	Malaysia	Poultry retail, convenience food store chain and investment holding	–	29.80%	–	70.20%
+Ayamazz Sdn. Bhd.	Malaysia	Push-cart selling food and refreshment	–	22.35%	–	77.65%
+Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	Restaurants	–	29.80%	–	70.20%
+KFC (East Malaysia) Sdn. Bhd.	Malaysia	Investment holding	–	29.80%	–	70.20%
+KFC (Peninsular Malaysia) Sdn. Bhd.	Malaysia	Restaurants, commissary and investment holding	–	29.80%	–	70.20%
+KFC (Sarawak) Sdn. Bhd.	Malaysia	Restaurants	–	29.80%	–	70.20%
+Ladang Ternakan Putihekar (N.S.) Sdn. Bhd.	Malaysia	Breeder farm	–	29.80%	–	70.20%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through KFCH: (cont'd)						
+MH Integrated Farm Berhad	Malaysia	Property holding	–	29.80%	–	70.20%
+Pintas Tiara Sdn. Bhd.	Malaysia	Property holding	–	29.80%	–	70.20%
+Rasamas Holdings Sdn. Bhd.	Malaysia	Restaurants	–	29.80%	–	70.20%
+Rasamas Bangi Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+SPM Restaurants Sdn. Bhd.	Malaysia	Meals on wheels and property holding	–	29.80%	–	70.20%
+Usahawan Bistari Ayamas Sdn. Bhd.	Malaysia	Operation of "Sudut Ayamas"	–	29.80%	–	70.20%
+Ayamas Farms & Hatchery Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+KFC (Sabah) Sdn. Bhd.	Malaysia	Restaurants	–	26.82%	–	73.18%
+Rasamas BC Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Bukit Tinggi Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Butterworth Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Kota Bharu Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Melaka Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Nilai Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Subang Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Wangsa Maju Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Tebrau Sdn. Bhd.	Malaysia	Restaurants	–	26.58%	–	73.42%
+Rasamas Terminal Larkin Sdn. Bhd.	Malaysia	Dormant	–	26.58%	–	73.42%
+Rasamas Taman Universiti Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Feedmill Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Semangat Juara Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Tepak Marketing Sdn. Bhd.	Malaysia	Contract packing	–	16.39%	–	83.61%
+Kentucky Fried Chicken Management Pte. Ltd.	Singapore	Restaurants	–	29.80%	–	70.20%
+Kernel Foods Pvt. Ltd.	India	Restaurants	–	29.80%	–	70.20%
+KFCH Restaurants Pvt. Ltd.	India	Restaurants	–	29.80%	–	70.20%
+Mauritius Food Corporation Pvt. Ltd.	Mauritius	Restaurants	–	29.80%	–	70.20%
+Pune Chicken Restaurants Pvt. Ltd.	India	Restaurants	–	29.80%	–	70.20%
+WQSR Holdings (S) Pte. Ltd.	Singapore	Investment holding	–	29.80%	–	70.20%
+KFC (B) Sdn. Bhd.	Brunei Darussalam	Restaurants	–	13.68%	–	86.32%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through KFCH: (cont'd)						
+Rasamas Sdn. Bhd.	Brunei Darussalam	Restaurants	–	13.68%	–	86.32%
+Asbury's (Malaysia) Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Contract Farming Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Franchise Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Marketing (M) Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Selatan Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Bakers' Street Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Cemerlang Sinergi Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Chippendales (M) Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Efinite Revenue Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rangeview Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Batu Caves Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Endah Parade Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Larkin Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Rasamas Mergong Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Restoran Keluarga Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Restoran Sabang Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Seattle's Best Coffee Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Signature Chef Dining Services Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Signature Chef Foodservices & Catering Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Wangsa Progresi Sdn. Bhd.	Malaysia	Dormant	–	29.80%	–	70.20%
+Hiei Food Industries Sdn. Bhd.	Malaysia	Dormant	–	24.14%	–	75.86%
+Yes Gelato Sdn. Bhd.	Malaysia	Dormant	–	16.64%	–	83.36%
+Ayamas Food Corporation (S) Pte. Ltd.	Singapore	Dormant	–	29.80%	–	70.20%
+Ayamas Shoppe (S) Pte. Ltd.	Singapore	Dormant	–	29.80%	–	70.20%
+Ayamas Shoppe (Brunei) Sdn. Bhd.	Brunei Darussalam	Dormant	–	13.68%	–	86.32%
+Southern Poultry Farming Sdn. Bhd	Malaysia	Dormant	–	29.80%	–	70.20%
+Ventures Poultry Farm Sdn. Bhd	Malaysia	Dormant	–	29.80%	–	70.20%
+Ayamas Shoppe Sabah Sdn. Bhd	Malaysia	Convenience food store	–	19.37%	–	80.63%
+Agrotech Farm Solutions Sdn. Bhd	Malaysia	Dormant	–	29.80%	–	70.20%
+Felda Ayamas Ventures Sdn. Bhd	Malaysia	Dormant	–	29.80%	–	70.20%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through Sindora Berhad:						
Sindora Wood Products Sdn. Bhd.	Malaysia	Property letting	100.00%	100.00%	–	–
Sindora Timber Products Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
Sindora Trading Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
Sindora Development Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	–	–
Sindora Timber Sdn. Bhd.	Malaysia	Timber logging, processing and sale of sawn timber, timber doors, laminated timber scantling and trading of wood products	82.03%	82.03%	17.97%	17.97%
Granulab (M) Sdn. Bhd.	Malaysia	Trading of GranuMas, a granular synthetic bone graft	90.00%	90.00%	10.00%	10.00%
Pro Office Solutions Sdn. Bhd.	Malaysia	Bulk mailing and printing services	–	75.00%	–	25.00%
Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	100.00%	100.00%	–	–
E.A. Technique (M) Sdn. Bhd.	Malaysia	Provision of sea transportation and related services	51.00%	51.00%	49.00%	49.00%
Microwell Sdn. Bhd.	Malaysia	Trading of agricultural fertilizers, water treatment, biotechnology research and development	60.00%	60.00%	40.00%	40.00%
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	90.00%	90.00%	10.00%	10.00%
Orkim Sdn. Bhd.	Malaysia	Provision of sea transportation and related services	–	51.00%	–	49.00%
Held through Sindora Timber Sdn. Bhd.:						
General Access Sdn. Bhd.	Malaysia	Field clearing, earthwork, road construction and resurfacing	71.00%	71.98%	29.00%	28.02%
Tiram Fresh Sdn. Bhd.	Malaysia	Cultivation and trading of mushroom and related products	82.03%	82.03%	17.97%	17.97%
Jejak Juara Sdn. Bhd.	Malaysia	Manufacturers and dealers in rubber products	72.92%	72.92%	27.08%	27.08%
Held through E.A. Technique (M) Sdn. Bhd.:						
Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	51.00%	51.00%	49.00%	49.00%

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2013	% of ownership interest held by the Group 2012	% of ownership interest held by non-controlling interests* 2013	% of ownership interest held by non-controlling interests* 2012
Held through Microwell Sdn. Bhd.:						
Julang Sempurna Sdn. Bhd.	Malaysia	Trading of biochemical fertilizer	60.00%	60.00%	40.00%	40.00%
Held through Danamin (M) Sdn. Bhd.:						
DQ-IN Sdn. Bhd.	Malaysia	Dormant	60.00%	–	40.00%	–
Xcot Tech Sdn. Bhd.	Malaysia	Dormant	60.00%	–	40.00%	–

* Equals to the proportion of voting rights held

\+ Audited by firms other than Ernst & Young

@ Listed on Port Moresby Stock Exchange ("POMSOX") and London Stock Exchange

\# Delisted from the Main Board of Bursa Malaysia Securities Berhad on 7 February 2013

Acquisition of subsidiary in 2013

During the current financial year, the Group acquired 1,059,000 ordinary shares in Danamin (M) Sdn. Bhd. ("Danamin") representing 60% of the issued and paid up share capital of Danamin (M) Sdn. Bhd. for a total purchase consideration of RM10,548,000. Following the acquisition of the interest, Danamin became a subsidiary of the Group. The acquisition of Danamin had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition RM'000
Property, plant and equipment	5,785
Inventory	50
Cash and cash equivalents	3,900
Receivables	8,322
Borrowings	(12,187)
Payables	(2,149)
Current tax liabilities	(372)
Net identifiable assets	3,349
Less : Non-controlling interest on acquisition	(1,390)
Group's share of net assets	1,959
Goodwill on acquisition	8,589
Consideration paid, satisfied in cash	10,548
Cash and cash equivalents acquired	(3,900)
Net cash outflow	6,648

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Disposal of subsidiaries in 2013

As disclosed in Note 11, the Group disposed of its equity interest in QSR, Orkim and Pro Office for a total consideration of RM1,253,994,000 during the year. The effect of the disposals on the financial position and results of the Group and the Company is disclosed in Note 11(a).

Disposal of interest in subsidiaries in 2012

As disclosed in Note 11(b), the Group via its subsidiary, Sindora Berhad disposed of its equity interest in Metro for a total consideration of RM12,200,000 during the year. The effect of the disposal on the financial position of the Group is disclosed in Note 11 (b).

(ii) On 25 April 2012, NBPOL announced the issuance of 3,337,147 new ordinary shares allotted to The Independent Public Business Corporation of Papua New Guinea ("IPBC") as consideration for the acquisition of the remaining 20% interest in a subsidiary, Kula Palm Oil Limited ("KPOL"). Following the issuance of new shares, the Group's shareholdings in NBPOL decreased from 50.68% to 48.97%. As discussed in Note 2.2, the Group has continued to account for NBPOL as a subsidiary as the directors have assessed that the Group's existing shareholdings allow the Group to retain control over NBPOL.

Summarised financial information on subsidiaries with significant non-controlling interests

Summarised financial information of NBPOL Group which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is before elimination of inter-company balances and transactions. The non-controlling interests in respect of other non-wholly owned subsidiaries are individually not material to the Group.

(i) Summarised statements of financial position

	NBPOL Group	
	2013 RM'000	2012 RM'000
Non-current assets	3,196,843	3,577,095
Current assets	973,702	1,106,888
Total assets	4,170,545	4,683,983
Current liabilities	469,831	529,764
Non-current liabilities	1,306,488	1,472,108
Total liabilities	1,776,319	2,001,872
Net assets	2,394,226	2,682,111
Equity attributable to owners of the Company	1,144,310	1,284,628
Non-controlling interests	1,249,916	1,397,483
	2,394,226	2,682,111

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information on subsidiaries with significant non-controlling interests (cont'd)

(ii) Summarised statements of comprehensive income

	NBPOL Group 2013 RM'000	2012 RM'000
Revenue	1,789,642	2,129,074
Profit for the year attributable to:		
– owners of the company	14,678	181,578
– non-controlling interest	7,711	3,173
	22,389	184,751
Other comprehensive loss attributable to:		
– owners of the company	(123,966)	(43,843)
– non-controlling interest	(129,167)	(45,457)
Other comprehensive loss for the year	(253,133)	(89,300)
Total comprehensive (loss)/income for the year	(230,744)	95,451
Dividends paid to non-controlling interest	24,528	70,028

(iii) Summarised cash flows

	NBPOL Group 2013 RM'000	2012 RM'000
Net cash generated from operating activities	476,729	467,291
Net cash used in investing activities	(272,660)	(518,123)
Net cash used in financing activities	(166,386)	(192,637)
Net increase/(decrease) in cash and cash equivalents	37,683	(243,469)
Effects of exchange rate changes on cash and cash equivalents and bank overdrafts	46,411	6,587
Cash and cash equivalents at beginning of the year	(55,420)	181,462
Cash and cash equivalents at end of the year	28,674	(55,420)

17. INVESTMENTS IN ASSOCIATES

	Group 2013 RM'000	2012 RM'000 Restated
At cost		
Unquoted shares in Malaysia	9,760	8,759
Share of post-acquisition reserves	300	959
	10,060	9,718
Less: Accumulated impairment losses	(8,000)	(8,000)
	2,060	1,718

Details of the significant associates are as follows:

Name	Country of incorporation Principal place of business	Principal activities	% of ownership interest held by the Group 2013	2012	Accounting model applied
Held through Sindora Bhd.					
Tepak Marketing Sdn. Bhd.	Malaysia	Tea blending and packaging	20%	20%	equity method
MM Vita Oils Sdn. Bhd.	Malaysia	Manufacturing and marketing of edible oil product	30%	30%	equity method

* equals to the proportion of voting rights held

MM Vita Oils Sdn Bhd has entered into receivership status and the investment has been impaired in full in previous financial years.

Summarised financial information on associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents the amounts in the financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

	Group 2013 RM'000	2012 RM'000
Non-current	2,701	3,106
Current assets	9,709	12,276
Total assets	12,410	15,382
Current liabilities	1,892	6,480
Non-current liabilities	217	313
Total liabilities	2,109	6,793
Net assets	10,301	8,589

17. INVESTMENTS IN ASSOCIATES (cont'd)

(ii) Summarised statements of comprehensive income

	Group	
	2013 RM'000	2012 RM'000
Revenue	26,469	23,954
Profit before tax	2,192	136
Profit for the year	2,192	102
Total comprehensive income	2,192	102

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates.

	Group	
	2013 RM'000	2012 RM'000
Net assets at 1 January	8,589	8,487
Profit for the year	2,192	102
Dividend paid	(480)	–
Net assets at 31 December	10,301	8,589
Interest in associates	20%	20%
Carrying value of Group's interest in associates	2,060	1,718

18. OTHER INVESTMENTS

	Total RM'000	Shares in Malaysia Unquoted RM'000	Quoted RM'000	Equity instruments outside Malaysia Unquoted RM'000
Group				
2013				
Non-current				
Available-for-sale financial assets	81,198	6,447	28,821	45,930
Current				
Available-for-sale financial assets	12,609	12,609	–	–
	93,807	19,056	28,821	45,930
Representing items:				
At cost/amortised cost	50,569	4,639	–	45,930
At fair value	43,238	14,417	28,821	–
	93,807	19,056	28,821	45,930

18. OTHER INVESTMENTS (cont'd)

	Total RM'000	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Equity instruments outside Malaysia Unquoted RM'000	Fund investment RM'000
Group						
2012						
Non-current						
Available-for-sale financial assets	83,761	4,639	33,192	–	45,930	–
Current						
Available-for-sale financial assets	3,698	–	2,516	–	–	1,182
Held for trading	20,162	–	–	20,162	–	–
	23,860	–	2,516	20,162	–	1,182
	107,621	4,639	35,708	20,162	45,930	1,182
Representing items:						
At cost/amortised cost	50,569	4,639	–	–	45,930	–
At fair value	57,052	–	35,708	20,162	–	1,182
	107,621	4,639	35,708	20,162	45,930	1,182

	Total RM'000	Shares in Malaysia Unquoted RM'000	Quoted RM'000	Equity instruments outside Malaysia Unquoted RM'000
Company				
2013				
Non-current				
Available-for-sale financial assets	62,991	768	16,293	45,930
Representing items:				
At cost/amortised cost	46,698	768	–	45,930
At fair value	16,293	–	16,293	–
	62,991	768	16,293	45,930

18. OTHER INVESTMENTS (cont'd)

	Total RM'000	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Equity instruments outside Malaysia Unquoted RM'000	Warrants in Malaysia Quoted RM'000	Fund investment RM'000
Company						
2012						
Non-current						
Available-for-sale financial assets	62,852	768	16,154	45,930	–	–
Current						
Available-for-sale financial assets	2,182	–	1,000	–	–	1,182
Held for trading	20,162	–	–	–	20,162	–
	22,344	–	1,000	–	20,162	1,182
	85,196	768	17,154	45,930	20,162	1,182
Representing items:						
At cost/amortised cost	46,698	768	–	45,930	–	–
At fair value	38,498	–	17,154	–	20,162	1,182
	85,196	768	17,154	45,930	20,162	1,182

19. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax (liabilities)/assets as at 31 December relates to the following:

	Property, plant and equipment RM'000	Tax losses carried forward RM'000	Hedge reserve RM'000	Fair value gains on financial instruments RM'000	Others RM'000	Total RM'000
Group						
At 1 January 2012	(1,173,986)	7,557	632	1,740	(56,912)	(1,220,969)
Recognised in profit or loss	58,983	15,172	–	–	(21,971)	52,184
Recognised in other comprehensive income	–	–	(7,950)	(1,041)	–	(8,991)
Disposal of subsidiaries	–	–	–	–	1,450	1,450
Translation exchange difference	110,325	(11)	80	–	237	110,631
Attributable to discontinued operations	97,176	(6,499)	–	–	(1,358)	89,319
At 31 December 2012	(907,502)	16,219	(7,238)	699	(78,554)	(976,376)
At 1 January 2013	(907,502)	16,219	(7,238)	699	(78,554)	(976,376)
Recognised in profit or loss	31,474	3,587	–	–	11,657	46,718
Recognised in other comprehensive income	–	–	2,507	(699)	–	1,808
Translation exchange difference	11,370	(626)	683	–	11,207	22,634
Attributable to discontinued operations	–	–	–	–	–	–
At 31 December 2013	(864,658)	19,180	(4,048)	–	(55,690)	(905,216)

19. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

	Property, plant and equipment RM'000	Fair value gains on financial instruments RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Company				
At 1 January 2012	(85,395)	1,740	–	(83,655)
Recognised in profit or loss	17,926	–	–	17,926
Recognised in other comprehensive income	–	(1,041)	–	(1,041)
At 31 December 2012	(67,469)	699	–	(66,770)
Recognised in profit or loss	(1,240)	–	(58)	(1,298)
Recognised in other comprehensive income	–	(699)	–	(699)
At 31 December 2013	(68,709)	–	(58)	(68,767)

At the reporting date, deferred tax assets have not been recognised in respect of the following items:

	Group	
	2013 RM'000	2012 RM'000 Restated
Unutilised tax losses	69,632	44,231
Unabsorbed capital allowances	56,624	52,692
Other deductible temporary differences	3,769	–
	130,025	96,923

The availability of the above tax losses and allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and other guidelines issued by the tax authority.

20. INVENTORIES

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
At cost:				
Agricultural produce	592,254	622,299	–	–
Finished goods	900	32,614	–	–
Materials and consumables	23,967	30,629	2,041	2,312
Livestocks	37,888	26,143	–	–
Work-in-progress	318	–	–	–
	655,327	711,685	2,041	2,312

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Current				
Trade receivables				
Third parties	366,680	531,159	188	503
Subsidiaries	–	–	13,096	49,927
Ultimate holding corporation	56,645	31,792	38,143	16,346
Related companies	17,128	4,757	524	2,198
	440,453	567,708	51,951	68,974
Less : Allowance for impairment losses				
Third parties	(4,421)	(5,666)	–	–
Related companies	(1,225)	(2,487)	–	–
	(5,646)	(8,153)	–	–
Trade receivables, net	434,807	559,555	51,951	68,974
Current				
Other receivables				
Third parties	69,472	45,179	43,647	8,458
Subsidiaries	–	–	230,190	338,306
Ultimate holding corporation	372	–	372	–
Deposits	5,916	6,442	1,461	1,481
	75,760	51,621	275,670	348,245
Less : Allowance for impairment losses				
Third parties	(7,089)	(6,201)	(5,707)	(5,707)
Subsidiaries	–	–	(109,087)	(109,087)
Deposits	–	(55)	–	–
	(7,089)	(6,256)	(114,794)	(114,794)
	68,671	45,365	160,876	233,451
Total trade and other receivables	503,478	604,920	212,827	302,425

21. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

Third party trade receivables are non-interest bearing and payment terms range from payment in advance to 90 days (2012: payment in advance to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Neither past due nor impaired	298,337	422,181	33	70
1 to 30 days past due not impaired	32,522	60,056	2,409	15,810
31 to 60 days past due not impaired	15,385	41,834	1,154	13,488
61 to 90 days past due not impaired	12,919	3,927	727	1,163
91 to 120 days past due not impaired	–	3,809	10,520	4,093
More than 121 days past due not impaired	75,644	27,748	37,108	34,350
	136,470	137,374	51,918	68,904
Impaired	5,646	8,153	–	–
	440,453	567,708	51,951	68,974

Receivables that are neither past due nor impaired are due mainly from regular customers that have been transacting with the Group. None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to RM136,470,000 (2012: RM137,374,000) and RM51,918,000 (2012: RM68,094,000) respectively that are past due at the reporting date but not impaired. These balances are not secured.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Restated				
Trade receivables – nominal amounts	5,646	8,153	–	–
Less: Allowance for impairment	(5,646)	(8,153)	–	–
	–	–	–	–

21. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

Movement in allowance accounts:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
At 1 January	8,153	9,637	–	–
Charge for the year	687	160	–	–
Reversal of impairment losses	(213)	(1,107)	–	–
Written off	(2,981)	(537)	–	–
At 31 December	5,646	8,153	–	–

Trade receivables that are determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on repayments. These receivables are not secured by any collateral or credit enhancements.

(b) Amount due from subsidiaries

These amounts are unsecured, non-interest bearing and repayable on demand except for an amount of RM 46,621,000 (2012: RM39,571,000) which bears interest of 5.15% to 6.50% (2012: 4.97% to 6.50%) per annum.

(c) Amount due from ultimate holding corporation and related companies

Other than an amount of RM Nil (2012: RM 43,098,000) as at the end of the financial year which bears interest of Nil (2012 5.13% to 5.14%) per annum, these amounts are unsecured, non-interest bearing and repayable on demand.

(d) Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Movement in allowance accounts:				
At 1 January	6,256	5,959	114,794	114,794
Charge for the year	833	494	–	–
Written off	–	(197)	–	–
At 31 December	7,089	6,256	114,794	114,794

22. DERIVATIVES

	Group			
	Contractual nominal value		Fair value	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
Current assets				
Forward contracts	(180,463)	(132,672)	13,498	24,128
Interest rate swap	375,000	–	2,621	–
			16,119	24,128

(a) Forward contracts

The Group, via its subsidiary, NBPOL has entered into commodity forward contracts to hedge its exposure to movements in palm oil prices. These forward contracts have been designated as a hedge of highly probable forecast sales of crude palm oil and related products. It is not the Group's policy to engage in speculative hedging activities.

As all hedge transactions are highly effective, all gains and losses relating to their remeasurement to fair value are recognised in the hedge reserve within equity and subsequently brought to account in the income statement in the same period as the physical sales transaction to which the hedges relate occurs.

The cash flow hedges of the highly probable forecast sales of crude palm oil and related products were assessed to be highly effective and as at 31 December 2013, a net gain of RM1,573,000 (2012: RM9,405,000) was included in other comprehensive income in respect of these contracts.

(b) Interest rate swap

The Group has entered into an interest rate swap contract with a notional amount of RM375,000,000 that is designed to convert its floating rate liabilities to fixed rate liabilities to reduce the Group's exposure to adverse fluctuations in interest rate on its borrowings.

Under the interest rate swap contract, the Group pays a fixed rate of interest of 4.18% per annum and receives a variable rate based on one month KLIBOR on the amortised notional amount.

The above interest rate swap is not designated as a cash flow or fair value hedge and is entered into for a period consistent with the transaction exposure. It does not qualify for hedge accounting.

During the financial year, the Group and the Company recognised a gain of RM2,621,000 (2012: Nil) arising from fair value changes in the interest rate swap. The fair value changes are attributable to changes in interest rates.

The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 33.

23. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Cash and bank balances	123,560	205,647	23,585	43,878
Deposits placed with licensed banks	173,240	75,242	43,305	63,350
Short-term money market funds	80,380	–	80,380	–
	377,180	280,889	147,270	107,228

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM12,551,000 (2012 : RM12,760,000) and RM350,000 (2012 : RM350,000) respectively, pledged for bank facilities granted to the Group and the Company.

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Cash and short-term deposits				
– Continuing operations	377,180	280,889	147,270	107,228
– Discontinued operations (Note 11)	–	281,649	–	–
	377,180	562,538	147,270	107,228
Less:				
Deposits pledged	(12,551)	(12,760)	(350)	(350)
Bank overdrafts (Note 24)	(39,252)	(36,659)	–	–
Cash and cash equivalents	325,377	513,119	146,920	106,878

24. LOANS AND BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Current				
Secured:				
Obligations under finance leases	926	541	–	–
Bank overdrafts	34,278	35,046	–	–
Revolving credit	288,060	164,604	–	–
Term loans	138,137	137,013	–	–
Bankers' acceptances	47,048	–	–	–
	508,449	337,204	–	–
Unsecured:				
Bank overdrafts	4,974	1,613	–	–
Bankers' acceptances	1,857	–	–	–
Revolving credit	460,436	631,111	130,000	130,000
Term loans	55,000	1,419	–	–
	522,267	634,143	130,000	130,000
Current loans and borrowings	1,030,716	971,347	130,000	130,000
Non-current				
Secured:				
Obligations under finance leases	1,257	483	–	–
Term loans	813,318	1,171,196	–	–
	814,575	1,171,679	–	–
Unsecured:				
Term loans	218,346	–	–	–
	218,346	–	–	–
Non-current loans and borrowings	1,032,921	1,171,679	–	–
Total loans and borrowings				
Obligations under finance leases	2,183	1,024	–	–
Bank overdrafts (Note 23)	39,252	36,659	–	–
Bankers' acceptances	48,905	–	–	–
Revolving credit	748,496	795,715	130,000	130,000
Term loans	1,224,801	1,309,628	–	–
	2,063,637	2,143,026	130,000	130,000

24. LOANS AND BORROWINGS (cont'd)

	Year of maturity	Carrying amount RM'000	Repayment 2014 Under 1 year RM'000	2015 1-2 years RM'000	2016-2018 2-5 years RM'000	>2018 Over 5 years RM'000
Group						
2013						
Bai Bithaman Ajil Term Financing (3) Tg Puteri I	2016	4,220	968	1,036	2,216	–
Bai Bithaman Ajil Term Financing (4) Tg Puteri II	2016	4,220	968	1,036	2,216	–
Bai Bithaman Ajil Term Financing (6) Tg Puteri IV	2014	914	914	–	–	–
Bai Bithaman Ajil Term Financing (8) Tg Puteri V	2014	1,456	1,456	–	–	–
Conventional Term Loan Nautica Johor Bahru	2016	10,480	3,927	3,927	2,626	–
Bai Bithaman Ajil Term Financing (9)	2020	48,695	5,148	5,506	18,927	19,114
Term Loan (NTP 7,8,9,10)	2015	2,160	960	960	240	–
Term Loan (2)	2015	6,165	2,740	2,740	685	–
Musyarakah Mutanaqisah (NTP11)	2020	11,634	1,454	1,545	5,148	3,487
Musyarakah Mutanaqisah (NTP12)	2020	11,973	1,448	1,545	5,148	3,832
Musyarakah Mutanaqisah (NTP15)	2020	11,974	1,452	1,545	5,149	3,828
Musyarakah Mutanaqisah (NTP16)	2020	10,849	1,380	1,469	4,897	3,103
MV.T.PUTERI 17	2018	11,570	1,084	1,360	4,511	4,615
NAUTICA MUAR	2018	23,091	5,750	5,750	11,591	–
MT N.B.PAHAT/MT K.TINGGI	2022	75,591	9,445	9,445	28,336	28,365
MV.TG.PUTERI 19	2022	11,939	1,002	1,504	4,511	4,922
MV.TG.PUTERI 20	2022	12,121	1,002	1,504	4,511	5,104
Malaysian Debts Ventures	2016	2,540	2,540	–	–	–
Commodity Murabahah Financing – i	2018	273,346	55,000	55,000	163,346	–
Fixed Loan (1)	2029	245	8	8	26	203
Term Loan (SME Assistance Guarantee Scheme)	2014	60	60	–	–	–
Term Loan (Finance 3 storey shop office)	2020	429	66	66	199	98
Fixed Loan (2)	2022	581	65	63	192	261
Fixed Loan (3)	2025	1,438	127	124	380	807
Foreign subsidiary:						
Term Loan (I)	2016	598,566	80,699	80,699	437,168	–
Term Loan (II)	2021	54,118	7,213	7,213	21,647	18,045
Term Loan (III)	2015	4,122	2,346	1,776	–	–
Term Loan (IV)	2021	30,304	3,915	3,912	11,731	10,746
		1,224,801	193,137	189,733	735,401	106,530

24. LOANS AND BORROWINGS (cont'd)

	Year of maturity	Carrying amount RM'000	Repayment 2013 Under 1 year RM'000	2014 1-2 years RM'000	2015-2017 2-5 years RM'000	>2017 Over 5 years RM'000
Group						
2012						
Conventional term loan 1	2013	1,000	1,000	–	–	–
Bai Bithaman Ajil Term Financing (3) Tg Puteri I	2016	5,090	848	4,242	–	–
Bai Bithaman Ajil Term Financing (4) Tg Puteri II	2016	5,078	848	4,230	–	–
Bai Bithaman Ajil Term Financing (6) Tg Puteri IV	2014	2,590	1,665	925	–	–
Bai Bithaman Ajil Term Financing (7) Nautica Muar	2014	6,279	6,279	–	–	–
Conventional Term Loan Nautica Johor Bahru	2016	14,415	3,927	10,488	–	–
Bai Bithaman Ajil Term Financing (8) Tg Puteri V	2014	3,188	1,562	1,626	–	–
Istisna' (NBP)	2020	41,582	4,236	8,737	26,211	2,398
Istisna' (NKT)	2020	37,941	4,042	8,737	25,162	–
Bai Bithaman Ajil Term Financing (9)	2020	54,775	6,118	8,360	25,080	15,217
Term Loan (NTP 7,8,9,10)	2015	3,160	960	2,200	–	–
Term Loan (2)	2015	9,019	2,740	6,279	–	–
Musyarakah Mutanaqisah (NTP11)	2020	13,373	1,433	11,940	–	–
Musyarakah Mutanaqisah (NTP12)	2020	13,373	1,433	11,940	–	–
Musyarakah Mutanaqisah (NTP15)	2020	13,373	1,433	11,940	–	–
Musyarakah Mutanaqisah (NTP16)	2020	12,182	1,360	10,822	–	–
Malaysian Debts Ventures	2016	2,540	2,180	360	–	–
Commodity Murabahah Financing – i	2018	273,346	–	55,000	165,000	53,346
Foreign subsidiary:						
Term Loan (I)	2016	677,520	80,102	80,102	517,316	–
Term Loan (II)	2021	71,870	8,709	8,709	26,132	28,320
Term Loan (III)	2015	7,810	2,834	2,834	2,142	–
Term Loan (IV)	2021	40,124	4,723	4,722	14,160	16,519
		1,309,628	138,432	254,193	801,203	115,800

Securities

The term loans are secured by the following:

(a) Charges over certain property, plant and equipment of the Group as disclosed in Note 13;

(b) Charges over certain fixed deposits of the Group as disclosed in Note 23; and

(c) Corporate guarantee from the Company.

24. LOANS AND BORROWINGS (cont'd)

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 ratio of the consolidated total borrowings to the consolidated shareholders' funds does not exceed 125% at all times;

(ii) 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 dividends or other forms of distributions to the shareholders.

The loans and borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	2013 %	2012 % Restated	2013 %	2012 %
Weighted average effective interest rates at the end of reporting period:				
– Obligations under finance leases	3.70	3.30	–	–
– Bank overdrafts	7.22	6.95	–	–
– Revolving credit and bankers' acceptances	3.68	3.07	3.67	4.18
– Term loans	4.54	4.82	–	–

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Current				
Trade				
Third parties	134,267	212,337	4,927	4,743
Ultimate holding corporation	1,075	10,635	14	–
Subsidiaries	–	–	29,200	118,766
Related companies	3,651	2,347	547	279
	138,993	225,319	34,688	123,788
Non-trade				
Third parties	168,417	81,370	4,791	6,794
Subsidiaries	–	–	17,361	27,292
Related companies	–	–	153	–
	168,417	81,370	22,305	34,086
Total trade and other payables	307,410	306,689	56,993	157,874

25. TRADE AND OTHER PAYABLES (cont'd)

(a) Third parties

Trade and other payables due to third parties are generally unsecured and non-interest bearing. Credit terms range from payment in advance to 90 days (2012: payment in advance to 90 days).

(b) Amounts due to ultimate holding corporation and related companies

These amounts which arose mainly from normal trade transactions are unsecured, non-interest bearing and subject to normal trade terms.

(c) Amounts due to subsidiaries

These amounts which arose mainly from advances and payments on behalf are unsecured, non-interest bearing and repayable on demand except for an amount of RM29,495,000(2012: RM90,930,000) which is subject to interest at rates ranging from 5.15% to 5.31% (2012: 3.11% to 3.64%) per annum.

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised				
At 1 January/ 31 December	2,000,000	2,000,000	500,000	500,000
Issued and fully paid				
At 1 January	1,282,549	1,262,037	320,637	315,509
Conversion of warrants	11,504	20,512	2,876	5,128
At 31 December	1,294,053	1,282,549	323,513	320,637

(a) Share capital

The holders of the 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.

(b) Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM320,637,000 to RM323,513,000 by way of the issuance of 11,504,000 ordinary shares of of RM0.25 each upon the conversion of 11,504,000 warrants at the weighted-average exercise price of RM3.23 per new ordinary share.

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM315,509,000 to RM320,637,000 by way of the issuance of 20,512,000 ordinary shares of of RM0.25 each upon the conversion of 20,512,000 warrants at the exercise price of RM3.85 per new ordinary share.

The new ordinary shares issued during the current and previous financial years ranked pari passu in all respects with the existing ordinary shares of the Company.

27. OTHER RESERVES

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Reserves					
Non-distributable					
Share premium reserve	(a)	247,507	204,820	247,507	204,820
Translation reserve	(b)	(76,302)	48,766	–	–
Hedge reserve	(c)	4,628	3,858	–	–
Fair value reserve	(d)	(2,696)	(2,041)	(2,814)	(2,093)
Revaluation reserve	(e)	1,339,983	1,339,419	897,579	897,579
Other reserve	(f)	4,933	4,933	4,165	4,165
Warrant reserve	(g)	90,586	98,979	90,586	98,979
Treasury shares	(h)	(67,063)	(45,829)	(67,063)	(45,829)
Equity transaction reserve	(i)	449	(32,597)	–	–
ESOS reserve	(j)	9,715	–	9,715	–
		1,551,740	1,620,308	1,179,675	1,157,621

The movements of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) 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.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

(c) Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(e) Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's freehold and leasehold lands in Malaysia on 31 December 1997.

(f) Other reserve

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation and liquidation of a former subsidiary in 1975.

27. OTHER RESERVES (cont'd)

(g) Warrant reserve

A total of 156,174,000 free warrants were issued by the Company in conjunction with the share split and bonus issue on 28 February 2011. Each warrant entitles the holder to subscribe for one (1) new sub-divided share at the exercise price of RM3.85 per share at any time during the exercise period. On 14 January 2013, the exercise price was adjusted to RM3.13 per share. The warrants have an exercise period of five (5) years commencing 28 February 2011 and expiring on 27 February 2016.

As at the reporting date, 32,016,000 (2012: 20,512,000) warrants have been exercised and the number of outstanding warrants was 124,158,000 (2012: 135,662,000).

(h) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance. Rights on treasury shares are suspended until those shares are reissued.

The Company acquired 5,422,000 (2012: 9,880,000) shares in the Company through purchases on Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM21,234,000 (2012: RM45,829,000) and this was presented as a component within shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

At 31 December 2013, the Company held 15,322,000 of its own shares of RM0.25 each (2012 : 9,880,000 shares of RM0.25 each). The number of outstanding ordinary shares of RM0.25 each in issue after the set-off is 1,278,731,000 (2012 : 1,272,669,000 ordinary shares of RM0.25 each)."

(i) Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired/disposed and the consideration paid/received.

(j) ESOS reserve

During the financial year, the Company introduced an Executives' Share Option Scheme ("ESOS") to eligible senior executives and employees of the Company.

The ESOS was approved at an Extraordinary General Meeting held on 13 December 2013 and implemented on 31 December 2013 with a duration of 5 years. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.05 each. The options granted are divided into 5 tranches which vest on 31 December 2013, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 31 December 2018.

27. OTHER RESERVES (cont'd)

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options at exercise price of RM3.05 each 2013 '000
Outstanding at beginning of financial year	–
– Granted	10,916
– Exercised	–
Outstanding at end of financial year	10,916
Exerciseable at end of financial year	10,916

The weighted average fair value of each option granted during the financial year was RM0.89.

28. RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2013 may be distributed as dividends under the single tier system.

29. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

For the purposes of the financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All entities within the Johor Corporation Group are considered related companies/parties.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Transaction value for the year ended 31 December 2013 RM'000	2012 RM'000
Group		
Ultimate holding corporation		
Johor Corporation		
– Agency fees received	176	223
– Sales of oil palm fresh fruit bunches	14,578	3,636
– Acquisition of estates and mills	71,783	–
– Purchase and sales commission received	1,614	1,952
– Planting advisory and agronomy fees received	95	118

29. RELATED PARTY TRANSACTIONS (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Transaction value for the year ended 31 December 2013 RM'000	2012 RM'000
Group (cont'd)		
Ultimate holding corporation (cont'd)		
Johor Corporation (cont'd)		
– Computer charges received	72	123
– Inspection fees received	23	30
– Training, seminar and course fees received	86	53
– Sales of goods	2,429	3,975
– Construction work and maintenance fees received	168	442
– Event management fees & replanting services received	2,677	563
– Rental income	467	340
– Sales of oil palm seedling and bio compost fertilizer	746	540
– Rental payable	(629)	(629)
Other related companies		
Johor Foods Sdn. Bhd.		
– Agency fees received	–	130
– Sales of oil palm fresh fruit bunches	–	13,823
– Purchase and sales commission received	–	726
– Planting advisory and agronomy fees received	–	39
– Computer charges received	–	44
– Inspection fees received	–	30
– Training, seminar and course fees received	–	28
– Sales of goods	–	686
– Construction work and maintenance fees received	–	52
– Sales of oil palm seedling and bio compost fertilizer	–	399
– Acquisition of estates and mills	–	253,317
Johor Franchise Development Sdn. Bhd.		
– Agency fees received	210	201
– Purchase and sales commission received	664	712
– Planting advisory and agronomy fees received	83	83
– Computer charges received	44	48
– Training, seminar and course fees received	6	31
– Sales of goods	2,128	1,831
– Construction work and maintenance fees received	–	55
– Event management fees, replanting fees and booth rental received	1,207	–
– Sales of oil palm seedling and bio compost fertilizer	482	21
Pro Biz Solution Sdn. Bhd.		
– Rental income	60	60

29. RELATED PARTY TRANSACTIONS (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Transaction value for the year ended 31 December 2013 RM'000	2012 RM'000
Group		
Other related companies (cont'd)		
Pro Corporate Management Services Sdn. Bhd.		
– Secretarial and share registration fees paid	(661)	(1,462)
Damansara Assets Sdn. Bhd.		
– Management fees and services payable	(8)	(11)
– Rental commission payable	(555)	(662)
Johor Land Berhad		
– Purchase of oil palm fresh fruit bunches	(1,880)	(3,238)
– Management fees received	255	511
Kelab Bolasepak Perbadanan Johor		
– Donation paid	(3,650)	(6,072)
Tanjung Langsat Port Sdn. Bhd.		
– Computer charges received	1,538	303
Massive Equity Sdn. Bhd.		
– Proceeds from disposal of subsidiary	1,137,131	–
Pacific Rim Plantations Services Pte Limited		
– Sales and marketing agency commission	11,090	13,083
– Project management service fees received	2,737	2,436
– Interest and other charges received	49	–
– short term working capital	90,618	–

29. RELATED PARTY TRANSACTIONS (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Transaction value for the year ended 31 December 2013 RM'000	2012 RM'000
Company		
Ultimate holding corporation		
Johor Corporation		
– Sales of oil palm fresh fruit bunches	37	–
Other related companies		
Kelab Bolasepak Perbadanan Johor		
– Donation	(3,650)	(6,072)
Johor Foods Sdn. Bhd.		
– Sales of oil palm fresh fruit bunches	–	6,562
Damansara Assets Sdn. Bhd.		
– Rental commission payable	(555)	(662)
Massive Equity Sdn. Bhd.		
– Proceeds from disposal of subsidiary	1,137,131	–
Subsidiaries		
New Britain Palm Oil Limited		
– Dividend income	19,962	67,208
Pro Biz Solution Sdn. Bhd.		
– Rental income	60	60
Mahamurni Plantations Sdn Bhd		
– Sales of oil palm fresh fruit bunches	63,674	58,703
Kulim Plantations (M) Sdn Bhd		
– Sales of oil palm fresh fruit bunches	41,487	39,438
Sindora Berhad		
– Sales of oil palm fresh fruit bunches	19,029	22,485

29. RELATED PARTY TRANSACTIONS (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Transaction value for the year ended 31 December	
	2013 RM'000	2012 RM'000
Company		
EPA Management Sdn Bhd		
– Agency fees payable	(751)	(733)
– Purchasing and sales commission payable	(848)	(1,087)
– Planting advisory and agronomy fees payable	(235)	(236)
– Computer charges payable	(1,213)	(855)
– Training, seminar and course fees payable	(37)	(68)
– Purchase of goods	(5,604)	–
– Construction work and maintenance fees payable	(9,360)	(3,443)
– Event management fees replanting and booth rental payable	(961)	(39)
– Interest paid	(494)	(333)
Kulim Nursery Sdn Bhd		
– Purchase of oil palm seedlings and bio compost fertilizers	(2,911)	(1,774)

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The compensation of directors of the Company are disclosed in Note 9. The compensation of other members of senior management considered as key management personnel (excluding directors of the Company) are as follows:

	Group	
	2013 RM'000	2012 RM'000
Salaries, allowance and bonuses	2,343	1,816
Defined contribution plan	323	199
Other employee benefits	148	110
	2,814	2,125

30. COMMITMENTS

(a) Capital commitments

Committed capital expenditure as at the reporting date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Authorised capital expenditure in respect of property, plant and equipment not provided for in the financial statements at the end of the year:				
– Contracted for	17,460	92,799	287	–
– Not contracted for	97,686	292,754	316	–
	115,146	385,553	603	–
Authorised capital expenditure in respect of investment in new subsidiary				
– Contracted for	108,284	–	108,284	–

(b) Operating lease commitments – as lessee

As at the end of the previous financial year, NBPOL had entered into non-cancellable operating lease agreements for the use of mini estate land, for terms of 20 or 40 years, and state-owned land for terms of 99 years. These leases are renewable.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2013 RM'000	2012 RM'000 Restated
Not later than one year	4,823	4,555
Later than 1 year but not later than 5 years	19,290	18,215
Later than 5 years	140,694	132,855
	164,807	155,625

30. COMMITMENTS (cont'd)

(c) Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2013 RM'000	2012 RM'000 Restated
Minimum lease payments		
Not later than one year	1,045	566
Later than 1 year but not later than 5 years	1,565	651
Total minimum lease payments	2,610	1,217
Less: Amounts representing finance charges	(427)	(193)
Present value of minimum lease payments	2,183	1,024
Present value of payments		
Not later than one year	926	541
Later than 1 year but not later than 5 years	1,257	483
Present value of minimum lease payments	2,183	1,024
Less: Amount due within 12 months	(926)	(541)
Amount due after 12 months	1,257	483

31. SIGNIFICANT EVENTS

(a) Acquisition of plantation estates from Johor Corporation

On 16 August 2011, the Company announced the proposed acquisition of plantation assets from its ultimate holding corporation, Johor Corporation ("JCorp") by Mahamurni Plantations Sdn Bhd ("MPSB"), a wholly-owned subsidiary of Kulim for a total cash consideration of RM700 million. The plantation assets comprise six (6) estates (together with all buildings and mills (including their plant and machineries erected thereon)) located in the state of Johor with a total land area measuring approximately 13,687 hectares.

The acquisition was completed via the following sales and purchase agreements ("SPA"):

(i) The SPA between MPSB and JCorp for the acquisition of the oil palm plantation land (together with all buildings erected thereon together with assets, equipments, appliances, and plant and machineries located within the oil palm plantation) known as "Sungai Papan Estate" for a total cash consideration of RM183,300,000 and SPA between MPSB and JCorp Hotels and Resorts Sdn Bhd ("JHRSB") (formerly known as Kumpulan Penambang (J) Sdn Bhd), a wholly-owned subsidiary of JCorp, for the acquisition of the oil palm plantation land (together with all buildings erected thereon together with assets, equipments, appliances, and plant and machineries located within the oil palm land) known as "Part of Siang Estate" for a total cash consideration of RM191,600,000. Payments were effected on 31 December 2011.

31. SIGNIFICANT EVENTS (cont'd)

(a) Acquisition of plantation estates from Johor Corporation (cont'd)

The acquisition was completed via the following sales and purchase agreements ("SPA") (cont'd):

(ii) The SPA between MPSB and Johor Foods Sdn Bhd ("JFSB"), a wholly-owned subsidiary of JCorp, for the acquisition of the land currently planted with oil palm cultivation (together with all buildings and the palm oil mill ("Palong Mill") erected thereon (together with assets, equipments, appliances, and plant and machineries located within the land and Palong Mill)) known as "Mungka, Kemedak and Palong Estate" for a total cash consideration of RM253,317,000. Payments were effected on 31 May 2012.

(iii) The SPA between MPSB and JCorp for the acquisition of the land currently planted with oil palm cultivation (together with all buildings and the palm oil mill ("Pasir Panjang Mill")) erected thereon (together with assets, equipments, appliances, and plant and machineries located within the land and Pasir Panjang Mill)) known as "Part of Pasir Panjang Estate" for a total cash consideration of RM71,783,000. Payments were effected on 7 February 2013. This was the final transaction which brought the entire acquisition exercise to a close.

(b) Disposal of QSR Brands Berhad ("QSR") and its subsidiaries

On 14 December 2011, QSR announced that it received a letter of offer from Massive Equity Sdn Bhd ("MESB") in which MESB stated its intention to acquire substantially all businesses and undertakings of QSR, including substantially all the assets and liabilities of QSR, at an aggregate cash consideration equivalent to:-

(i) RM6.80 per ordinary share of RM1.00 each held in QSR ("QSR Share") multiplied by the total outstanding QSR Shares (less treasury shares, if any) at a date to be determined later; and

(ii) RM3.79 per warrant of QSR ("QSR Warrant") multiplied by the total outstanding number of QSR Warrants in issue at a date to be determined later.

(herein after referred to as the "QSR Offer")

MESB had also on even date made an offer to acquire the entire businesses and undertakings of KFC Holdings (Malaysia) Bhd ("KFC"), including all of the assets and liabilities of KFC ("KFC Offer"). The QSR Offer and the KFC Offer are inter-conditional. On 18 May 2012, QSR Brands (M) Holdings Sdn Bhd (formerly known as Triple Platform Sdn Bhd) ("QSRB"), a wholly owned subsidiary of MESB, in place of MESB, entered into a Business Sale Agreement with QSR in relation to the QSR Offer ("QSR Transaction"). QSRB also entered into a Business Sale Agreement with KFC in relation to the KFC Offer ("KFC Transaction"). The QSR Transaction and the KFC Transaction are inter-conditional.

Both transactions were approved by the shareholders at Extraordinary General Meetings held on 5 and 6 November 2012 respectively and both transactions were completed on 21 January 2013. Following the completion of the transactions, both QSR and KFC ceased to be subsidiaries of the Group and were delisted from the Main Board of Bursa Securities Berhad on 7 February 2013.

(c) Proposed acquisition of non-controlling interest in New Britain Palm Oil Limited ("NBPOL")

On 20 June 2013, the Group announced its intention to make a partial offer for 30,009,621 ordinary shares in NBPOL representing 20% of NBPOL's issued and paid-up share capital not already owned by Kulim ("Offer Share(s)") for GBP5.50 per Offer Share for a cash consideration of approximately GBP165.05 million (which is equivalent to approximately RM812.30 million) pursuant to the Papua New Guinea ("PNG") Code ("Partial Offer). The Partial Offer, if fully accepted, would increase Kulim's shareholdings in NBPOL from 48.97% to 68.97%.

On 20 August 2013, the Group announced that it had received orders vide a letter from the Securities Commission of PNG restraining Kulim from taking further actions to complete the Partial Offer ("Orders").

On 5 September, the Group announced that the Partial Offer had lapsed since its application to the National Court of PNG to uplift the Orders were not successful.

Due to the above, all acceptances received pursuant to the Partial Offer were automatically void and were returned to the respective shareholders of NBPOL.

32. SUBSEQUENT EVENT

On 3 October 2013, the Group announced that it had entered into a Memorandum of Understanding with PT Graha Sumber Berkah ("PT GSB") to explore the possibility of collaborating in palm oil cultivation and upstream and downstream oil and gas businesses in Kalimantan, Indonesia. On the same date, the Group also announced that it had entered into a Conditional Share Sale Agreement ("CSSA") with PT GSB in relation to the proposed acquisition of 75% equity interest in PT Wisesa Inspirasi Nusantara ("PT WIN") and its subsidiaries for a total consideration of up to USD43.44 million (approximately RM138.86 million). PT Win is the vehicle for the Group's proposed venture into palm oil cultivation in Kalimantan, Indonesia.

On 17 February 2014, the Group announced that it had obtained the necessary approvals from the relevant regulators in Indonesia on their proposed investment in PT WIN, subject to, amongst other conditions, that Kulim shall hold 74% of the total issued and paid-up share capital of PT WIN with the remaining 26% held by PT GSB.

Pursuant to the other shareholding requirements imposed by the Indonesian regulators, Kulim and PT GSB agreed to the following transactions:

(i) the transfer of 3,326,338 PT WIN Shares from PT GSB and 1,000 PT WIN Shares from another party to Kulim pursuant to a Deed of Sale and Purchase of Shares dated 10 January 2014, for a cash consideration of approximately USD17.14 million (equivalent to approximately RM56.98 million) ("Shares Transactions");

(ii) the issuance of 4,991,007 new PT WIN Shares to be subscribed by Kulim at the nominal par value of IDR1,000 per PT WIN Share, for a cash consideration of IDR4.99 billion (equivalent to approximately RM1.37 million) ("Issuance of Shares") (the Shares Transactions and Issuance of Shares are collectively referred to as the "Acquisition"); and

(iii) injection by Kulim of approximately USD25.30 million (equivalent to approximately RM84.11 million) into PT WIN and/or its subsidiaries as working capital to acquire titles to plantation land in Kalimantan, Indonesia ("Further Investment").

The total investment under the Acquisition and Further Investment amount to approximately USD42.86 million (equivalent to approximately RM142.46 million).

Following the fulfillment of the conditions precedent of the CSSA and the execution of a Shareholders' Agreement between Kulim and PT GSB, the transfer/subscription of PT WIN Shares was effected on 14 February 2014, thus rendering PT WIN a subsidiary of the Group.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group applies cash flow hedge accounting on those hedging relationships that qualify for hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investments, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group seeks to invest cash assets safely and profitably. The Group has no significant concentration of credit risk and it is not the Group's policy to hedge its credit risk. The Group has in place, for significant operating subsidiaries, policies to ensure that sales of products and services are made to customers with an appropriate credit history and sets limits on the amount of credit exposure to any one customer. The management does not expect any material losses from non-performance by counterparties.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position;

- Corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries. The amount outstanding on such facilities was RM948,846,000 (2012: RM839,039,000) as at the reporting date.

Financial guarantees have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and that it is not probable that a future sacrifice of economic benefits will be required.

Credit risk concentration profile

Other than the amounts due from the subsidiaries to the Company, the Group and the Company is not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks and other financial institutions and investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's liabilities (excluding those attributable to discontinued operations) at the reporting date based on contractual repayment obligations.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
At 31 December 2013				
Financial liabilities:				
Trade and other payables	307,410	–	–	307,410
Loans and borrowings	1,030,716	926,391	106,530	2,063,637
Total undiscounted financial liabilities	1,338,126	926,391	106,530	2,371,047
At 31 December 2012				
Financial liabilities:				
Trade and other payables	306,689	–	–	306,689
Loans and borrowings	971,347	1,055,879	115,800	2,143,026
Dividend payable	1,158,450	–	–	1,158,450
Total undiscounted financial liabilities	2,436,486	1,055,879	115,800	3,608,165
Company				
At 31 December 2013				
Financial liabilities:				
Trade and other payables	56,993	–	–	56,993
Loans and borrowings	130,000	–	–	130,000
Total undiscounted financial liabilities	186,993	–	–	186,993
At 31 December 2012				
Financial liabilities:				
Trade and other payables	157,874	–	–	157,874
Loans and borrowings	130,000	–	–	130,000
Dividend payable	1,158,450	–	–	1,158,450
Total undiscounted financial liabilities	1,446,324	–	–	1,446,324

Financial guarantees have not been included in the above maturity analysis as no default has occurred.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whereas those issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, a change of 50 basis points ("bp") in interest rates would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
50 bp increase in interest rates	(9,155)	(11,091)	(650)	(650)
50 bp decrease in interest rates	9,155	11,091	650	650

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currency in which these transactions are denominated is principally United States Dollars ("USD").

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	Group	
	2013 RM'000	2012 RM'000 Restated
Denominated in USD		
As at 31 December		
Trade receivables	56,758	165,076
Trade payables	(42,535)	(29,941)
Loans and borrowings	(780,277)	(870,432)
Derivative financial instruments	13,498	24,128
Net exposure in the statement of financial position	(752,556)	(711,169)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax and other comprehensive income net of tax ("OCI") to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Profit net of tax		Other comprehensive income net of tax	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
USD				
– strengthen 5% (2012: 5%)	(28,221)	(26,669)	12,657	4,465
– weaken 5% (2012: 5%)	28,221	26,669	(12,657)	(4,465)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments which are mainly listed on Bursa Malaysia.

Sensitivity analysis for market price risk

At the reporting date, a 5% (2012: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Group's pre-tax profit by RM Nil (2012: RM1,008,000) and its other comprehensive income by RM1,441,000 (2012: RM1,785,000). A 5% weakening in the FTSE Bursa Malaysia KLCI would have an equal but opposite effect on the Group's pre-tax profit and other comprehensive income.

(f) Commodity price risk

The Group derives a significant proportion of its revenues from the sale of palm oil products. The Group uses derivative financial instruments (forward sales and purchases of Malaysian palm oil) to guarantee a minimum price for the sale of its own palm oil and to close out positions previously taken out. Cash flow hedge accounting is applied on such derivatives.

At the reporting date, a 10% fluctuation on palm oil prices would have the following effect on the Group's hedge reserve within equity:

	(Decrease)/Increase	
	2013 RM'000	2012 RM'000
10% increase in palm oil prices	(8,837)	(6,497)
10% decrease in palm oil prices	8,837	6,497

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(g) Fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

	Note
Trade and other receivables	21
Loans and borrowings	24
Trade and other payables	25

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

Derivatives

Forward currency contracts and interest swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial guarantees

The Company provides financial guarantees to banks for credit facilities granted to certain subsidiaries. The fair value of such guarantees is not expected to be material as the probability of the subsidiaries defaulting is remote.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(g) Fair value (cont'd)

As at 31 December 2013, the Group and Company held the following assets and liabilities carried at fair value in the statement of financial position:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
At 31 December 2013				
Financial assets measured at fair value				
Quoted shares	28,821	–	–	28,821
Fund investments	–	14,417	–	14,417
Derivative financial instruments	–	16,119	–	16,119
Investment properties	–	–	107,758	107,758
	28,821	30,536	107,758	167,115
At 31 December 2012				
Financial assets measured at fair value				
Quoted shares	35,708	–	–	35,708
Quoted warrants	20,162	–	–	20,162
Fund investments	–	1,182	–	1,182
Derivative financial instruments	–	24,128	–	24,128
Investment properties	–	–	95,602	95,602
	55,870	25,310	95,602	176,782
Company				
At 31 December 2013				
Financial assets measured at fair value				
Quoted shares	16,293	–	–	16,293
Investment properties	–	–	107,758	107,758
	16,293	–	107,758	124,051
At 31 December 2012				
Financial assets measured at fair value				
Quoted shares	17,154	–	–	17,154
Quoted warrants	20,162	–	–	20,162
Fund investments	–	1,182	–	1,182
Investment properties	–	–	95,602	95,602
	37,316	1,182	95,602	134,100

34. FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

	Note	2013 RM'000	2012 RM'000
Group			
(a) Loans and receivables			
Trade and other receivables	21	503,478	604,920
Cash and cash equivalents	23	377,180	280,889
		880,658	885,809
(b) Available-for-sale financial assets			
Other investments (at fair value)	18	43,238	57,052
Other investments (at cost less impairment)	18	50,569	50,569
		93,807	107,621
(c) Financial assets at fair value through profit or loss – held for trading			
Forward exchange contracts	22	13,498	24,128
Interest swap	22	2,621	–
		16,119	24,128
(d) Financial liabilities measured at amortised cost			
Trade and other payables	25	307,410	306,689
Loans and borrowings	24	2,063,637	2,143,026
Dividend payable		–	1,158,450
		2,371,047	3,608,165
Company			
(a) Loans and receivables			
Trade and other receivables	21	212,827	302,425
Cash and cash equivalents	23	147,270	107,228
		360,097	409,653
(b) Financial assets at fair value through profit or loss – held for trading			
Other investments	18	–	20,162
(c) Available-for-sale financial assets			
Other investments (at fair value)	18	16,293	18,336
Other investments (at cost less impairment)	18	46,698	46,698
		62,991	65,034

34. FINANCIAL INSTRUMENTS (cont'd)

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes: (cont'd)

	Note	2013 RM'000	2012 RM'000
(d) Financial liabilities measured at amortised cost			
Trade and other payables	25	56,993	157,874
Borrowings	24	130,000	130,000
Dividend payable		–	1,158,450
		186,993	1,446,324

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2013 and 31 December 2012.

A subsidiary of the Group which is involved in insurance broking and consultancy is required by Bank Negara Malaysia to maintain a minimum shareholders' fund of RM600,000 at any point in time. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2013 and 2012.

Bursa Malaysia Practice Note No. 17/2005 imposes a requirement on the Company to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid up capital (excluding treasury shares) and such shareholders' equity is to be not less than RM40 million. The Company has complied with this requirement.

The Group monitors capital using the debt-to-equity ratio. The Group's policy, which is unchanged from 2012, is to maintain the debt-to-equity ratio at the lower bound of the band between 0.5:1 and 0.8:1. The debt-to-equity ratios at 31 December 2013 and at 31 December 2012 were as follows:

	Group	
	2013 RM'000	2012 RM'000
Total borrowings (Note 24)	2,063,637	2,143,026
Less: Cash and bank balances (Note 23)	(377,180)	(280,889)
Net debt	1,686,457	1,862,137
Total equity	5,127,148	6,199,657
Debt-to-equity ratios	0.33	0.30

36. SEGMENT INFORMATION

For management purposes, the Group is organised into strategic business units based on their products and services, and has five reportable segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group Managing Director (Group MD) reviews internal management reports for each of the strategic business units on a monthly basis. The operations of each of the Group's reportable segments are summarised below:

- Plantation operations – Oil palm planting, crude palm oil processing and plantation management services and consultancy
- Intrapreneur ventures – Sea transportation, parking management, sales of wood based products and bulk mailing and printing
- Property investment – Rental of office building

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group MD. Management believes that segment profits are the most relevant measure by which it can assess the results of the segments against those of other entities operating in the same industries.

Other operations of the Group mainly comprise investment holding and other miscellaneous activities which are not of sufficient size to be reported separately.

	<------ Plantation ------>							
	Malaysia RM'000	Papua New Guinea & Solomon Islands RM'000	Intrapreneur ventures RM'000	Property investment RM'000	Other operations RM'000	Adjustments and eliminations RM'000	Notes	Consolidated RM'000
31 December 2013								
Segment revenue	780,334	1,789,642	204,384	9,260	68,133	–		2,851,753
Results								
Interest income	4,385	42	986	–	5,696	–		11,109
Finance costs	35,171	30,798	16,512	–	(28)			82,453
Depreciation of property, plant and equipment	76,809	195,705	27,353	–	5,768	–		305,635
Amortisation of intangible assets	–	–	468	–	1,293	–		1,761
Segment profit	164,887	86,190	45,495	5,103	(81,005)	–		220,670
Assets								
Investments in associates	–	–	–	–	2,060	–		2,060
Intangible assets	–	155,158	25,483	–	9,121	–		189,762
Additions to non-current assets	171,006	309,595	109,836	–	6,616	–		597,053
Segment assets	3,461,118	4,170,544	571,962	107,758	37,320	81,198	B	8,429,900
Segment liabilities	1,082,368	1,776,318	419,817	–	24,249	–		3,302,752

36. SEGMENT INFORMATION (cont'd)

	<------ Plantation ------>								
	Malaysia RM'000	Papua New Guinea & Solomon Islands RM'000	Food and restaurants (discontinued) RM'000	Intrapreneur ventures RM'000	Property investment RM'000	Other operations RM'000	Adjustments and eliminations RM'000	Notes	Consolidated RM'000
31 December 2012									
Segment revenue	712,195	2,127,111	3,619,003	167,979	8,644	19,964	(3,619,003)	A	3,035,893
Results									
Interest income	8,715	132	–	–	–	2,335	–		11,182
Finance costs	44,030	33,266	18,422	15,161	–	870	(18,422)	A	93,327
Depreciation of property, plant and equipment	81,596	189,086	159,716	30,565	–	5,368	–		466,331
Amortisation of intangible assets	–	–	7,899	1,859	–	–	–		9,758
Segment profit	156,874	289,866	261,659	23,771	3,121	(52,253)	(261,659)	A	421,379
Assets									
Investments in associates	–	1,718	–	–	–	–	–		1,718
Intangible assets	–	176,890	–	26,027	–	1,750	–		204,667
Additions to non-current assets	333,300	498,409	300,730	25,630	–	8,440	–		1,166,509
Segment assets	3,566,693	4,685,700	3,091,196	528,441	95,602	49,735	83,761	B	12,101,128
Segment liabilities	2,014,879	2,001,872	1,070,408	750,441	–	63,871	–		5,901,471

The intrapreneur venture business segment can be further analysed as follows:

	Sea transportation RM'000	Wood based products RM'000	Bulk mailing and printing (discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Total intrapreneur venture RM'000
31 December 2013						
Segment revenue	158,380	3,464	16,984	73,775	(48,219)	204,384
Results						
Finance costs	16,900	155	–	1,815	(2,358)	16,512
Depreciation of property, plant and equipment	20,837	197	–	6,319	–	27,353
Amortisation of intangible assets	–	–	–	468	–	468
Segment profit/(loss)	48,401	(467)	636	7,239	(10,314)	45,495
Assets						
Intangible assets	11,487	–	–	13,996	–	25,483
Additions to non-current assets	18,299	12	–	91,525	–	109,836
Segment assets	504,476	2,440	–	65,046	–	571,962
Segment liabilities	320,831	23,384	–	75,602	–	419,817

36. SEGMENT INFORMATION (cont'd)

	Sea transportation RM'000	Parking management (discontinued) RM'000	Wood based products RM'000	Bulk mailing and printing (discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Total intrapreneur venture RM'000
31 December 2012							
Segment revenue	184,907	85,384	2,674	23,148	58,818	(186,952)	167,979
Results							
Finance costs	22,889	732	36	–	700	(9,196)	15,161
Depreciation of property, plant and equipment	20,837	480	196	–	9,052	–	30,565
Amortisation of intangible assets	–	1,167	–	–	692	–	1,859
Segment profit/(loss)	52,041	(3,528)	(510)	3,308	(1,737)	(32,520)	23,771
Assets							
Intangible assets	11,563	9,238	–	–	5,226	–	26,027
Additions to non-current assets	18,299	750	12	–	6,569	–	25,630
Segment assets	424,207	42,533	2,917	15,360	43,424	–	528,441
Segment liabilities	500,090	40,237	23,043	2,367	184,704	–	750,441

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	The amounts relating to discontinued operations have been excluded to arrive at the amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "Gain from discontinued operations, net of tax".
B	This amount comprises of other items which cannot be allocated to any operating segment.

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total assets	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	1,062,111	908,782	4,259,355	7,415,428
Papua New Guinea	273,499	323,524	505,519	582,532
Europe (mainly United Kingdom and Netherlands)	1,516,143	1,803,587	3,665,026	4,103,168
	2,851,753	3,035,893	8,429,900	12,101,128

37. DIVIDENDS

	Group and Company 2013 RM'000	2012 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
– Interim tax exempt (single-tier) dividend for 2012: 7.50 sen per share	–	95,992
– Specials tax exempt (single-tier) dividend for 2012: 90.94 sen per share	–	1,158,450
	–	1,254,442

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 19 March 2014.

39. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed entities pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
– realised	4,136,816	3,512,197	746,553	96,755
– unrealised	(783,171)	(839,484)	(68,767)	(64,046)
	3,353,645	2,672,713	677,786	32,709
Total share of retained earnings of associate:				
– realised	300	959	–	–
	3,353,945	2,673,672	677,786	32,709
Add: Consolidated adjustments	(1,448,541)	(1,199,336)	–	–
Total retained earnings	1,905,404	1,474,336	677,786	32,709

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

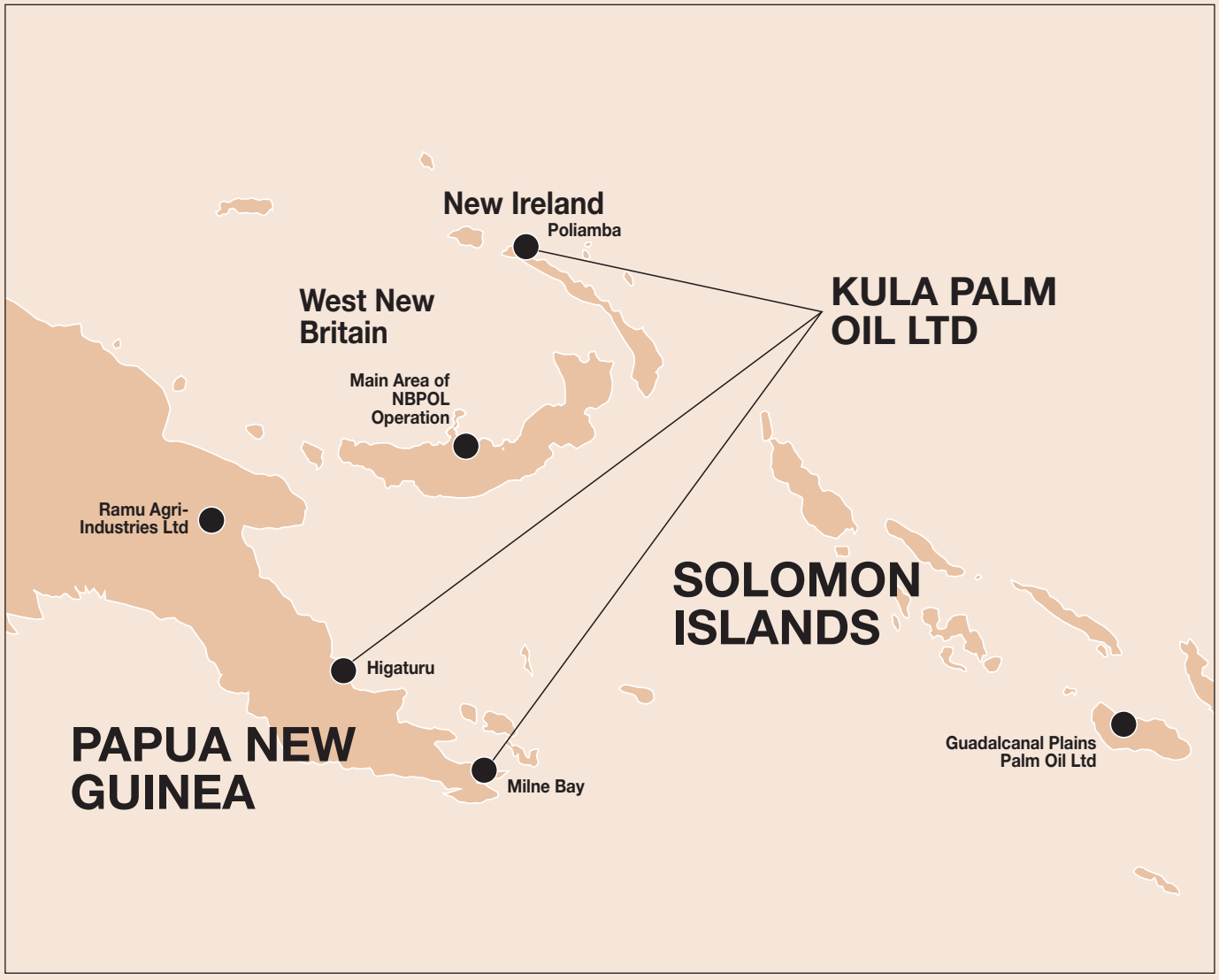
SECTION 8: OTHER CORPORATE INFORMATION

LOCATION OF THE GROUP'S PALM OILS DIVISION OPERATIONS

ESTATES AND MILLS:

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

LOCATION OF THE GROUP'S PALM OILS DIVISION OPERATIONS (cont'd)



PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2013 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Labis Bahru Estate K B 517 85009 Segamat, Johor	Freehold	2,109	Oil palm and rubber estate	43,950	1997*
Mutiara Estate P O Box 21 Kahang New Village 86700 Kahang, Johor	Leasehold expiring 20.06.2085 26.09.2085 04.11.2074	 1,619 324 607	Oil palm estate	29,311	1997*
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	2,875	Oil palm estate	432,330	1997*
REM Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911 15.04.2093 14.03.2100 (Building age: 15 years)	1,583 988 4 1	Oil palm estate Oil palm estate Staff training centre	204,045	1997*
Sg. Sembrong Estate P O Box 21 Kahang New Village 86700 Kahang, Johor	Leasehold expiring 05.05.2074 25.11.2082 13.10.2102	 607 607 29	Oil palm estate	14,405	1997*
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	502	Oil palm estate	93,491	1997*
Kuala Kabung Estate No 70, Jalan Ria 3 Taman Ria, Bukit Batu 81020 Kulai, Johor	Leasehold expiring 16.08.2081	1,693	Oil palm estate	8,064	1997*
Mukim of Plentong, Johor Lot 1581 Lot 2222 Lot 2223 Lot 2226 Lot 2227	 Freehold Freehold Freehold Freehold Freehold	 5 8 66 4 5	Vacant land	17,458	1997*
Menara Ansar 65, Jalan Trus 80000 Johor Bahru	Leasehold expiring 18.12.2080 (Building age: 15 years)	–	21-storey intelligent office building comprising 3-level basement carpark, 5-level podium and 16-level tower	104,800	1998
Mukim Sungai Tiram PTD 3932 HSD 454418	Leasehold expiring 16.01.2068	20	Factory and vacant land	24,142	2008
		13,656		971,996	
KULIM PLANTATIONS (MALAYSIA) SDN BHD					
Tereh Selatan Estate K B 537 86009 Kluang, Johor	Freehold Leasehold expiring 27.08.2078	1,929 869	Oil palm estate	44,726	1997*
Tereh Utara Estate K B 536 86009 Kluang, Johor	Freehold Leasehold expiring 27.08.2078 Leasehold expiring 27.06.2079	834 1,560 607	Oil palm estate	43,812	1997*
		5,799		88,538	

	Tenure	Hectares	Description	Net Book Value @ 31.12.2013 RM'000	Year of Acquisition/ Revaluation
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,439	Oil palm and rubber estate	165,553	1997*
Sedenak Estate K B 726 80990 Johor Bahru, Johor	Freehold	2,861	Oil palm estate	188,433	1997*
UMAC Estate P O Box 64 86007 Segamat, Johor	Leasehold expiring on: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 228 237 324 346 481	Oil palm estate	16,759	1997*
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring on 23.01.2087	3,414	Oil palm estate	100,328	2011
Sg. Papan Estate P O Box 15 Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring on 22.09.2090	3,026	Oil palm estate	92,511	2011
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring on 11.09.2112	1,928	Oil palm estate	54,694	2012
Mungka Estate K B 525 85009 Segamat, Johor	Leasehold expiring on 11.09.2112	1,928	Oil palm estate	54,383	2012
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring on 11.09.2112	1,786	Oil palm estate	50,636	2012
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring on 16.09.2112	1,610	Oil palm estate	50,501	2013
		20,608		773,798	
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	401	Oil palm estate	52,383	1997*
		401		52,383	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	25,872	1997*
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	23,618	1997*
		3,535		49,490	

	Tenure	Hectares	Description	Net Book Value @ 31.12.2013 RM'000	Year of Acquisition/ Revaluation
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate K B 520 85009 Segamat	Freehold	1,016	Oil palm estate	9,644	2003
		1,016		9,644	
SELAI SDN BHD					
Sindora Estate K B 539 86009 Kluang, Johor	Leasehold expiring 24.01.2086	3,919	Oil palm estate	53,188	1987
Sg. Tawing Estate K B 531 86009 Kluang Johor	Leasehold expiring 27.06.2079	2,226	Oil palm estate	32,475	2009
		6,145		85,663	
		51,160		**2,031,512**	

* These properties were revalued in 1997. The accounting policy on revaluation is disclosed in Note 2.6 to the Financial Statements.

	Tenure	Hectares / '000 Sq. Ft.	Description	Net Book Value @ 31.12.2013 RM'000	Year of Acquisition/ Revaluation
SINDORA BERHAD					
Sindora Timber Complex Lot 1384 Industrial Area Phase 1 Bandar Tenggara 81000 Kulai, Johor	60 years lease expiring on 24.11.2059 (Building age: 14 years)	2.56/	Industrial land and building	120	2000
	60 years lease expiring on 30.01.2041 (Building age: 31 years)	/2,344	Industrial land and building for office and factory	7,045	1983
	60 years lease expiring on 30.01.2041 (Building age: 28 years)	/5	Factory building	41	1986
No 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold expiring on 18.04.2085 (Building age: 27 years)	/6	1 unit of double-storey bungalow (staff residence)	53	1987
No 17, Jalan Resam Green Plains, Taman Bukit Tiram 81800 Ulu Tiram, Johor	Leasehold (Building age: 24 years)	0.5699/	1 unit of double-storey bungalow (staff residence)	583	1990
				7,842	
E.A. TECHNIQUE (M) BERHAD					
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa II Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 8 years)	/6.402	Office building	1,467	2006
				1,467	
DANAMIN (M) SDN BHD					
No. 11,11 A & 11 B Jalan Serangkai 1 Taman Bukit Dahlia 81700 Pasir Gudang, Johor	99 years lease	/0.174	Office building	471	2006
No. 13, 13 A & 13 B Jalan Serangkai 1 Taman Bukit Dahlia 81700 Pasir Gudang, Johor	99 years lease	/0.173	Office building	529	2010
No. 2, Jalan Bukit 6 Kawasan Perindustrian MIEL Seri Alam, Masai, Johor	Freehold	/0.291	Office building	115	2006
DQ-IN SDN BHD					
PT 1264 Kawasan Perindustrian Paka 23100 Paka,Terengganu	99 years lease	/0.143	Office building	300	2010
				1,415	
TOTAL - INTRAPRENEUR VENTURES				**10,724**	

PROPERTIES OF THE GROUP IN PAPUA NEW GUINEA

	Tenure	Description	Mature Hectares 31.12.2013	Net Book Value @ 31.12.2013 K'000	Year of Acquisition
NEW BRITAIN PALM OIL LIMITED					
MOSA GROUP					
Bebere	Freehold	Mature Oil Palm and Development Costs	1,454	4,058	1968-1990, 2005
Kumbango			2,317	5,997	1972-1985, 2005
Togulo			1,364	7,563	1979-1985, 2005
Dami and Waisisi			866	1,832	1969-2000, 2005
			6,001	19,450	
NUMUNDO GROUP					
Numundo	Freehold	Mature Oil Palm and Development Costs	1,595	2,997	1996-2001, 2005
Haella			2,672	7,505	1999-2001, 2005
Garu			2,563	2,817	1998-2000
Navarai			687	3,094	1980-1988
			7,517	16,413	
KAPIURA GROUP					
Kautu	Freehold	Mature Oil Palm and Development Costs	2,794	14,584	1986-2000
Kaurausu	Freehold		1,584	4,469	1996-1999
Bilomi	Freehold		2,013	16,124	1995-1999
Malilimi	Freehold		2,318	9,945	1983-1998
Moroa	Leasehold		807	1,969	2003
Rigula	Leasehold		2,520	13,542	2005
			12,036	60,633	
TALASEA GROUP					
Lotogam	Leasehold	Mature Oil Palm and Development Costs	204	987	2002
Natupi			163	637	2003
Volupai			1,060	5,848	2004-2005
Gororu			66	2,245	2008
Silovuti			1,100	35,324	2009
Lolokoru			2,050	20,648	2005
			4,643	65,689	
KULU-DAGI GROUP					
Dalaivu	Leasehold	Mature Oil Palm and Development Costs	2,059	5,906	2003
Sapuri			1,773	8,838	2004-2005
			3,832	14,744	
Total – New Britain Palm Oil Limited			34,029	176,929	

PROPERTIES OF THE GROUP IN PAPUA NEW GUINEA (cont'd)

	Tenure	Description	Mature Hectares 31.12.2013	Net Book Value @ 31.12.2013 K'000	Year of Acquisition
RAMU AGRI-INDUSTRIES LIMITED					
Gusap	Leasehold	Mature Oil Palm and Development Costs	7,651	31,832	2008
Dumpu	Leasehold		2,160	14,367	2008
Total – Ramu Agri-Industries Limited			9,811	46,199	
KULA PALM OIL LIMITED					
Higaturu	Leasehold	Mature Oil Palm and Development Costs	6,398	21,832	2010
Milne Bay	Leasehold		8,761	42,858	2010
Poliamba	Leasehold		4,539	3,327	2010
Total – Kula Palm Oil Limited			19,698	68,017	
GRAND TOTAL – PAPUA NEW GUINEA			**63,538**	**291,145**	

PROPERTIES OF THE GROUP IN THE SOLOMON ISLANDS

	Tenure	Description	Mature Hectares 31.12.2013	Net Book Value @ 31.12.2013 K'000	Year of Acquisition
GUADALCANAL PLAINS PALM OIL LIMITED					
Tetere	Leasehold	Mature Oil Palm and Development Costs	1,422	8,050	2004
Ngalimbiu			1,946	9,312	2004
Mbalisuna			2,162	8,963	2004
GRAND TOTAL – SOLOMON ISLANDS			**5,530**	**26,325**	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINTH (39TH) ANNUAL GENERAL MEETING OF KULIM (MALAYSIA) BERHAD WILL BE HELD AT BILIK PERMATA 3, LEVEL B2, THE PUTERI PACIFIC HOTEL JOHOR BAHRU, JALAN ABDULLAH IBRAHIM, 80000 JOHOR BAHRU, JOHOR, MALAYSIA ON TUESDAY, 24 JUNE 2014 AT 11.30 A.M., 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 2013. **Resolution 1**

2. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:

   (i) Dato' Kamaruzzaman Abu Kassim **Resolution 2**

   (ii) Ahamad Mohamad **Resolution 3**

   (iii) Rozan Mohd Sa'at **Resolution 4**

   (iv) Abdul Rahman Sulaiman **Resolution 5**

3. 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 Dato' Seri Utama 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."

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2013. **Resolution 7**

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

6. SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

6.1 Ordinary Resolution **Resolution 9**

In line with Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), the Nomination Committee ("NC") had conducted an assessment of independence under the nomination and election process of Independent Non-Executive Directors ("INED"), whereby the NC reviewed whether the nominated candidate had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main Market LR") and its Practice Note 13 prior to seeking shareholders' approval at the 39th AGM on the appointment as INED.

To consider, and if thought fit, to pass the following resolution pursuant to Practice Note 13 of the Bursa Securities Main Market LR;

"**THAT** Tan Sri Dato' Seri Utama Arshad Ayub, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company." (See Explanatory Note 1 on Special Business below)

6.2 Ordinary Resolution

Authority to Allot and Issue Shares Pursuant to Section 132D of the Act. **Resolution 10**

"**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 Securities for the listing and quotation for the new shares so issued." (See Explanatory Note 2 on Special Business below)

6.3 Ordinary Resolution

Proposed Renewal of Shareholders' Mandate to Enable the Company to Purchase up to Ten Percent (10%) of its Issued and Paid-up Share Capital ("Proposed Renewal of the Share Buy-Back Authority") **Resolution 11**

"**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 Main Market LR and any other relevant authority, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares of RM0.25 each in the Company's issued and paid-up share capital 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 Main Market LR and other relevant authorities." (See Explanatory Note 3 on Special Business below)

6.4 Ordinary Resolution

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") **Resolution 12**

"**THAT** authority be and is hereby given in line with Paragraph 10.09 of the Main Market LR, 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 2 June 2014 ("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;

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 expiry of the period within which the next AGM of the Company 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,

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 Explanatory Note 4 on Special Business below)

7. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

IDHAM JIHADI ABU BAKAR. ACIS (MAICSA 7007381)
NURALIZA A. RAHMAN (LS 0008565)
Company Secretaries

Johor Bahru, Johor
2 June 2014

NOTES:

Proxy

1. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member shall not, subject to Paragraphs (4) and (5) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. Any alteration to the instrument appointing a proxy must be initialised. The Instrument appointing a proxy must be deposited at the registered office at Suite 18, Lot 1B, Podium 1, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor not less than 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.

Abstention from Voting

1. All the Non-Executive Directors ("NED") of the Company who are shareholders of the Company shall abstain from voting on Resolution 7 concerning remuneration to the NED at the 39th AGM.
2. Any Director referred to in Resolutions 2, 3, 4 and 5, who is a shareholder of the Company shall abstain from voting on the resolution in respect of his election or re-appointment at the 39th AGM.
3. Any Director or Directors who is the appointed nominee of the shareholder(s) of the Company as set out in the Circular to Shareholders dated 2 June 2014 shall abstain from voting on resolution 12 in respect of RRPT at the 39th AGM.

Explanatory Notes for Special Business

1. Ordinary Resolution 9 – Re-appointment of Director pursuant to Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance 2012

   The Nomination Committee is satisfied with the skills, contribution and independent judgment that Tan Sri Dato' Seri Utama Arshad Ayub delivers to the Board. Tan Sri Dato' Seri Utama Arshad Ayub has satisfactorily demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board recommends and supports the re-appointment of Tan Sri Dato' Seri Utama Arshad Ayub, as he has offered himself for re-appointment as INED of the Company, to be approved by shareholders at the 39th AGM of the Company as follows:-

   "**THAT** Tan Sri Dato' Seri Utama Arshad Ayub, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company."

   Tan Sri Dato' Seri Utama Arshad Ayub, aged 86, was appointed on 31 January 1987 as INED of the Company. His profile is as set out in page 46 Section 2 of the Annual Report. Tan Sri Dato' Seri Utama Arshad Ayub has exceeded his tenure on the Board a cumulative term of more than nine (9) years since his appointment date. Pursuant to Recommendation 3.2 and 3.3 of the MCCG 2012, he may be regarded as Non-Independent Non-Executive Director, for continuing to hold office as a Director of the Company exceeding nine (9) years from his date of appointment.

   The Board, subject to the assessment of the Nomination Committee, is satisfied with the level of independence of Tan Sri Dato' Seri Utama Arshad Ayub and based on the justification above, hereby recommends that Tan Sri Dato' Seri Utama Arshad Ayub be re-appointed as Independent Non-Executive Director of the Company until the next AGM of the Company.

2. Ordinary Resolution 10 – Proposed renewal of the authority for Directors to issue shares

   The proposed Ordinary Resolution 10, 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 10, 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 had, at the 38th AGM held on 20 June 2013, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any new shares pursuant to this mandate obtained as at the date of this notice. The Ordinary Resolution 10 proposed under item 6.2 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, an announcement will be made by the Company in respect of the purpose and utilisation of proceeds arising from such issue.

   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).

3. Ordinary Resolution 11 – Proposed Renewal of the Share Buy-Back Authority

   Ordinary Resolution 11, 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 AGM 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 2013.

4. Ordinary Resolution 12 – Proposed Shareholders' Mandate for RRPT

   The proposed Ordinary Resolution 12 if passed is primarily to authorise the Company and/or its unlisted subsidiaries to enter into 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 of the Company dated 2 June 2014, 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 favourable 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 REQUIREMENT OF THE BURSA MALAYSIA

1. Directors who are standing for re-election at the 39th Annual General Meeting are as follows:

   (i) Dato' Kamaruzzaman Abu Kassim

   (ii) Ahamad Mohamad

   (iii) Rozan Mohd Sa'at

   (iv) Abdul Rahman Sulaiman

   Particulars of Directors seeking re-election at the Annual General Meeting are set out below:

	Resolution 2	Resolution 3
	Dato' Kamaruzzaman Abu Kassim	Ahamad Mohamad
Nationality/Age:	Malaysian / 50	Malaysian / 61
Academic/Professional Qualification(s):	Bachelor of Commerce (majoring in Accountancy), University of Wollongong, New South Wales, Australia	Bachelor of Economics (Honours) degree, University of Malaya
Present Directorship(s):	• Chairman of Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Damansara Realty Berhad, Damansara REIT Managers Sdn Bhd (manager of Al-'Aqar KPJ REIT), Johor Land Berhad, Waqaf An-Nur Corporation Berhad • Chairman/Member of the Board of Directors of several other companies within the JCorp Group	Chairman and Director of several other companies within the JCorp Group
Present Appointment(s):	Chairman/Non-Independent Non-Executive Director, Kulim (Malaysia) Berhad	Managing Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company	1 January 2008	24 January 1991

	Resolution 3	Resolution 4
	Rozan Mohd Sa'at	Abdul Rahman Sulaiman
Nationality/Age:	Malaysian / 55	Malaysian / 56
Academic/Professional Qualification(s):	Bachelor of Economics (Honours) majoring in Statistics, Universiti Kebangsaan Malaysia	• Bachelor of Science of Agribusiness degree, Universiti Putra Malaysia • Master of Business Administration, Henley Management College, United Kingdom
Present Directorship(s):	Chairman and Director of several other companies within the JCorp Group	Chairman and Director of several other companies within the JCorp Group
Present Appointment(s):	Non-Independent Non-Executive Director, Kulim (Malaysia) Berhad	Executive Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company	1 January 2008	1 September 2013

2. Further details of Director who is standing for re-appointment as per Agenda 3 and 6.1 of the Notice of 39th AGM are as follows:

	Resolution 6 and 9
	Tan Sri Dato' Seri Utama Arshad Ayub
Nationality/Age:	Malaysian / 86
Academic/Professional Qualification(s):	• Diploma in Agriculture, Serdang Agricultural College • Bachelor of Science (Honours) in Economics and Statistics, University College of Wales, Aberystwyth, United Kingdom • Diploma in Business Administration IMEDE, (now IMD Lausanne), Switzerland
Present Directorship(s):	• Pro Chancellor of UiTM • Chancellor of KPJ International University • Chairman of University of Malaya Board • Chairman of Malayan Flour Mills Berhad • Chairman of Tomypak Holdings Berhad • Chairman of Karex Berhad • Director of Top Glove Corporation Berhad
Present Appointment(s):	Independent Non-Executive Director
Appointed to the Board of the Company	31 January 1987

3. The 38th Annual General Meeting of the Company was held at Tanjung Puteri 302, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, Johor Bahru, Johor, Malaysia on Thursday, 20 June 2013 at 12:00 noon.

4. A total of seven (7) Board meetings were held during the financial year ended 31 December 2013. Details of attendance of Directors at Board meetings held during the financial year ended 31 December 2013 are as follows:

	273rd BOD 21.2.2013	Special BOD 13.6.2013	274th BOD 20.6.2013	275th BOD 23.8.2013	Special BOD 2.9.2013	276th BOD 21.11.2013	Special BOD 13.12.2013	%
Dato' Kamaruzzaman Abu Kassim	/	/	/	/	/	/	/	100
Ahamad Mohamad	/	/	/	/	/	/	/	100
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	/	/	/	/	100
Datin Paduka Siti Sa'diah Sh Bakir	/	/	/	/	/	X	/	85.70
Zulkifli Ibrahim	/	/	/	/	/	/	/	100
Jamaludin Md Ali	/	/	/	/	/	/	/	100
Wong Seng Lee	/	/	/	/	/	/	/	100
Datuk Haron Siraj	/	X	/	/	/	/	/	85.70
Dr. Radzuan A. Rahman	/	/	/	/	/	/	/	100
Rozan Mohd Sa'at	/	/	/	/	/	/	/	100
Leung Kok Keong	/	/	/	/	/	/	/	100
Abdul Rahman Sulaiman	–	–	–	–	/	/	X	66.67

Meeting No.	Date	Venue
273rd BOD Meeting	21 February 2013	Office of Kulim (Malaysia) Berhad, Board Meeting Room, Ulu Tiram Estate, Ulu Tiram, Johor
Special BOD Meeting	13 June 2013	
274th BOD Meeting	20 June 2013	Sekijang Room 403, Level 4, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, Johor Bahru
275th BOD Meeting	23 August 2013	Office of Kulim (Malaysia) Berhad, Board Meeting Room, Ulu Tiram Estate, Ulu Tiram, Johor
Special BOD Meeting	2 September 2013	
276th BOD Meeting	21 November 2013	
Special BOD Meeting	13 December 2013	

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Kulim (Malaysia) Berhad
(23370-V)

FORM OF PROXY

No. of ordinary shares held	CDS account no. of authorised nominee (i)

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 letter)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the 39th Annual General Meeting of the Company to be held at Bilik Permata 3, Level B2, The Puteri Pacific Hotel Johor Bahru, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, Malaysia on Tuesday, 24 June 2014 at 11.30 a.m. 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 2013		
2	To re-elect Director – Dato' Kamaruzzaman Abu Kassim		
3	To re-elect Director – Ahamad Mohamad		
4	To re-elect Director – Rozan Mohd Sa'at		
5	To re-elect Director – Abdul Rahman Sulaiman		
6	To re-appoint Director – Tan Sri Dato' Seri Utama Arshad Ayub		
7	To approve payment of Directors' fees		
8	To re-appoint Messrs. Ernst & Young as auditors		
9	To re-appoint Independent Non-Executive Director – Tan Sri Dato' Seri Utama Arshad Ayub		
10	Authority to allot and issue shares		
11	Proposed renewal of Share Buy-Back Authority		
12	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)

For appointment of two proxies, percentage of shareholdings to be presented by the proxies:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

_____
Signature(s)/Common Seal of Shareholder(s)

Dated this _____ day of _____ 2014

NOTE:

i. Applicable to shares held through a nominee account.

ii. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.

iii. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.

iv. A member shall not, subject to Paragraphs (v) and (vi) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

v. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

vi. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

vii. Any alteration to the instrument appointing a proxy must be initialised. The Instrument appointing a proxy must be deposited at the registered office at Suite 18, Lot 1B, Podium 1, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor not less than 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

Suite 18, Lot 1B, Podium 1

Menara Ansar

65 Jalan Trus

80000 Johor Bahru

Johor, Malaysia

Kulim (Malaysia) Berhad [23370-V]

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