

KLUANG RUBBER COMPANY (MALAYA) BERHAD

(Company No: 3441 K)
Incorporated in Malaysia

2019
ANNUAL REPORT



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixtieth (60th) Annual General Meeting of **KLUANG RUBBER COMPANY (MALAYA) BERHAD** will be held at Penang Langkawi Meeting Room, Block 1, Level 3A, Hotel Jen Puteri Harbour Johor, Persiaran Puteri Selatan, Puteri Harbour, 79000 Iskandar Puteri, Johor Darul Takzim, Malaysia on Thursday, 28 November 2019 at 12:00 p.m. to transact the following businesses:

Agenda

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Directors' and Auditors' Reports thereon. *Please refer to Explanatory Note 8(a)(i)*
2. To declare and approve the payment of a Single Tier First and Final Dividend of 1 sen per share for the financial year ended 30 June 2019. **RESOLUTION 1**
3. To declare and approve the payment of a Single Tier Special Dividend of 5 sen per share for the financial year ended 30 June 2019. **RESOLUTION 2**
4. To approve the payment of Directors' fees and benefits of up to RM 500,000 for the financial year ending 30 June 2020. **RESOLUTION 3**
5. To re-elect the following Directors who retire by rotation in accordance with the Company's Constitution:
 - a) Mr. Chew Khat Khiam Albert - Clause 22.4 of the Constitution **RESOLUTION 4**
 - b) Mr. Lee Chung-Shih Justin - Clause 22.4 of the Constitution **RESOLUTION 5**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. **RESOLUTION 6**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

7. **ORDINARY RESOLUTION:**
CONTINUATION OF MR. LEE SOO HOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR **RESOLUTION 7**
"THAT Mr. Lee Soo Hoon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company". *Please refer to Explanatory Note 8(b)(i)*
8. **ORDINARY RESOLUTION:**
AUTHORITY TO DIRECTORS TO ALLOT SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016 **RESOLUTION 8**
"THAT pursuant to Section 75 and 76 of the Companies Act, 2016 and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or person whomsoever as the Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be allotted does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being **AND THAT** the Directors be and hereby also empowered to obtain approval for the listing of and quotation for the additional shares to be allotted on the Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

9. ORDINARY RESOLUTION:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK AUTHORITY

RESOLUTION 9

“**THAT** subject always to the Companies Act 2016 (“Act”), the provisions of the Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad (“Bursa Malaysia”) upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :

- (i) the aggregate number of shares purchased and/or held does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia as at the point of purchase;
- (ii) an amount of funds not exceeding the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) at the time of purchase(s) will be allocated by the Company for the purchase of its own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manner allowed by the Act.

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will continue to be in force until :-

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be required by the relevant authorities in accordance with the Act, the provisions of the Constitution of the Company and the requirements and/or guidelines of Bursa Malaysia for the Main Market and all other relevant governmental and/or regulatory authorities.”

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

10. ORDINARY RESOLUTION:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ENTERED INTO WITH THE NYALAS RUBBER ESTATES LIMITED ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")

RESOLUTION 10

"**THAT** pursuant to Paragraph 10.09 of the Bursa Malaysia Main Market Listing Requirements, approval be and is hereby given to the Company to enter into and give effect to recurrent related party transactions of a revenue and trading nature with **The Nyalas Rubber Estates Limited**, as set out in Sections 2.4 and 2.5 of Part B of the Circular to Shareholders dated 30 October 2019 which are necessary for their day-to-day operations, in the ordinary course of business made on arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company; **AND THAT** the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which time the authority will lapse unless the Authority is renewed by a resolution passed at such AGM;
- (ii) the expiration of the period within which the next AGM after that date, is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier,

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Proposed Renewal of Shareholders' Mandate."

11. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN THAT the Single Tier First and Final Dividend of 1 sen per share and Single Tier Special Dividend of 5 sen per share in respect of the financial year ended 30 June 2019, if approved at the forthcoming 60th Annual General Meeting of the Company, will be paid on 6 January 2020 to depositors registered in the Record of Depositors at the close of business on 12 December 2019.

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

- (a) Shares transferred into the Depositors Securities Account before 4.00 p.m. on 12 December 2019 in respect of ordinary transfers; and

Shares bought on the Bursa Malaysia Securities Berhad on a cum entitled basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD KLUANG RUBBER COMPANY (MALAYA) BERHAD

SANTHI A/P SAMINATHAN (MAICSA NO.7069709)
CHEN YEW TING (MAICSA NO.0869733)
Company Secretaries
Johor Bahru
30 October 2019

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes :

1. For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd, in accordance with Clause 19.6 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 20 November 2019. Only members whose names appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. In the case of a corporation, the proxy should be executed under its Common Seal or under the hand of the officer of attorney of the corporation duly authorised in writing on its behalf.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The proxy form and the Power of Attorney or other authority (if any) under which it is signed, or notary certified copy thereof must be lodged at the Share Registrar's Office of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time of the meeting.
7. Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM shall be put to vote by poll.
8. Explanatory Note:

(a) Ordinary Business

(i) **Item 1 of the Agenda**

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

(b) Special Business

(i) **Item 7 of the Agenda**

Resolution No. 7

Continuation of Mr. Lee Soo Hoon as Independent Non-Executive Director

Mr Lee Soo Hoon has served as Independent Non-Executive Directors ("INED") of the Company for a cumulative term of more than nine (9) years. He has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements. Therefore, the Board of Directors consider him to be independent and believes that he should be retained as Independent Non-Executive Director based on the justifications as set out in Appendix A on page 7 of the Annual Report 2019.

(ii) **Item 8 of the Agenda**

Resolution No. 8

Authority to Directors to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 29 November 2018 ("the previous Mandate"). There were no shares issued under the previous Mandate and hence no proceeds raised.

The proposed Resolution 8, if passed, would provide flexibility to the Company to undertake fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for allotment of shares as settlement of purchase consideration by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to the mandate does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion on the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual general meeting is required to be held after the approval was given, whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(iii) **Item 9 of the Agenda**

Resolution No. 9

Proposed Renewal of Shareholders' Mandate for Share Buy-Back Authority

The proposed Resolution 9, if passed, will empower the Company to purchase and /or hold up to ten percent (10%) of the total number of issued shares of the Company. The mandate shall continue to be in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution passed by the shareholders of the Company in general meeting and is subject to annual renewal. Further information on this resolution is set out in Part A of the Circular to shareholders dated 30 October 2019, which is dispatched together with the Annual Report 2019 of the Company.

(iv) **Item 10 of the Agenda**

Resolution No. 10

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 10, if passed, will renew the mandate for the Company to enter into recurrent related party transactions of a revenue or trading in nature with the related parties as specified in Section 2.4 and 2.5 of Part B of the Circular to shareholders dated 30 October 2019, which is dispatched together with the Annual Report 2019 of the Company. The mandate shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by resolution passed by the shareholders in general meeting and is subject to annual renewal.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX A

ORDINARY RESOLUTION NO. 7 – CONTINUATION OF MR. LEE SOO HOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR

Justifications

- a. Mr. Lee Soo Hoon fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.
- b. He has been with the Company for more than nine (9) years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings without compromising his independence and objective judgement.
- c. He has contributed sufficient time and efforts and attended all the Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the management and Executive Directors for informed and balanced decision making.
- d. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.
- e. The current Independent Directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the Independent Directors in the Company is valuable for continued stability and growth.

**STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING
(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)**

**1. DETAILS OF INDIVIDUALS STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS
STANDING FOR A RE-ELECTION)**

There is no individual standing for election as Director of the Company at this Annual General Meeting.

**2. GENERAL MANDATE FOR ISSUE OF SECURITIES PURSUANT TO PARAGRAPH 6.03(3) OF THE
MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

The general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016 is for the purpose of granting renewal of the mandate obtained from its shareholders at the 59th Annual General Meeting held on 29 November 2018.

The Company did not issue any shares pursuant to this mandate obtained.

The purpose of this general mandate is for possible fund-raising exercise, including but not limited to further placement of shares for the purpose of funding current and/or future investments projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

CORPORATE INFORMATION

DIRECTORS

LEE SOO HOON

Independent Non-Executive Chairman

LEE CHUNG-SHIH JUSTIN

Executive Deputy Chairman

TAY BENG CHAI

Independent Non-Executive Director

CHEW KHAT KHIAM ALBERT

Independent Non-Executive Director

CHEONG MUN HONG

Executive Director

BALARAMAN A/L ANNAMALY

Executive Director

MUGANA KERISNAN A/L KARPIAH

Alternate Director

SECRETARIES

SANTHI A/P SAMINATHAN

CHEN YEW TING

AUDIT COMMITTEE MEMBERS

CHEW KHAT KHIAM ALBERT

Chairman

LEE SOO HOON

TAY BENG CHAI

NOMINATING COMMITTEE MEMBERS

CHEW KHAT KHIAM ALBERT

Chairman

LEE SOO HOON

TAY BENG CHAI

REMUNERATION COMMITTEE MEMBERS

TAY BENG CHAI

Chairman

LEE SOO HOON

CHEW KHAT KHIAM ALBERT

CORPORATE INFORMATION (cont'd)

RISK MANAGEMENT COMMITTEE MEMBERS

LEE SOO HOON

Chairman

TAY BENG CHAI

CHEW KHAT KHIAM ALBERT

AUDITORS

ERNST & YOUNG

Chartered Accountants

REGISTERED OFFICE

SUITE 9D, LEVEL 9, MENARA ANSAR,

65 JALAN TRUS,

80000 JOHOR BAHRU, JOHOR

TEL: 607-224 1035 FAX: 607-221 0891

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD (Company No. 378993-D)

11TH FLOOR, MENARA SYMPHONY,

NO. 5, JALAN PROFESSOR KHOO KAY KIM, SEKSYEN 13,

46200 PETALING JAYA,

SELANGOR DARUL EHSAN

TEL: 603-7890 4700 FAX: 603-7890 4670

BANKER

OCBC BANK (MALAYSIA) BERHAD

STOCK EXCHANGE

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("*Bursa Malaysia*")

WEBSITE

www.kluangrubber.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group reported revenue of RM22.61 million for the financial year ended 30 June 2019. The Group's revenue was made up of the sale of fresh fruit bunches ("FFB"), dividend income, rental income and interest income. Group revenue was lower by 22%, due mainly to lower contributions from the sale of FFB which were impacted by weaker FFB prices and lower production.

For the financial year ended 30 June 2019, the Group reported an operating profit of RM4.94 million.

The Group reported a loss, net of tax of RM14.72 million. For the current financial year, our share of loss of associates was RM6.13 million, while for the previous financial year ended 30 June 2018, our associates had a negative contribution of RM1.47 million.

The net loss attributable to the owners of the parent was RM12.30 million for the financial year ended 30 June 2019.

The total comprehensive loss for the financial year ended 30 June 2019 was RM38.91 million, of which a total comprehensive loss of RM22.55 million was attributable to the equity holders of the parent. Of note was the fair value loss on investments of RM42.22 million and the positive contribution from foreign currency translation of RM18.02 million.

Dividends

The Board is proposing a single tier first and final dividend of 1 sen per share for the financial year ended 30 June 2019.

To commemorate the 60th Annual General Meeting of the Company on 28 November 2019, the Board is proposing a single tier special dividend of 5 sen per share to reward shareholders for their continuous support for the Company.

In total, the cash dividend proposed for the financial year ended 30 June 2019 is 6 sen per share. The proposed cash dividend for the financial year ended 30 June 2019 is subjected to the approval of shareholders at the forthcoming Annual General Meeting. In addition to the final cash dividend, shareholders were also rewarded with the dividend in-specie exercise which was completed during the financial year.

Prospects

Although faced with challenges of unpredictable weather conditions and labour concerns, the Group continues to remain positive on the long-term fundamentals of the oil palm industry. The Group's results will be affected by fluctuations in market valuation and foreign exchange differences.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank the directors, the management and staff at all levels for their continuing efforts and contributions during the year.

We also wish to thank our customers, suppliers and valued shareholders for their continuous support.

On behalf of the Board of Directors

LEE SOO HOON
Chairman

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

Plantation Operations

The Group reported revenue of RM8.49 million from the sale of Fresh Fruit Bunches (“FFB”) in the financial year ended 30 June 2019. With the adoption of FRS 10 in the financial year ended 30 June 2014, the results of Sungei Bagan Rubber Company (Malaya) Berhad’s plantation operations were consolidated. On a Company basis, Kluang Rubber Company (Malaya) Berhad (“Kluang Rubber”) reported a revenue of RM3.82 million from its plantation operations, a year on year decline of 39%.

As of 30 June 2019, the Group’s total planted area stood at 6,502 acres:

- Kluang Estate: 1,574 acres
- Sungei Bagan Estate & Kuala Pergau Estate: 4,928 acres

As of 30 June 2019, Kuala Pergau Estate was fully planted with an area of 2,313 acres, and harvesting at Home division commenced in February 2019. For the current financial year ending 30 June 2020, the entire planted area at Kuala Pergau Estate is expected be ready for harvesting. Upon prime maturity, Kuala Pergau Estate is expected to be a significant contributor towards the Group’s plantation segment.

In 2019, Kluang Estate was awarded the Malaysian Sustainable Palm Oil (“MSPO”) certification. Likewise, Sungei Bagan Estate and Kuala Pergau Estate were also awarded the MSPO certification.

The following is a review of the estates’ performance with the focus on Kluang Estate.



Kluang Estate (Office)

Kluang Estate

For the financial year ended 30 June 2019, Kluang Estate reported FFB sales of RM3.82 million. The 39% decrease was a result of lower FFB production and lower FFB average sales prices. For Kluang Estate, FFB production of 9,453 MT was 17% lower than the previous financial year’s production of 11,431 MT.

For the financial year under review (July 2018 – June 2019), monthly average Crude Palm Oil (“CPO”) price was in the range of RM1,800 to 2,200/MT, relatively lower than the range for the financial year ended 30 June 2018 (July 2017 - June 2018). As FFB price is a function of CPO price, this led to a 27% decrease in Kluang Estate’s FFB average selling prices.

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont’d)

Plantation Operations (cont’d)

Kluang Estate (cont’d)

For the financial year ended 30 June 2019, Kluang Estate delivered FFB yield of 17.25 MT/ha. This was lower than Malaysian Palm Oil Board’s (“MPOB”) Peninsular Malaysia’s average FFB yield of 18.49 MT/ha and MPOB’s Johor average FFB yield of 20.50 MT/ha over the corresponding period (July 2018 – June 2019).

In addition to weather and labour challenges, certain fields were attacked by bagworms, resulting in a negative impact on production. In addition to the traditional trunk injection approach, management is actively in the process of exploring mechanised solutions to mitigate the impact of pest attacks.

Key improvements at Kluang Estate for the financial year ended 30 June 2019 included the:

- Re-fabrication of FFB ramp
- Implementation of motorised FFB cutter (“cantas”)
- Upgrade of labour quarters
- Upgrade of office facilities

With a total planted area of 1,574 acres, the weighted average age of Kluang Estate’s oil palms was 11 years. The age profile of Kluang Estate at 30 June 2019 as a percentage of planted area is as follows:

- Immature (0 - 3): 17%
- Mature – Young (4 - 7): 22%
- Mature – Prime (8 - 17): 41%
- Mature – Tall (≥ 18): 20%

With 63% of Kluang Estate between 4-17 years, we remain optimistic on Kluang Estate’s production capabilities for the financial year ending 30 June 2020. The Company has in place a framework to assess the replanting requirements based on maturity and yield, and management is satisfied with the current age profile of the plantation.

A detailed breakdown of the Kluang Estate’s planted area is included in the segment titled “Planted Area Age Profile”.



Kluang Estate (2019 Replanting)

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont’d)

Plantation Operations (cont’d)

Sungei Bagan Estate and Kuala Pergau Estate

Revenue from plantation operations decreased by 40% to RM4.67 million. This was a result of lower FFB production and lower FFB average sales prices. For Sungei Bagan Estate, FFB production of 11,275 MT was 20% lower than the previous year’s production of 14,072 MT. The FFB net average price for Sungei Bagan Estate for the financial year ended 30 June 2019 was also 27% lower.

For the financial year ended 30 June 2019, Sungei Bagan Estate reported FFB yield of 11.00 MT/ha. By any measure, this was a poor showing. The estate is determined to improve the coming year, and have started implementing measures to improve FFB production.

As of 30 June 2019, Kuala Pergau Estate was fully planted with an area of 2,313 acres. For the current financial year ending 30 June 2020, the entire planted area at Kuala Pergau Estate is expected be ready for harvesting.

Upon prime maturity, Kuala Pergau Estate is expected to be a significant contributor towards the Group’s plantation segment.

Investments

The bulk of the Company’s quoted shares investment are held in the following publicly listed entities:

- Kuchai Development Berhad
- Sungei Bagan Rubber Company (Malaya) Berhad
- Singapore Press Holdings Limited

The Group’s position as long-term shareholders in publicly listed entities have served us well over the years and we hope that they would continue to do so. The Group also has holdings in investment funds and precious metals.

For financial year ending 30 June 2020, to strengthen our treasury operations, we have started building our fixed income portfolio.

Financial Position

The Group continued to maintain a healthy financial position with no bank borrowings and sufficient cash and cash equivalents to cover total liabilities.

As Kuchai Development Berhad and Sungei Bagan Rubber Company (Malaya) Berhad are consolidated, the Group’s non-controlling interests stood at RM516 million, or 43% of the Group’s total equity.

Both the Board and management are committed towards maintaining its philosophy of having a strong balance sheet and a healthy cash position to ensure the Company’s ability to fund our operations and capital requirements.

The Company recognizes the need to achieve a balance between providing reasonable returns to shareholders while conserving funds required for new investment opportunities.

To commemorate the Company’s 60th Annual General Meeting, a special cash dividend bringing the total cash dividend up to 6 sen per share is proposed, subject to shareholders’ approval at the coming Annual General Meeting. In addition to the proposed cash dividend, shareholders were also rewarded with the dividend in-specie exercise which was completed during the financial year ended 30 June 2019.

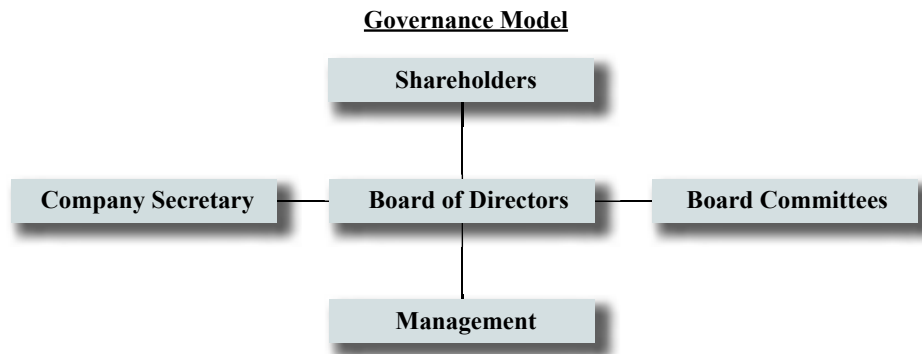
CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Kluang Rubber Company (Malaya) Berhad (“the Company”) is fully committed to ensure that good corporate governance practices are adopted throughout the Company and its subsidiaries (“Group”). The Board supports the Principles and Practices of good corporate governance (including the intended outcome) as promulgated by the Malaysian Code of Corporate Governance 2017 (“MCCG”) to direct and manage the business and affairs of the Group towards promoting business and corporate governance with ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

The Board presents this statement to shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the financial year ended 30 June 2019. This overview takes guidance from the key CG principles as set out in the MCCG issued by Securities Commission Malaysia in April 2017 and prepared in compliance to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board further acknowledges the importance of achieving best practices in its standard of business performance and corporate accountability and is committed to subscribe to the recommendations of the Code. The CG Report will be available on the Company’s website at www.kluangrubber.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS



I. BOARD RESPONSIBILITIES

Principle Responsibilities of the Board

The Board is responsible for setting the strategic direction, establishing goals for the management and continuously improving its performance to protect and enhance shareholders’ value. The Board is responsible for the overall standards of conduct, risk management, succession planning, strategic planning, financial matters, corporate governance and sustainability and effective communication with shareholders and investors and the system of internal controls.

The Board plays an active role in developing the Group’s strategy. The Board will then review and deliberate upon both management’s and its own perspectives to deliver the best outcomes. The Board comprises of a mix of directors whose combined skills and knowledge enable the Board to function effectively in discharging its fiduciary and leadership function. The Board understands that in governing, the directors must always act honestly, fairly, diligently and in accordance with the law, in the best interest of the Group.

In discharging the Board’s duties and responsibilities, the Board has delegated certain duties and responsibilities to four other Board Committees namely the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee to assist the Board in overseeing the Group’s affairs and in deliberation of issues within their respective functions and terms of reference which outline clearly their objectives, duties and powers. The terms of reference of the Board Committees are included in the Board Charter of the Company which is available on the Company’s website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and resolutions or key matters deliberated at each Board Committee meeting through the minutes and reports from the respective Board Committees' Chairman which are presented to the Board during the Board meeting at the appropriate regular intervals.

The Board has also established clear functions reserved for the Board and those delegated to the management. The respective roles and responsibilities of the Board and management are clearly set out to ensure accountability of both parties.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group during the financial year ended 30 June 2019, the Board apart from fulfilling its statutory responsibilities, collectively: -

- reviewed and decided on management's proposals and monitored the implementation by management;
- promoted good governance culture within the Group which reinforces ethical, prudent and professional conduct;
- reviewed and determined the Company's overall direction, development, control and ensured that the Company's businesses practices are designed to deliver sustainable value to its shareholders and other stakeholders. The Company's economic, environment and social activities are set out on pages 31-39 of this Annual Report;
- ensured the integrity of the Company's financial and non-financial reporting;
- ensured that the Company has in place procedures to enable effective communication with stakeholders;
- monitored the financial position and evaluated the overall performance of the Company through quarterly reviews;
- supervised and assessed management performance regularly; and
- ensured that a sound and adequate framework of reporting on risk management and internal control and legal compliance are in place;

Aside from the core responsibilities listed above, significant matters required deliberation and approval from the Board are clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meeting.

The Independent Non-Executive Directors play a crucial role in ensuring that the strategies proposed by the management are properly deliberated and reviewed, and to ensure that the interest of shareholders, including minority shareholders are given due consideration in the decision making process. They are also actively involved in the various Board Committees.

Chairman of the Board

The Chairman, Mr. Lee Soo Hoon, an Independent Non-Executive Chairman is able to provide effective and strategic direction and necessary governance to the Company. The Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures. The Chairman with the assistance of the Company Secretary, schedules Board meetings to ensure that the Board receives accurate, timely and clear information, enabling the Board to perform its duties reasonably. During the meeting, the Chairman encourages constructive relations between Board members and ensures that open, healthy and effective debates are held by allowing sufficient time to be given on the deliberation of issues.

The Nominating Committee is satisfied that the Chairman has discharged his duties effectively and continues to play a vital role in leading the Board.

Separation of Chairman and Management

The roles of the Chairman of the Board and management are held by two (2) different persons and each has a clear accepted division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman of the Board is primarily responsible for the achievement of the Group's strategic vision and leads the board in its collective oversight of management, while the Executive Directors and management are responsible for the day-to-day management of the operations of the Company and the implementation of the Board's policies and decisions. The Chairman of the Board and management fully appreciate their respective roles and responsibilities and are supportive of the development of a healthy corporate governance culture.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Company Secretary

The Board is supported by two (2) suitably qualified and competent Company Secretaries. The Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) are qualified Company Secretaries as per Section 235(2) of the Companies Act 2016. They are external Company Secretaries with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel.

The Company Secretaries play an important advisory role to the Board, on administrative, regulatory requirements and governance matters. The Company Secretaries are also responsible to ensure that accurate and proper recording of proceedings and resolutions at the Board, Board Committees meetings and general meetings.

The Board has unrestricted access to the advice and services of the Company Secretaries for Board's affairs. The Company Secretaries attend all Board and Board Committee Meetings and all proceedings and conclusions from the Board meetings are minuted and signed by the Chairman. The Company's statutory records are maintained accordingly at the Company's registered office.

Access to Information and Advice

The Board will receive the notice of agenda together with the meeting materials (including the minutes of the previous meeting) at least five (5) business days prior to the date of the meeting to ensure that the directors have sufficient time to review and solicit further clarification and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are constructive and focused.

The Board has unrestricted access to all information and the advice of the Company Secretaries and external auditors whether as the Board, or in their individual capacity, in the furtherance of their duties. Directors may interact directly with, or request further explanation, information or updates on any aspect of the business from management. They may obtain independent professional advice at their discretion to assist them in Board decisions.

Board Charter

The Board is guided by its Board Charter which clearly sets out the roles and responsibilities of the Board and Board Committees in discharging its fiduciary and leadership function and the processes and procedures for their meetings. The Board Charter sets out the role, functions, composition, operation and processes of the Board as to ensure that the members of the Board practice good corporate governance in their business conducts and dealings in respect of and on behalf of the Company and comply with the various laws and regulations governing them.

The Board Charter acts as a source of reference to provide insights on the responsibilities of the Board and senior management. It also serves as guide to the Board in assessing its own performance and of individual directors.

The Board Charter is reviewed and updated periodically in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.

A copy of the Board Charter is available for reference on the Company's website.

Code of Conduct and Ethics

The Board is committed in maintaining good corporate integrity and recognises the importance of a Code of Conduct which sets out the principles and standards of business ethics and conduct applicable to all directors and employees of the Company. In line with good corporate governance practices, the Board, management and employees shall act honestly, objectively and diligently while carrying out their duties and they shall not act in a manner which could discredit the Company in any manner. These standards are formalised through the Company's Code of Conduct and Business Ethics.

The Code of Conduct and Business Ethics is reviewed periodically in accordance with the needs of the Company. A copy of the Code of Conduct and Business Ethics is available for reference on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Whistle Blowing Policy

Whistle blowing is a specific means by which an employee or stakeholder can report or disclose through established channels, concerns about:

- Unethical behaviour;
- Illegal acts;
- Failure to comply with regulatory requirements; or
- Any possible serious violations of internal policies, procedures or external laws by the perpetrators.

This includes events which are taking place, has taken place or may take place in the future.

The Whistle Blowing Policy is published and available for reference on the Company's website. The Board has concluded that the current policy is still valid and relevant.

II. BOARD COMPOSITION

Independent Directors

The Board comprises of six (6) members, of whom three (3) are Independent Non-Executive Directors and three (3) are Executive Directors. There is one (1) Alternate Director. The Board composition complies with the Listing Requirements of Bursa Malaysia that requires a minimum of 2 or 1/3 of the Board to be Independent Directors.

Name	Designation
Lee Soo Hoon	Independent Non-Executive Chairman
Tay Beng Chai	Independent Non-Executive Director
Chew Khat Khiam Albert	Independent Non-Executive Director
Lee Chung-Shih Justin	Executive Deputy Chairman
Cheong Mun Hong	Executive Director
Balaraman A/L Annamaly	Executive Director
Mugana Kerisnan A/L Karpiah	Alternate Director
<i>(appointed w.e.f. 2 May 2019)</i>	

The presence of three (3) Independent Non-Executive Directors, which represent 50% of the Board, facilitates the unbiased exercise of independent evaluation in Board deliberations and decision making. Their presence fulfils a central role in corporate accountability and serves to provide a check and balance on the Board. In the event of any vacancy on the Board, resulting in a non-compliance, the vacancy will be filled within three (3) months. The Nominating Committee shall on an annual basis assess the independence of the Independent Directors.

A brief profile of each director is presented on pages 47 to 53 of the Annual Report.

Tenure of Independent Directors

The Board is aware that the MCCG recommends that the tenure of an Independent Director does not exceed a cumulative period of nine (9) years and upon completion of the nine (9) years, an Independent Director may serve as a Non-Independent Director.

The MCCG also recommends that if the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval and if the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

As of the date of this Annual Report, the Independent Non-Executive Chairman, Mr Lee Soo Hoon has exceeded the cumulative term of twelve (12) years. The Nominating Committee carried out an assessment on Mr Lee Soo Hoon and the Nominating Committee is of the view that Mr Lee Soo Hoon continues to be independent as:

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

- He has met the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgement to the Board;
- He has been with the Company for more than twelve (12) years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings without compromising his independence and objective judgement;
- He has contributed sufficient time and efforts and attended all Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings as well as meetings with the Internal and External Auditors without the presence of management and Executive Directors for informed and balanced decision making; and
- He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

In this respect, the Board, based on his exemplary leadership and dedication to his responsibilities, recommends that Mr Lee Soo Hoon, continues to serve as an Independent Non-Executive Chairman subject to the annual shareholders' approval through a two-tier voting process.

The current Independent Directors are strong individuals demonstrating independence. The Board believes that independence is a result of a director's state of mind and integrity and not dependent on the years of service. The experience of the Independent Directors is valuable for continued stability and growth.

The Board believes that the Nominating Committee is in the best position to evaluate and determine whether any Independent Director can continue to provide independent and objective judgement during board deliberations and act in the best interests of the Company. The Independent Non-Executive Directors who are also in the Nominating Committee will be excused from the meeting during discussion of their independent status.

The Nominating Committee will continue, on an annual basis to assess the independence of the Independent Non-Executive Directors.

Appointment of Board and Senior Management

The Nominating Committee is responsible to oversee the selection process and assess the performance of the directors with the objective of securing the best composition to meet the objectives of the Company. Therefore, the Committee adopts a non-discriminatory policy towards identifying, assessing and appointing suitably qualified directors to its Board, and will regularly evaluate the composition and performance of the Board to ensure that these objectives are adopted in the process of board recruitment, board performance evaluation and succession planning.

The Board is made up of experienced professionals from varied backgrounds with expertise in areas comprising of business, finance, management, law and the palm oil industry. The Board has a good balance of members such that no one individual or a small group of individuals can dominate the Board's decision-making process. With their diverse backgrounds and specializations, the directors bring along a wide range of experience, expertise and perspective in discharging their responsibilities and duties as stewards of the Company. The Board recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company views increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. Appointment of Board members are based on objective criteria, merit and with due regard for diversity in skill, experience, age, cultural background and gender.

A copy of the Board Diversity Policy is available for reference on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Gender Diversity

The Board recognizes the importance of fostering the development of women in decision-making positions in the corporate sector. Whilst the Board has not implemented any definitive policy on the proportion of female directors, suitable female candidates are, and were considered for Board participation.

For the year ended 30 June 2019, there were no female directors on the Board.

Identifying Candidates for Appointment of Directors

The Nominating Committee is responsible in identifying candidates to the Board to fill the vacancy arising from resignation, retirement or any other reasons, and if there is a need to appoint additional directors with the required skill or expertise.

In identifying candidates, the Board is not limited to recommendations from existing Board members, management or major shareholders. The Board also considers utilizing independent sources to identify suitably qualified candidates and will conduct Board appointment processes in a manner as recommended by the MCGG.

Once identified, the Nominating Committee is responsible for assessing and making recommendations on new appointments to the Board, ensuring that all candidates are of sufficient calibre. Besides evaluating the candidate's skills and experience, the Nominating Committee considers the following factors:

- a) The candidate's understanding of the Group and market;
- b) The candidate's professional expertise, experience and background; and
- c) Other factors including requirements for independence and the promotion of diversity of views

For the appointment of new directors, the Nominating Committee will generally identify suitable candidates skilled in core competencies such as accounting, finance, business, management, industry expertise or knowledge. If the Nominating Committee decides that the candidate is suitable, the Nominating Committee will arrange to meet and conduct interviews with the candidate prior to making a recommendation to the Board. These interviews conducted may be official as well as unofficial. Besides reviewing the candidate's curriculum vitae and other biographical information, the assessment process may include, at the Nominating Committee's discretion, conducting legal and other background searches of the candidate.

Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee will make its recommendation to the Board for assessment and endorsement. The final decision on any appointment rests with the Board.

For the financial year ended 30 June 2019, Mr Mugana Kerisnan A/L Karpiah was appointed as an Alternate Director to Mr Balaraman A/L Annamaly.

In accordance with the Company's Constitution, the newly appointed directors will retire at the subsequent Annual General Meeting and are eligible for re-election by shareholders. The clauses of Constitution also provide that at least one third (1/3) of the Board including Executive Directors is subject to re-election annually and each director shall stand for re-election at least once every three (3) years.

The Nomination Committee

The Nominating Committee set up by the Board comprises exclusively of three (3) Independent Non-Executive Directors as follows:-

Chairman	:	Chew Khat Khiam Albert	Independent Non-Executive Director
Members	:	Lee Soo Hoon	Independent Non-Executive Director
		Tay Beng Chai	Independent Non-Executive Director

The Chairman of the Nominating Committee is an Independent Non-Executive Director. The terms of reference of the Nominating Committee is available on the Board Charter which is published and available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Evaluation of the Board

The Board, through the Nominating Committee annually reviews its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors bring to the Board. This process is to be carried out by the Nominating Committee annually, for assessing the effectiveness of the Board, Board Committees, and the contribution of each individual member.

The Company Secretary shall distribute the evaluation form to the Board and Board Committees for completion on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

For financial year ended 30 June 2019, the Nominating Committee reviewed and updated the annual performance evaluation for directors. The overall Board and its Committees' performance and effectiveness was assessed, and the Chairman of the Nominating Committee presented the outcome of the annual performance evaluation for directors during a Board meeting.

As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual directors, the Nominating Committee considers the balance of skills, experience, expertise and independence on the Board and the diversity representation on the Board.

The assessment covered the following areas:

- Attendance
- Board composition
- Character and attitude
- Competencies and skills
- Effectiveness of board committees
- Participation and contribution

The Nominating Committee is satisfied with the Board's composition, well balanced with the required mix of skills, experience, knowledge and competencies, which is required for an effective Board.

For the financial year, the Nominating Committee:

- Reviewed the composition of the Board and Board Committees, nominating the directors who are due for retirement and re-appointment, and are eligible to stand for re-election and re-appointment respectively;
- Reviewed the composition of the Board based on the required mix of skills, experience and other qualities;
- Reviewed the composition of the Board Committees based on their compliances with the provisions of the regulations;
- Assessed the independence of the Independent Non-Executive Directors;
- Reviewed and updated the annual performance evaluation for directors;
- Assessed the overall Board and its Committees' performance and effectiveness; and
- Presented the outcome of the annual performance evaluation for directors during a Board meeting.

The Nominating Committee is satisfied that sufficient time and attention was given by each of the directors to the affairs of the Company, notwithstanding some of the directors with multiple board representations.

The Board meets not less than four (4) times a year to review and approve the quarterly results for announcements. Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

All directors attended at least 50% of all Board meetings held in the financial year ended 30 June 2019, complying with the minimum 50% attendance as required by Paragraph 15.05 of the Bursa Malaysia Securities Berhad's Listing Requirements. The quorum of Board meetings was met with attendance of not less than three (3) out of six (6) directors who participated in decision-making at each Board meeting. This is evidenced by the attendance record set out in the annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

The Audit Committee shall meet not less than four (4) times a year. The Nominating Committee, the Remuneration Committee and the Risk Management Committee shall meet at least once a year, and when necessary.

Board meetings are a fundamental component of governance processes as they provide the opportunity for directors to:

- Obtain and exchange information with management;
- Obtain and exchange information with fellow directors; and
- Deliberate and arrive at decisions.

Management and/or external advisors may be invited to attend Board meetings to advise the Board and to furnish the Board with information and clarification needed on relevant items on the agenda to enable the Board to arrive at an informed decision.

To facilitate planning, an annual meeting calendar is prepared and circulated in advance. This provides directors with scheduled dates for Board meetings and the Annual General Meeting.

Any director accepting new directorship in other companies will be required to make known to the Board prior to his/her new appointment and give commitment to the Board that his/her time for attending board meetings will not be compromised in any manner.

The directors recognise the importance of continuous development to update themselves and to further enhance their skills, knowledge and better equip themselves to effectively discharge their fiduciary duties. All directors have completed the Mandatory Accreditation Programme as required by Bursa Malaysia's listing requirements. Mr Mugana Kerisnan A/L Karpiah (appointed as an Alternate Director to Mr Balaraman A/L Annamaly) completed the Mandatory Accreditation Programme on 20 August 2019.

Directors Training

All directors are encouraged to attend external professional programmes which are relevant and useful in contributing towards the effective discharge of their duties as directors.

All directors are expected to attend at least one (1) training session a year.

During the financial year ended 30 June 2019, the directors attended the following relevant training programmes:

Date	Seminar/Workshop	Conducted by	Attended by
17 Sep 2018	Bonds and Fixed Income Workshop Series	CFA Society	Cheong Mun Hong
27 Nov 2018	Director Financial Reporting Fundamentals	Singapore Institute of Directors	Cheong Mun Hong
5 Dec 2018	Breakfast Series: Non-Financials – Does it Matter	Bursa Malaysia	Tay Beng Chai
28 May 2019	Sustainability Training – What Directors Need to Know	Boardroom Corporate Services Sdn Bhd	All directors

The directors received regular briefings from external auditors on updates in financial reporting and new accounting standards.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

III. REMUNERATION

Remuneration Policy

The Company's remuneration policy for directors is tailored to provide a remuneration package needed to recruit, retain and motivate individuals of the necessary calibre and quality needed.

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Directors, key Senior Management, and fees of Non-Executive Directors for shareholders' approval at the Annual General Meeting of the Company. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies may be taken into consideration in determining these remunerations.

For Executive Directors, the Remuneration Committee considers corporate and individual performance, as well as performance on a range of other factors including the accomplishment of strategic goals. The Remuneration Committee ascertains and recommends the remuneration packages of Executive Directors to the Board for its approval.

Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. The Remuneration Committee recommends the directors' fees payable to the Board and are deliberated at the Board before being presented at the Annual General Meeting for shareholders' approval. The amount of remuneration for each Non-Executive Director varies with the level of responsibilities undertaken by the individual.

In addition to fixed annual director fees, all Non-Executive Directors are paid a meeting attendance allowance. In recognition of the additional time and commitment required, the Chairman of the respective Board Committees also receives an annual fixed fee for their chairmanship of the respective Board Committees. Individual directors are not permitted to participate in the discussion and decision of their own remuneration.

Remuneration Committee

The Remuneration Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Tay Beng Chai, and members are Mr Lee Soo Hoon and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Remuneration Committee is included in the Board Charter, which is available for reference on the Company's website.

For the financial year, the Remuneration Committee:

- Reviewed and recommended the remuneration for the members of the Board

Remuneration of Directors

The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to directors' remuneration are appropriately served by the band disclosure made.

Details of the remuneration of the directors for the financial year are as follows:

- (i) Aggregate remuneration of the directors of the Company (including Alternate Director) are categorised into appropriate components.

Directors' Remuneration (RM)	Salaries, Bonuses and Allowances	Fees	Total
Executive Directors	664,124	0	664,124
Non-Executive Directors	0	314,760	314,760
Total	664,124	314,760	978,884

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

(ii) Aggregate remuneration of the directors of the Company on a Group basis (including Alternate Director) are categorised into appropriate components.

Directors' Remuneration (RM)	Salaries, Bonuses and Allowances	Fees	Total
Executive Directors	1,807,631	0	1,807,631
Non-Executive Directors	0	871,860	871,860
Total	1,807,631	871,860	2,679,491

(iii) In accordance with the MCG 2017, the directors of the Company whose total remuneration falls within bands of RM50,000 on a named basis, on a Group and Company basis (including Alternate Director) are as follows:

Directors' Remuneration (RM)	Designation	Group Basis	Company Basis
Lee Chung-Shih Justin	Executive	1,100,001 – 1,150,000	400,001 – 450,000
Balaraman A/L Annamaly	Executive	300,001 – 350,000	100,001 – 150,000
Cheong Mun Hong	Executive	300,001 – 350,000	100,001 – 150,000
Lee Soo Hoon	Non-Executive	300,001 – 350,000	100,001 – 150,000
Tay Beng Chai	Non-Executive	250,001 – 300,000	50,001-100,000
Chew Khat Khiam Albert	Non-Executive	250,001 – 300,000	100,001 – 150,000
Mugana Kerisnan A/L Karpiah	Alternate	< 50,000	-

The remuneration breakdown of individual directors of the Company includes fees, salaries, bonuses and allowances.

The fees paid to all directors were approved in advance by the shareholders at the Annual General Meeting.

Details of the directors' remuneration are set out in Note 7 to the financial statements by applicable bands of RM50,000 which complies with the disclosure requirements under the Bursa Malaysia's Listing Requirements.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Composition of Audit Committee

The Audit Committee set up by the Board comprises exclusively of three (3) Independent Non-Executive Directors as follows:-

Chairman	: Chew Khat Khiam Albert	Independent Non-Executive Director
Members	: Lee Soo Hoon	Independent Non-Executive Director
	Tay Beng Chai	Independent Non-Executive Director

The Chairman of the Audit Committee is not the Chairman of the Board. The members of the Audit Committee are financially literate with one member of Audit Committee being a member of the Malaysia Institute of Accountants. The Audit Committee members collectively possess a mix of skills, knowledge and experience to discharge their duties and responsibilities to oversee the financial reporting process, internal controls, risk management and governance effectively and independently.

Under the Audit Committee's Terms of Reference, a former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Terms of Reference for the Audit Committee is included in the Board Charter, which is available for reference on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Compliance with Applicable Financial Reporting Standards

The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting. The Board strives to provide shareholders with a balanced and meaningful evaluation of the Company's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Malaysia.

External Auditors

The Audit Committee maintains a transparent relationship with the External Auditors. Under the Audit Committee's Terms of Reference, the Audit Committee is to review the suitability, objectivity and independence of the external auditor annually.

The Board strives to establish a transparent and professional relationship with the External Auditors with the assistance of the Audit Committee. Participation of the Executive Directors and/or Senior Management in the Audit Committee meeting is strictly by invitation only, so that the External Auditors can highlight any issues or concerns on the Company's operations and management practices.

The Audit Committee obtains written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Upon completion of assessment and if found suitable by the Audit Committee, the External Auditors would then be recommended to the Board for their re-appointment, and thereafter for tabling to the shareholders of the Company for approval at the Annual General Meeting.

The Terms of Reference for the Audit Committee is included in the Board Charter, which is available for reference on the Company's website.

Trainings

Details of the trainings attended by the Audit Committee members are found under the Directors Training section of this Annual Report.

Details of the Audit Committee members' biography are set out under the Profile of Directors section of this Annual Report.

Further details of Audit Committee are presented under the Audit Committee's Report on pages 43 to 46.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Effective Risk Management and Internal Control Framework

The Board acknowledges its responsibility in maintaining a sound system of internal controls and risk management practices to safeguard shareholders' investment and the assets of the Company, and for reviewing the adequacy and integrity of the system. However, the Board recognizes this is a concerted and on-going process, whereby such system is designed to manage rather than eliminate the risk of failure.

In pursuing these objectives, the system of internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Board regards risk management as an integral part of the business operations, and the directors acknowledge their responsibility to maintain a sound system of internal controls. The Board recognises its overall responsibility for continuous review and maintenance of the system of internal controls with the assistance of the Audit Committee together with the outsourced Internal Auditors, and the Risk Management Committee.

The external auditors are appointed by the Board to review the Statement on Risk Management and Internal Control and to report thereon.

The Statement on Risk Management and Internal Control in this Annual Report herein details the state of internal controls within the Company.

Establishment of A Risk Management Committee

The Risk Management Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Lee Soo Hoon, and members are Mr Tay Beng Chai and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Risk Management Committee is included in the Board Charter, which is available for reference on the Company's website.

For the financial year, the Risk Management Committee:

- Reviewed and updated its risk management profile

Effective Internal Audit Function

The Board is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

An independent professional firm – Ecovis AHL Advisory Sdn Bhd was engaged to handle this function and reports directly to the Audit Committee. This independent professional firm provides an independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system. The internal auditor's audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's requirements.

None of the Internal Audit members have any family relationship with any director and/or major shareholder of the listed issuer and any conflict of interest with the listed issuer, which could impair their objectivity and independence.

Further details can be found under the Statement on Risk Management and Internal Control, and the Audit Committee Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

I. COMMUNICATION WITH STAKEHOLDERS

Directors' Responsibility Statement in respect of the Audited Financial Statements

The Companies Act 2016 requires the directors to prepare the financial statements which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the results of the operations and cash flows for the period then ended. The Board is responsible for taking reasonable steps to ensure the financial statements reflect a true and fair view of the Group and the Company's state of affairs, and of their results and cash flows for the financial year under review.

In preparing the financial statements for the year ended 30 June 2019, the Board adopted and applied appropriate accounting policies on a consistent basis, made judgements and estimates where applicable which were reasonable and prudent and ensured that applicable accounting standards were followed.

The directors ensured that the Company keeps proper accounting and other records which will disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.

Ensure Timely and High Quality Disclosures

The Board recognizes the importance of accurate and timely dissemination of information to shareholders. The Company makes quarterly announcements of the financial results within the time frame prescribed in the Listing Requirements of Bursa Malaysia, accompanied by a balanced and comprehensive assessment of its performance.

The Company's Annual Report, containing the Financial Statements for the financial year, also contains other pertinent information and disclosures to enable shareholders and investors to have a better understanding of the Group's business and performance.

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects and ensures the financial results are released to Bursa Malaysia well within the stipulated time frame and the financial statements comply with regulatory reporting requirements. These quarterly financial results and the annual reports are accessible via Bursa Malaysia and the Company's website. In this regard, the Board is assisted by the Audit Committee.

The Audit Committee assists the Board in its responsibility to oversee and scrutinise the financial reporting and the effectiveness of the internal control. The Audit Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The term of references and activities of the Audit Committee are detailed in the Audit Committee Report on pages 43 to 46 of this Annual Report.

The Company maintains a website www.kluangrubber.com, which provides shareholders and the public in general access to information about the Company which includes, corporate information, financial information, announcements and investor relations.

To address any concern, shareholders may contact the Company through electronic mail at enquiry@kluangrubber.com.

Any queries or concern may be conveyed through the Company Secretaries who would then refer the matter to the attention of the Board. Shareholders may also directly approach the Independent Non-Executive Directors on these issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

II. COMMUNICATION WITH STAKEHOLDERS

Conduct of General Meetings

The Annual General Meeting is the principal forum of dialogue with shareholders. Shareholders are notified of the meeting at least 28 days before the date of the Annual General Meeting. Shareholders are encouraged to attend and participate in the Annual General Meeting. Besides the normal agenda for the Annual General Meeting, shareholders are given the opportunity to seek clarification on any matters pertaining to the Group's affairs and performance as the directors and the representatives of the external auditors are present to answer any questions they may have.

Directors Attendance at General Meetings

At the 59th Annual General Meeting, directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Group. The 59th Annual General Meeting included the presentation of the Group's operating and financial performance for the year ended 30 June 2018, the external auditors' unqualified report to the shareholders and a Question & Answer session during which the Chairman invited shareholders to raise questions pertaining to the accounts and other items for adoption at the meeting, before putting a resolution to vote. The directors, management and external auditors were in attendance to respond to shareholders' queries.

Poll Voting

The Board is mindful of the poll voting requirements under Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. All resolutions tabled at the Annual General Meeting will be voted by way of poll. An independent scrutineer is appointed to validate the votes cast at the Annual General Meeting. The outcome of all resolutions tabled at the Annual General Meeting shall be announced to Bursa Malaysia on the same day after the meeting.

Leveraging on Technology

The Company's Annual General Meetings are held at easily accessible venues and not in remote locations.

Shareholders if unable to attend, may appoint their proxies to attend and vote on their behalf.

The Corporate Governance Overview Statement was approved by the Board on 7 October 2019.

ADDITIONAL COMPLIANCE INFORMATION

Disclosure of recurrent related party transactions (RRPT)

The details of the shareholders' mandate are reflected in the Circular to Shareholders dated 30 October 2019.

Utilisation of Proceeds

No issuance of new shares and rights issue were carried out during the financial year ended 30 June 2019.

Share Buy-Backs

No share buy-backs were carried out by the Company during the financial year ended 30 June 2019.

Exercise of Options, Warrants or Convertible Securities

No other options, warrants or convertible securities were exercised during the financial year ended 30 June 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Depository Receipt Programme

There were no Depository Receipt Programmes for the financial year ended 30 June 2019.

Sanctions and/or Penalties

The Company and its subsidiaries' directors and management have not been imposed with any sanctions and/or penalties during the financial year ended 30 June 2019.

Audit and Non-Audit Fees

The amount of audit and non-audit fees for services provided by the external auditors to the Group and Company for the financial year ended 30 June 2019 are as follows:

Audit and Non-Audit Fees	Group (RM)	Company (RM)
Audit Fees	190,000	70,000
Non-Audit Fees	109,029	47,650

Variation in Results

There was no material variance between the results for the financial year ended 30 June 2019 and the unaudited results previously announced by the Company.

Profit Guarantee, Profit Estimate, Forecast or Projection

No Profit Guarantee, Profit Estimate, Forecast or Projection was given by the Company for the financial year ended 30 June 2019.

Material Contracts

None of the directors and major shareholders have any material contract with the Company and/or its subsidiary either still subsisting at the end of the financial year ended 30 June 2019 or entered into since the end of that financial year.

Contract Relating to Loan

There were no contracts relating to loan by the Company and its subsidiaries during the financial year ended 30 June 2019.

ATTENDANCE AND ACTIVITIES

Board Meetings

Board meetings are scheduled for every quarter with at least four (4) scheduled meetings annually. Additional meetings are to be convened as and when required. For financial year ended 30 June 2019, the Board met a total of five (5) times.

The attendance record of each director since the last financial year is as follows:

Board Members	Designation	Meetings Attended
Lee Soo Hoon	Chairman	5/5
Lee Chung-Shih Justin	Deputy Chairman	5/5
Tay Beng Chai	Member	5/5
Chew Khat Khiam Albert	Member	5/5
Balaraman A/L Annamaly	Member	4/5
Cheong Mun Hong	Member	5/5

As required by Paragraph 15.05 of the Bursa Malaysia Securities Berhad's Listing Requirements, all directors have complied with the minimum 50% attendance for the financial year ended 30 June 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Audit Committee Meetings

Audit Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	5/5
Lee Soo Hoon	Member	5/5
Tay Beng Chai	Member	5/5

The Audit Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

The Terms of Reference for the Audit Committee is included in the Board Charter, which is available for reference on the Company's website.

Nominating Committee Meeting

Nominating Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	1/1
Lee Soo Hoon	Member	1/1
Tay Beng Chai	Member	1/1

The Nominating Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

The Terms of Reference for the Nominating Committee is included in the Board Charter, which is available for reference on the Company's website.

Remuneration Committee Meeting

Remuneration Committee	Designation	Meetings Attended
Tay Beng Chai	Chairman	1/1
Lee Soo Hoon	Member	1/1
Chew Khat Khiam Albert	Member	1/1

The Remuneration Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Tay Beng Chai, and members are Mr Lee Soo Hoon and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Remuneration Committee is included in the Board Charter, which is available for reference on the Company's website.

Risk Management Committee Meeting

Risk Management Committee	Designation	Meetings Attended
Lee Soo Hoon	Chairman	1/1
Tay Beng Chai	Member	1/1
Chew Khat Khiam Albert	Member	1/1

The Risk Management Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Lee Soo Hoon, and members are Mr Tay Beng Chai and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Risk Management Committee is included in the Board Charter, which is available for reference on the Company's website.

SUSTAINABILITY STATEMENT

Creating Sustainable Value

Kluang Rubber Company (Malaya) Berhad (“Kluang Rubber”) aspires to create sustainable value through our business activities, for our employees, stakeholders and the community. Kluang Rubber appreciates that sustainability motivates and inspires our employees to positively impact our environment and society. Kluang Rubber is committed to sustainability by integrating it into the way we run our business - with a commitment to enhance shareholder value and at the same time, contribute positively to our employees, stakeholders and the community. We believe that operating in a sustainable manner will bring about positive social, environmental and economic impacts while minimising negative impacts on people and the environment.

Kluang Rubber recognizes its obligations as a responsible corporate citizen and endeavours to incorporate sustainable practices and activities into its corporate culture by focusing on the environment, health and safety and well-being of the community it serves to the best of its efforts. To demonstrate our commitment to sustainability, we fully support the initiatives on the sustainable cultivation of oil palm and are 100% committed towards the principles and criteria of the Malaysian Sustainable Palm Oil (“MSPO”) Scheme.

In 2019, Kluang Estate was awarded the MSPO certification.

This is our first year of reporting on sustainability based on Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Guide (Second Edition, updated in 2018) sustainability framework.

This statement covers the Company and our plantation operation in Malaysia.

Access and Availability

This Sustainability Statement for the financial year ended 30 June 2019, included in our Annual Report, will be available to all stakeholders at www.kluangrubber.com.

Sustainability Governance

Kluang Rubber is guided by the Executive Directors who provide overall direction and strategic matters related to sustainability. The Board of Directors with an oversight role of our sustainability practices, is updated and informed on any significant issues and the progress of our sustainability efforts.

For our plantation operations, our estate manager is responsible in spearheading all sustainability initiatives, implementing codes of practice, and embedding the culture and values related to sustainability within their operating units. Sustainability objectives, action plans and tasks are communicated, with risks reported and appropriate actions taken if required, to mitigate or prevent recurrences accordingly.

SUSTAINABILITY STATEMENT (cont'd)

Key Stakeholders

We defined stakeholders “as any individuals, community and entities that may be impacted by Kluang Rubber’s business operation”. From this definition, management held discussions, and the Board was engaged to confirm our stakeholders.

The following table describes our stakeholders and our corresponding engagements:

No.	Stakeholders	Description	Engagement
1	Shareholders	Entities and individuals who invest in the Company.	<ul style="list-style-type: none"> • Annual General Meeting • Bursa Malaysia announcements • Media releases • Company website
2	Customers	Our customers are palm oil mills.	<ul style="list-style-type: none"> • Meetings • Correspondence
3	Employees	Executives, staff and workers.	<ul style="list-style-type: none"> • Annual review • Performance management • Internal trainings
4	Local Authorities – Municipalities	The setting of communities where we operate.	<ul style="list-style-type: none"> • Meetings • Correspondence
5	Regulators / Government Ministries	Regulators and the Government set the legal framework on our operation.	<ul style="list-style-type: none"> • Meetings • Correspondence
6	Local Community / Industry / Associations	We work together with the local community and industry associations for positive relationships and mutual benefits.	<ul style="list-style-type: none"> • Meetings • Correspondence
7	Suppliers	Suppliers of products and services committed to sustainable FFB production.	<ul style="list-style-type: none"> • Meetings • Correspondence

SUSTAINABILITY STATEMENT (cont'd)

Malaysian Sustainable Palm Oil (“MSPO”) Scheme

The MSPO Certification Scheme is a National Palm Oil Certification scheme in Malaysia and is operated by the Malaysian Palm Oil Certification Council (“MPOCC”) as the scheme owner. It is an independent body formed with the following objectives:

- To establish and operate a sustainable palm oil certification scheme
- To engage with non-governmental organisations, institutes of higher learning, trade associations and accreditation and certification bodies
- To establish a mechanism for the certification of entities complying with the requirements of auditable sustainability standards.

MSPO was first implemented in 2015 based on the MSPO Standards which stipulates general principles for the production of sustainable palm oil that covers People (Alleviation of poverty and protect from exploitation), Planet (Protect the environment and reduce negative human impact), and Profit (Ensure continuity of business).

Under MSPO, a total of seven (7) principles cover key issues faced by the palm oil industry such as environment, biodiversity, best practice and social responsibilities:

1. Management commitment and responsibility
2. Transparency
3. Compliance to legal requirements
4. Social responsibility, health, safety and employment conditions
5. Environment, natural resources, biodiversity and ecosystem
6. Best practice
7. Development of new planting

With the establishment of the MSPO Policy, Kluang Estate formalised its commitment towards maintaining and improving the sustainable production of palm oil.

In 2019, Kluang Estate was awarded the MSPO certification.

Materiality Assessment and Key Sustainability Matters

The determination of material sustainability matters was from management discussions. This was facilitated by a desktop review on business operation and risk areas, input from the Board of Directors and management. Through our materiality assessment, we have identified the key sustainability matters as outlined in the table below:

Main topics	Key Sustainability Matters
Economic	1. Profitability 2. Management diversity 3. Anti-bribery and corruption
Environmental	4. Emissions 5. Pollution 6. Waste management 7. Conservation
Social	8. Diversity and equal opportunities 9. Employee well-being 10. Safety and health 11. Community well-being

SUSTAINABILITY STATEMENT (cont'd)

1. Economic

The economic pillar of sustainability focuses on Kluang Rubber's impacts on the economic condition of its stakeholders, and on economic systems at the local and national level. It focuses on the economic value generated and distributed by Kluang Rubber.

Economic Performance

Kluang Rubber believes that our economic performance is dependent on the health of our stakeholders, and we strive to work together with the community to create value. A detailed explanation of our financial performance is provided in the Management Discussion & Analysis and Financial Statements sections of this Annual Report.

Proportion of Senior Management from the Local Community

For our plantation operations, 100% of our senior management team is from our local community.

Board Diversity Policy

The purpose of the Board Diversity Policy is to set out the approach to achieve the objective of the Board having the diversity of perspectives, experiences and skills necessary for effective governance. The Company views increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. Appointment of Board members are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

A copy of the Board Diversity Policy is available for reference at www.kluangrubber.com.

Infrastructure Investment and Services Supported

We contributed towards infrastructure projects for the local community and engaged the services of the local community.

Proportion of Spending on Local Suppliers

A significant portion of procurement for our plantation operations are from local suppliers.

Anti-Bribery and Corruption

The Group has yet to establish a standalone policy on anti-bribery and corruption. A section on "*Bribery and Corruption*" is highlighted within the Company's Code of Conduct and Business Ethics. The Code of Conduct and Business Ethics is available at www.kluangrubber.com.

In view of the revised Anti-bribery provision introduced by Malaysia Anti-Corruption Commission ("MACC"), we are looking towards formalising our anti-bribery and corruption practices and procedures.

Whistle Blowing Policy

Whistle blowing is a specific means by which an employee or stakeholder can report or disclose through established channels, concerns about:

- Unethical behaviour;
- Illegal acts;
- Failure to comply with regulatory requirements; or
- Any possible serious violations of internal policies, procedures or external laws by the perpetrators.

This includes events which are taking place, has taken place or may take place in the future. A copy of the Whistle Blowing Policy is available at www.kluangrubber.com.

SUSTAINABILITY STATEMENT (cont'd)

2. Environmental

Compliance with Environmental Laws and Regulations

From an environmental aspect, the Company is aware and complies with the applicable Malaysian laws and regulation. Under the Environmental Quality Act 1974 (Act 127), scheduled waste is orderly classified and stored in designated locations, and later disposed by the proper waste collector.

Under the Pesticides Act 1974 (Act 149), all chemicals and fertilizers are properly labelled, stored and used in the field according to its CHRA recommendation and precautions. Only trained sprayers are allowed to handle and use the chemicals. All necessary safety measures and emergency response plans have been established to tackle potential accidents.

We are aware of the importance of conserving and preserving our natural environment and we embrace good agronomic practices. In plantation management, due care has been taken to safeguard the environment. All chemicals used are allowed by the Government, with the dosage applied within recommendations.

In addition, disposal of chemical containers and cleaning of chemical spraying equipment are done in an environmentally and socially responsible manner. Herbicides are not sprayed within 20 metres on either side of the stream. Precautions have also been taken to avoid dissoluble fertilizers from flowing into the stream. The presence of wildlife in the plantation is evidence of good environmental management.

Zero Burning Policy

We enforce our zero-burning policy in line with best practices. This includes disposals, felled palms, and during the replanting process. Felled trees and other biodegradable materials are used as a form of organic fertiliser. To maintain soil fertility and to mitigate erosion, management encourages the use of cover crops and empty fruit bunch mulching.

Illegal Hunting

Illegal or inappropriate hunting, fishing or collecting activities are strictly forbidden in our plantation.

Land Conservation

For our road construction and repairs, replanting and construction of terraces and drains, care was taken to avoid soil erosion in affected areas. Rivers were de-silted to mitigate flooding during the monsoon season. An Environmental Impact Assessment (“EIA”) was conducted to assess the impact of estate operations.

With the establishment of the Environmental Policy, Kluang Estate formalised its commitment towards protecting and conserving the environment.

Full Traceability

To ensure sustainable production, our customers and their consumers want to be able to trace the origin of raw materials. As such, we have to provide adequate reassurance to our relevant stakeholders that the Fresh Fruit Bunches (“FFB”) sold by Kluang Rubber meets these standards.

Through the MSPO certification process, we have established “*Traceability and Supply Chain*” processes to document the flow of FFB from harvesting to dispatch.

To reinforce its relevance and our commitment towards best practices, these processes will be audited and reviewed regularly. Focusing on traceability also improves our business operations.

SUSTAINABILITY STATEMENT (cont'd)

Energy Consumption Efficiency

We recognise the use of diesel in our equipment and machinery. We monitor our energy efficiency through diesel consumption on the basis of litre per metric ton of FFB. Subject to the availability and feasibility of technology, we identify areas for improvement. Whenever possible, we will consider the use of solar energy to increase our renewable energy efforts.

The year-on-year increase in diesel consumption was mainly due to lower crop production and the utilisation of a new truck. To ensure optimal performance, preventive and scheduled maintenance on our equipment and machinery is consistently done.

Good Agronomy Practices

Significant initiatives were undertaken to ensure that our efforts are in line with best practices. Efforts such as controlling planting density, managing diseases and pests, planting method and fertiliser application controls are part of our conservation efforts in sustaining the land for future generations.

Through our EIA, desktop evaluations and field assessments were conducted. In addition to ensuring that high value land and forests areas are identified and protected, our assessment process included a biodiversity assessment and engagement with local communities. Members of the local community are able to provide feedback and propose sites for conservation.

We strictly review and track the latest environmental regulations through news releases, subscription for legislation amendments tracked by publications - International Law Book Services and circulars from relevant associations (MPOA, MPOB, and MAPA).

We are happy to report Nil (2018: Nil) fines or penalties from violations on environmental laws and regulation for the financial year ended 30 June 2019.

Protecting Biodiversity

Kluang Rubber continues intensifying our conservation activities through the involvement of local communities and other stakeholders. As wildlife from the forest reserves do encroach in our area, we take extra effort in protecting and enhancing the level of biodiversity in our plantation.

To ensure their survivability and protection, our staff are trained to identify wildlife within the estate. If assessed as a threat, assistance from the Wildlife Department will be sought. Some of the unique wildlife species encountered in the estate include the Long-tailed Macaque, the White-throated Kingfisher (Pekaka Belukar), the Crested Serpent Eagle (Helang Kuik) and the Reticulated Python (Ular Sawa Batik).

3. Social

We are committed to the principles of Malaysia's local labour regulation and human rights. Kluang Rubber's aim is for employees to work in an environment free of discrimination and harassment, and for our employees and stakeholders to be treated fairly regardless of nationality, gender, age, ethnicity, religion, or family status.

With the establishment of the Good Social Practices Policy, Kluang Estate formalised its commitment towards maintaining a no discrimination practice, and the provision of equal opportunity and treatment to all.

Thriving Employees

Employees are our most important assets and we strive to provide the best working conditions to all employees regardless of their nationality, race, or gender. We encourage diversity and equality at work. These benefits will flow through to society, as we believe greater equality promotes social stability and supports further economic development.

At the workplace, we continue to focus on the safety and health of our employees by conducting regular briefings. The Employment Act is strictly implemented to ensure that our employees' welfare is well taken care of.

SUSTAINABILITY STATEMENT (cont'd)

Diversity and Equal Opportunity

Our employee profile by nationality, gender, age group category and by ethnicity are detailed below.

Malaysians represent 52% of our workforce. The plantation industry is facing a challenging labour environment. The process of engaging Indonesian workers is getting more challenging with a key factor being increased opportunities in Indonesia. We strive to provide a conducive environment for our workers, and where possible, to adopt the use of machinery and equipment.

Due to the nature of plantation work, male employees make up 79% of our workforce. Female employees represent 21% of our workforce.

With the establishment of the Sexual Harassment and Violence Policy, Kluang Estate formalised its commitment towards protecting its employees from all forms of sexual harassment and violence at the workplace.

62% of our employee are between the ages of 30 to 49. Working in plantations requires workers able to withstand the challenging working conditions. Personal protective equipment is provided to ensure the safety of our employees.

Our workforce ethnic composition comprises primarily the Indian community, followed by the Bumiputra and the Chinese community (excluding others). Ethnic diversity is encouraged through engagement with the local community.

Employee Engagement

We recognise the importance of good communication. Critical importance is placed on matters concerning changes in working practices and procedures.

On matters arising at the workplace, consultation involves all employees as far as reasonably practicable. Managers are responsible for ensuring that consultation and communication is a fundamental element. With that said, effective communication is a collective responsibility, with everyone having a responsibility towards achieving effective engagement. The Company has established procedures for employees to engage in this process.

Employee Benefits

Kluang Rubber places significant importance in providing our employees and their families in our estates with quality facilities and amenities to live and work comfortably. Over the years, the estate's infrastructure has been upgraded, inclusive of the living quarters for our staff and workers, with all upgrades complying with the relevant regulations. The Company is also sensitive to the needs of employees, and provides places of worship and recreational facilities.

We arrange for a Medical Officer to visit the estate on a monthly basis.

The Company values the importance of education, and encourages continual learning among our employees and their children.

We encourage our employees to maintain a vegetable garden by providing areas for plantings. In addition to promoting a sustainable lifestyle, this also provides an economical and healthy food source for our workers.

Benefits for full-time employees include:

- Child allowance
- Annual leave and paid holidays as stipulated under the Employment Act 1955
- EPF, SOCSO, EIS
- Accommodation, water and electricity supply

SUSTAINABILITY STATEMENT (cont'd)

Employee Training

The Company is committed to ensure its employees continue to develop their competencies and skills. All employees will have access to training and development enabling them to acquire the knowledge, skills and attitudes necessary to develop their needs and potential on the job and contribute towards the Company's future growth.

Employees are provided training on the handling of new equipment, and are constantly given guidance on safety and the use of safety equipment according to OSH requirements. Employees are also briefed on the identification and mitigation of potential operational risks and hazards. Our trainings are focused on practical aspects of safety and health components.

These trainings include:

Emergency response plan

- Fire extinguisher training
- Emergency drills
- First aid training
- Fire extinguisher inspection
- First aid box inspection

Building and structure inspection

- Lineside inspection
- Chemical store inspection
- Emergency lightning circuit breaker inspection

Estate training programmes

- Induction for new workers
- Personal protective equipment training
- Spraying pump maintenance training
- Health programme
- Safe operating procedure – various work units

With the establishment of the Occupational Safety and Health Policy, Kluang Estate formalised its commitment towards employee health, safety and welfare. We value workplace safety and health, and the safety of our employees are of paramount importance.

Occupational Safety and Health

- OSH management
- OSH committee and meetings
- Emergency respond plan and emergency response team
- OSH yearly programme
- Workers training needs analysis
- Monthly sprayer health screening
- Yearly sprayer medical surveillance
- Yearly foreign worker medical check-up (FOMEMA)
- Hazard identification, risk assessment and incident investigation
- HIRARC
- OSH training - various work units

SUSTAINABILITY STATEMENT (cont'd)

Community Engagement (Community Social Responsibility)

The Company has committed itself towards involvement in the local community. Below are our efforts over the year to support the community.

- | | |
|--------------------------------|---|
| Hindu Temples' Festival | – During the respective annual temple festivals (estate personnel in attendance), Kluang Estate contributed water (SAJ supply) for the devotees. |
| Donation | – Kluang Estate contributed to the annual temple festival. |
| Public Infrastructure Projects | – Over the years, areas of Kluang Estate were acquired for public infrastructure projects - hospital, school, housing, telecom reserve, JPJ office. |
| Football Training | – Kluang Estate allows school children from the community to use the football field for training. |
| Merdeka Day | – To commemorate Merdeka Day, Kluang Estate prepared goodie bags for all local workers. |
| Annual Dinner | – To appreciate the hard work of all employees, an annual dinner was organised. Dinner and games were prepared for the staff and workers. |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors is pleased to present the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, which outlines Kluang Rubber Company (Malaya) Berhad's key elements of internal control system for the financial year ended 30 June 2019.

Board Responsibility

The Board acknowledges its responsibility in maintaining a sound system of internal controls and risk management practices to safeguard shareholders' investment and Kluang Rubber Company (Malaya) Berhad's assets, and for reviewing the adequacy and integrity of the system. However, the Board recognizes that this is a concerted and on-going process, whereby such a system is designed to manage rather than eliminate the risk of failure.

In pursuing these objectives, the system of internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss.

Risk Management Framework

The Board regards risk management as an integral part of the business operations. The Board confirms that there is a continuous process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of Kluang Rubber Company (Malaya) Berhad's business objectives on an informal basis via its Board, the Audit Committee with the assistance of the outsourced Internal Auditors, and the Risk Management Committee.

In 2018, the Risk Management Committee was established, comprising exclusively of Independent Directors, committed to oversee Kluang Rubber Company (Malaya) Berhad's risk management framework and policies. The Risk Management Committee met once (1) during the financial year ended 30 June 2019.

In 2016, the Board engaged an external professional firm to conduct a Risk Re-assessment workshop. Together with the Board, this external professional firm reviewed the risk profile from the perspective of both the impact and likelihood of the applicable key risks. The Board built upon this knowledge in formulating responses to mitigate these risks.

The principal risks and uncertainties (not intended to be exhaustive) included the following:

- Adverse weather conditions
- Compulsory land acquisition
- Fluctuations in foreign exchange
- Fluctuations in the market valuation of investments
- Fluctuating commodity prices
- Increasing labour costs
- Insufficient and inexperienced labour force
- Increasing regulatory compliance requirements
- Succession planning

A review on the adequacy and effectiveness of risk management and internal control system is undertaken on a continuous basis. Since financial year ended 30 June 2018, the Risk Management Committee reviews Kluang Rubber Company (Malaya) Berhad's risk management profile on an annual basis. For financial year ended 30 June 2019, the Board is satisfied that the risk management and internal control system in place is adequate and effective.

No major internal controls weaknesses were identified during the financial year under review that requires disclosure in the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Internal Audit

Considering the nature and size of Kluang Rubber Company (Malaya) Berhad's assets and operations, the internal audit function is supported by an independent professional firm, which provides assurance to the Audit Committee on the adequacy and integrity of internal control system in the discharge of the Audit Committee's duties and responsibilities. This external service provider reports directly to the Audit Committee.

The internal audit reviews the internal audit control systems on the basis of a rolling internal audit strategy with an annual internal audit plan presented to the Audit Committee for approval.

A summary of the main activities undertaken by the Internal Auditors during the financial year are as follows:

- Prepared and developed the annual risk based internal audit plan for the Audit Committee's approval
- Conducted the internal audit project in accordance with the approved internal audit plan, including follow-up of matters from previous internal audits. This internal audit project covered the plantation operations with particular focus on the following:
 - Review on revenue, billings and collections
 - Monitoring/Employment of foreign workers
 - Head Count at the estate
- Issued internal audit report to the Audit Committee, with copies extended to management, identifying weaknesses and issues, and highlighting opportunities for improvement

Internal audit fees of RM12,000 were paid to the outsourced internal auditors for the financial year ended 30 June 2019.

The Audit Committee with the assistance of the outsourced Internal Auditors annually reviews Kluang Rubber Company (Malaya) Berhad's system of internal controls identified in the scope of its annual internal audit plan. The outsourced Internal Auditors independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews, together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. To the extent practicable, management will act towards resolving the issues raised by the Internal Auditors.

Whistle Blowing Policy

Whistle blowing is a specific means by which an employee or stakeholder can report or disclose through established channels, concerns about:

- Unethical behaviour;
- Illegal acts;
- Failure to comply with regulatory requirements; or
- Any possible serious violations of internal policies, procedures or external laws by the perpetrators.

This includes events which are taking place, has taken place or may take place in the future.

A copy of the Whistle Blowing Policy is available for reference on the Company's website.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Other Key Elements of Internal Control

Other key elements of Kluang Rubber Company (Malaya) Berhad's system of internal control are as follows:

- An appropriate organizational structure, which enables adequate monitoring of the activities and ensures effective flow of information.
- Responsibilities are clearly defined and delegated to the committees of the Board.
- Key processes are governed by policies and procedures.
- Various support functions comprising administration, corporate affairs, finance, and treasury are centralized to ensure uniform policies and procedures.
- The estate prepares estimates for the coming year which are reviewed by the Board.
- Information covering the financial performance against the estimates of the estate is provided to the Board on quarterly basis together with key operational performance indicators.
- Quarterly and annual financial statements are reviewed by the Audit Committee who then recommends to the Board for approval prior to submission to Bursa Malaysia.

Board's Conclusion

Overall, based on the Board's assessment of risk management and internal control system of Kluang Rubber Company (Malaya) Berhad, the Board is satisfied that the process of identifying, evaluating and managing significant risks that may affect the achievement of business objectives is in place to provide reasonable assurance. The Board and the Audit Committee have undertaken an assessment of the adequacy and effectiveness of the internal control system. Kluang Rubber Company (Malaya) Berhad will strive to ensure that the system of internal controls will be continuously enhanced and will seek regular assurance on the effectiveness and soundness of the internal control systems through appraisals by the internal and external auditors.

The level of risk tolerance and risk management policies are determined by the Board. The Board and management are responsible for overseeing the risk management framework and policies, including reviewing business and operational activities to identify areas of significant risk. The Board also looks into the system of internal controls and measures taken to mitigate such risks.

After considering the Internal Auditors' report, the Board is pleased to report that there were no significant internal control deficiencies for areas that were reviewed.

Taking into consideration the Kluang Rubber Company (Malaya) Berhad's assets and operations, and based on the internal controls established and maintained, work performed by the internal and external auditors, the review of the key risks performed by management, the Audit Committee, the Risk Management Committee and the Board, the Board with the concurrence of the Audit Committee, is of the opinion that Kluang Rubber Company (Malaya) Berhad's internal controls are adequate as at 30 June 2019.

The Board received assurance from the Executive Director and the Senior Finance Manager that Kluang Rubber Company (Malaya) Berhad's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the adopted framework.

The Statement on Risk Management and Internal Control was reviewed and approved by the Board.

Review by the External Auditors

In addition, in accordance with the paragraph 15.23 of the Listing Requirements of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control and reported that nothing has come to their attention that causes them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes carried out.

AUDIT COMMITTEE REPORT

Functions

The functions of the audit committee shall be:

- a) To review the following and report the same to the Board:
 - i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the regulatory authorities;
 - ii. with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
 - iii. with the external auditors, their audit report;
 - iv. the assistance given by the Group's officers to the external auditors;
 - v. the suitability, objectivity and independence of the external auditor annually;
 - vi. the adequacy of the scope, function and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of the internal auditors;
 - vii. the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate action was taken on the recommendations of the internal audit function;
 - viii. the quarterly results and the year-end financial statements, prior to the approval by the Board, focusing particularly on:
 - changes in or the implementation of major accounting policy changes;
 - significant and unusual events;
 - the accuracy and adequacy of the disclosure information essential to a fair and full presentation of the financial affairs of the Group; and
 - compliance with accounting standards and other legal requirements.
 - ix. any related party and inter-company transactions and conflict of interest situation that may arise including any transactions, procedure or course of conduct that raises questions of management integrity;
 - x. the propriety of accounting policies, principles and practices adopted by the management and accepted by the external auditors, where alternatives are also acceptable;
 - xi. any letter of resignation from the external auditors of the Company;
 - xii. whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
 - xiii. any significant audit findings, reservation, difficulties encountered, or material weaknesses reported by the external and internal auditors.
- b) To recommend the nomination of a person or persons as external auditors and internal auditors, and their audit fee;
- c) To promptly report to Bursa Malaysia on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach in the Bursa Malaysia's Listing Requirements;
- d) To submit to the Board on a periodic basis a report on the summary of activities of the Committee in the discharge of its function and duties in respect of each financial quarter and the financial year;
- e) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities; and
- f) To verify the criteria for allocation of options pursuant to a share scheme for employee.

AUDIT COMMITTEE REPORT (cont'd)

Composition and Attendance

Audit Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	5/5
Lee Soo Hoon	Member	5/5
Tay Beng Chai	Member	5/5

The Audit Committee comprised solely of Independent Non-Executive Directors. The Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee comprises three (3) directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are.

Further details are included in the Terms of Reference of the Audit Committee Report in the Board Charter, which is available for reference on the Company's website.

Under the Audit Committee's Terms of Reference, a former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Audit Committee held a total of five (5) meetings during the financial year ended 30 June 2019.

The Committee met with the External Auditor twice (2) during the year without the presence of the Executive Directors.

The Chairman engages on a continuous basis with senior management of the Company on all matters affecting the Company.

The details of training attended by the Audit Committee who are also Board members are found under the Directors Training section of this Annual Report.

AUDIT COMMITTEE REPORT (cont'd)

Summary of Activities for the Financial Year

During the financial year ended 30 June 2019, the main activities carried out by the Committee were as follows:

1. Reviewed and discussed the unaudited quarterly financial reports prior to presentation to the Board for approval and subsequent announcements.
2. Reviewed the external auditors' scope of work and their audit plan and discussed results of their examination and recommendations.
3. Reviewed with the external auditors the audited financial statements for the financial year ended 30 June 2019, the results of the audit, audit report and recommendation prior to the approval of the Board and subsequent announcements.
4. Reviewed and discussed the new developments on accounting standards issued by the Malaysian Accounting Standards Board and its adoption and impact to the financial statements.
5. Reviewed the internal audit plan and programme for the financial year under review.
6. Reviewed the reports prepared by the outsourced internal auditors on the state of internal controls of the Company.
7. Reviewed the related party transactions and conflict of interest situations that arose for compliance with the Listing Requirements of Bursa Malaysia.
8. Reviewed the extent of compliance with the relevant provisions set out under the MCGG 2017 for the purpose of preparing the Corporate Governance Statement and Statement on Risk Management and Internal Control pursuant to the Listing Requirements of Bursa Malaysia.
9. Reviewed the information covering the financial performance against the estimate of the estate together with key operational performance indicators on quarterly basis.
10. Reviewed the proposed audit fees for the external auditors.
11. Considered the re-appointment of the external auditors and the outsourced internal auditors.

External Auditors

The Board established a formal and transparent arrangement with the external auditors of the Company through the Audit Committee. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee.

The Audit Committee communicated directly and independently with the external auditors quarterly where necessary, and without the presence of the management twice (2) a year.

The Company's independent external auditor, Messrs Ernst & Young, play an essential role by enhancing the reliability of the Company's financial statements and by giving assurance of that reliability to users of the financial statements.

EY Audit & Non-Audit Fees	Group (RM)	Company (RM)
Audit Fees	190,000	70,000
Non-Audit Fees	109,029	47,650

Based on the above, the Audit Committee was satisfied with both the external auditors' competency and independence to further recommend to the Board the re-appointment for the coming financial year.

AUDIT COMMITTEE REPORT (cont'd)

At present, there are no former key audit partners with a cooling-off period of less than two (2) years present on the Audit Committee.

The role of the Audit Committee in relation to the external auditors is stated on pages 43 to 46.

This Statement is made in compliance with Paragraphs 15.25 of the Bursa Malaysia Securities Berhad's Listing Requirements and approved by the Board on 7 October 2019.

Internal Audit Function

The Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

An independent professional firm – Ecovis AHL Advisory Sdn Bhd was engaged to handle this function and reports directly to the Audit Committee. This independent professional firm provides an independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system. The internal auditor's audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's requirements aimed at optimising the effectiveness and efficiency of the Company's internal control. The internal auditor's report was received by the Committee, discussed and recommendations were implemented, where necessary and appropriate, to tighten the Company's internal control procedures.

The internal audit fee for services provided by the outsourced internal auditors for the financial year ended 30 June 2019 amounted to RM12,000.

For the financial year ended 30 June 2019, considering the nature and size of Kluang Rubber Company (Malaya) Berhad's assets and operations, the Audit Committee was of the view that it was adequate to focus the scope of the Internal Audit towards our plantation operations. Items highlighted by the independent professional firm were deliberated and rectified (when feasible) over the financial year.

The scope of the Internal Audit Report 2019 focused on the:

- Review on revenue, billings and collections
- Monitoring/Employment of foreign workers
- Head Count at the estate

The Internal Audit Report 2019 was presented to the Audit Committee and actionable steps were taken to ensure that the issues highlighted were addressed to the extent practicable.

PROFILE OF DIRECTORS

LEE SOO HOON

Position	Independent Non-Executive Chairman
Gender	Male
Age	77
Nationality	Malaysian
Work Experience/Occupation	<ul style="list-style-type: none"> a) Partner of Ernst & Young, Singapore (1978 - 1997) b) Independent Director, Singapore Public Companies c) Provides management and financial consultancy services
Qualification/Professional body	<ul style="list-style-type: none"> a) F.C.A. Institute of Chartered Accountants in England and Wales b) Fellow of Singapore Institute of Chartered Accountants (ISCA) c) Member of Malaysian Institute of Certified Public Accountants d) Member of Malaysian Institute of Accountants e) Member of the Singapore Institute of Directors
Date of Appointment	19 October 2001
Details of any board committee to which Director belongs	<ul style="list-style-type: none"> a) Member of Audit Committee b) Member of Nominating Committee c) Member of Remuneration Committee d) Chairman of Risk Management Committee
Directorship in other Bursa listed companies	<ul style="list-style-type: none"> a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

LEE CHUNG-SHIH JUSTIN

Position	Executive Deputy Chairman
Gender	Male
Age	57
Nationality	Singaporean
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Executive Director, Public Unlisted Real Estate Investment Company c) Director, Public Unlisted Licenced Trust Company
Qualification/Professional body	B. Sc., International Business
Date of Appointment	19 February 1990
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Direct interest of 39,108 shares and deemed interest of 27,798,890 shares in the Company equivalent to 0.06% and 44.01% respectively
Relationship with other Directors and/or substantial shareholders	Son of Lee Thor Seng and brother of Lee Yung-Shih Colin
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

TAY BENG CHAI

Position	Independent Non-Executive Director
Gender	Male
Age	58
Nationality	Malaysian
Work Experience/Occupation	<ul style="list-style-type: none"> a) In professional legal practice since 1986 b) Managing Partner of Tay & Partners, Malaysia c) Partner of Bird & Bird ATMD LLP d) A lawyer of over 30 years with extensive corporate and commercial experience in Malaysia and Singapore.
Qualification/Professional body	<ul style="list-style-type: none"> a) LL.B (Hons) Second Upper, National University of Singapore in 1985 b) Admitted as an Advocate & Solicitor, High Court of Singapore in 1986 c) Admitted as an Advocate & Solicitor, High Court of Malaya in 1989 d) Fellow of the Singapore Institute of Arbitrators
Date of Appointment	4 December 2014
Details of any board committee to which Director belongs	<ul style="list-style-type: none"> a) Member of Audit Committee b) Member of Nominating Committee c) Chairman of Remuneration Committee d) Member of Risk Management Committee
Directorship in other Bursa listed companies	<ul style="list-style-type: none"> a) Kuchai Development Berhad b) Malaysian Bulk Carriers Berhad c) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

CHEW KHAT KHIAM ALBERT

Position	Independent Non-Executive Director
Gender	Male
Age	62
Nationality	Australian
Work Experience/Occupation	a) Group CFO of Sinwa Limited (2010 – 2013) b) Group CFO of Boardroom Limited (2007 – 2010) c) Finance Director of Gennon Group (2001 – 2007)
Qualification/Professional body	a) Fellow of the Chartered Accountants Australia and New Zealand b) Fellow of the Hong Kong Institute of Certified Public Accountants c) Fellow of the Financial Services Institute of Australasia d) Chartered Accountant of The Singapore Institute of Chartered Accountants e) Member of the Australian Institute of Managers and Leaders f) Member of the Singapore Institute of Directors g) Bachelor of Commerce, University of New South Wales (1980)
Date of Appointment	10 October 2016
Details of any board committee to which Director belongs	a) Chairman of Audit Committee b) Chairman of Nominating Committee c) Member of Remuneration Committee d) Member of Risk Management Committee
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

CHEONG MUN HONG

Position	Executive Director
Gender	Male
Age	33
Nationality	Singaporean
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Investment Analyst, Public Unlisted Licensed Trust Company
Qualification/Professional body	a) Bachelor of Engineering (BEng), Nanyang Technological University b) Holder of the right to use the CFA® designation c) Member of the Singapore Institute of Directors
Date of Appointment	1 March 2015
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

BALARAMAN A/L ANNAMALY

Position	Executive Director
Gender	Male
Age	71
Nationality	Malaysian
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Former Consultant – Sg. Sustainable Oil Ghana Ltd., Accra, Ghana, West Africa
Qualification/Professional body	a) Member of Malaysian Institute of Management, Incorporated Society b) Member of Malaysian Palm Oil Association (Johor Branch) c) Committee Member of Malaysian Estate Owners Association
Date of Appointment	28 August 2014
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2019)	Direct interest of 1,300 shares equivalent to 0.00%
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

PROFILE OF DIRECTORS (cont'd)

MUGANA KERISNAN A/L KARPIAH

Position	Alternate Director (To Balaraman A/L Annamaly)
Gender	Male
Age	60
Nationality	Malaysian
Work Experience/Occupation	Manager, Sungei Bagan Estate
Qualification/Professional body	a) Chairman of Malaysia Palm Oil Association (Kelantan) b) Deputy Chairman of Incorporated Society of Planters (2015 - 2017) c) Bachelor of Agricultural Science, University Pertanian Malaysia
Date of Appointment	2 May 2019
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	Sungei Bagan Rubber Company (Malaya) Berhad (Alternate Director)
Securities holding in the Company (as at 1 October 2019)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

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 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the production and sale of fresh oil palm fruit bunches. The Company is also a long term portfolio investor in securities.

The principal activities and other information on the subsidiaries are described in Note 13 to the financial statements.

RESULTS

	Group RM	Company RM
(Loss)/Profit net of tax	(14,718,164)	1,503,343
Attributable to:		
Owners of the parent	(12,302,762)	1,503,343
Non-controlling interest	(2,415,402)	-
	(14,718,164)	1,503,343

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 30 June 2018 were as follows:

	Amount RM	Net dividend per share Sen
In respect of the financial year ended 30 June 2018 as reported in the directors' report of that year:		
Dividend in specie (single-tier) on 63,171,977 ordinary shares, declared on 4 January 2019 and paid on 21 February 2019*	7,942,082	13.00
First and final tax exempt single-tier dividend on 63,171,977 ordinary shares, declared on 16 October 2018 and paid on 7 January 2019	631,720	1.00

* Represents 2,068,368 ordinary shares in Kluang Rubber Company (Malaya) Berhad with a fair value of RM7,942,082 on 21 February 2019.

DIRECTORS' REPORT (cont'd)

DIVIDENDS (cont'd)

At the forthcoming Annual General Meeting, the following dividend in respect of the current financial year ended 30 June 2019 on 63,171,977 ordinary shares, will be proposed for shareholders' approval.

	Amount RM	Net dividend per share Sen
First and final tax exempt single-tier dividend	631,720	1.00
Special tax exempt single-tier dividend	3,158,599	5.00
	3,790,319	6.00

The financial statements for the current financial year do not reflect this proposed dividend. The dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2020.

DIRECTORS

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

Lee Soo Hoon**
 Lee Chung-Shih Justin**
 Balaraman A/L Annamaly**
 Mugana Kerisnan A/L Karpiah** (Appointed on 2 May 2019)
 (alternate to Balaraman A/L Annamaly)
 Tay Beng Chai**
 Cheong Mun Hong**
 Chew Khat Khiam Albert**

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

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

Jackaroo Limited

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 as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with 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 27 to the financial statements.

INDEMNIFYING DIRECTORS OR OFFICERS

During the financial year, the directors and officers of Kluang Rubber Company (Malaya) Berhad, are covered under the Directors' and Officers' Liability Insurance ("D&O Insurance") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, the directors and officers of the Group subject to the terms of the D&O Insurance policy. The total amount of D&O Insurance effected and premium paid for the directors and officers of the Group was RM10,000,000 and RM23,680 respectively.

DIRECTORS' REPORT (cont'd)

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 →				
	1 July 2018	Dividend in-specie received	Dividend in-specie distributed	Sold	30 June 2019
The Company					
Lee Chung-Shih Justin					
- Direct interest	31,984	7,124	-	-	39,108
- Indirect interest	31,681,518	914,984	4,599,486	198,126	27,798,890
 Balaraman A/L Annamaly					
- Direct interest	1,066	234	-	-	1,300
 Subsidiaries					
<u>Sungei Bagan Rubber Company (Malaya) Berhad</u>					
Lee Chung-Shih Justin					
- Direct interest	35,438	-	-	-	35,438
- Indirect interest	38,949,833	-	-	-	38,949,833
 Balaraman A/L Annamaly					
- Direct interest	3,322	-	-	-	3,322
 <u>Kuchai Development Berhad</u>					
Lee Chung-Shih Justin					
- Direct interest	237,482	-	-	-	237,482
- Indirect interest	64,150,641	-	-	-	64,150,641

Lee Chung-Shih Justin, by virtue of his interest in the Company, is deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) 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 as and 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.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young		
- Statutory audit	190,000	70,000
- Other services	109,029	47,650
	199,029	117,650

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 October 2019.

Lee Soo Hoon

Lee Chung-Shih Justin

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Lee Soo Hoon and Lee Chung-Shih Justin, being two of the directors of Kluang Rubber Company (Malaya) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their results and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 October 2019.

Lee Soo Hoon

Lee Chung-Shih Justin

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016**

I, Corinna Foo Kim Joke, being the officer primarily responsible for the financial management of Kluang Rubber Company (Malaya) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 133 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, Corinna Foo Kim Joke)
at Johor Bahru in the State of Johor on)
7 October 2019.) Corinna Foo Kim Joke

Before me,

No. J253
Hj Zamani Bin Hj Ahmad
Persuruhjaya Sumpah
Johor Bahru

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KLUANG RUBBER COMPANY (MALAYA) BERHAD
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kluang Rubber Company (Malaya) Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 133.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below.

These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)
(Incorporated in Malaysia)**

Key audit matter (cont'd)

1. Valuation of investments

(Refer to Notes 2.16, 2.17, and 15 to the financial statements)

As at 30 June 2019, the carrying amount of the Group's investments amounted to approximately RM453,411,000, representing approximately 37% of the Group's total assets. These investments consist of investments in quoted equity instruments, debt instruments and precious metal which are measured at fair value, with fair value changes recognised in profit or loss or other comprehensive income.

We focused on the valuation of these investments because they represent the most significant element of the total assets in the financial statements.

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

- i. For investments in quoted equity instruments and precious metal, we corroborated the fair values recorded by management by reference to externally available market data; and
- ii. For investments in debt instruments:
 - We obtained an understanding of the methodology adopted by management in estimating the fair values of these debt instruments and assessed whether such methodology is consistent with those commonly used to value debt instruments; and
 - We evaluated the inputs used in estimating the fair value of these debt instruments by making comparisons against appropriate benchmarks.

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)
(Incorporated in Malaysia)**

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)**
(Incorporated in Malaysia)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other matters

1. As stated in Note 2.1 to the financial statements, Kluang Rubber Company (Malaya) Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 July 2018 with a transition date of 1 July 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 30 June 2018 and 1 July 2017, 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 ended 30 June 2018 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2018 do not contain misstatements that materially affect the financial position as at 30 June 2019 and financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
Dated: 7 October 2019

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	4	22,612,563	28,991,589	16,294,286	7,890,569
Other income		6,440	154,817	840	840
Changes in inventories		(8,044)	(19,922)	(578)	(3,928)
Employee benefits expenses	5	(3,447,444)	(3,256,124)	(1,212,507)	(1,113,514)
Depreciation		(1,607,626)	(854,404)	(380,923)	(522,627)
Subcontract labour cost, fertilizer and chemical costs		(5,782,320)	(4,752,962)	(1,864,559)	(1,817,035)
Foreign exchange differences		551,800	108,618	464,583	(725,103)
Fair value changes on:					
- investment properties	12	941,226	(212,011)	-	-
- biological assets	17	(54,423)	(28,930)	(70,352)	(19,276)
- investments		(761,412)	3,432,299	-	-
Other expenses		(7,510,604)	6,288,203	(2,492,904)	(2,144,192)
Profit from operations	6	4,940,156	17,274,767	10,737,886	1,545,734
Share of results of associates	14	(6,125,742)	(1,469,679)	-	-
(Loss)/Profit before taxation		(1,185,586)	15,805,088	10,737,886	1,545,734
Income tax expense	8	(13,532,578)	(971,089)	(9,234,543)	(449,759)
(Loss)/Profit net of tax		(14,718,164)	14,833,999	1,503,343	1,095,975
Attributable to:					
Equity holders of the parent		(12,302,762)	7,586,890	1,503,343	1,095,975
Non-controlling interest		(2,415,402)	7,247,109	-	-
		(14,718,164)	14,833,999	1,503,343	1,095,975
(Loss)/Earnings per share (sen)					
Basic	9(a)	(19.5)	12.0		
Diluted	9(b)	(19.5)	12.0		

**STATEMENTS OF COMPREHENSIVE INCOME (cont'd)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Other comprehensive (loss)/income:					
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>					
Fair value changes on investments		2,760,484	(271,313)	351,420	(130,192)
Foreign currency translation		18,022,338	(30,340,397)	-	-
Other adjustments		-	(163,686)	-	-
		<u>20,782,822</u>	<u>(30,775,396)</u>	<u>351,420</u>	<u>(130,192)</u>
<i>Items that will not be reclassified subsequently to profit or loss (net of tax):</i>					
Fair value changes on investments		(44,976,169)	46,671,606	(135,140)	(1,390,269)
Total other comprehensive (loss)/income for the year, net of tax,		<u>(24,193,347)</u>	<u>15,896,210</u>	<u>216,280</u>	<u>(1,520,461)</u>
Total comprehensive (loss)/income for the year		<u>(38,911,511)</u>	<u>30,730,209</u>	<u>1,719,623</u>	<u>(424,486)</u>
Attributable to:					
Equity holders of the parent		(22,547,872)	12,015,690	1,719,623	(424,486)
Non-controlling interest		(16,363,639)	18,714,519	-	-
		<u>(38,911,511)</u>	<u>30,730,209</u>	<u>1,719,623</u>	<u>(424,486)</u>

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30.06.2019 RM	Group 30.06.2018 RM	01.07.2017 RM
Assets				
Non-current assets				
Property, plant and equipment	10	302,835,877	300,898,770	300,024,822
Bearer plants	11	39,009,786	34,282,112	28,213,345
Investment properties	12	66,428,782	65,009,836	68,594,291
Investment in associates	14	96,500,392	102,914,850	105,605,686
Investments	15	453,410,736	488,206,229	452,954,833
		<u>958,185,573</u>	<u>991,311,797</u>	<u>955,392,977</u>
Current assets				
Inventories	16	19,346	27,390	47,312
Biological assets	17	230,235	284,658	313,588
Trade and other receivables	18	1,926,263	2,008,515	1,379,878
Tax recoverable		657,188	130,414	652,268
Prepayments		834,718	705,917	657,789
Cash and bank balances	19	267,950,904	265,423,000	270,454,680
		<u>271,618,654</u>	<u>268,579,894</u>	<u>273,505,515</u>
Total assets		<u>1,229,804,227</u>	<u>1,259,891,691</u>	<u>1,228,898,492</u>
Equity and liabilities				
Current liabilities				
Trade and other payables	20	4,873,852	5,007,400	3,391,470
Tax payable		217,128	221,576	174,855
		<u>5,090,980</u>	<u>5,228,976</u>	<u>3,566,325</u>
Net current assets		<u>266,527,674</u>	<u>263,350,918</u>	<u>269,939,190</u>
Non-current liabilities				
Other payables	20	724,681	610,574	523,105
Retirement benefits	22	61,529	55,428	50,766
Deferred tax liabilities	21	31,014,000	17,579,000	17,359,000
		<u>31,800,210</u>	<u>18,245,002</u>	<u>17,932,871</u>
Total liabilities		<u>36,891,190</u>	<u>23,473,978</u>	<u>21,499,196</u>
Net assets		<u>1,192,913,037</u>	<u>1,236,417,713</u>	<u>1,207,399,296</u>
Equity attributable to owners of the parent				
Share capital	23	68,387,724	63,171,977	63,171,977
Reserves	24	406,492,723	396,140,455	391,711,655
Retained earnings	25	201,585,905	225,662,891	218,659,747
		<u>676,466,352</u>	<u>684,975,323</u>	<u>673,543,379</u>
Non-controlling interests		516,446,685	551,442,390	533,855,917
		<u>1,192,913,037</u>	<u>1,236,417,713</u>	<u>1,207,399,296</u>
Total equity and liabilities		<u>1,229,804,227</u>	<u>1,259,891,691</u>	<u>1,228,898,492</u>

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

STATEMENTS OF FINANCIAL POSITION (cont'd)
AS AT 30 JUNE 2019

	Note	30.06.2019 RM	Company 30.06.2018 RM	01.07.2017 RM
Assets				
Non-current assets				
Property, plant and equipment	10	196,709,557	196,650,258	196,705,908
Bearer plants	11	3,606,424	3,380,517	3,482,064
Investment in subsidiaries	13	35,612,632	35,612,632	35,612,632
Investments	15	6,971,439	6,755,160	8,275,620
		<u>242,900,052</u>	<u>242,398,567</u>	<u>244,076,224</u>
Current assets				
Inventories	16	1,161	1,739	5,667
Biological assets	17	95,882	166,234	185,510
Trade and other receivables	18	542,517	783,630	713,790
Tax recoverable		363,375	29,000	178,000
Prepayments		122,418	100,623	85,295
Cash and bank balances	19	28,911,306	27,257,525	26,252,843
		<u>30,036,659</u>	<u>28,338,751</u>	<u>27,421,105</u>
Total assets		<u>272,936,711</u>	<u>270,737,318</u>	<u>271,497,329</u>
Equity and liabilities				
Current liabilities				
Trade and other payables	20	1,184,614	1,412,757	1,123,957
Net current assets		<u>28,852,045</u>	<u>26,925,994</u>	<u>26,297,148</u>
Non-current liabilities				
Other payables	20	263,940	223,790	187,735
Retirement benefits	22	4,674	4,109	8,769
Deferred tax liabilities	21	19,877,000	10,636,000	10,660,000
		<u>20,145,614</u>	<u>10,863,899</u>	<u>10,856,504</u>
Total liabilities		<u>21,330,228</u>	<u>12,276,656</u>	<u>11,980,461</u>
Net assets		<u>251,606,483</u>	<u>258,460,662</u>	<u>259,516,868</u>
Equity attributable to owners of the parent				
Share capital	23	68,387,724	63,171,977	63,171,977
Reserves	24	140,667,581	145,667,048	147,187,509
Retained earnings	25	42,551,178	49,621,637	49,157,382
		<u>251,606,483</u>	<u>258,460,662</u>	<u>259,516,868</u>
Total equity and liabilities		<u>272,936,711</u>	<u>270,737,318</u>	<u>271,497,329</u>

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 30 JUNE 2019**

Group 2019	Note	Equity, total RM	Equity attributable to owners of the parent, total RM	Non-distributable					Distributable		
				Share capital (Note 23) RM	Share premium (Note 24) RM	Capital reserve (Note 24) RM	Fair value reserve (Note 24) RM	Foreign currency translation reserve (Note 24) RM	Equity interest in the Company held by subsidiaries (Note 24) RM	Retained earnings (Note 25) RM	Non- controlling interests RM
Balance at 1 July 2018		1,236,417,713	684,975,323	63,171,977	5,215,747	198,114,385	165,367,817	53,255,631	(25,813,125)	225,662,891	551,442,390
Loss net of tax		(14,718,164)	(12,302,762)	-	-	-	-	-	-	(12,302,762)	(2,415,402)
Other comprehensive (loss)/income for the year		(24,193,347)	(10,245,110)	-	-	-	(18,595,954)	8,350,844	-	-	(13,948,237)
Total comprehensive (loss)/income for the year		(38,911,511)	(22,547,872)	-	-	-	(18,595,954)	8,350,844	-	(12,302,762)	(16,363,639)
Transactions with owners:											
Transition to no-par regime*		-	-	5,215,747	(5,215,747)	-	-	-	-	-	-
Dividend in-specie distributed	13(b)	625,257	10,381,595	-	-	-	-	-	18,300,442	(7,918,847)	(9,756,338)
Transfer of reserve upon distribution of dividend in-specie		-	4,241,049	-	-	-	-	-	7,512,683	(3,271,634)	(4,241,049)
Dividends to shareholders		(583,743)	(583,743)	-	-	-	-	-	-	(583,743)	-
Dividends to non-controlling interests	13(b)	(4,634,679)	-	-	-	-	-	-	-	-	(4,634,679)
Balance at 30 June 2019		1,192,913,037	672,225,303	68,387,724	-	198,114,385	146,771,863	61,606,475	-	201,585,905	516,446,685

**STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

Group 2018	Note	Equity, total RM	Equity attributable to owners of the parent, total RM	Non-distributable					Distributable		
				Share capital (Note 23) RM	Share premium (Note 24) RM	Capital reserve (Note 24) RM	Fair value reserve (Note 24) RM	Foreign currency translation reserve (Note 24) RM	Equity interest in the Company held by subsidiaries (Note 24) RM	Retained earnings (Note 25) RM	Non- controlling interests RM
		1,207,399,296	673,543,379	63,171,977	5,215,747	198,114,385	146,516,532	67,514,430	(25,649,439)	218,659,747	533,855,917
		14,833,999	7,586,890	-	-	-	-	-	-	7,586,890	7,247,109
		15,896,210	4,428,800	-	-	-	18,851,285	(14,258,799)	(163,686)	-	11,467,410
		30,730,209	12,015,690	-	-	-	18,851,285	(14,258,799)	(163,686)	7,586,890	18,714,519
		(583,746)	(583,746)	-	-	-	-	-	-	(583,746)	-
	13(b)	(1,128,046)	-	-	-	-	-	-	-	-	(1,128,046)
		1,236,417,713	684,975,323	63,171,977	5,215,747	198,114,385	165,367,817	53,255,631	(25,813,125)	225,662,891	551,442,390

**STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

Company 2019	Note	<----- Non-distributable ----->				Distributable	
		Total equity RM	Share capital (Note 23) RM	Share premium (Note 24) RM	Capital reserve (Note 24) RM	Fair value reserve (Note 24) RM	Retained earnings (Note 25) RM
Balance at 1 July 2018		258,460,662	63,171,977	5,215,747	135,969,305	4,481,996	49,621,637
Profit net of tax		1,503,343	-	-	-	-	1,503,343
Other comprehensive income for the year		216,280	-	-	-	216,280	-
Total comprehensive income for the year		1,719,623	-	-	-	216,280	1,503,343
Transactions with owners:							
Transition to no-par regime*		-	5,215,747	(5,215,747)	-	-	-
Dividend in-specie distributed		(7,942,082)	-	-	-	-	(7,942,082)
Dividends	26	(631,720)	-	-	-	-	(631,720)
Balance at 30 June 2019		251,606,483	68,387,724	-	135,969,305	4,698,276	42,551,178

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Company 2018	Note	Total equity RM	Share capital (Note 23) RM	Share premium (Note 24) RM	Capital reserve (Note 24) RM	Fair value reserve (Note 24) RM	Distributable
Balance at 1 July 2017		259,516,868	63,171,977	5,215,747	135,969,305	6,002,457	49,157,382
Profit net of tax		1,095,975	-	-	-	-	1,095,975
Other comprehensive loss for the year		(1,520,461)	-	-	-	(1,520,461)	-
Total comprehensive (loss)/income for the year		(424,486)	-	-	-	(1,520,461)	1,095,975
Transaction with owners:							
Dividends	26	(631,720)	-	-	-	-	(631,720)
Balance at 30 June 2019		258,460,662	63,171,977	5,215,747	135,969,305	4,481,996	49,621,637

* The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. The Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM5,215,747 for purposes as set out in Section 618(3). On 31 January 2019, the amounts standing to the credit of the share premium account became a part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. There was no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Operating activities				
(Loss)/Profit before taxation	(1,185,586)	15,805,088	10,737,886	1,545,734
Adjustments for:				
Depreciation	1,607,626	854,404	380,923	522,627
Property, plant and equipment written off	1,515	103,065	1,515	24
Provision for retirement benefits	14,098	10,207	565	885
Dividend income	(9,474,714)	(11,054,100)	(12,064,735)	(1,197,090)
Interest income	(3,036,950)	(2,239,583)	(410,224)	(386,276)
Share of loss of associates	6,125,742	1,469,679	-	-
Unrealised foreign exchange (gain)/loss	(567,912)	(115,964)	(480,049)	731,533
Fair value changes on:				
- investments	761,412	(3,432,299)	-	-
- biological assets	54,423	28,930	70,352	19,276
- investment properties	(941,226)	212,011	-	-
Operating cash flows before working capital changes	(6,641,572)	1,641,438	(1,763,767)	1,236,713
Receivables	349,390	(92,907)	264,674	(43,399)
Prepayments	(128,798)	(48,133)	(21,795)	(15,328)
Inventories	8,044	19,922	578	3,928
Payables	(49,900)	1,749,999	(202,505)	324,856
Cash flows (used in)/generated from operations	(6,462,836)	3,270,319	(1,722,815)	1,506,770
Retirement benefits paid	(7,997)	(5,545)	-	(5,545)
Taxes paid	(681,172)	(757,270)	(363,375)	(442,500)
Taxes refunded	35,974	587,566	35,457	117,741
Net cash flows (used in)/generated from operating activities	(7,116,031)	3,095,070	(2,050,733)	1,176,466

**STATEMENTS OF CASH FLOWS (cont'd)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Investing activities				
Dividends received	12,109,044	12,308,278	4,114,666	1,197,090
Interest income received	2,784,951	1,697,256	401,177	359,834
Uplift/(Placement) of fixed deposits with maturity exceeding 90 days	12,869,820	(131,880,630)	(483,104)	(6,163,541)
Purchase of property, plant and equipment	(2,397,461)	(1,488,638)	(262,241)	(287,505)
Addition of bearer plants	(5,876,235)	(6,412,007)	(405,403)	(77,949)
Net cash flows generated from/(used in) investing activities	<u>19,490,119</u>	<u>(125,775,741)</u>	<u>3,365,095</u>	<u>(4,972,071)</u>
Financing activities				
Dividends paid to shareholders	(583,743)	(583,746)	(631,720)	(631,720)
Dividends paid to non-controlling interests	(4,634,679)	(1,128,048)	-	-
Proceeds from sale of investment	625,257	-	7,987	-
Net cash flows used in financing activities	<u>(4,593,165)</u>	<u>(1,711,794)</u>	<u>(623,733)</u>	<u>(631,720)</u>
Net increase/(decrease) in cash and cash equivalents	7,780,923	(124,392,465)	690,629	(4,427,325)
Effects of exchange rate changes	7,616,801	(12,519,845)	480,048	(731,534)
Cash and cash equivalents at beginning of year	<u>120,526,104</u>	<u>257,438,414</u>	<u>13,756,656</u>	<u>18,915,515</u>
Cash and cash equivalents at end of year (Note 19)	<u><u>135,923,828</u></u>	<u><u>120,526,104</u></u>	<u><u>14,927,333</u></u>	<u><u>13,756,656</u></u>

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