

PROPERTY DEVELOPMENT

PROPERTY INVESTMENT

Annual Report

2014

PLANTATION

Forging a Better Future





FORGING A **BETTER FUTURE**



The cover design is inspired by the theme -- **Forging A Better Future** -- to highlight how the MKH Group is creating a better future for all. Through our business activities in the property development and plantation industries, we are contributing to the development of society. By delivering quality in all our products and services, we are setting a high standard for all.



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Form of Proxy



VISION MISSION

To lead the market by continually developing and innovating quality products and projects that meet and exceed market expectations.

To be responsive to market trends and customer needs.

To provide conducive working environment that will encourage the application of creative energy that is guided by best industry practices.

To be a good and responsible corporate citizen.

To provide a sustainable return to shareholders.

CORE VALUES

At MKH, we take pride in living a set of shared core values. These core values define our culture and business operations, thus helping us to create value for our clients, our people and our organisation.

Dynamic

We are energetic, moving ahead looking for new opportunities and delivering innovative products.

Reliable

We utilise our experience and financial strength to complete all projects on time or earlier.

Friendly

We greet our colleagues, customers and stakeholders in an approachable manner with a smile and be considerate for each other's feeling.

Professional

We deal with our stakeholders and customers in an efficient, knowledgeable and responsive manner.

Responsive

We listen to requests, understand and if reasonable, execute these requests speedily and efficiently.

Stable

We use our property development expertise, our financial resources and our leadership in Kajang to provide a holistic value to all stakeholders and customers.



MKH Berhad formerly known as (Metro Kajang Holdings Berhad) is an established and respected property developer listed on the Main Market of Bursa Malaysia. Since 1979, MKH has earned a distinguished reputation in improving quality of life by building good quality homes, while 2008 marked the Group's foray into oil palm plantation.

It is with a great sense of satisfaction and pride that MKH commemorates its 36th year anniversary this year. Riding on 3 decades of success, the Group has succeeded in delivering a distinction in Kajang, making it one of the fastest growing townships in Malaysia.

Corporate Profile



Property Development



Oil Palm Plantation in East Kalimantan



Metro Point Complex

Hailing from the fast-growing township of Kajang, the Group has ventured into thriving urban circles such as Damansara, Bangsar, Shah Alam, Petaling Jaya and other parts of Greater Kuala Lumpur. MKH transformed into a metropolitan developer offering a mix of premium residential and commercial properties to affordable dwellings focusing on innovative concepts and quality living.

Little did the Group know that it has contributed to the nation by improving the quality of life through proper planning of integrated townships, quality developments, innovative technologies and well-designed communities for people to call home. To date, MKH has developed and undertaken more than 30,000 units of mixed development projects with a value exceeding RM12.0 billion.

In the quest for sustainable growth, MKH has diversified its business into oil palm plantation in Kalimantan, Indonesia. While property development and oil palm plantation are MKH's core businesses, the Group is also involved in property investment, property management, construction, trading and furniture manufacturing to provide maximum synergy and cost efficiency.

MKH has never lost sight on the importance of giving back to the society. In doing so, the Group looks beyond its industry and ad-hoc CSR activities to a holistic approach by engaging stakeholders in education, environment and social issues for long-term sustainability.

Awards & Achievements

COMPANY

THE EDGE MALAYSIA *Top Property Developers Awards 2014*

The Edge Malaysia
Top Property Developers Awards 2013 & 2014
(Top 30 Best Property Developers in Malaysia)



**Best Company for
Investor Relations 2014**



**Best Companies to Work
for in Asia 2013 & 2014**



**HR Asia™
BEST COMPANIES
TO WORK FOR
IN ASIA 2014**

Awards & Achievements

PROJECTS



THE EDGE
MALAYSIA

**Affordable Urban Housing
Excellence Award 2014**

**The Edge Malaysia Affordable Urban Housing
Excellence Award 2014**

Pelangi Semenyih 2, Semenyih

Asia Pacific Property Awards (APPA)



Saville @ the Park, Bangsar



Kajang 2, Kajang



MKH World, Serdang



Hillpark @ Shah Alam North



Kajang East, Semenyih



MKH Boulevard, Kajang

APPA for Architecture Single Residence

Kajang 2, Kajang
Kajang East, Semenyih

APPA for High Rise Residential

Saville @ the Park, Bangsar

APPA for Office Architecture

MKH World, Serdang

APPA for Commercial High-Rise

MKH Boulevard, Kajang

APPA for Office Development

MKH World, Serdang

APPA for Development Marketing

Hillpark @ Shah Alam North



5 Years Group Financial Highlights

	2014 RM'000	2013 RM'000	* 2012 RM'000	* 2011 RM'000	2010 RM'000
INCOME STATEMENT					
Revenue	806,522	688,219	555,925	342,016	289,217
Profit Before Taxation	162,560	134,453	100,087	47,190	41,883
Profit After Taxation	119,622	107,148	75,454	38,768	31,932
Profit Attributable to Shareholders of the Company	104,684	103,970	77,410	39,095	31,575
BALANCE SHEET					
Issued and Paid up Capital	419,394	349,253	291,044	264,585	240,532
Shareholders' Equity	1,034,505	953,332	797,582	753,532	689,805
RATIOS					
Dividend per share (sen)	** 8	10	5	5	5
@ ^ Net Earnings per share (sen)	24.97	25.33	19.95	10.08	8.14
^ Net Assets per share (RM)	2.47	2.27	2.06	1.94	1.78
Debt/Equity ratio (%)	59	55	63	50	34
Return on Shareholders' Equity (%)	10	11	10	5	5

* Represents continuing operations and discontinued operations of the Group.

** Single tier dividend.

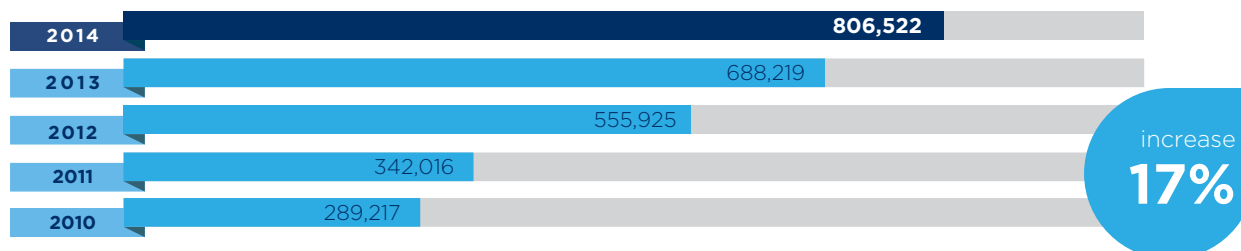
@ Attributable to the equity holders of the Company.

^ The preceding years' net earnings per share and net assets per share have been restated to effect the Bonus Issues made in current year and previous years.

5 Years Group Financial Highlights

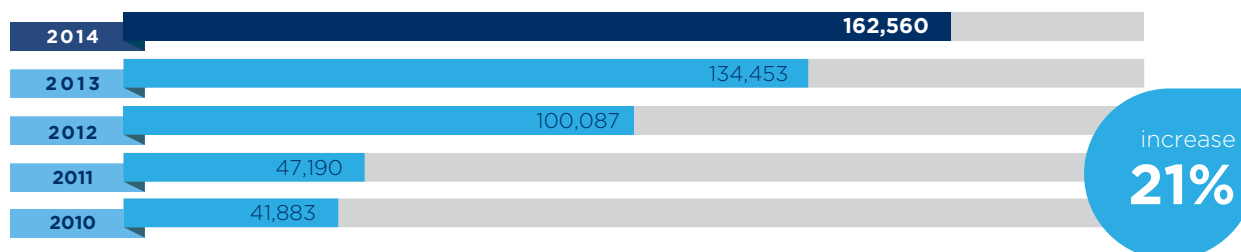
REVENUE

(RM'000)



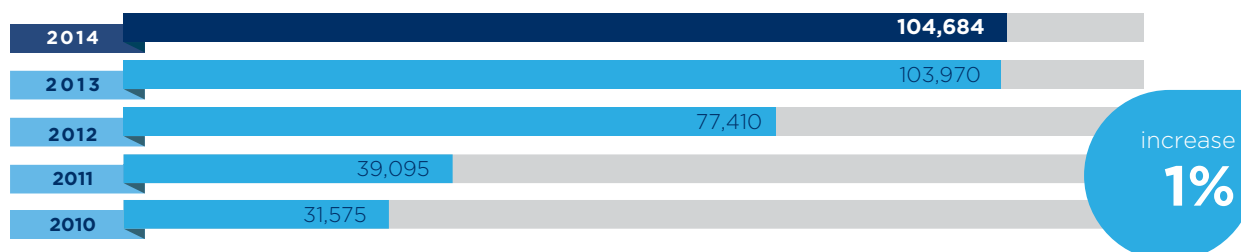
PROFIT BEFORE TAXATION

(RM'000)



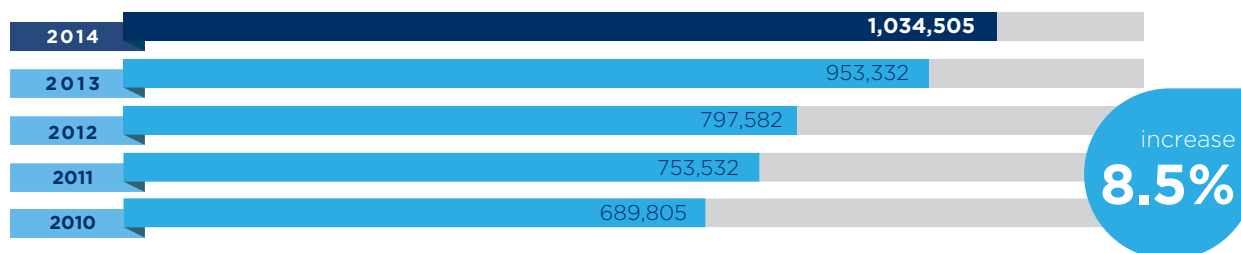
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(RM'000)



SHAREHOLDERS' EQUITY

(RM'000)





Crafting Unique **Communities**

Our employees are committed to creating wonderful communities where families and businesses can thrive.



Corporate Information

BOARD OF DIRECTORS

Y. Bhg. Tan Sri Dato' Chen
Kooi Chiew @ Cheng Ngi Chong
Executive Chairman

Y. Bhg. Tan Sri Datuk Chen Lok Loi
Managing Director

Chen Fook Wah
Deputy Managing Director

Mah Swee Buoy
Executive Director

Datuk Mohammad Bin Maidon
Independent Non-Executive Director

Mohammed Chudi Bin Haji Ghazali
Senior Independent Non-Executive Director

Haji Mohamed Bin Ismail
Independent Non-Executive Director

Jeffrey Bin Bosra
Independent Non-Executive Director

Haji Hasan Aziz Bin Mohd Johan
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Jeffrey Bin Bosra

Members

Mohammed Chudi Bin Haji Ghazali
Haji Mohamed Bin Ismail

NOMINATION COMMITTEE

Chairman
Mohammed Chudi Bin Haji Ghazali
Members
Haji Mohamed Bin Ismail

REMUNERATION COMMITTEE

Chairman
Haji Mohamed Bin Ismail

Members
Jeffrey Bin Bosra
Mah Swee Buoy

CHIEF OPERATING OFFICER

Mah Swee Buoy

GROUP COMPANY SECRETARY

Tan Wan San (MIA 10195)

EXTERNAL AUDITORS

Baker Tilly AC (AF 001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No : (603) 2297 1000
Fax No : (603) 2282 9980

INTERNAL AUDITORS

KPMG Management & Risk Consulting Sdn Bhd
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel No : (603) 7721 3388
Fax No : (603) 7721 3399

PANEL SOLICITORS

HY Lee & Co.
Khaled Mutang Chan & Lim
Ling & Theng Book
Markiman & Associates
Michael Chen & Co.
Steven Tai, Wong & Partners

PRINCIPAL BANKERS

Affin Bank Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
AmBank (M) Berhad
AmlIslamic Bank Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Al-Amin Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
RHB Bank (L) Ltd
RHB Investment Bank Berhad
RHB Islamic Bank Berhad
United Overseas Bank (Malaysia) Berhad

REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No : (603) 2264 3883
Fax No : (603) 2282 1886

REGISTERED OFFICE

Suite 1, 5th Floor
Wisma MKH, Jalan Semenyih
43000 Kajang
Selangor Darul Ehsan
Tel No : (603) 8737 8228
Fax No : (603) 8736 5436

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : MKH
Stock No : 6114
Warrant Code : MKH-WB
Warrant No : 6114WB

CORPORATE WEBSITE

www.mkhberhad.com

Corporate Structure



PROPERTY AND CONSTRUCTION DIVISION

85%	Achieve Acres S/B
100%	Aliran Perkasa S/B
100%	Budi Bidara S/B
100%	Danau Saujana S/B
100%	Dapat Jaya Builder S/B
45%	Rimbunan Melati S/B
100%	Everland Asia Development S/B
100%	Gabung Wajib S/B
65%	Alif Mesra S/B
60%	Amona Metro Development S/B
100%	Gerak Teguh S/B
100%	GK Resort Berhad
70%	PNSB-GK Resort S/B
100%	Intelek Kekal (M) S/B
100%	Intra Tegas (M) S/B
100%	Kajang Resources Corporation S/B
100%	Kumpulan Indah Bersatu S/B
100%	Palga S/B
100%	Hiliran Juara S/B
100%	Metro K.L. City S/B
100%	Metro Kajang Construction S/B
100%	Metro Kajang Development S/B
100%	Pelangi Binaraya S/B
100%	Pelangi Semenyih S/B
100%	Pelangi Seri Alam Development S/B
100%	Puncak Alam Resources S/B
100%	Perkasa Bernas (M) S/B
100%	Petik Mekar S/B
100%	Serba Sentosa S/B
100%	Serentak Maju Corporation S/B
99.99%	Srijang Kemajuan S/B
100%	Stand Allied Corporation S/B
100%	Sumber Lengkap S/B
100%	Suria Villa S/B
55%	Vista Haruman Development S/B

NON-PROPERTIES DIVISION

100%	Detik Merdu S/B
95%	PT Khaleda Agropima Malindo
100%	PT Nusantara Makmur Jaya
100%	Global Retreat (MM2H) S/B
100%	Intelek Murni (M) Berhad
100%	Metro Kajang (Oversea) S/B
100%	Vast Furniture Manufacturing (Kunshan) Co. Ltd.
100%	Metro Nusantara S/B
100%	Metro Tiara (M) S/B
20%	Rafflesia School (Kajang) S/B
100%	MKH Building Materials S/B (f.k.a. Metro Kajang Trading S/B)
100%	MKH Credit Corporation S/B
100%	MKH Food S/B (f.k.a. Vast Marketing & Services S/B)
100%	MKH Management S/B
100%	MKH Resources S/B
100%	Srijang Indah S/B
100%	Laju Jaya S/B
100%	Maha Usaha S/B

Chairman's Statement

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of MKH Berhad ("MKH or Group"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 30 September 2014 ("FY2014").



The year 2014 saw a number of significant milestones for MKH Berhad as the Group celebrated its 35 years of delivering quality homes to homeowners.

We, not only crossed the billion-ringgit market capitalisation mark, but also achieved an unprecedented high unbilled sales of RM823 million and impressive 149% growth in plantation pre-tax profit compared to a year ago.

HillPark 3, Semenyih

Chairman's Statement

Saville @ D'Lake Puchong



Landbank Steadily
Increase to GDV of
RM10b

MARKET ENVIRONMENT

The Malaysian economy achieved moderated Gross Domestic Products (GDP) of 5.6 percent in the third quarter of 2014, decelerating from a bullish 6.5 percent growth reported in the first half of the year, as all sectors of the economy rose at a slower pace. The lacklustre performance of developed economies continues to put a pressure on growth prospect of the emerging market economies, including Malaysia.

The year 2014 was challenging for the property market because of the imposition of cooling measures and more stringent bank lending policies among other factors. However, properties with a good concept, in a good locale especially near the upcoming mega infrastructures, namely Mass Rapid Transit ("MRT") and Light Rail Transit ("LRT") and reasonable price points generally fared well. The year recorded a lower transaction volume but saw stable demand across the board especially for the affordable housing segment.

Despite the bright outlook for Southeast Asia biggest economy, the Indonesian rupiah exchange rate has depreciated to its lowest level since August 1998. This weak performance is caused by bullish momentum of the US dollar amidst the improving US economy in combination with local year-end US dollar demand for debt repayments. The low crude oil prices in the second half of the year has also diminished the appeal of biodiesel which consists of 7% palm oil and 93% petroleum diesel. As a result crude palm oil ("CPO") prices has fallen in tandem with crude oil prices, but still averaging above RM2,200 per tonne.

OPERATIONAL REVIEWS

MKH showed resilience, delivering a good set of results despite operating within a challenging market environment. For the full financial year ("FY") ended 30 September 2014, the Group's achieved double-digit growth with 17.2% jump in revenue to RM806.5 million from RM688.2 million a year ago. Consequently, the Group's pre-tax profit ("PBT") rose 20.9% to RM162.6 million compared to RM134.5 million in the previous year mainly underpinned by robust profit in oil palm plantation division and higher gain in fair value from investment properties. Likewise, the Group's profit after tax ("PAT") rose to RM119.6 million, representing 11.7% increase year-on-year ("y-o-y"), while net profit attributable to shareholders excluding minority interest ("PATMI") increased 0.7% to RM104.7 million.

Chairman's Statement



*Expecting 360,000 MT
of FFB in 2015*

PROPERTY & CONSTRUCTION DIVISION

Despite the challenges posed by imposition of cooling measures and more stringent bank policies, Property & Construction division being our main core, recorded an increase of 12.5% in revenue to RM536.9 million from RM477.1 million a year ago. This is evident from its record-breaking new property sales of RM819.5 million, a marked improvement of 41% from RM580.8 million recorded in the previous year. Consequently, MKH's unbilled sales reached a new record high of RM823.0 million, representing 64% growth from RM503.2 million in the preceding year.

Flexibility in our product mix from commercial properties to premium homes with greater focus on affordable housing in strategic location namely MKH Avenue I, Hillpark @ Shah Alam North, Saville @ Kajang and Pelangi Heights have proven to be successful strategy adopted by the Group.

Against the increase in revenue, the Group however achieved a lower PBT of RM86.5 million compared to RM143.8 million a year ago. The lower PBT is mainly due to the absence of bargain purchase gain on acquisition of subsidiaries, higher interest expense and lower share of profit of an associate following the completion of Areca Residence compared to a year ago. Slower profit recognition for new launches at the preliminary development stage also contributed to the lower PBT.

However, the rising and unprecedented high unbilled sales of RM823.0 million underpins long-term earnings visibility for the Group from which attributed sales revenue and profits will be progressively recognised as developments move towards completion.

PLANTATION DIVISION

The Oil Palm Plantation is another key growth driver to the Group. While, CPO prices have declined last year, the segment contributed substantially to the Group with its new high-record PBT of RM22.2 million, a 149% surge from RM44.9 million loss before tax in the preceding year. Adjusting the unrealised forex losses, PBT surged 757% to RM40.3 million from RM4.7 million a year ago. The turnaround from loss to profit for FY2014 was attributed to higher revenue and gross profit coupled with lower unrealised forex losses of RM18.1 million compared to RM49.6 million in the preceding year.

Revenue from the sale of CPO and palm kernel increased by 63% to RM164.8 million from RM101.1 million a year ago, buoyed by increasing fresh fruit bunches ("FFB") yield of 295,000 metric tonnes ("MT") which surpassed its yearly target of 270,000 MT. FFB yield improved by 31.3% to 21MT/ hectare from mature and immature trees, while oil extraction rate ("OER") efficiency improved to 22% in FY2014. Meanwhile, the Group has also recently upgraded its CPO mill to 90MT/hour to cater to its fast growing FFB volume.

Chairman's Statement



Nature Inspired
Development with

50 Acres

Forest Park

Hillpark @ Shah Alam North, Shah Alam

HOTEL & PROPERTY INVESTMENT

This division recorded higher revenue of RM34.4 million and PBT of RM35.9 million for the current year, each representing a growth of 9.9% and 115.0% respectively compared to a year ago. The increase in PBT for FY2014 was attributed to higher gain on changes in fair value of investment properties amounting to RM22.2 million compared to only RM3.8 million a year ago.

The Group's asset encompasses two shopping malls, namely Plaza Metro Kajang and MetroPoint Complex, a 3-star hotel, office blocks, four parcels of commercial land leased to leading hypermarkets and fast-food restaurants, stratified offices, shop lots and car park bays including the latest addition of Rafflesia International school, all located within the prime areas of Kajang-Semenyih and Kuala Lumpur. The Hotel & Property Investment division will continue to provide stable recurring income for the Group.



Community landscape at Hillpark @ Shah Alam North

TRADING

This division, which is mainly involved in the trading of building material and fixture for the Group's property development project, registered lower revenue and PBT of RM57.1 million and RM3.8 million respectively compared to RM67.1 million and RM4.5 million in the preceding year. The decline in variance was mainly due to lower building material sales to external subcontractors for the Group's development projects that were still at preliminary stage of development.

MANUFACTURING

For the financial year under review, the furniture manufacturing subsidiary company in China, Vast Furniture Manufacturing (Kunshan) Co. Ltd. recorded higher revenue and PBT of RM12.1 million and RM1.0 million for FY2014 compared to RM9.5 million and RM20,000 respectively.

Chairman's Statement



MKH Avenue II, Kajang

DELIVERING SHAREHOLDERS' VALUE

The Group has been consistently creating value and delivering returns to its shareholders since its listing in 1995. The Board of Directors has declared an interim single-tier dividend of 8.0 sen per ordinary share for FY2014, amounting to RM33.6 million of cash dividends paid on 11 November 2014.

SIGNIFICANT CORPORATE DEVELOPMENT

The Group successfully issued 69.898 million new ordinary shares of RM1.00 each on the basis of 1 bonus share for every 5 existing shares held by shareholders on 20 May 2014. Consequently to the Bonus issue, 5,772,221 additional Warrants were issued pursuant to the adjustments made to fulfil the Deed Poll's provision. Save for the proportionate reduction in earnings per share, the Bonus issue did not have a material effect on the quantum of dividend per share to be paid by the Group for the financial year ended 30 September 2014.

Following the Bonus issue exercise, MKH's paid-up capital increased from RM349.3 million to RM419.4 comprising 419.4 million shares of RM1 each. This corporate exercise has boosted liquidity and marketability of MKH shares while we took this opportunity to reward our shareholders.

ACCOLADES

The growing string of accolades in 2014 is a testament of MKH's strength and recognition from one's peers. This reaffirms our employees' commitment in delivering long-term shareholder value.

- **The Best Company in Investor Relations 2014**

MKH was recognised for its exemplary best IR practices and management among the public-listed companies at the Malaysian Investor Relations Association ("MIRA") 2014. Being forethought and willing to open ourselves to scrutiny also stand us in good stead with the investing public and institutions.

- **The Edge Malaysia Affordable Urban Housing Excellence Award 2014**

We feel privileged to have played a meaningful part in fulfilling the nation's dream of affordable housing, while offering a mix of premium residential to commercial properties. Pelangi Semenyih 2, a well-designed community is a testament to our commitment in delivering affordable homes without compromising on the quality, design, innovation, accessibility, liveability and communication interaction.

Chairman's Statement

Pelangi Heights clubhouse, Pajam

- **The Edge Top Property Developers Awards ("TPDA") 2014**

MKH was once again recognised as one of Malaysia's 30 best property developers; bumping our ranking up a few notches in the market.

- **The Best Companies to Work for in Asia 2014**

We are humbled to be recognised for this award in two consecutive years through the HR Asia survey 2014. At MKH, we work very hard to continuously provide a conducive environment where our employees can grow into business leaders. The goal of the Company is to continue to grow and create opportunities for individuals in the future.

- **Asia Pacific Property Awards ("APPA") 2014**

Four of our new projects were honoured the Highly Commended awards for its architecture, design and marketing development. The award winning projects include Kajang East - Architecture Single Residence Malaysia, MKH Boulevard - Commercial High-Rise Architecture Malaysia, MKH World - Office Architecture Malaysia and Office Development Malaysia, and Hillpark @ Shah Alam, North - Development Marketing Malaysia.

CORPORATE RESPONSIBILITY & SUSTAINABILITY INITIATIVES

The Group has never lost sight on the importance of giving back to the society. Not only has MKH fulfilled the nation's dream by delivering affordable homes for the *rakyat*, the Group looks beyond its industry and adopts a more holistic approach of corporate social responsibility ("CSR"). We remain committed by engaging stakeholders in education,



Kajang East, Semenyih

healthy living, community, social issue, environment and marketplace. These include building a well-planned community stalls ("gerai") at Puncak Alam and constructing a new skybridge at Kajang 2. Other meaningful CSR activities include sharing our expertise in affordable housing scheme with Tanzanian government delegates, sponsoring 'MKH-Seremban International 12-Hour Walk 2014', 'RSGC Junior Amateur Open Golf Championship 2014', 'Kayuhan Amal Titipan Kasih Jantung Hatiku', The Edge KL Rat Race 2014, organising 'The Godfather of Property Forum Series', and participating in the Plasma programme apart from complying towards sustainable oil palm policy.

Chairman's Statement



CPO Mill has been upgraded to 90MT/hour



Expecting 360,000 metric tonnes of FFB in 2015

FUTURE PROSPECTS

As we ended 2014 and brace ourselves for another tough year in 2015, we are cognisant of the potential challenges ahead of us. These challenges include the current slide in crude oil prices, weakening ringgit, higher inflation, government-imposed cooling measures on property, tighter lending policies and impending GST implementation in April this year. Homebuyers are more cautious and adopt a wait-and-see stance pursuant to these challenges nearer to the GST implementation. Along with the uncertain global economy, we believe there are still opportunities throughout the year since domestic demand remains strong. The progress of mega national transport infrastructure projects; MRT, LRT and the growing population of young homebuyers will be the key drivers in the affordable and mid-market segments.

This year, we will continue to leverage on our proven expertise in delivering affordable housing to homebuyers without compromising on quality, concept, connectivity and amenities as evident in our award-winning Pelangi Semenyih 2. About 90% of our launches in FY2015 are mainly landed and high-rise residential homes price starting from RM380,000-RM700,000, all located within our strong foothold of Kajang-Semenyih and Greater Kuala Lumpur; Cheras, Puchong and Shah Alam. Property launch line-up this year include Pelangi Semenyih 2, Kajang East, Hillpark 3, Hillpark @ Shah Alam North, Saville @ D'Lake Puchong, Pelangi Heights and MKH Avenue II which are all within matured townships with ready infrastructure and amenities. The much anticipated service apartment, Saville @ Cheras, is strategically located adjacent to upcoming MRT station.

Chairman's Statement

Our Plantation division is another key growth factor. The CPO price expected to raise slightly in 2015 due to limited production growth in Indonesia and Malaysia. The Indonesian's CPO exports are expected to accelerate with the introduction of zero export tariffs in September 2014. This will further boost global demand and CPO prices. Indonesia's production of CPO is estimated to reach 31 million tonnes this year, up from an expected 29.5 million tonnes in 2014, according to the Indonesian Palm Oil Board (DMSI).

We expect FFB volume to grow by 30% to 360,000 metric tonnes ("MT") or 23MT/hectare this year as more of our planted trees aged 4-7 years are maturing for harvest. Hence, our Plantation division will grow significantly thereby contributing 25% to Group's total revenue. Exponential FFB growth from the favourable age profile of palm trees will more than offset the volatility of the CPO prices. We have started exporting CPO in USD since the tax-free exports announcement in Indonesia late last year. To cater to our fast growing FFB volume, our CPO mill has also been upgraded to 90MT/hour from 60MT/hour.

What sets us apart from others are the locality of our property developments near the upcoming MRT and LRT stations, coupled with young profile of our palm trees. Property and Plantation will be the twin boosters to support the Group's future earnings and growth momentum. With the latest joint ventures for high rise developments in Mont Kiara, Puchong, Cheras and Kajang town, our land bank has steadily increased to a gross development value (GDV) of RM10.0 billion which will keep us busy for the next 10 years. At least 7 of our

current and future projects are located near the mega infrastructure. While, we are actively identifying suitable lands in Indonesia to increase our current 15,900 hectares of oil palm plantation through various means, we are also mindful of the suitability, quality and alienation of the land. The newly elected Government in Indonesia last October is also seen as an economic booster for the Indonesian economy as it is expected to implement sweeping reforms to overhaul the republic's lethargic economy,

ACKNOWLEDGEMENT

As the Group embarks on another year, the Board of Directors of MKH wishes to thank our shareholders, valued customers, regulatory authorities, media, business associates and bankers for their ongoing support. My heartfelt appreciation goes to Management and 3,800 employees for their unwavering commitment and teamwork towards the Group's success.

In closing, I would like to thank fellow Board members for their invaluable expertise to the Group. As we forge ahead, I am confident that MKH will continue to accomplish its objectives of generating strategic growth while maximising shareholders' value in the coming years.

Tan Sri Dato' Alex Chen Kooi Chiew
Executive Chairman



MKH property carnival 2014 -
"MKH Treasures You"





Sustaining **Superior Quality**

Our experts ensure that our oil palm harvests are second to none in terms of quality.



Corporate Social Responsibility



Besides delivering sustainable growth and value for the shareholders, **MKH Berhad** (“**MKH**” or “**the Group**”) remains committed on corporate social responsibility practices mainly in the areas of workplace, community, education, social issue, environment and marketplace. Cognisant of this, we continue to uphold our commitment to conduct business fairly, impartially and in compliance with all laws and regulations of the community and environment we operate in and this is guided by the Malaysian Code on Corporate Governance 2012.

Corporate Social Responsibility

THE WORKPLACE

MKH was voted as one of the 'Best Companies to Work for in Asia 2014' for two consecutive years via the HR Asia Survey, and it is truly an honour to be recognised among so many others. We engage in a supportive work culture and environment; providing attractive advancements at all levels and offering competitive performance-based rewards for all employees.

At MKH, we firmly believe employees are our greatest asset and one of the crucial contributors to the Group's success. As part of the focus on succession planning and talent management, the Group organised various leadership coaching programmes with an aim to identify, retain and develop successors for critical positions. This leadership coaching programme provides key talents with the opportunity to grow and perform at their highest potential through guidance given by senior management team. In our efforts to increase employee engagement at all levels, an 'Employee Suggestion' system is in place to allow all employees a chance to share their voice from welfare to various aspects in improving the working environment, thus unleashing the organisation's potential for rapid growth.

Many team building events such as family day, outdoor trips and sports are organised regularly to enhance team performance and strengthen camaraderie of the employees. As healthy minds and bodies create a positive environment at work place, MKH brings fitness into the office by providing a well-equipped gym facility and other interesting fun fitness classes ranging from Zumba, Aerobics, Yoga and soon to come Kickboxing. The Group also adopted the 'Malaysian Standard on Occupational Safety and Health Management System' to ensure that all employees and support workers are working in a safe and healthy environment.

In addition, MKH employees volunteered time for a good cause including yearly blood donation and visiting old folks' home, just to name a few.



MKH employees enjoying Zumba dance



MKH Family Day @ Club Med, Cherating

Corporate Social Responsibility

(A) EDUCATION AND INDIVIDUAL DEVELOPMENT

MKH strongly believes that education is the key to creating a sustainable future for all. The 'Chin Mooi Education Foundation' was set up to provide financial support and scholarship for needy students from primary to secondary school and colleges. Besides, MKH has been participating and supporting various educational activities organised by New Era College, UKM, UM, UPM, UTAR and other schools including Yu Hua school in Kajang.

In support of United Nation's Millennium Development Goals of basic education for all children towards the development of the future generation, MKH has built schools at its estate in Samarinda, Indonesia since 2008. The objective is to provide basic primary education to the underprivileged children and children of plantation workers within and neighbouring its plantation. In this manner, MKH can do its part to ensure that underprivileged children in such remote areas in Kalimantan, Indonesia have opportunities to turn their lives around for the better. Apart from the classrooms and teachers' rooms, the schools are equipped with canteens, playgrounds and other amenities as well.

In respect of individual developments, internship programmes and graduate placement programmes are available for graduate to take up employment in MKH.

(B) COMMUNITY ACTIVITIES

MKH works successfully with various non-profit organisations ("NGOs") to make a difference; be it small or big. The Group established long-term relationships with Malaysian Crime Prevention Foundation ("MCPF") for safer community, Eastern Regional Organisation for Planning and Human Settlements ("EAROPH") for sustainable human settlements and Race Walkers' Association of Malaysia ("RWAM") for healthy living.

In collaboration with Majlis Daerah Kuala Selangor ("MDKS"), MKH has built community stalls ("gerai") at Hillpark @ Shah Alam North for the benefit of the public. The Group also contributed to the construction of a new skybridge at Kajang 2 to ease the traffic congestion in Kajang town.

To ensure long-term sustainability, clinic, mosques, church, community hall, playground, badminton court, football field as well as an ATM machine were built to improve lives of the communities at the plantation estate in Kota Samarinda.

Other meaningful community programmes include sharing its expertise in affordable housing scheme with the Tanzanian government delegates and sharing the insights of Malaysia's future property market, plus the Group's expertise in building quality homes with REHDA Youth through 'The Godfather of Property Forum Series'.



MKH built schools for children at the plantation estate

Corporate Social Responsibility



Tan Sri Alex giving away grocery products to plantation workers



MKH handing over keys to MDKS and stall owner



MoU signing to construct a new skybridge at Kajang 2



Sharing affordable housing scheme with Tanzanian delegates

(C) HEALTHY LIVING

MKH strongly promotes sporting events to community at large as evident in its years of sponsoring the International 12-Hour Walk with Race Walker's Association of Malaysia ("RWAM"). The recent yearly international event 'MKH-Seremban International 12-Hour Walk 2014' not only attracted Malaysian walkers, but also foreign walkers from as far as USA, Australia, France, Hong Kong, Hungary, India among others. In addition to this, the Group further supported 'The Edge Kuala Lumpur Rat Race 2014'.

The Group believes in sports development among youth as seen in its continuous years of support for the 'RSGC Junior Amateur Open Golf Championship' and 'Impian Golf & Country Club's Annual Championship 2014'.



Jogathon in Kajang by Yu Hua school

Corporate Social Responsibility

MKH-Seremban 12-Hour Walk



(D) THE ENVIRONMENT

The Group recognises the importance of environmental conservation, and has adopted the environmentally friendly policy as follows:

- (a) Installing slit traps and washing thoroughly at every construction site to reduce dust and river pollution
- (b) Disposing waste and construction debris at approved dumpsites only
- (c) Practicing bore-pile to reduce noise pollution during substructure and piling works within Kajang Town
- (d) Developing a new township with 50 acres of forest park in Hillpark @ Shah Alam North, Puncak Alam
- (e) Adhering to the “zero-burning” policy and utilising environmentally friendly techniques during land clearing for oil palm cultivation
- (f) Installing oil traps at palm oil mill proper interim storage of effluents emitted from palm oil mills to avoid river pollution

- (g) Treating and applying Palm Oil Mill Effluent (“POME”) as natural fertiliser

As part of our POME waste management programme, POME is treated in anaerobic ponds; which is then applied to the soil as natural fertiliser.

(E) THE MARKETPLACE

MKH is committed to continuously enhance value for its shareholders and this is reflected by the Group’s uninterrupted profit track record since 1979. It is our aim to provide high quality products and services to our customers, business partners and associates. To realise that goal, the Group has built good relationships with building material suppliers, subcontractors, customers, tenants and local communities.

Moreover, our commitment towards quality products used in our projects is guided by the Quality Assessment System in Construction (“QLASSIC”), which is founded by the CIDB (“Construction Industry Development Board”) Malaysia. The Group’s construction division has also obtained the ISO 9001:2000.



(F) PLASMA PROGRAMME

MKH actively participates in the Plasma Programme, which was initiated pursuant to the Indonesian government's policy of encouraging partnerships between plantation companies and their respective surrounding communities. In developing the programme, the Group applies the same standards as that of MKH estates. Plasma for Desa Sedulang area planted is 1,350 hectares or 90% out of total plantable land of 1,500 hectares. As for Plasma Puan Cepak, 406 hectares has been fully planted for the financial year ended 2014.

The Plasma Programme is mutually beneficial to both members of the local communities and plantation companies. Locals who participate in the Plasma Programme benefit socially and economically from increasing incomes and better welfare such as training and education in oil palm cultivation. Plantation companies are able to enjoy a steady supply of FFB at prices set by a price committee established by the District Regional Government.

Supporting the Plasma programme

Investing In **Exceptional Assets**

We take great care in analysing assets before we invest our resources in them. Our highly systematic and professional approach enables us to minimize risk while optimizing returns.



Directors' Profile

**Tan Sri Dato' Chen Kooi Chiew
@ Cheng Ngi Chong**
Executive Chairman

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong, aged 71, a Malaysian, was appointed to the Board on 27 September 1979 and holding the present position as Executive Chairman since 30 October 2006. He is also a member of the Executive Committee. Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong is also the Chairman of Hulu Langat Chinese Industry & Commerce Association in Kajang and a member of the Yu Hua School Board. He has been involved in business for about 54 years of which 36 years were in property development and construction industries and 22 years were in plantation sector.

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong is the recipient of the award of "The Property Man of 2013" by FIABCI Malaysia, for his contribution to the property industry. He is the brother of Tan Sri Datuk Chen Lok Loi and Mr. Chen Fook Wah. He has no conflict of interest with the Company.

Tan Sri Datuk Chen Lok Loi
Managing Director

Tan Sri Datuk Chen Lok Loi, aged 62, a Malaysian, holds a Bachelor of Business Studies (Marketing) from Monash University, Australia. He was appointed to the Board on 31 July 1984 and holding the present position as Managing Director since 19 January 2005. He is also a member of the Executive Committee. Tan Sri Datuk Chen Lok Loi is the recipient of the "REHDA Personality Award 2013". He has more than 33 years of experience in property development and construction related businesses.

Tan Sri Datuk Chen Lok Loi is a Patron, Past President of Real Estate and Housing Developers' Association (REHDA) of Malaysia and Chairman of the Board of Trustees of the REHDA Institute and sits on various government-private sector committees that formulate policies governing the housing and real estate industry.

Tan Sri Datuk Chen Lok Loi is the President of the Malaysian Association of Shopping Mall and the President of the Building Management Association of Malaysia, Deputy Chairman for Construction and Property Committee in the Association Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and served as the honorary treasurer of the Malaysia Crime Prevention Foundation (MCPF). He is also the President of the Race Walkers' Association of Malaysia (RWAM).

Tan Sri Datuk Chen Lok Loi is the brother of Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Mr. Chen Fook Wah. He has no conflict of interest with the Company.

Directors' Profile

Mr. Chen Fook Wah
Deputy Managing Director

Mr. Chen Fook Wah, aged 58, a Malaysian, holds a Master of Business Administration from University of Wales. He was appointed to the Board on 25 November 1999 and holding the present position as Deputy Managing Director since 19 January 2005. He is currently a member of the Executive Committee. He was admitted to the Board of Valuers and Real Estate Agent of Malaysia in 1986. Prior to joining the Group, he was with Guthrie Trading Sdn Bhd from 1973 to 1974 and Hilton Realty from 1975 to 1978. He is the brother of Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Tan Sri Datuk Chen Lok Loi. He has no conflict of interest with the Company.

Ms. Mah Swee Buoy
*Executive Director/
Chief Operating Officer*

Ms. Mah Swee Buoy, aged 53, a Malaysian, was appointed to the Board on 5 May 2011. She is also a member of the Executive Committee and Remuneration Committee. She started her professional career with Somura Development Sdn Bhd in July 1985. She later joined MKH Berhad in January 1988 as an Accountant. She was promoted to Chief Accountant in 1994 and subsequently promoted to General Manager (Corporate Finance) in 2003. On 19 January 2005, she was appointed as the Chief Operating Officer of MKH Berhad and held the position until today. She does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Datuk Mohammad Bin Maidon
*Independent
Non-Executive Director*

Datuk Mohammad Bin Maidon, aged 73, a Malaysian, was appointed to the Board on 27 February 2014. He holds a Degree in Business Administration from Universiti Teknologi MARA. He started his career in the marketing division of Colgate-Palmolive (Malaysia) Sdn Bhd ("Colgate-Palmolive") in 1965 and later in the Human Resources Division until his retirement in 1999 with his last position as a Senior Director of Human Resources and Corporate Affairs. He was responsible for the Halal program of Colgate-Palmolive and had been working closely with Jabatan Kemajuan Islam Malaysia and Halal Development Corporation. He is an active member of the Halal Management Team of Colgate-Palmolive from 1980 to 2000 and is still a board member of Colgate-Palmolive as at this date. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

**En. Mohammed Chudi
Bin Haji Ghazali**
*Senior Independent
Non-Executive Director*

En. Mohammed Chudi Bin Haji Ghazali, aged 71, a Malaysian, was appointed to the Board on 19 March 2003. He is also a member of the Audit Committee and Chairman of the Nomination Committee. He was attached to Standard Chartered Bank Malaysia Berhad for 36 years and was a Senior Manager prior to his retirement in 1999. He has attended banking courses conducted at National Westminster Bank Staff College, Oxford and Manchester University Business School. He is currently a Board member of Koperasi Serbaguna Anak-Anak Selangor Berhad. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Directors' Profile

Haji Mohamed Bin Ismail
*Independent
Non-Executive Director*

Haji Mohamed Bin Ismail, aged 74, a Malaysian, was appointed to the Board on 18 March 2004. He is the Chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee. He was the State Director of Lembaga Pertubuhan Peladang from 1978 to 1989. He later became the Director General of Lembaga Tembakau Negara ("LTN") from 1990 to 2000 and was the Chairman of LTN from 2001 to 2002. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

En. Jeffrey Bin Bosra
*Independent
Non-Executive Director*

En. Jeffrey Bin Bosra, aged 46, a Malaysian, was appointed to the Board on 1 August 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. He is currently a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and The Malaysian Institute of Accountants ("MIA"). He started his professional career with Arthur Andersen & Co. focusing on external audits and business advisory works. He later joined an established commercial group as the Finance Manager from 1996 to 2000. He then joined Ernst & Young as the Senior Manager specializing in corporate governance, risk management, internal audits, special investigation and turnaround management related service. Encik Jeffrey Bin Bosra left Ernst & Young in 2004 and started his own audit firm. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

**Haji Hasan Aziz
Bin Mohd Johan**
*Independent
Non-Executive Director*

Haji Hasan Aziz Bin Mohd Johan, aged 74, a Malaysian, was appointed to the Board on 18 July 2013. He holds a Diploma in Agriculture Malaya from College of Agriculture, Serdang, Selangor Darul Ehsan. He started his career in 1962 at the Department of Agriculture, Kuantan, Pahang under the Ministry of Agriculture (soil science division). He was appointed as the advisor to an oil palm plantation company, Watawala Plantations Ltd in Sri Lanka from 2001 to 2003 and later engaged as a Visiting Agent for some of FELCRA Berhad's plantations from 2009 till 2010. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Statement on Corporate Governance

The Board of Directors (“Board”) of MKH Berhad is pleased to report to shareholders on the manner MKH Berhad (“MKH” or “the Company”) and its subsidiaries (“the Group”) has applied the Principles, and the extent of compliance with the Recommendations of good governance as set out in the Malaysian Code On Corporate Governance 2012 (“MCCG 2012” or “the Code”) issued by the Securities Commission, aimed to enhance the effectiveness of corporate governance framework to safeguard the interest of shareholders and other stakeholders as prescribed under Paragraph 15.25 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Company and the Group have complied with the relevant Principles and Recommendations set out in the MCCG 2012 during the financial year under review. The Board having duly considered the rationale for the said exception as explained in this Annual Report is committed to comply with the Principles and Recommendations of the MCCG 2012.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The responsibilities of the Board, which should be set out in a Board Charter, include Management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings.

The Board Of Directors

MKH is led by an experienced Board comprising member who are specialised in the property development and construction sector, banking sector, plantation/ agriculture sector, civil servant and professional in accounting sector. This wide spectrum of skills and experience provide the Board with a diverse set of expertise and knowledge in discharging its responsibilities for the proper functioning of the Board.

Board Responsibilities

The Group is headed by the Board that leads and controls the overall performance of the Group. The role of the Board includes the following six (6) specific areas:-

- (a) reviewing and adopting strategic plans for the Group.
- (b) overseeing the conduct of the Group’s businesses to evaluate whether the businesses are being properly managed.
- (c) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.
- (d) succession planning, including the implementation of appropriate systems for appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- (e) developing and implementing an investor relations programme for the Company, as it is important that the Company is able to communicate effectively with its shareholders.
- (f) reviewing the adequacy and the integrity of the Group’s internal control systems and management systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To ensure effective discharge of its responsibilities, the Board delegates specific powers to other Board committees as prescribed under the MCCG 2012:-

- (a) Audit Committee;
- (b) Risk Management Committee;
- (c) Nomination Committee; and
- (d) Remuneration Committee.

Statement on Corporate Governance

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

Board Responsibilities (continued)

Each of the Board committees operate within the defined terms of reference that have been approved by the Board. The respective committee chairman will report to the Board on any significant developments and deliberations conducted at the Board committee level.

Board Composition and Balance

During the year in review, the Board, led by an experienced Executive Chairman, Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngı Chong was made up of nine (9) members comprising four (4) Executive Directors including the Chairman and Managing Director and five (5) other Independent Non-Executive Directors ("INEDs") which is in line with the recommendation 3.5 of the MCCG 2012, where the Board must comprise a majority of Independent Directors ("IDs") where the Chairman of the Board is not an ID.

The composition of the Board was well balanced, representing both the major and minority shareholders' interests and complied with the Listing Requirements where at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must comprise of IDs.

The Board having reviewed its size and composition is satisfied that its current size and composition is well balanced, with diverse professional background, skills, expertise and knowledge in discharging its responsibilities for the proper functioning of the Board and fairly reflects the investment in the Company by shareholders apart from the largest shareholder.

The Board has identified and appointed Mohammed Chudi Bin Haji Ghazali as the Senior INED to whom concerns of shareholders, management, employees, and others may be conveyed. The IDs led by Mohammed Chudi Bin Haji Ghazali provide a broader view, independent and balanced assessment of proposals from the Executive Directors. The Board is assisted by a management team relevant to the Group's business operations.

Board Charter

The Board has adopted a Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities including the vision and mission and principles of the Company and the policies and strategy development of the Group. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Charter is available for reference at the Company's website at www.mkhberhad.com.

Code of Ethics and Conduct and Whistleblowing Policy

The Board is committed to create a corporate culture that adhere to the best practices of corporate governance and to uphold high standard of corporate conduct. The Code of Ethics and Conduct ("the Ethics Conduct") which set out the ethical standards and appropriate conduct at work adopted by the Group and is applicable to all employees and Directors of the Group.

The Ethics Conduct covers the areas of conflict of interest, confidential information, insider information and securities trading, protection of Group's assets and etc.

The details of the Ethics Conduct are available for reference at the Company's website at www.mkhberhad.com.

Statement on Corporate Governance

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

Code of Ethics and Conduct and Whistleblowing Policy (continued)

In line with good corporate governance practices and with the introduction of the Whistleblower Protection Act 2010, the Board has put in place Whistleblowing Policy, a mechanism for its employees and stakeholders to report any concerns relating to possible improper conduct within the Company in matters relating to financial, compliance, misconduct, wrongdoing and other malpractices in an appropriate manner.

The details of the Whistleblowing Policy is posted on the Company's website at www.mkhberhad.com for ease of access and reference.

Corporate Social Responsibility

The Group is committed towards good corporate social responsibility practices especially in the area of the workplace, the community, the environment and the marketplace. The Group aims to deliver sustainable value to the society at large and long term value to our shareholders, staff and other stakeholders. The details of the corporate social responsibility statement can be found on pages 24 to 29 of this Annual Report.

Gender Diversity

The Board acknowledges the recommendation of the Code on gender diversity. It was advocated that the Board should ensure participation of women in the Board to reach 30% by year 2016. However, the Board has not established the policy on gender diversity. The Nomination Committee would however take steps to ensure suitable woman candidates are sought as part of its recruitment exercise so as to ensure balances gender and skills diversity. Nevertheless, the Board is committed to provide fair and equal opportunities and nurturing diversity within the Group.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board should have transparent policies and procedures that will assist in the selection of Board members. The Board should comprise of members who are able to bring value to Board deliberations.

Nomination Committee

The Nomination Committee was established on 27 November 2012 and comprises of two (2) members, all of whom are INEDs. The members of the Nomination Committee and their attendance at the Nomination Committee meeting held during the year under review are as follows:

Committee Members	Designation	Attendance
Mohammed Chudi Bin Haji Ghazali	Chairman	2/2
Haji Mohamed Bin Ismail	Member	2/2
Haji Othman Bin Sonoh*	Member	0/1

* Ceased as member effective 20/02/2014

The Nomination Committee is empowered by the Board among others to recommend to the Board right candidate with the necessary skills, experience and competencies to be filled in the Board and Board Committees, re-election and re-appointment of Directors, assesses the effectiveness of the Board, board structure, size and composition.

The Nomination Committee also assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director, including INEDs on an annual basis. All assessments and valuation carried out by the Nomination Committee in discharging its duties were also properly documented.

Statement on Corporate Governance

PRINCIPLE 2: STRENGTHEN COMPOSITION (continued)

Nomination Committee (continued)

During the financial year under review, the Nomination Committee held two (2) meetings to resolve the following key agendas:-

- (a) reviewed the Directors who were due for re-election by rotation and re-appointment;
- (b) reviewed Board's representation and the required mix of skills and experience and assessing the effectiveness of the Board as a whole;
- (c) reviewed of the current size and composition of the Board;
- (d) deliberated on the findings of the assessments and reported the findings to the Board; and
- (e) reviewed and recommended the appointment of Datuk Mohammad Bin Maidon as an INED of the Company.

During the deliberation of the performance of an individual Director who is also a member of the Nomination Committee, that member will abstains from the deliberation of their own performance to avoid any conflict of interests.

Re-election and Re-appointment of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subjected to re-election by the shareholders in the next Annual General Meeting ("AGM") subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once in three (3) years but shall be eligible for re-election.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act ("CA"), 1965, Directors who are or over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

The Directors due for re-election by rotation pursuant to Article 110(1) of the Company's Articles of Association of the Company at the forthcoming AGM are Ms Mah Swee Buoy and En Jeffrey Bin Bosra.

However, Ms Mah Swee Buoy does not wish to seek re-election to allow opportunity for others to participate in the Board and to keep the Board size number optimum for efficiency of the Board and will be retiring from the Board at the conclusion of the 35th AGM.

The Directors who are due for retirement and re-appointment in accordance to Section 129 of the CA 1965 at the forthcoming AGM are Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong, Datuk Mohammad Bin Maidon, Mohammed Chudi Bin Haji Ghazali, Haji Mohamed Bin Ismail and Haji Hasan Aziz Bin Mohd Johan.

Remuneration Committee

The Remuneration Committee was established on 27 November 2012 and comprises of three (3) members, majority of whom are INEDs. The members of the Remuneration Committee and their attendance at the Remuneration Committee meetings held during the year under review are as follows:-

Committee Members	Designation	Attendance
Haji Mohamed Bin Ismail	Chairman	2/2
Jeffrey Bin Bosra	Member	2/2
Mah Swee Buoy	Member	2/2

Statement on Corporate Governance

PRINCIPLE 2: STRENGTHEN COMPOSITION (continued)

Remuneration Committee (continued)

The Remuneration Committee is responsible for recommending to the Board on the remuneration framework and packages of all Directors and in the case of Non-Executive Directors' fees including Board Committees' fees, the approval of the shareholders is required. The Directors shall abstain from deliberating and voting's on their own remuneration.

During the financial year under review, the Committee held two (2) meetings to deliberate and approve the remuneration package and bonus for the Executive Directors.

Directors' Remuneration

The Director's remuneration is linked to experience, scope of responsibilities, service seniority, performance and published market survey information.

(a) Aggregate remuneration of Directors categorised into appropriate components: -

Remuneration (RM)	Executive	Non-Executive
Fees	-	250,000
Other emoluments *	17,766,861	103,790
Estimated monetary value of benefits-in-kind	97,372	-
Total	17,864,233	353,790

* Includes provision for retirement gratuity of the Group amounting to RM2,822,400 (2013: RM241,920) for certain eligible Directors of the Company.

(b) Breakdown of Directors' remuneration for the year ended 30 September 2014, by category and in each successive band of RM50,000 are as follows: -

Range of Remuneration (RM)	No. of Directors Executive	No. of Directors Non-Executive
1 - 50,000	-	-
50,001 - 100,000	-	5
100,001 - 1,000,000	-	-
1,000,001 - 1,250,000	-	-
1,250,001 - 1,300,000	1	-
1,300,001 - 1,950,000	-	-
1,950,001 - 2,000,000	1	-
2,000,001 - 6,350,000	-	-
6,350,001 - 6,400,000	1	-
6,400,001 - 8,200,000	-	-
8,200,001 - 8,250,000	1	-
Total	4	5

Statement on Corporate Governance

PRINCIPLE 3: REINFORCE INDEPENDENCE

The Board should have policies and procedures to ensure effectiveness of Independent Directors.

Review of Directors' Independence

As part of its commitment, the Board supports the highest standards of corporate governance and the development of best practices for the Company. The INEDs as defined under Paragraph 1.01 of the Listing Requirements are independent from management and are free from any business or other relationships that could materially interfere with the exercise of their independent judgement. INEDs are required to voice their reservations of any Board decisions in areas such as policies and strategies which could be detrimental to the interest of the minority shareholders.

In addition to the annual review by the Nomination Committee of the Director's independence, all INEDs are required to submit an annual declaration regarding his independence according to the criteria on independence set out in the Listing Requirements and Practice Notes of Bursa Securities on independence.

Tenure of Independent Directors

Pursuant to Recommendation 3.2 of MCGG 2012, the tenure of an ID should not exceed a cumulative term of nine (9) years. However, the Board does not have a policy on the tenure of IDs as at this juncture.

Out of the five (5) INEDs, two (2) IDs with vast experience in either banking industry or civil servant and/or plantation industry, have served the Company for more than nine (9) years and over the years have developed deeper understanding of the Group's diversified businesses and is able to perform their duty diligently and in the best interest of the Company and provides broader view, independent and balanced assessment of proposals from the Management.

The Board intends to seek shareholder's approval in the forthcoming AGM to retain Mohammed Chudi Bin Haji Ghazali and Haji Mohamed Bin Ismail as IDs.

Chairman and Managing Director

The roles of the Executive Chairman and Managing Director are distinct and separate to ensure a balance of power and authority. The Executive Chairman's primary role is to lead and manage the Board. The Managing Director is responsible for the development and implementation of strategy, and overseeing and managing the day-to-day operations of the Group.

Whereas, the Executive Directors take on the primary responsibility of managing the Group's business and resources, led by the Executive Chairman, Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and the Managing Director, Tan Sri Datuk Chen Lok Loi.

Statement on Corporate Governance

PRINCIPLE 4: FOSTER COMMITMENT

Directors should devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills.

Board Meetings

The Board meets at least 4 times a year and has a formal schedule of matters reserved to it. Additional meetings are held on an ad-hoc basis to deliberate on matters requiring its immediate attention. The Board is supplied with full and timely information to enable it to discharge its responsibilities. During these meetings, the Board reviews the Group's financial performance, business operations, reports of the various Board committees and results are deliberated and considered. Management and performance of the Group and any other strategic issues that affect or may affect the Group's businesses are also deliberated.

During the financial year, the Board met five (5) times; whereat it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and direction of the Group. A summary of attendance for each of the Board of Directors are as follows:

Name of Director	No. of Meetings Attended
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ng Chong	5/5
Tan Sri Datuk Chen Lok Loi	5/5
Chen Fook Wah	4/5
Mah Swee Buoy	5/5
Datuk Mohammad Bin Maidon *	2/2
Haji Othman Bin Sonoh #	1/2
Mohammed Chudi Bin Haji Ghazali	5/5
Haji Mohamed Bin Ismail	5/5
Jeffrey Bin Bosra	5/5
Haji Hasan Aziz Bin Mohd Johan	4/5

* Appointed w.e.f. 27/02/2014

Retired w.e.f. 20/02/2014

In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

Supply and Access to Information

To ensure effective conduct of Board meetings, a structured formal agenda and appropriate documents relating to the agenda include minutes of the previous Board meeting, quarterly report and results of the Company and the Group, progress reports on operations in relation to the risk management, corporate proposals (if any) and any other business are circulated to all Board members in advance of Board meetings. The Board members are thus given sufficient time to peruse the matters that will be tabled at the Board meetings and this enhances the overall decision making process.

The Board have access to all information within the Company and to the advice and services of a competent Company Secretary who is qualified under the Companies Act, 1965. The Board may seek independent professional advice, at the Company's expense, if required in furtherance of their duties.

The Board has full access to both internal and external auditors and received reports on audit findings via the Audit Committee.

Statement on Corporate Governance

PRINCIPLE 4: FOSTER COMMITMENT (continued)

Company Secretary

The Board appointed qualified Company Secretary to support the Board in carrying out its roles and responsibilities, ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Company Secretary attends the Board Meetings and Board Committees' Meetings to ensure that all deliberation of issues discussed and decisions/conclusions made are recorded accurately.

The Board recognises that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

Directors' Training

In order to keep abreast with the latest regulatory development, all Directors are required to attend the Mandatory Accreditation Programme ("MAP") including Datuk Mohammad Bin Maidon, who joined the Board on 27 February 2014, conducted by Bursatra Sdn Bhd.

The Nomination Committee has taken on the responsibility in evaluating and determining the specific and continuous training needs of the Directors on a regular basis. The Directors have attended courses/conferences and/or in house training from time to time to enhance their skills and knowledge and to keep abreast with the relevant changes in laws, Listing Requirements, regulations and business environment in order to discharge their duties more effectively.

The training programmes, seminars and/or conferences attended by the Directors during the financial year are as follows:

Director	Training/ Seminars/ Conferences
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	<ul style="list-style-type: none">China (Guangdong) - Malaysia Economic and Trade Cooperation Conference organised by Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM")GST Workshop conducted by Deloitte Tax Services Sdn Bhd
Tan Sri Datuk Chen Lok Loi	<ul style="list-style-type: none">China (Guangdong) - Malaysia Economic and Trade Cooperation Conference organised by ACCCIMSpeaker at the "Efforts to Reinforce International Partnership and Safety Net for Housing Market" in conjunction with "The First International Seminar on Development of Housing Finance & Guarantee System" in Seoul, KoreaPanellist at the "Greater KL and Smart City Conference 2014 - Towards a Sustainable Future" organised by Asian Strategy and Leadership Institute ("ASLI")Speaker at the roundtable discussion on challenges faced by property pursuant to the new cooling measures amid a rising cost environment at Maybank KE Regional Property ConferenceSpeaker at the 16th Malaysia Strategic Outlook Conference conducted by ASLISpeaker at the 2014 Property Market Outlook and Investment Strategies, view/thoughts on overall property market sentiment in Klang ValleyGST Seminar organised by REHDA InstituteGST Workshop conducted by Deloitte Tax Services Sdn Bhd

Statement on Corporate Governance

PRINCIPLE 4: FOSTER COMMITMENT (continued)

Directors' Training (continued)

Director	Training/ Seminars/ Conferences
Chen Fook Wah	<ul style="list-style-type: none"> Greater KL and Smart City Conference 2014 organised by ASLI 9th Indonesian Palm Oil Conference and 2014 Price Outlook GST Workshop conducted by Deloitte Tax Services Sdn Bhd
Mah Swee Buoy	<ul style="list-style-type: none"> Crisis Leadership organised by Intelligence Business Networks (M) Sdn Bhd GST Workshop conducted by Deloitte Tax Services Sdn Bhd
Datuk Mohammad Bin Maidon	<ul style="list-style-type: none"> Mandatory Accreditation Programme For Directors of Public Listed Companies organised by Bursatra Sdn Bhd Enterprise Risk Management and Directors & Officers Insurance organised by Boardroom Limited and AIG Malaysia Insurance Berhad
Mohammed Chudi Bin Haji Ghazali	<ul style="list-style-type: none"> Board Chairman Series : The Role of the Chairman organised by Bursa Malaysia Berhad Audit Committee Conference 2014 - Stepping Up For Better Governance organised by Malaysian Institute of Accountants Enhancing Internal Audit Practice organised by The Institute of Internal Auditors Malaysia Nominating Committee Programme 2 : Board Effectiveness and Succession Planning organised by Bursa Malaysia Securities Berhad Audit Committee Workshop Series conducted by Malaysian Institute of Accountants
Haji Mohamed Bin Ismail	<ul style="list-style-type: none"> Audit Committee Conference 2014 - Stepping Up For Better Governance organised by Malaysian Institute of Accountants Nominating Committee Program organized by The Iclif Leadership and Governance Centre
Jeffrey Bin Bosra	<ul style="list-style-type: none"> Audit Committee Conference 2014 - Stepping Up For Better Governance organised by Malaysian Institute of Accountants 2014 MASB Roundtable on Financial Reporting organised by Malaysian Accounting Standards Board Enhancing Internal Audit Practice organised by The Institute of Internal Auditors Malaysia Audit Committee Workshop Series conducted by Malaysian Institute of Accountants
Haji Hasan Aziz Bin Mohd Johan	<ul style="list-style-type: none"> Nominating Committee Program organized by The Iclif Leadership and Governance Centre Enterprise Risk Management and Directors & Officers Insurance organised by Boardroom Limited and AIG Malaysia Insurance Berhad

Apart from the above, Directors are also kept informed of the latest regulatory developments by the Company Secretary.

Statement on Corporate Governance

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board should ensure financial statements are a reliable source of information.

Financial Reporting: Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The Board aims to provide and present a balanced and meaningful assessment of the Company's state of affairs in its financial performance and prospects at the end of the financial year, primarily through the financial statements; the Chairman's Statement and Operations Review in the Annual Report.

In preparing the above financial statements the Directors have:

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The Directors Responsibilities Statement for the audited financial statements of the Company is set out on page 53 of this Annual Report. The details of the Company's and Group's financial statements for the financial year ended 30 September 2014 can be found on pages 57 to 179 of this Annual Report.

External Audit

The Company's independent External Auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The External Auditors will communicate to the Audit Committee and the Board when they become aware of any significant weaknesses in the Company's system of internal control, including fraud, during the course of their audit that may require the attention of the Audit Committee of the Board.

For the financial year under review, the Audit Committee had four (4) meetings with the External Auditors without the presence of management.

The External Auditors have also confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria as set out by the Malaysian Institute of Accountants.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board should establish a sound risk management framework and internal controls system.

Risk Management Committee

The Risk Management Committee whose current members comprised of three (3) members from the Senior Management assists the Audit Committee and the Board in discharging its risk management and control responsibilities.

In fulfilling the primary objectives, the Risk Management Committee has been tasked to identify and communicate the existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee.

During the financial year under review, the Group has engaged KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to undertake an Enterprise Risk Management ("ERM") engagement for PT Khaleda Agroprima Malindo ("PTKAM"), a subsidiary of the Company which is engaged in the oil palm plantation business in Indonesia.

Statement on Corporate Governance

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS (continued)

Risk Management Committee (continued)

The objective of the engagement is to assist the Board and management of the Group and PTKAM to further strengthen its risk management and internal controls.

The Internal Audit Function And Its Role

To assist the Audit Committee in assessing the adequacy and integrity of the Group's system of risk management and internal controls, the Company outsourced its internal audit function to KPMG Management & Risk Consulting Sdn Bhd, an independent professional firm, which reports directly to the Audit Committee.

The principal role of the internal audit function is to undertake, on a prioritized approach, an independent and systematic assessment of the Group's system of risk management and internal controls as established by Management in addressing the principal business risks faced by the Group. In conducting internal audit of the Group, the internal audit function deployed professional standards promulgated by the Institute of Internal Auditors. During the financial year under review, weaknesses noted in the said system and areas that required improvement, including the recommendations thereof and action plans agreed to be deployed by Management to address the issues raised, were highlighted by the internal audit function by way of internal audit reports issued to the Audit Committee.

(a) Internal audit activities carried out during the financial year under review

The internal audit function conducted its work based on an annual internal audit plan which was tabled before, and approved by, the Audit Committee. The main activities carried out by the internal audit function are set out below:

(i) Conduct of internal audit

The internal audit function adopted a risk-based approach in identifying specific areas and processes to be covered. During the financial year under review, the internal audit function focused on selected key processes of the Group's Plantation Division, including the Mill operations. Recommendations to address areas of control deficiencies as well as opportunities for improvements were highlighted in internal audit reports issued to the Audit Committee; and

(ii) Follow-up on internal audit

During the financial year under review, the internal audit function also performed a follow-up to assess the status of Management-agreed action plans on recommendations raised in preceding cycles of internal audit. The outcome thereof was summarized in a follow-up report to the Audit Committee, highlighting those issues that had yet to be fully addressed by Management, including specific timelines for those outstanding matters to be resolved.

Whilst reports issued by the internal audit function for the financial year under review were tabled at Audit Committee meetings, Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members pertaining to matters raised by the internal audit function.

(b) Cost of internal audit

The cost of the internal audit function for the financial year under review amounted to approximately RM207,264 (2013: RM138,000).

Statement on Corporate Governance

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Companies should establish corporate disclosure policies and procedures to ensure comprehensive, accurate and timely disclosure.

The Board recognises the need for stockholders and the wider investment community to ensure that they are kept informed of all material business matters affecting the Group. This is done through timely dissemination of information on the Group's performance and major developments which are communicated via the following channels:-

- (a) the Annual Report and relevant circulars despatched to shareholders and published in the Company's website and Bursa Securities.
- (b) the convening of AGM and/or Extraordinary General Meeting ("EGM").
- (c) the release of various disclosures and announcements including quarterly financial announcements.
- (d) press releases and analysts briefings.

The Company leverages on the use of information technology by maintaining a corporate website at <http://www.mkhberhad.com> for effective dissemination of information which shareholders or other stakeholders can easily access to the latest corporate information of the Group. All information released to Bursa Securities is posted on the Investor Relations section of the website at <http://mkh.irplc.com>. In addition, the Company has also appointed an Investor Relations firm to carry out the Group's Investor Relations programme and organise meeting with the financial analysts on quarterly basis.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board should facilitate the exercise of ownership rights by shareholders.

The Groups' investor relationship is helmed by a team comprising the Chief Operating Officer ("COO"), Financial Controller and Head of Corporate Communications who will attend to the needs of investment community; shareholders, fund managers and analysts. The Head of Corporate Communications also oversees the media relations, public relations and other external communications.

In addition, the Group has appointed the COO to respond to shareholder's queries and concerns pertaining to the Group via email at ir@mkhberhad.com.

The AGM which is held once a year is the principal forum for dialogue with individual shareholders. At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to ask questions during the AGM. The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Company's operations in general. The Chairman of the Board also addresses the shareholders on the review of the Company's operations for the financial year and outlines the prospects of the Company for the new financial year. Additionally, immediately after the AGM, the Board also meets members of the press.

The External Auditors of the Company are invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditor's Report.

Audit Committee Report

Composition And Meetings

The Audit Committee comprises the following members and during its tenure, the Audit Committee met four (4) times during the financial year, details as follows:

Name of Directors	Directorship	No. of Meetings Attended
Jeffrey Bin Bosra (Chairman)	Independent Non-Executive Director	4/4
Mohammed Chudi Bin Haji Ghazali (Member)	Senior Independent Non-Executive Director	3/4
Haji Mohamed Bin Ismail (Member)	Independent Non-Executive Director	4/4

The meetings were structured through the use of agendas and relevant board papers which were distributed to the Audit Committee prior to such meetings. The Chief Operating Officer and the Group Financial Controller were also present in these meetings. Representatives from the external and/or the internal auditors also attended the meetings upon invitation where matters relating to the external and internal audit were discussed.

During the financial year, the Board is satisfied that the Audit Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee.

Role Of Audit Committee

The Audit Committee assists, supports and implements the Board's responsibility to oversee the Group's operations in the following manner:-

- provides a means for review of the Group's processes for producing financial data, its internal controls and independence of the Group's External and Internal Auditors.
- reinforces the independence of the Group's External Auditors.
- reinforces the objectivity of the Group's Internal Auditors.

Key Functions And Responsibilities

The key functions and responsibilities of the Audit Committee are as follows:

- (a) to review the quarterly results and annual financial statements of the Company and its subsidiaries focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standard and other legal requirements;
- (b) to discuss matters arising from the interim and final audits, and any matters that the External Auditors may wish to discuss (in the absence of Management);
- (c) to review the adequacy of the scope of internal audit programme and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit findings;
- (d) to recommend to the Board the appointment of the External Auditors and Internal Auditors and the audit fee thereof;
- (e) to review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (f) to review the major findings of internal audit investigations and management's response; and
- (g) to review any External Auditors' management letter (if any) and management's response.

Audit Committee Report

Activities Undertaken By The Audit Committee

During the financial year, the activities of the Audit Committee were as follows:-

- reviewed the financial statements and unaudited quarterly financial results and announcements of the results before recommending for the Board of Directors' approval;
- reviewed and approved the scope of the audit plan from the Internal Auditors and External Auditors;
- reviewed the audit reports and recommendation to improve internal control and management's response thereto;
- reviewed if there is any related party transactions that are required to be transacted at an arm's length basis and are not detrimental to the interest of the minority shareholders; and
- reviewed and recommended to the Board the appointment and/or re-appointment of the External Auditors.

Training

During the year, all the Audit Committee have attended various seminars, training programmes and conferences. The list of trainings attended is disclosed on the Statement on Corporate Governance at pages 42 to 43 of the Annual Report.

Internal Audit Function

The Group has outsourced its internal audit function with the appointment of the professional accounting firm, KPMG Management & Risk Consulting Sdn Bhd since 30 April 2001.

This report has been reviewed and approved for inclusion in this Annual Report by the Audit Committee.

Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance 2012 (“the Code”) sets out the Principles and Recommendations for the Board of a company listed on the Bursa Malaysia Securities Berhad (“Bursa Securities”) to establish a sound risk management framework and internal controls system to safeguard shareholders’ investment and the Group’s assets. The Board is committed to establish a sound framework to manage risks and is pleased to provide the following statement in accordance with paragraph 15.26(b) of Bursa Securities Listing Requirements and guided by Principle 6 and Recommendation 6.1 of the Code on recognizing and managing risks within the Group.

Board’s Responsibilities

The Board acknowledges its responsibilities for establishing a sound risk management framework and internal control system to manage risks. The Board’s responsibilities include:-

- (a) determine the Group’s level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders’ investments and the Group’s assets;
- (b) committed to articulating, implementing and reviewing the Group’s internal controls system for risk management; and
- (c) periodic review and/or conduct of the effectiveness and adequacy of the internal controls procedures and processes to ensure that the system is viable and robust.

However, due to the limitations inherent in any internal control system, it should be noted that such system is designed to manage rather than to eliminate the risk of failure to achieve the Group’s business objectives. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss. The internal control system or framework of the Group covers, inter-alia, risk management, financial, operational and compliance controls. This process has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

Accompanying the maintenance of an appropriate internal control system, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is reviewed quarterly by the Board and accords with the “*Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*” published by the Taskforce on Internal Control.

The Board has reviewed the adequacy and effectiveness of the Group’s risk management and internal control system for the year under review.

Risk Management Framework

The Board recognizes that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group’s business objectives within defined risk parameters in a timely and effective manner. The group is exposed to operational risks and various financial risks as follows:-

(a) Operational Risks

Operational risks arise from the execution of the Group core businesses (i.e. property development and construction, plantation, investment property and hotel and trading) and competencies of the management in managing the risks relating to health and safety, quality, inadequate skilled workforce and adverse climatic conditions. The Management is guided by approved standard operating procedures and quality controls to ensure that all business units are functional.

The Group continue to offer competitive compensation that is benchmarked against the best performing companies in the same industry, and rewards framework that is closely linked to employees’ performance to attract and retain a skilled workforce to meet existing and future needs. The plantation division emphasise on good agricultural practices to ensure high production yields of oil palms.

Statement on Risk Management and Internal Control

(b) Financial Risks

- (a) Credit and liquidity risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flow and funding. In order to minimise such exposures, tightening of credit control, close monitoring of collections and overdue debts were carried out.
- (b) Interest rate risk arise mainly from the Group's borrowings in the form of term loan, overdraft and revolving credit facilities to meet capital expenditures and working capital requirements.
- (c) Commodity risk arises from the volatility of commodity prices such as crude palm oil ("CPO") and palm kernel which are affected by factors such as weather, government policies, supply and demand, and competition from substitution products as well as currency fluctuation.
- (d) Foreign exchange risk arises from movements in foreign currency exchange rates. The Group's reporting currency is Malaysian Ringgit ("RM"). The majority of the Group's plantation division borrowing is denominated in United States Dollar ("USD") and RM, while the majority of the Group's expenses is denominated in Indonesian Rupiah ("IDR") and sales of CPO and palm kernel is denominated in USD and IDR.

As the CPO is an internationally traded commodity mainly in USD, there is a natural hedge as the selling price of the CPO in IDR has a positive correlation with the strengthening of the USD currency. In addition, the Group constantly monitors and compare the net selling price of CPO in the local Indonesian market (in Rupiah), ex - Pasir Gudang in Malaysia (in RM) and ex - Port Rotterdam (in USD) and the foreign exchange rate to ensure that the Group is selling the CPO at the best possible price.

The Board with the assistance of the Audit Committee, the Risk Management Committee and the Internal Auditors, Messrs KPMG Management & Risk Consulting Sdn Bhd ("KPMG"), continuously review existing risks and identify new risks that the Group faces and management action plans to manage the risks.

To further enhance the risk management process within the culture of the Group, review of existing risks and identification of new risks is also conducted annually with involvement of selected management staff. In additions, nominated key management personnel in each business unit have prepared action plans to address key risks and control issues highlighted by the Internal Auditors.

During the financial year ended 30 September 2014, the Risk Management Committee has:

- (a) reviewed management action plans presented by the nominated key management of certain business units of the Group;
- (b) reviewed the Group's quarterly financial and non-financial performances measured against the approved budget;
- (c) reported its findings on major issues relating to risks and risk management to the Audit Committee on quarterly basis which then reports to the Board;
- (d) reviewed new property development projects and business investment in the subsidiaries and/or associates; and
- (e) monitored financial performances and the progress of corrective actions/implementation for highlighted issues.

Statement on Risk Management and Internal Control

Internal Audit Function

During the financial year, the Audit Committee continued to engage the services of an external professional firm KPMG's, distinct from the external auditors, to provide independent internal audit services to the Group, who reports independently to the Audit Committee. The internal audit function provides the Audit Committee with semi-annual reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the internal control system and contribute towards improving the Group's risk management.

The key role of the internal audit function is to assess management's adherence to establish policies and procedures as well as to act as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

The engagement of KPMG to undertake an Enterprise Risk Management is to assist the Risk Management Committee, Audit Committee and the Board to develop the risk profile and pertinent risk register that the Group faces and proposes management action plans to manage the risks on an ongoing basis. The Committee will present the Group's risk profile and pertinent risk register and control measures to the Audit Committee so that such risk may be monitored by management on an ongoing basis.

Other Risks and Control Process

Apart from risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Executive Committee, comprising Executive Directors and certain key management staff, reviewed the monthly financial information which includes actual results compare against budget, explanation on significant variances and management actions taken, where necessary. In addition, the Audit Committee and the Board reviewed the quarterly financial results. Where areas of improvement in the internal control system are identified, the Board considered the recommendations made by the Audit Committee and the Risk Management Committee.

Other key elements of the system of internal control of the Group are as follows:-

- (a) the implementation of a whistle-blowing policy and procedure has provided a channel for legitimate concerns to be raised by employees to the Senior Independent Director and the Audit Committee; and
- (b) the established Code of Ethics and Conduct which governs the policies and guidelines to assist the Directors and employees of the Group in defining ethical standards and appropriate conduct at work in discharging their duties and responsibilities.

Review by the External Auditors

As required by paragraph 15.23 of Bursa Securities Listing Requirements, the External Auditors have conducted a limited assurance engagement on this Statement on Risk Management and Internal Control. Their limited assurance engagement was performed in accordance with ISAE3000, *Assurance Engagement other than Audits or Review of Historical Financial Information* and Recommended Practice Guide ("RPG") 5, *Guidance for Auditors on the Review of Directors' Statement on Internal Control included in the Annual Report*.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Controls: Guidance for Directors of Listed Issuers to be set out, nor is factually inaccurate. RPG 5 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

Statement on Risk Management and Internal Control

Management Assurance

In accordance with the requirements of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, the Managing Director and Chief Operating Officer have given reasonable assurance to the Board that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively.

Board's Conclusion

The Board is of the view that an appropriate risk management and internal control system, procedures and processes in operation during the year in review was reasonably adequate and effective to safeguard the assets of the Group and interest of shareholders. For the financial year under review, no significant control failures or weaknesses that result in material losses and require disclosure in the Group's Annual Report were identified.

This Statement has been approved by the Board on 30 December 2014.

Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements to issue a statement explaining their responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year.

In preparing those financial statements, the Directors are required to: -

- use appropriate accounting policies and consistently apply them;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

This Statement has been approved by the Board on 30 December 2014.

Additional Compliance Information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 30 September 2014 to be disclosed in this Annual Report:-

1. Utilisation of Proceeds Raised from Corporate Proposals

There are no proceeds raised from corporate proposals during the financial year ended 30 September 2014.

2. Share Buy-back

The Company did not purchase any of its own shares during the financial year ended 30 September 2014.

3. Options, Warrants or Convertible Securities

Pursuant to the Rights Issue Exercise, the Company had issued 29,104,378 Warrants on 31 December 2012 which were listed on the Main Market of Bursa Malaysia Securities Berhad on 10 January 2013.

The exercise period commenced on the date of issue of warrants and it will mature within five (5) years from the date of issuance i.e. 30 December 2017.

On 19 May 2014, 5,772,221 new warrants were issued pursuant to the bonus issue of 69,898,293 new ordinary shares of RM1.00 each on the basis of one (1) bonus share for every five (5) existing shares held. Consequently, the exercise price of warrant has been adjusted from RM2.26 to RM1.89 following the adjustment effective 20 May 2014.

During the financial year under review, 241,992 units of warrants were exercised and converted into 241,992 new ordinary shares of RM1.00 each and the outstanding warrants remained unexercised after the adjustment were 34,633,817 units.

4. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year ended 30 September 2014.

5. Imposition of Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year under review.

6. Non-audit Fees

The amount of non-audit fees paid by the Company and its subsidiaries to the External Auditors and their affiliated company/firm for the financial year ended 30 September 2014 was RM18,600.

7. Variation in Results

There was no material variance between the results for the financial year and the unaudited results previously announced.

8. Profit Guarantee

The Company did not receive any profit guarantee during the financial year under review.

9. Recurrent Related Party Transactions

The Company did not enter into any recurrent related party transactions of a revenue/trading nature during the financial year.

Additional Compliance Information

10. Material Contracts Involving Directors and Major Shareholders' Interest

There are no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

11. Family Relationship of Directors and/or Major Shareholders

There is no family relationship among the Directors and/or major shareholders except that:-

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong, Tan Sri Datuk Chen Lok Loi, and Chen Fook Wah	}	Brothers' Relationship
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12. Conflict of Interest

None of the Directors of the Company have any conflict of interest with the Company.

13. Conviction for Offences

None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

