**THIS DOCUMENT HAS NOT BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA ("SC"). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY THE SC. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.**

# PROSPECTUS

# MKH OIL PALM (EAST KALIMANTAN) BERHAD

(Registration No. 200401023680 (662186-D))
(Incorporated in Malaysia)

**INITIAL PUBLIC OFFERING ("IPO") IN CONJUNCTION WITH THE LISTING OF MKH OIL PALM (EAST KALIMANTAN) BERHAD ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:**

**(I) PUBLIC ISSUE OF 220,000,000 NEW ORDINARY SHARES ("SHARES") IN THE FOLLOWING MANNER:**

- **51,209,800 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND**
- **168,790,200 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;**

**AND**

**(II) OFFER FOR SALE OF 30,707,700 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,**

**AT AN IPO PRICE OF RM[•] PER SHARE, PAYABLE IN FULL UPON APPLICATION.**

**Adviser, Underwriter and Placement Agent**

**M & A SECURITIES SDN BHD**
(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

THE SECURITIES COMMISSION MALAYSIA ("**SC**") [HAS APPROVED] OUR IPO AND THIS PROSPECTUS [HAS BEEN REGISTERED] BY THE SC. THE APPROVAL OF OUR IPO, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING THE RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 227.**

**This Prospectus is dated [•]**

Our Directors, Promoters and Selling Shareholder (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M & A Securities Sdn Bhd, being our Adviser, Underwriter and Placement Agent to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

This Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA (as defined herein) for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on [•]. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The valuation utilised for the purpose of the Listing (as defined herein) should not be construed as an endorsement by the SC, on the value of the subject assets.

The SC had vide its letter dated [•] taken note that our Company is a company with predominantly foreign-based operations and accordingly, is exempted from the Bumiputera equity requirement for public listed companies.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

**ELECTRONIC PROSPECTUS**

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(a) We and our Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(b) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and

(c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

(a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

(b) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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## INDICATIVE TIMETABLE

*All terms used are defined under "Definitions" commencing from page vii.*

The indicative timing of events leading to our Listing is set out below:

| Events | Indicative date |
|---|---|
| Issuance of this Prospectus/Opening of Application | [●] |
| Closing of Application | [●] |
| Balloting of Application | [●] |
| Allotment/Transfer of IPO Shares to successful applicants | [●] |
| Date of Listing | [●] |

In the event there is any change to the indicative timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

*All terms used in this section are defined under "Definitions" commencing from page vii.*

All references to "MKHOP" and "Company" in this Prospectus are to MKH Oil Palm (East Kalimantan) Berhad (Registration No. 200401023680 (662186-D)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or one decimal place (for percentages) or one sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" and "Technical Glossary" appearing after this section. Words denoting singular shall include plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Unless otherwise stated, the following foreign currency has been translated into their RM equivalents based on the following middle exchange rates published by BNM, where applicable:

| | **FYE 2020** | | **FYE 2021** | | **FYE 2022** | |
|---|---|---|---|---|---|---|
| **Foreign currency** | **Average RM** | **Closing RM** | **Average RM** | **Closing RM** | **Average RM** | **Closing RM** |
| IDR1000 | 0.2908 | 0.2790 | 0.2874 | 0.2930 | 0.2963 | 0.3040 |

| | **As at LPD** | |
|---|---|---|
| **Foreign currency** | **Average RM** | **Closing RM** |
| IDR1000 | 0.2890 | 0.2940 |

This Prospectus includes statistical data provided by our management and various third-parties and cites third-party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, such information can be assumed to originate from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites do not form part of this Prospectus.

## FORWARD-LOOKING STATEMENTS

*All terms used in this section are defined under "Definitions" commencing from page vii.*

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

(a) Demand for our products;

(b) Our business strategies;

(c) Our future plans;

(d) Our future earnings, cash flows and liquidity; and

(e) Our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(a) The economic, political and investment environment in Malaysia and Indonesia; and

(b) Government policy, legislation or regulation of the countries which we operate in.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 – "Risk Factors" and Section 12 – "Financial Information", wherein the material differences in our historical results and the factors that have caused them are discussed. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Should we become aware of any subsequent material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part ll (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

## DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

***COMPANIES WITHIN OUR GROUP:***

| | | |
|---|---|---|
| "MKHOP" or "Company" | : | MKH Oil Palm (East Kalimantan) Berhad (Registration No. 200401023680 (662186-D)) |
| "MKHOP Group" or "Group" | : | MKHOP and its subsidiaries, collectively |
| "PT MKH" | : | PT Maju Kalimantan Hadapan (Business Identification No. 8120014280519) |
| "PT SPS" | : | PT Sawit Prima Sakti (Business Identification No. 8120019071063) |

***GENERAL:***

| | | |
|---|---|---|
| "Acquisition of PT MKH" | : | Acquisition by our Company of 27,634 ordinary shares in PT MKH representing 5.7% equity interest from Metro Kajang (Oversea) and PT Hikmat for a total purchase consideration of RM53,515,709 which was satisfied via the issuance 44,227,859 new MKHOP Shares (after the Share Split) at an issue price of RM1.21 each and was completed on [•] |
| "Acquisition of PT SPS" | : | Acquisition by our Company of 9,300 ordinary shares in PT SPS representing the entire equity interest from MKH Plantation, Ivakijaya and PT Hikmat for a total purchase consideration of RM27,863,922 which was satisfied via the issuance 23,028,035 new MKHOP Shares (after the Share Split) at an issue price of RM1.21 each and was completed on [•] |
| "Act" | : | Companies Act 2016, as amended from time to time and any re-enactment thereof |
| "Activest" | : | Activest Sdn Bhd (Registration No. 201301001919 (1031756-A)) |
| "ADA" | : | Authorised Depository Agent |
| "Adviser" or "Underwriter" or "Placement Agent" | : | M&A Securities |
| "Application(s)" | : | Application(s) for IPO Shares by way of Application Form(s), Electronic Share Application(s) or Internet Share Application(s) |
| "Application Form(s)" | : | Printed application form(s) for the application of our IPO Shares accompanying this Prospectus |
| "ASEAN" | : | Association of Southeast Asian Nations |
| "ATM" | : | Automated teller machine |
| "BNM" | : | Bank Negara Malaysia |
| "Board" | : | Board of Directors of our Company |

| | | |
|---|---|---|
| "Bursa Depository" or "Depository" | : | Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| "Bursa Securities" | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| "CAGR" | : | Compound annual growth rate |
| "Capitalisation" | : | Settlement by our Company of the amount owing by our Group to Metro Kajang (Oversea) and MKH Plantation by capitalising the amount owing RM[•] into 73,526,951 new MKHOP Shares (after the Share Split) at an issue price of RM[•] each |
| "CCC" | : | Certificate of completion and compliance |
| "CCM" | : | Companies Commission of Malaysia |
| "CCSR" | : | Chen Choy & Sons Realty Sdn Bhd (Registration No. 197601000523 (26485-H)) |
| "CDS" | : | Central Depository System |
| "CDS Account" | : | Account established by Bursa Depository for a depositor for the recording and dealing in securities by the depositor |
| "Customer W" | : | a palm oil company mainly involving in cultivation of oil palm, processing of CPO and downstream refining of palm oil based in Indonesia. Customer W is not listed on any exchange, however, its holding company, is listed on the Singapore Exchange. Our Group does not have a non-disclosure agreement with Customer W.<br><br>Although we do not have a non-disclosure agreement with Customer W, the customer has informed us that it is not agreeable to be named in the Prospectus due to its company policy, and as such, we are unable to disclose Customer W's name in the Prospectus |
| "CMSA" | : | Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof |
| "Constitution" | : | Our constitution |
| "COVID-19" | : | Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019 |
| "CSR" | : | Corporate social responsibility |
| "Depository Rules" | : | Rules of Bursa Depository and any appendices thereto, as amended from time to time |
| "Distribution" | : | Distribution by MKH by way of dividend-in-specie of 82,487,981 MKHOP Shares (after the Pre-IPO Reorganisation) to the Entitled Shareholders on the Entitlement Date |
| "Director(s)" | : | The executive director(s) or a non-executive director(s) of our Company within the meaning of Section 2 of the Act |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| "EBIT" | : | Earnings before interest and tax |
| "EBITDA" | : | Earnings before interest, tax, depreciation and amortisation |
| "Electronic Prospectus" | : | Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium |
| "Electronic Share Application(s)" | : | Application(s) for IPO Shares through a Participating Financial Institution's ATM |
| "Entitled Shareholder(s)" | : | Shareholder(s) of MKH whose name(s) must appear in the Record of Depositors of MKH on the Entitlement Date to participate in the Distribution |
| "Entitlement Date" | : | The date to be determined and announced by the Board of Directors of MKH for the Distribution |
| "EPS" | : | Earnings per share |
| "Equity Guidelines" | : | Equity Guidelines issued by the SC |
| "FYE" | : | Financial year(s) ended/ending 30 September, as the case may be |
| "Government" | : | Government of Malaysia |
| "GP" | : | Gross profit |
| "HGB" | : | Hak Guna Bangunan or Right to Build |
| "HGU" | : | Hak Guna Usaha or Right to Cultivate |
| "IFRS" | : | International Financial Reporting Standards |
| "IMR" or "Smith Zander" | : | Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), our Independent Market Researcher |
| "IMR Report" | : | Independent Market Research Report titled "Oil Palm Industry in Indonesia" dated 27 March 2023 |
| "Independent Valuer" | : | C H Williams Talhar & Wong (Sabah) Sdn Bhd (Registration No. 197701003650 (34874-P) |
| "Indonesian Company Law" | : | Law of Republic of Indonesia No. 40 of 2007 Concerning Limited Liability Company |
| "Indonesian Government" | : | Government of Indonesia |
| "Initial Public Offering" or "IPO" | : | Our initial public offering comprising the Public Issue and Offer for Sale |
| "Internet Participating Financial Institution(s)" | : | Participating financial institution(s) for Internet Share Application(s) as listed in Section 17.6 |
| "Internet Share Application(s)" | : | Application(s) for IPO Shares through an online share application service provided by Internet Participating Financial Institution(s) |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| "IPO Price" | : | The price of RM[●] per IPO Share under our IPO |
| "IPO Share(s)" | : | Issue Share(s) and Offer Share(s), collectively |
| "ISPO Certificate" | : | Indonesian Sustainable Palm Oil Certificate |
| "Issue Share(s)" | : | 220,000,000 new MKHOP Share(s) to be issued under the Public Issue |
| "Issuing House" | : | Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H)) |
| "IT" | : | Information technology |
| "Ivakijaya" | : | Ivakijaya Sdn Bhd (Registration No. 200501015554 (692601-P)) |
| "Listing" | : | Listing of and quotation for our entire enlarged share capital of RM[●] comprising 1,023,590,845 Shares on the Main Market |
| "Listing Requirements" | : | Main Market Listing Requirements of Bursa Securities, as amended from time to time |
| "Lotus Way" | : | Lotus Way Sdn Bhd (Registration No. 199601013973 (386323-M)) |
| "LPD" | : | 28 February 2023, being the latest practicable date for ascertaining certain information contained in this Prospectus |
| "M&A Securities" | : | M & A Securities Sdn Bhd (Registration No. 197301001503 (15017-H)) |
| "Main Market" | : | Main Market of Bursa Securities |
| "Malaysian Public" | : | Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia, but excluding MKHOP Group's Directors, substantial shareholders and persons connected or associated with them (as defined in the Listing Requirements) |
| "Market Day" | : | Any day between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities |
| "MCCG" | : | Malaysian Code on Corporate Governance |
| "Metro Kajang (Oversea)" | : | Metro Kajang (Oversea) Sdn Bhd (Registration No. 199301016059 (270799-X)) |
| "MFRS" | : | Malaysian Financial Reporting Standards |
| "MITI" | : | Ministry of International Trade and Industry Malaysia |
| "MKH" | : | MKH Berhad (Registration No. 197901006663 (50948-T)) |
| "MKH Building Materials" | : | MKH Building Materials Sdn Bhd (Registration No. 198301000402 (95635-K)) |
| "MKH Group" | : | MKH and its subsidiaries |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| "MKH Plantation" | : | MKH Plantation Sdn Bhd (Registration No. 200601018004 (737756-U)) |
| "MKH Resources" | : | MKH Resources Sdn Bhd (Registration No. 199101015405 (225717-X)) |
| "MKHOP Share(s) or Share(s)" | : | Ordinary share(s) in MKHOP |
| "Moratorium Shareholder(s)" | : | Collectively, CCSR, Tan Sri Alex Chen, Tan Sri Eddy Chen, Datuk Chen Fook Wah, MKH, Metro Kajang (Oversea) and MKH Plantation being shareholders of our Company whose MKHOP Shares will be subject to moratorium pursuant to Paragraph 5.29(a), Part II of the Equity Guidelines |
| "NA" | : | Net assets |
| "NBV" | : | Net book value |
| "Offer for Sale" | : | Offer for sale of 30,707,700 Offer Shares by our Selling Shareholder at our IPO Price |
| "Offer Share(s)" | : | 30,707,700 existing Shares to be offered by our Selling Shareholder pursuant to the Offer for Sale |
| "Participating Financial Institution(s)" | : | Participating financial institution(s) for Electronic Share Application(s) as listed in Section 17.5 |
| "PAT" | : | Profit after tax |
| "PBT" | : | Profit before tax |
| "PE Multiple" | : | Price-to-earnings multiple |
| "Pre-IPO Reorganisation" | : | Share Split, Acquisition of PT MKH, Acquisition of PT SPS and Capitalisation, collectively |
| "Promoters" | : | MKH, Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah who are parties to the preparation of the Prospectus (or any relevant portion thereof) in relation to our Listing |
| "Prospectus" | : | This prospectus dated [•] in relation to our IPO |
| "PT Hikmat" | : | PT Hikmat Aliran Sukses (Business Identification No. 1292000231906) |
| "PT NMJ" | : | PT Nusantara Makmur Jaya (Business Indentification No. 8120107732642) |
| "Public Issue" | : | Public issue of 220,000,000 Issue Shares at our IPO Price |
| "RCPS" | : | Redeemable convertible preference shares |
| "Restu Mesra" | : | Restu Mesra Sdn Bhd (Registration No. 202201000650 (1446347-D)) |
| "ROC" | : | Registrar of Companies |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| "Rules of Bursa Depository" | : | Rules of Bursa Depository, as amended from time to time and any re-enactment thereof |
| "R&D" | : | Research and development |
| "Share Split" | : | The subdivision of 1 existing MKHOP Share into 6 new MKHOP Shares completed on [●] as part of the Pre-IPO Reorganisation |
| "SC" | : | Securities Commission Malaysia |
| "Selling Shareholder" | : | Metro Kajang (Oversea) |
| "SOP" | : | Standard operating procedures |
| "SPV" | : | Special purpose vehicle, which will be established and wholly-owned by MKHOP, for holding of 1 ordinary share in each PT MKH and PT SPS upon completion of the Acquisition of PT MKH and Acquisition of PT SPS and before the implementation of our IPO |
| "Tan Sri Alex Chen" | : | Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong |
| "Tan Sri Eddy Chen" | : | Tan Sri Datuk Chen Lok Loi |
| "Underwriting Agreement" | : | Underwriting agreement dated [●] entered into between our Company and our Underwriter for the purpose of our IPO |

***CURRENCIES:***

| | | |
|---|---|---|
| "IDR" | : | Indonesian Rupiah |
| "RM" and "sen" | : | Ringgit Malaysia and sen, respectively |
| "USD" | : | United States Dollar |

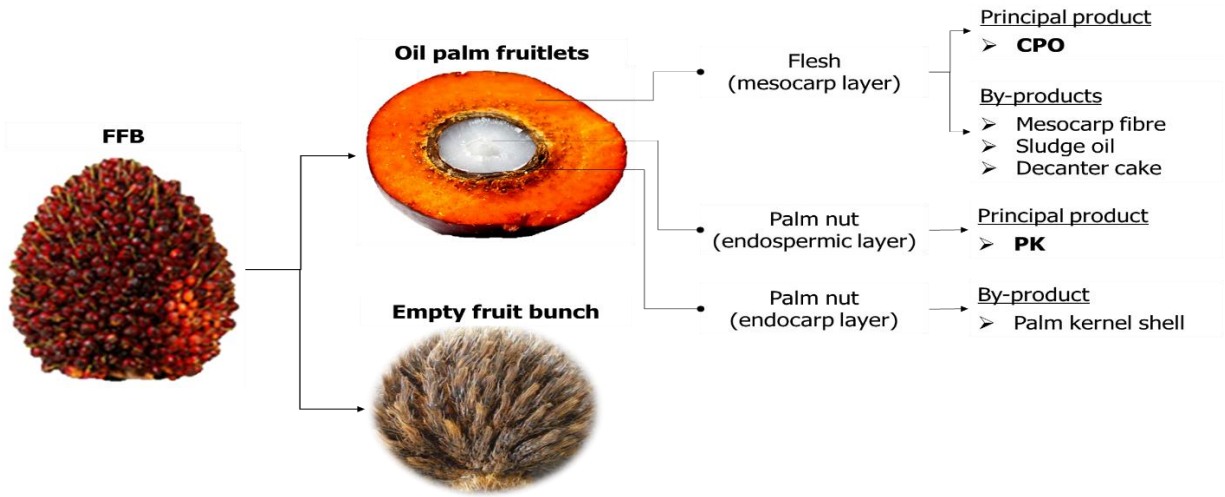
***UNIT OF MEASUREMENT***

| | | |
|---|---|---|
| "Ha" | : | Hectare |
| "kg" | : | Kilogram |
| "km" | : | Kilometre |
| "mm" | : | Millimetre |
| "MT" | : | Metric tonne |
| "sq m" | : | Square metre |

## TECHNICAL GLOSSARY

This glossary contains an explanation of certain terms used throughout this Prospectus in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms:

| | | |
|---|---|---|
| "AMSL" | : | Refers to "above mean sea level", which is a measure of height, elevation or altitude of a location in reference to the average sea level |
| "CPKO" | : | Refers to "crude palm kernel oil", which is the oil extracted from the PK |
| "CPO" | : | Refers to "crude palm oil", which is the oil extracted from the fibrous outer layer (mesocarp layer) of oil palm fruits |
| "Decanter cake" | : | Solid waste accumulated from the oil clarification process that contains macro and micro nutrient elements which can be used as fertiliser |
| "EFB" | : | Refers to "empty fruit bunches", which is the leftover fibrous material after the threshing/removal of oil palm fruits from FFB |
| "EFB liquor" | : | Liquid obtained from EFB pressing process that mainly contains oil and water |
| "Farm ATV(s)" | : | Refers to "all-terrain vehicle", used for agricultural purposes, which is a four-wheel single-occupant vehicle commonly used in plantation activities to carry out functions such as inspecting plantation crops, applying fertiliser and harvesting crops |
| "Farm UTV(s)" | : | Refers to "utility task vehicle" used for agricultural purposes, which is a four wheel two-occupant vehicle commonly used in plantation activities to carry out functions such as inspecting plantation crops, applying fertiliser and harvesting crops |
| "FFA" | : | Refers to "free fatty acids", which is released naturally in CPO upon the reaction of oil and water. The percentage of FFA in CPO is a key feature that determines the quality, commercial value and usage of CPO |
| "FFB" | : | Refers to "fresh fruit bunches", which are oil palm fruits that grow in bunches on oil palm trees, where CPO and PK are obtained |



**TECHNICAL GLOSSARY *(Cont'd)***

| | | |
|---|---|---|
| "IUP" | : | Plantation Business Licence of Cultivation (*Izin Usaha Perkebunan untuk Budidaya*) (IUP-B) is a written license issued by an authorized official which must be owned by companies undertaking plantation cultivation business |
| "KER" | : | Refers to "kernel extraction rate", which is the percentage of PK extracted from processed FFB |
| "La Nina" | : | A weather phenomenon where warm water at the ocean surface are blown by strong winds westwards from South America to Indonesia across the Pacific Ocean, which leads to increased rainfall in Indonesia |
| "Mesocarp fibre" | : | Leftover fibrous material (of the mesocarp layer of oil palm fruits) after the oil extraction process that can be used as fuel for boilers |
| "Mineral soil land" | : | Soil that comprises mainly minerals such as clay, sand and silt, and is low in organic matter (i.e. plant or animal matter) |
| "OER" | : | Refers to "oil extraction rate", which is the percentage of CPO extracted from processed FFB |
| "Peat soil land" | : | Soil that comprises partially decomposed organic matter mainly derived from plant matter. Peat soil forms in flooded or waterlogged conditions which obstruct the flow or oxygen and affect the decomposition of organic matter |
| "PK" | : | Refers to "palm kernel", which is the nut of oil palm fruits |
| "PKE" | : | Refers to "palm kernel expeller", which is a by-product from the crushing of PK that can be used as stock feed |
| "PK shell" | : | Shell left after the PK recovery process where the PK is extracted. PK shells can be used as fuel for boilers |
| "Plasma Farmers" | : | Local cooperatives under the Plasma Programme |
| "Plasma Programme" | : | The Plasma Programme is an initiative by the Indonesian Government to encourage plantation owners in Indonesia to provide economic and social assistance to surrounding villagers (small landholders) by helping them increase their income and welfare. Under the Plasma Programme, our Group is involved and obliged to assist local community (in the form of cooperatives) in the development and preparation of plantation land, supplying oil palm seedlings to local cooperatives as well as training, educating and having a partnership with the farmers under the local cooperatives in oil palm cultivation and management as mandated under Indonesian plantations laws and regulations.<br><br>In this respect, a company applying for an IUP for an area of 250 Ha or more must facilitate the local community's development by providing the local community with a plantation area of at least 20.0% of the total area given to the company as stated in the IUP |
| "POME" | : | Refers to "palm oil mill effluent", which is a brownish liquid containing mainly water and some suspended solids which is accumulated from the milling process. POME has to be treated before being discharged |

**TECHNICAL GLOSSARY *(Cont'd)***

| | | |
|---|---|---|
| "Powered wheelbarrows" | : | Self-propelled wheelbarrow in which the wheels are replaced with continuous tracks, also known as caterpillar track or track link to collect and transport FFB |
| "Sludge oil" | : | Residual oil that is collected during the POME treatment process that can be sold for processing into other products such as biodiesel and fertiliser |
| "RBD palm oil" | : | Refers to "refined, bleached and deodorised palm oil" which is obtained from refining crude palm oil |
| "Water table" | : | Upper level of an underground surface where the rocks and soil are continually soaked in water. It varies with the seasons and from year to year due to climatic variations and precipitation |
| "Water gate" | : | Acts as a water barrier which halts or controls the flow of water in a watercourse |

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Registration No.: 200401023680 (662186-D)

## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name | Designation | Residential address | Nationality/ Profession | Gender |
|---|---|---|---|---|
| Tan Sri Alex Chen | Non-Independent Non-Executive Chairman | 1, Lorong Bukit Indah 3<br>Taman Bukit Indah<br>43000 Kajang<br>Selangor | Malaysian/ Director | Male |
| Tan Sri Eddy Chen | Non-Independent Non-Executive Director | 155, Persiaran Impian Gemilang<br>Saujana Impian<br>43000 Kajang<br>Selangor | Malaysian/ Director | Male |
| Dato' Lee Khee Meng | Executive Director | Suite A-20-3A<br>Saville @ The Park Bangsar<br>1, Jalan Pantai Murni 8<br>59200 Kuala Lumpur | Malaysian/ Director | Male |
| Chen Wei Chyong | Executive Director | 4, Lorong Bukit Indah 3<br>Taman Bukit Indah<br>43000 Kajang<br>Selangor | Malaysian/ Director | Female |
| Yeo Kiat Seng | Non-Independent Non-Executive Director | 1, Jalan SS 19/4B<br>47500 Subang Jaya<br>Selangor | Malaysian/ Director | Male |
| Leong Sow Yoke | Independent Non-Executive Director | 19, Jalan 5/3<br>Bukit Gasing<br>46000 Petaling Jaya<br>Selangor | Malaysian/ Chartered Accountant | Female |
| Ong Kim Pin | Independent Non-Executive Director | 7, Jalan Permas 11/5<br>Bandar Baru Permas Jaya<br>81750 Masai<br>Johor | Malaysian/ Director | Male |
| Tan Hoe Hing | Independent Non-Executive Director | 55, Jalan PP 2/9<br>Taman Putra Prima<br>47130 Puchong<br>Selangor | Malaysian/ Director | Male |
| Dr Hasuria Binti Che Omar | Independent Non-Executive Director | 33A Reed<br>Taman Tasik Impian 1<br>Jalan Tasik Damai<br>Lake Fields, Sungai Besi<br>57000 Kuala Lumpur | Malaysian/ Director | Female |
| Yahya Bin Ariffin | Independent Non-Executive Director | 22, Jalan 3/4A<br>Seksyen 3, Bandar Rinching<br>43500 Semenyih<br>Selangor | Malaysian/ Director | Male |

## 1. CORPORATE DIRECTORY

### AUDIT AND RISK MANAGEMENT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Leong Sow Yoke | Chairperson | Independent Non-Executive Director |
| Ong Kim Pin | Member | Independent Non-Executive Director |
| Yahya Bin Ariffin | Member | Independent Non-Executive Director |
| Tan Hoe Hing | Member | Independent Non-Executive Director |

### NOMINATING COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Dr Hasuria Binti Che Omar | Chairperson | Independent Non-Executive Director |
| Tan Hoe Hing | Member | Independent Non-Executive Director |
| Yeo Kiat Seng | Member | Non-Independent Non-Executive Director |

### REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Tan Hoe Hing | Chairperson | Independent Non-Executive Director |
| Dr Hasuria Binti Che Omar | Member | Independent Non-Executive Director |
| Yahya Bin Ariffin | Member | Independent Non-Executive Director |

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## 1. CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| **COMPANY SECRETARY** | : | Keng Ching Tong (MAICSA 7056252)<br>SSM Practising Certificate No.: 201908000962<br>*(Malaysian Institute of Chartered Secretaries and Administrators)*<br><br>35, Jalan Setia Impian 2/2<br>Taman Setia Impian<br>43000 Kajang<br>Selangor<br><br>Telephone No.: +603-8751 8228 |
| **REGISTERED OFFICE** | : | G-02 & G-03, Ground Floor<br>Wisma MKH<br>Jalan Semenyih<br>43000 Kajang<br>Selangor<br><br>Telephone No.: +603-8751 8228 |
| **HEAD OFFICE** | : | G-02 & G-03, Ground Floor<br>Wisma MKH<br>Jalan Semenyih<br>43000 Kajang<br>Selangor<br><br>Telephone No.: +603-8751 8228 |
| **EMAIL ADDRESS AND WEBSITE** | : | Website: www.mkhoilpalm.com<br>Email address: info@mkhoilpalm.com |
| **AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING** | : | **Deloitte PLT**<br>(LLP0010145-LCA & AF 0080)<br>Chartered Accountants<br><br>Level 16, Menara LGB<br>1, Jalan Wan Kadir<br>Taman Tun Dr. Ismail<br>60000 Kuala Lumpur<br><br>**Auditors for our Company**<br>Partner-in-charge: Lai Can Yiew<br>*(Chartered Accountant, Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants)*<br>Approval number: 02179/11/2024 J<br><br>**Reporting Accountants for our Listing**<br>Partner-in-charge: Alvin Chang Shu-Wei<br>*(Chartered Accountant, Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants)*<br>Approval number: 03480/01/2024 J<br><br>Telephone No.: +603-7610 8888 |

## 1. CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| **ADVISER, UNDERWRITER AND PLACEMENT AGENT** | : | **M & A Securities Sdn Bhd**<br>(Registration No. 197301001503 (15017-H))<br><br>45-11, The Boulevard<br>Mid Valley City<br>Lingkaran Syed Putra<br>59200 Kuala Lumpur<br><br>Telephone No.: +603-2284 2911 |
| **SOLICITORS FOR OUR LISTING IN RESPECT OF MALAYSIAN LAW** | : | **Cheang & Ariff**<br><br>39 Court @ Loke Mansion<br>273A, Jalan Medan Tuanku<br>50300 Kuala Lumpur<br><br>Telephone No.: +603-2691 0803 |
| **SOLICITORS FOR OUR LISTING IN RESPECT OF INDONESIAN LAW** | : | **Ali Budiardjo, Nugroho, Reksodiputro**<br>(Business Identification No. (9120016142104))<br><br>Graha CIMB Niaga, 24th Floor<br>Jalan Jend. Sudirman Kav. 58<br>Jakarta 12190<br><br>Telephone No.: +62-21250 5125/5136 |
| **ISSUING HOUSE AND SHARE REGISTRAR** | : | **Tricor Investor & Issuing House Services Sdn Bhd**<br>(Registration No. (197101000970 (11324-H))<br><br>Unit 32-01, Level 32, Tower A<br>Vertical Business Suite, Avenue 3<br>Bangsar South<br>8, Jalan Kerinchi<br>59200 Kuala Lumpur<br><br>Telephone No.: +603-2783 9299 |
| **INDEPENDENT MARKET RESEARCHER** | : | **Smith Zander International Sdn Bhd**<br>(Registration No. 201301028298 (1058128-V))<br><br>15-01, Level 15<br>Menara MBMR<br>1, Jalan Syed Putra<br>58000 Kuala Lumpur<br><br>Managing Partner: Dennis Tan Tze Wen<br>*(Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada)*<br><br>Telephone No.: +603-2732 7537 |

## 1. CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| **INDEPENDENT VALUER** | : | **C H Williams Talhar & Wong (Sabah) Sdn Bhd**<br>(Registration No. 197701003650 (34874-P))<br><br>Rooms 605-608, 6th Floor<br>Wisma Khoo Siak Chiew<br>W.D.T. 110<br>90009 Sandakan, Sabah<br><br>Telephone No.: +6089-219 714<br><br>Valuer-in-charge: Sr Benjamin Mu Vi Ken<br>Registration number: V0821<br>(Registered Valuer, Board of Valuers, Appraisers, Estate Agents and Property Managers) |
| **LISTING SOUGHT** | : | Main Market of Bursa Securities |

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## 2. PROSPECTUS SUMMARY

**This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.**

### 2.1 PRINCIPAL DETAILS OF IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text.

| | Public Issue | | Offer for Sale | | Total | |
|---|---|---|---|---|---|---|
| | **No. of Shares** | **(1)%** | **No. of Shares** | **(1)%** | **No. of Shares** | **(1)%** |
| Malaysian Public(2) | 51,209,800 | 5.0 | - | - | 51,209,800 | 5.0 |
| Private placement to selected investors | 168,790,200 | 16.5 | 30,707,700 | 3.0 | 199,497,900 | 19.5 |
| | **220,000,000** | **21.5** | **30,707,700** | **3.0** | **250,707,700** | **24.5** |

| | |
|---|---|
| Enlarged number of Shares upon Listing | 1,023,590,845 |
| IPO Price per Share | RM[●] |
| Market capitalisation upon Listing (based on our IPO Price and enlarged number of Shares upon Listing) | RM[●] |

**Notes**:

(1) Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

(2) 25,604,900 Issue Shares will be set aside for Bumiputera public investors.

Further details of our IPO are set out in Section 4.

In compliance with the Equity Guidelines, our Moratorium Shareholders are not allowed to sell, transfer or assign any part of their respective shareholdings in our Company for a period of 6 months from the date of our Listing. In addition, the shares held by the following shareholders in their respective companies will be placed under moratorium and the following shareholders are not allowed to sell, transfer or assign their entire shareholdings in the respective companies for 6 months from the date of our Listing:

(a) Tan Sri Alex Chen, Tan Sri Eddy Chen, Datuk Chen Fook Wah and Liew Mee Ling in CCSR; and

(b) MKH in Metro Kajang (Oversea) and MKH Plantation.

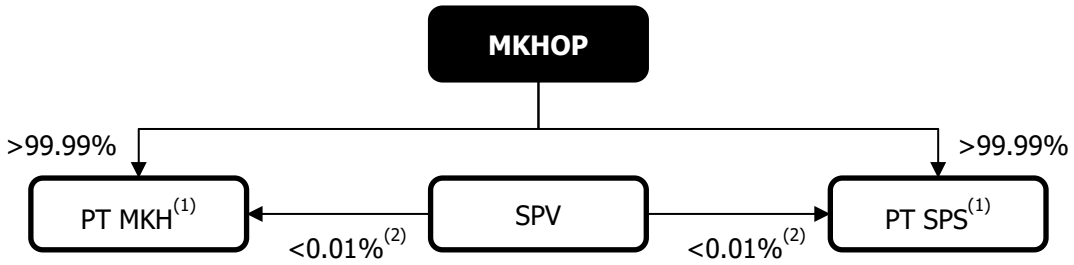
Further details on the moratorium on our Shares are set out in Section 3.2.

### 2.2 GROUP STRUCTURE, BUSINESS MODEL AND OPERATIONAL HIGHLIGHTS

Our Company was incorporated in Malaysia under the Companies Act 1965 on 10 August 2004 as a private company limited by shares under the name of Detik Merdu Sdn Bhd and is deemed registered under the Act. On 7 January 2021, we changed our name to MKH Global Plantation Sdn Bhd. Subsequently, on 1 October 2021, we further changed our name to MKH Oil Palm (East Kalimantan) Sdn Bhd. On 11 August 2022, our Company was converted into a public company limited by shares and assumed our present name.

## 2. PROSPECTUS SUMMARY *(Cont'd)*

Our Company's principal activities are investment holding and management services. Our Group structure as at LPD is as follows:



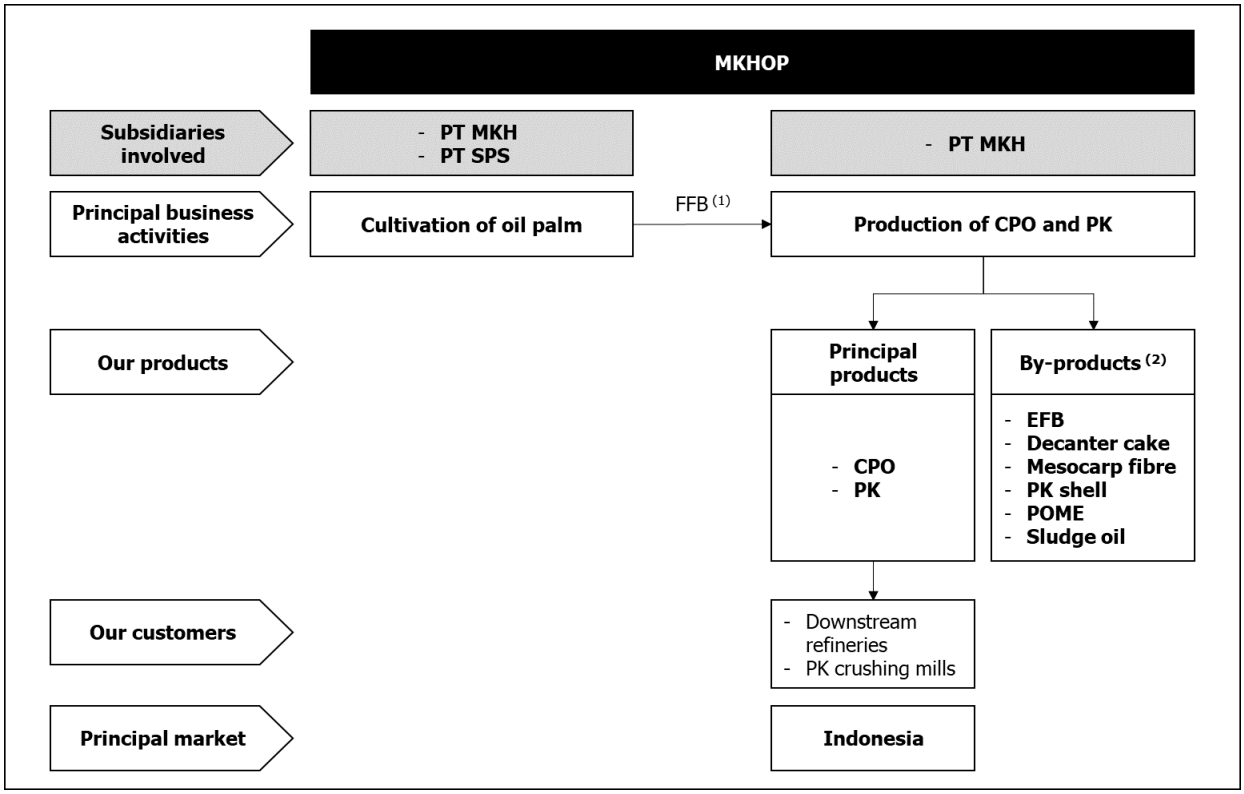

**Notes**:

(1) Pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, both PT MKH and PT SPS are required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT MKH and Acquisition of PT SPS respectively, where the number of shareholders in both PT MKH and PT SPS reduces below 2. As such, upon completion of the Acquisition of PT MKH and Acquisition of PT SPS and before the implementation of our IPO, MKHOP shall transfer 1 ordinary share it owns in both PT MKH and PT SPS to the SPV. The SPV will remain as the shareholder of the 1 ordinary share in both PT MKH and PT SPS to comply with Paragraph 1 of Article 7 of the Indonesian Company Law. Please refer to Sections 6.2.2 and 6.2.3 for further details on the Acquisition of PT MKH and Acquisition of PT SPS.

(2) Represents 1 ordinary share in each PT MKH and PT SPS to be held by the SPV.

Through our subsidiaries, we are principally involved in the cultivation of oil palm and production and sale of CPO and PK. The principal activities of our subsidiaries are set out in Section 6.4.

Our Group's business model is depicted in the diagram below:



**Notes:**

(1) Harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK. In addition, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance.

(2) EFB and decanter cake are used as fertiliser at our oil palm plantations, mesocarp fibre and PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation), and POME are treated prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers which can be used in the production of biodiesel and soaps.

For FYE 2020 to 2022, the sale of CPO was the largest revenue contributor to our Group as it contributed 79.9%, 85.9% and 87.3% to our Group's revenue, respectively. Our Group's business activities were largely based in Indonesia.

During the same period, sales derived in Indonesia contributed 88.7%, 96.0% and 100.0% respectively, which was entirely from our plantation business; while sales derived in Malaysia accounted for 11.3%, 4.0% and nil to our Group's total revenue. The sales derived in Malaysia in FYE 2020 and 2021 were entirely generated from the trading of building materials. For FYE 2022, our Group's solely generated revenue from Indonesia and no sales was generated from Malaysia as our Group had ceased the building materials trading business since 1 January 2021 in preparation for our Listing.

Further details of our Group and our business model are set out in Sections 6 and 7.

## 2.3 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the temporary interruption to our business operations during the outbreak of the COVID-19 pandemic leading to several measures being undertaken by our Group to prevent the outbreak of the virus in our plantation estates, we had not experienced any other interruptions to our business which had a significant effect on our operations in FYE 2020 to 2022 and up to LPD.

The impact on our Group's operations, financials, and business and earning prospects pursuant to the COVID-19 pandemic are described as follows:

### 2.3.1 Impact to our operations

During the periods of State of Emergency, PSBB, PPKM and PPKM-Mikro (as defined in Section 7.8), agricultural and plantation activities as well as production of agricultural goods were permitted under a guideline published by the Indonesian Government. As such, our plantation estates and palm oil mill have been able to operate at full capacity and there have been no interruptions to our business operations.

We experienced some slight delays in the supply of certain fertilisers and chemicals from our suppliers during the pandemic due to global supply chain disruptions as a result of lockdown measures imposed in many countries. Nevertheless, there was no material impact to our business operations including the FFB yield of our oil palm trees, as our Group advanced our purchase of fertilisers and chemicals with our suppliers up to 6 months ahead of the planned usage (from our standard practice of up to 3 months of advanced purchase prior to the pandemic) to minimise the delays in the receipt of these supplies. While our Group's FFB yield was declining in the past 3 FYEs from 29.3MT per Ha in FYE 2020 to 26.7MT per Ha in FYE 2021 and 23.2MT per Ha in FYE 2022, the decline in FFB yield was due to lower FFB harvested as a result of heavy rainfall from the La Nina phenomenon. Further, we experienced some delays in product collection by our customers, but such delays did not lead to any material impact to our business operations as the delays were minor and did not result in constraints in our storage capacity nor disrupt our milling activities. These products have subsequently been collected by our customers and there was no dispute arising from these delays in product collection by our customers.

Save for the abovementioned events, there have been no other interruptions to our business operations arising from the COVID-19 pandemic.

### 2.3.2 Impact to our sales, business cash flows, liquidity, financial position and financial performance

Our sales and financial performance were not impacted by the COVID-19 pandemic as there was no cancellation of contracts or deferment of contracts. Further, we have been able to sell our CPO and PK as there have been continuous demand for our products from our customers. Additionally, there was no material impact or difficulties in the collectability of our trade receivables within our credit terms. There was also no material impact to our cash flows, liquidity, financial position and financial performance.

Further details on the impact of COVID-19 pandemic and our measures to commence and continue operations are set out in Section 7.8.

## 2.4 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

(a) We have oil palm plantations with a maturity and topographical profile that result in high FFB yields. As at LPD, our prime mature oil palms are those aged between 10 and 16 years, which made up approximately 92.7% of our total planted area. As a result of the ideal age profile of our oil palms whereby majority of them are in the early or mid-years of prime mature stage, as well as the topographical profile of our plantation estates, we achieved average FFB yields of 29.3MT per Ha, 26.7MT per Ha and 23.2MT for FYE 2020 to 2022, respectively;

(b) We adopt plantation practices that focus on the efficiency of our plantation management and quality of our crop. Further, we utilise technology and enhanced mechanisation to achieve efficient plantation and quality crop. The adoption of these plantation practices has improved our labour productivity in terms of FFB harvested per manday as well as the management and operational efficiency of our plantation activities;

(c) We are well positioned to benefit from optimal conditions for oil palm plantation as our oil palm plantation estates are located in East Kalimantan, Indonesia which is within the tropical belt along the equator that has an optimum climate for the cultivation of oil palm. Further, our plantation estates and palm oil mill are located close to the provincial capital of East Kalimantan, namely Samarinda; and the financial centre of Kalimantan, namely Balikpapan;

(d) In our effort to produce sustainable palm oil, we are committed to the preservation of a healthy ecosystem at our plantation estates via good estate management practices. Our subsidiaries, namely PT MKH and PT SPS received the ISPO certification in 2017 and 2022, respectively, as a testament to our sustainable plantation practices and ability to produce sustainable palm oil, which allows our Group to expand the market acceptance of our products in local market;

(e) We have an experienced key senior management team with strong industry expertise. They are led by our Executive Director, Dato' Lee Khee Meng, who has substantial knowledge and exposure in the oil palm plantation business and has successfully led our Group in business expansions over the years; and

(f) We are well positioned to benefit from growth in the global edible oils market and the oil palm industry in Indonesia as our CPO and PK are sold to downstream refineries and PK crushing plants for the production of palm-based edible oils and oleochemical products. The potential for our future revenue growth is promising in line with the increasing demand for edible oils and fats globally.

Further details of our competitive strengths are set out in Section 7.14.

## 2.5 BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 24 months from the date of our Listing:

(a) We plan to expand our oil palm plantation business by acquiring additional land located in close proximity to our current oil palm plantation estates in Kutai Kartanegara, East Kalimantan for better coordination of operational and logistics management. As at LPD, we have identified company(ies) with potential land banks (subject to negotiation and feasibility study to be conducted) for oil palm plantation in the sub-district of Muara Kaman, Kutai Kartanegara, East Kalimantan, with an estimated land area of approximately 5,000.0 Ha with an estimated area for planting of 4,000.0 to 4,500.0 Ha;

(b) We intend to purchase new machinery and equipment to enhance the efficiency of our FFB harvesting activities and palm oil milling activities for the production of CPO and PK which will eventually improve the financial performance of our Group;

(c) We plan to expand our processing capabilities and product offerings by producing and selling CPKO by setting up a PK crushing facility adjacent to our existing palm oil mill, with a processing capacity of 90MT PK per day, to crush and press PK for extraction and processing into CPKO, which includes PKE which is a by-product of CPKO from PK crushing;

(d) We plan to construct new staff quarters using a combination of bricks, concrete and wood which are safer and less exposed to hazards and refurbish our existing staff quarters to enhance the living conditions of our workers and their family members as part of continuous accommodation upgrading initiative; and

(e) We plan to expand the coverage of electricity supply generated through the turbines at our palm oil mill to other regions of our plantation estates (which are supplied by electricity generated through diesel generators as at LPD) to reduce our diesel fuel cost as well as part of our effort for environment conservation.

Further details of our business strategies are set out in Section 7.15.

## 2.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 9. Some of the more important risk factors are summarised below:

(a) Our financial performance is subject to the fluctuation in the market prices of CPO and PK. Any increase in demand for CPO and PK and/or shortage in supply of CPO and PK tends to result in an increase in the market price of CPO and PK, and vice versa. In the second half of FYE 2022, our Group's financial performance was adversely affected by the decline in our average selling prices of CPO and PK, where the decline was in tandem with market prices of CPO and PK. The decline in market prices of CPO and PK from May 2022 was due to excessive stock of CPO in Indonesia accumulated during the export ban on CPO, RBD palm oil, RBD palm olein and used cooking oil implemented by the Government of Indonesia from 28 April 2022 to 23 May 2022 which subsequently led to an increase in CPO export after the export ban was lifted.

(b) It is crucial to harvest sufficient FFB for the production of CPO and extraction of PK to generate revenue for our Group and FFB yields are generally dependent on several factors to ensure high FFB yields. Our business growth may be adversely affected if we fail to continuously improve our FFB yields which could result in stagnant or lower production of CPO and PK;

(c) The quality of our CPO is mainly measured by the FFA content whereas the quality of our PK is measured by the moisture and impurity levels as well as FFA content. If we fail to continuously maintain the quality of our CPO and PK based on the industry guidelines, our financial performance may be adversely affected as a result of claims from our customers;

(d) We are dependent on our Executive Directors and key senior management for continued success and growth of our business. Any significant or sudden loss of the services of our Executive Directors and/or key senior management without suitable replacement in a timely manner may adversely affect our Group's operations;

(e) We require various licences, approvals and permits for our business operations. Any failure to renew, maintain or obtain the licences, approvals and permits required for our business operations may lead to interruptions to our on-going operations, affect the implementation of any planned capacity expansion and/or affect the demand for our products, which may adversely affect our business, financial performance and prospects; and

(f) We are dependent on our major customers which accounted for 88.2%, 95.9% and 99.9% of our total revenue for FYE 2020 to 2022 respectively, indicating a concentration of our revenue amongst these customers, and a risk of dependency on them. There is no assurance that we will be able to continue retaining these customers, or that the volume of purchases from our major customers will not vary significantly in the future. In the event that there are significant reductions in purchases from our major customers or a complete loss of any of our major customers, our financial performance and results of our operations may be adversely affected.

## 2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

| Name | Designation |
|---|---|
| **Directors** | |
| Tan Sri Alex Chen | Non-Independent Non-Executive Chairman |
| Tan Sri Eddy Chen | Non-Independent Non-Executive Director |
| Dato' Lee Khee Meng | Executive Director |
| Chen Wei Chyong | Executive Director |
| Yeo Kiat Seng | Non-Independent Non-Executive Director |
| Leong Sow Yoke | Independent Non-Executive Director |
| Ong Kim Pin | Independent Non-Executive Director |
| Tan Hoe Hing | Independent Non-Executive Director |
| Dr Hasuria Binti Che Omar | Independent Non-Executive Director |
| Yahya Bin Ariffin | Independent Non-Executive Director |
| **Key senior management** | |
| Tang Hee Teik | General Manager of Industrial and Agricultural Development |
| Tan Soo Hoon | Group Financial Controller |
| Keng Ching Tong | Group Company Secretary |
| Lee Kong Seng | Project Manager |

Further details of our Directors and key senior management are set out in Section 5.

## 2.8 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. It is our intention to pay dividends to shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition, restrictive covenants in our borrowing documents and any other factors considered relevant by our Board.

During FYE 2020 to 2022 and up to LPD, there were no dividends declared and paid to shareholders of our Company and our subsidiaries.

Further details of our dividend policy are set out in Section 12.18.

## 2.9 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

| Name | Country of incorporation/ Nationality | (1)Before IPO | | | | (2)After IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Promoters and substantial shareholder** | | | | | | | | | |
| MKH | Malaysia | 293,520,019 | 36.53 | (4)(5)382,796,663 | 47.64 | 293,520,019 | 28.68 | (4)(5)352,088,963 | 34.40 |
| Tan Sri Alex Chen | Malaysian | 39,582 | (3)- | (6)(8)712,478,060 | 88.66 | 39,582 | (3)- | (6)(8)681,770,360 | 66.61 |
| Tan Sri Eddy Chen | Malaysian | 1,514,691 | 0.19 | (6)(9)711,348,251 | 88.52 | 1,514,691 | 0.15 | (6)(9)680,640,551 | 66.50 |
| Datuk Chen Fook Wah | Malaysian | 287,621 | 0.04 | (6)(10)710,079,175 | 88.36 | 287,621 | 0.03 | (6)(10)679,371,475 | 66.37 |
| **Substantial shareholders** | | | | | | | | | |
| Metro Kajang (Oversea) | Malaysia | 344,462,001 | 42.87 | - | - | 313,754,301 | 30.65 | - | - |
| MKH Plantation | Malaysia | 38,334,662 | 4.77 | - | - | 38,334,662 | 3.75 | - | - |
| CCSR | Malaysia | 8,122,850 | 1.01 | (7)(11)701,954,608 | 87.35 | 8,122,850 | 0.79 | (7)(11)671,246,908 | 65.58 |
| PT Hikmat(12) | Indonesia | 40,180,575 | 5.00 | - | - | 40,180,575 | 3.93 | - | - |

**Notes:**

(1) Based on the share capital of 803,590,845 Shares after the Pre-IPO Reorganisation but before our IPO.

(2) Based on the enlarged share capital of 1,023,590,845 Shares after our IPO.

(3) Less than 0.01%.

(4) Deemed interested by virtue of its shareholdings in Metro Kajang (Oversea).

(5) Deemed interested by virtue of its shareholdings in MKH Plantation.

(6) Deemed interested by virtue of his shareholdings in CCSR.

(7) Deemed interested by virtue of its shareholdings in MKH.

(8) Deemed interested by virtue of his shareholdings in Lotus Way and shareholdings held through AllianceGroup Nominees (Tempatan) Sdn Bhd, which are in turn deemed interested by virtue of their shareholdings in MKH. As at LPD, the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Lotus Way.

(9) Deemed interested by virtue of his shareholdings in AllianceGroup Nominees (Tempatan) Sdn Bhd through Liberty Alliance (M) Sdn Bhd, which is in turn deemed interested by virtue of its shareholding in MKH. As at LPD, the direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen.

(10) Deemed interested by virtue of his shareholdings in Activest, which is in turn deemed interested by virtue of its shareholding in MKH. As at LPD, the ultimate beneficial owner of Activest is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest. The remaining equity interest (<0.01%) in Activest is held by Chen Wei Sern, son of Datuk Chen Fook Wah.

(11) Deemed interested by virtue of its shareholdings held through HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad).

(12) PT Hikmat will cease to be our substantial shareholder after our IPO.

Further details of our Promoters and substantial shareholders are set out in Section 5.

## 2.10 UTILISATION OF PROCEEDS

The estimated gross proceeds to be raised from our Public Issue of RM[●] million shall be utilised in the following manner:

| Utilisation of proceeds | RM'000 | % | [1]Estimated timeframe for utilisation |
|---|---|---|---|
| Expansion of land banks for oil palm plantation | [●] | [●] | Within 24 months |
| Capital expenditures for existing plantation lands | [●] | [●] | Within 18 months |
| Setup of PK crushing facility | [●] | [●] | Within 12 months |
| Refurbishment and/or upkeep of existing palm oil mill | [●] | [●] | Within 24 months |
| Capital expenditures for refurbishment and construction of workers/staff housing quarters | [●] | [●] | Within 24 months |
| Capital expenditures to expand coverage of electricity supply | [●] | [●] | Within 24 months |
| Repayment of loan due to a related party | [●] | [●] | Within 6 months |
| Estimated listing expenses | [●] | [●] | Immediate |
| **Total** | [●] | **100.0** | |

**Note:**

(1) From the date of our Listing.

The Offer for Sale is expected to raise gross proceeds of approximately RM[●] million which will accrue entirely to our Selling Shareholder and is proposed to be utilised for repayment of loans and borrowings of MKH Group and to defray expenses relating to the Offer for Sale. There is no minimum subscription to be raised from our IPO. Detailed information on our utilisation of proceeds is set out in Section 4.9.

## 2.11 FINANCIAL HIGHLIGHTS

### 2.11.1 Combined statements of comprehensive income

The following table sets out the financial highlights based on our combined statements of comprehensive income for FYE 2020 to 2022:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 282,324 | 306,611 | 315,817 |
| GP | 99,533 | 140,374 | 129,869 |
| PAT | 18,690 | 77,452 | 60,138 |
| GP margin (%)[(1)] | 35.3 | 45.8 | 41.1 |
| PAT margin (%)[(2)] | 6.6 | 25.3 | 19.0 |
| Basic EPS (sen)[(3)] | 2.3 | 9.6 | 7.5 |
| Diluted EPS (sen)[(4)] | 1.8 | 7.6 | 5.9 |

**Notes:**

(1) Calculated based on GP over revenue.

(2) Calculated based on PAT over revenue.

(3) Calculated based on our PAT divided by share capital of 803,590,845 Shares after the Pre-IPO Reorganisation but before our IPO.

(4) Calculated based on our PAT divided by enlarged share capital of 1,023,590,845 Shares after our IPO.

There were no exceptional items during the financial years under review. Our audited combined financial statements for FYE 2020 to 2022 were not subject to any audit qualifications. Further details on the financial information are set out in Sections 12 and 13.

### 2.11.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group to show the effects of the Pre-IPO Reorganisation, Distribution, Public Issue and utilisation of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma combined statements of financial position as set out in Section 14.

## 2. PROSPECTUS SUMMARY *(Cont'd)*

| | | I | II | III | IV | V | VI | VII |
|---|---|---|---|---|---|---|---|---|
| | **As at 30 September 2022** | **Significant subsequent event** | **After I and Share Split** | **After II and Acquisition of PT MKH and Acquisition of PT SPS** | **After III and Capitalisation** | **After IV and Distribution** | **After V and Public Issue** | **After VI and utilisation of proceeds** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'0000** | **RM'000** | **RM'000** | **RM'000** |
| **ASSETS** | | | | | | | | |
| Total non-current assets | 285,767 | 285,717 | 285,717 | 391,894 | 391,894 | 391,894 | 391,894 | [●] |
| Total current assets | 144,231 | 147,134 | 147,134 | 137,854 | 137,854 | 137,854 | [●] | [●] |
| **TOTAL ASSETS** | **429,998** | **432,851** | **432,851** | **529,748** | **529,748** | **529,748** | **[●]** | **[●]** |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Share capital | 110,468 | 110,468 | 110,468 | 191,848 | [●] | [●] | [●] | [●] |
| Reserves | 164,464 | 167,317 | 167,317 | 129,488 | [●] | [●] | [●] | [●] |
| Equity attributable to the owner of the parent | 274,932 | 277,785 | 277,785 | 321,336 | [●] | [●] | [●] | [●] |
| Non-controlling interest | 15,687 | 15,687 | 15,687 | - | - | - | - | - |
| **TOTAL EQUITY** | **290,619** | **293,472** | **293,472** | **321,336** | **[●]** | **[●]** | **[●]** | **[●]** |
| Total non-current liabilities | 52,590 | 52,590 | 52,590 | 65,739 | [●] | [●] | [●] | [●] |
| Total current liabilities | 86,789 | 86,789 | 86,789 | 142,673 | [●] | [●] | [●] | [●] |
| **TOTAL LIABILITIES** | **139,379** | **139,379** | **139,379** | **208,412** | **[●]** | **[●]** | **[●]** | **[●]** |
| **TOTAL EQUITY AND LIABILITIES** | **429,998** | **432,851** | **432,851** | **529,748** | **[●]** | **[●]** | **[●]** | **[●]** |
| No. of Shares in issue ('000) | 110,468 | 110,468 | 662,808 | 730,064 | 803,591 | 803,591 | 1,023,591 | 1,023,591 |
| NA per Share (RM) | 2.5 | 2.5 | 0.4 | 0.4 | [●] | [●] | [●] | [●] |
| Current ratio (times) | 1.7 | 1.7 | 1.7 | 1.0 | [●] | [●] | [●] | [●] |
| Total borrowings | 70,082 | 70,082 | 70,082 | 70,082 | [●] | [●] | [●] | [●] |
| Gearing (times) | 0.2 | 0.2 | 0.2 | 0.2 | [●] | [●] | [●] | [●] |

# 3. APPROVALS AND CONDITIONS

## 3.1 APPROVALS AND CONDITIONS

### 3.1.1 SC

The SC had, vide its letter dated [●], approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

| No. | Details of conditions imposed | Status of compliance |
|---|---|---|
| (a) | [●] | [●] |

In addition, the SC had, vide its letter dated [●], taken note of our resultant equity structure pursuant to our Listing under the equity requirement for public listed companies ("**Bumiputera Equity Requirement**"). MKHOP, through our subsidiaries, namely PT MKH and PT SPS, is a company with predominantly foreign-based operations. For FYE 2020 to 2022, our operations are predominantly based in Indonesia as our PAT has been substantially derived from our plantation operations in Indonesia. Accordingly, our Company is exempted from having to comply with the Bumiputera Equity Requirement.

### 3.1.2 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved our admission to the Official List of the Main Market and the listing of and quotation for our entire enlarged issued share capital on the Main Market. The approval from Bursa Securities is subject to the following conditions:

| No. | Details of conditions imposed | Status of compliance |
|---|---|---|
| (a) | [●] | [●] |

## 3.2 MORATORIUM ON OUR SHARES

Pursuant to Paragraph 5.29(a), Part II of the Equity Guidelines, our Moratorium Shareholders will not be allowed to sell, transfer or assign their entire shareholdings in our Company for a period of 6 months from the date of our Listing ("**Moratorium Period**").

Details of our Moratorium Shareholders, and their Shares which will be subject to the abovesaid moratorium, are set out below:

| | Direct | | Indirect | |
|---|---|---|---|---|
| **Moratorium Shareholders** | **No. of Shares** | **(1)%** | **No. of Shares** | **(1)%** |
| MKH | 293,520,019 | 28.68 | (3)(4)352,088,963 | 34.40 |
| Tan Sri Alex Chen | 39,582 | (2)- | (5)(6)681,770,360 | 66.61 |
| Tan Sri Eddy Chen | 1,514,691 | 0.15 | (5)(7)680,640,551 | 66.50 |
| Datuk Chen Fook Wah | 287,621 | 0.03 | (5)(8)679,371,475 | 66.37 |
| Metro Kajang (Oversea) | 313,754,301 | 30.65 | - | - |
| MKH Plantation | 38,334,662 | 3.74 | - | - |
| CCSR | 8,122,850 | 0.79 | (9)(10)671,246,908 | 65.58 |
| **Total** | **655,573,726** | **64.04** | | |

**Notes:**

(1) Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

(2) Less than 0.01%.

(3) Deemed interested by virtue of its shareholdings in Metro Kajang (Oversea).

## 3. APPROVALS AND CONDITIONS *(Cont'd)*

(4) Deemed interested by virtue of its shareholdings in MKH Plantation.

(5) Deemed interested by virtue of his shareholdings in CCSR.

(6) Deemed interested by virtue of his shareholdings in Lotus Way and shareholdings held through AllianceGroup Nominees (Tempatan) Sdn Bhd, which are in turn deemed interested by virtue of their shareholdings in MKH.

(7) Deemed interested by virtue of his shareholdings in AllianceGroup Nominees (Tempatan) Sdn Bhd through Liberty Alliance (M) Sdn Bhd, which is in turn deemed interested by virtue of its shareholding in MKH.

(8) Deemed interested by virtue of his shareholdings in Activest, which is in turn deemed interested by virtue of its shareholding in MKH.

(9) Deemed interested by virtue of its shareholdings in MKH.

(10) Deemed interested by virtue of its shareholdings held through HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad).

The moratorium has been fully accepted by our Moratorium Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Moratorium Period, in accordance with the Equity Guidelines.

In addition, pursuant to Paragraph 5.30, Part II of the Equity Guidelines, the following shareholders have given an undertaking to the SC that they will not sell, transfer or assign any of their respective holdings in the Moratorium Shareholders, namely CCSR, Metro Kajang (Oversea) and MKH Plantation, which are not listed entities for 6 months from the date of our Listing:

(a) Tan Sri Alex Chen, Tan Sri Eddy Chen, Datuk Chen Fook Wah and Liew Mee Ling in CCSR; and

(b) MKH in Metro Kajang (Oversea) and MKH Plantation.

The abovementioned moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Moratorium Shareholders to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions. In compliance with the restrictions, Bursa Depository will, on our Share Registrar's instructions in the prescribed forms, ensure that the trading of these Shares is not permitted during the Moratorium Period.

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# 4. DETAILS OF OUR IPO

## 4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on [•] and will remain open until 5.00 p.m. on [•]. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

## 4.2 INDICATIVE TIMETABLE

| Events | Indicative date |
|---|---|
| Issuance of this Prospectus/Opening of Application | [•] |
| Closing of Application | [•] |
| Balloting of Application | [•] |
| Allotment/Transfer of IPO Shares to successful applicants | [•] |
| Date of Listing | [•] |

In the event there is any change to the indicative timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

## 4.3 DETAILS OF OUR IPO

### 4.3.1 Listing scheme

**(a) Distribution**

Upon completion of the Pre-IPO Reorganisation, MKH together with Metro Kajang (Oversea) and MKH Plantation collectively hold 758,804,663 MKHOP Shares, representing 94.4% equity interest. Please refer to Section 6.2 for further details on our Pre-IPO Reorganisation.

Subsequently, MKH has distributed 82,487,981 MKHOP Shares representing approximately 10.3% equity interest in our Company to the Entitled Shareholders on the Entitlement Date. The Distribution was not subject to approval from the shareholders of MKH.

Upon completion of the Distribution, the total shareholdings of MKH together with Metro Kajang (Oversea) and MKH Plantation in our Company has reduced to approximately 84.2%. The Distribution did not have an effect on our issued share capital as there was no issuance of new Shares.

**(b) Public Issue**

A total of 220,000,000 Issue Shares, representing approximately 21.5% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

**(i) Malaysian Public**

51,209,800 Issue Shares, representing approximately 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 25,604,900 Issue Shares, representing approximately 2.5% of our enlarged share capital, made available to public investors; and

(bb) 25,604,900 Issue Shares, representing approximately 2.5% of our enlarged share capital, made available to Bumiputera public investors.

**(ii) Private placement to selected investors**

168,790,200 Issue Shares, representing approximately 16.5% of our enlarged share capital, are reserved for private placement to selected investors.

The basis of allocation of the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

Upon completion of our Public Issue, our share capital will increase from RM[●] million comprising 803,590,845 Shares to RM[●] million comprising 1,023,590,845 Shares. There is no over-allotment or 'greenshoe' option that will increase the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

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**(c) Offer for Sale**

A total of 30,707,700 Offer Shares, representing 3.0% of our enlarged share capital, are offered by our Selling Shareholder to selected investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus. Details of our Selling Shareholder are as follows:

| | | (1)Before IPO | | Offer Shares offered | | | After IPO | |
|---|---|---|---|---|---|---|---|---|
| **Name/Address** | **Relationship with our Group** | **No. of Shares** | **(2)%** | **No. of Shares** | **(2)%** | **(3)%** | **No. of Shares** | **(3)%** |
| Metro Kajang (Oversea)/<br>Suite 1, 5th Floor<br>Wisma MKH<br>Jalan Semenyih<br>43000 Kajang<br>Selangor | Substantial shareholder | 344,462,001 | 42.9 | 30,707,700 | 3.8 | 3.0 | 313,754,301 | 30.7 |

**Notes:**

(1) After completion of our Pre-IPO Reorganisation and the Distribution but before our IPO.

(2) Based on our share capital of 803,590,845 Shares before our IPO.

(3) Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

Further details of our Selling Shareholder, who is also our substantial shareholder can be found in Section 5.1.2(c).

**(d) Listing**

Upon completion of our IPO, our Company's entire enlarged share capital of RM[●] million comprising 1,023,590,845 Shares shall be listed on the Main Market.

## 4. DETAILS OF OUR IPO *(Cont'd)*

In summary, our IPO Shares will be allocated subject to the clawback and reallocation provisions as set out in Section 4.3.2 in the following manner:

| | Public Issue | | Offer for Sale | | Total | |
|---|---|---|---|---|---|---|
| **Categories** | **No. of Shares** | **[1]%** | **No. of Shares** | **[1]%** | **No. of Shares** | **[1]%** |
| (i) Malaysian Public via balloting | | | | | | |
| - Bumiputera | 25,604,900 | 2.5 | - | - | 25,604,900 | 2.5 |
| - Non-Bumiputera | 25,604,900 | 2.5 | - | - | 25,604,900 | 2.5 |
| (ii) Selected investors via private placement | 168,790,200 | 16.5 | 30,707,700 | 3.0 | 199,497,900 | 19.5 |
| **Total** | **220,000,000** | **21.5** | **30,707,700** | **3.0** | **250,707,700** | **24.5** |

**Note:**

[1] Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

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### 4.3.2 Placement and underwriting arrangements

Our Underwriter will underwrite 51,209,800 Issue Shares made available for application by the Malaysian Public. The balance 168,790,200 Issue Shares and 30,707,700 Offer Shares available for application by selected investors will not be underwritten and will be placed out by our Placement Agent.

Our IPO Shares shall be subject to the clawback and reallocation provisions where any IPO Shares which are not subscribed by the Malaysian Public will be made available to selected investors via private placement.

Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner.

### 4.3.3 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a fair and equitable manner approved by our Directors.

Under the Listing Requirements, a minimum of 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 1,000 public shareholders, each holding not less than 100 Shares upon our admission to the Main Market. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the Main Market.

In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly. Please refer to Section 9.3.2 for further details in the event there is a delay in or cancellation of our Listing.

As at LPD, to the best of our knowledge and belief:

(a) there are no substantial shareholder(s), Directors or key senior management of our Company who have indicated to our Company that they intend to subscribe for our IPO Shares; and

(b) there are no person(s) who have indicated to our Company that they intend to subscribe for more than 5.0% of our IPO Shares.

## 4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

Upon completion of our IPO, our share capital would be as follows:

| Details | No. of Shares | RM |
|---|---|---|
| **Share capital** | | |
| As at the date of this Prospectus | 803,590,845 | [●] |
| To be issued under our Public Issue | 220,000,000 | [●] |
| **Enlarged share capital upon our Listing** | **1,023,590,845** | **[●]** |

Our Offer for Sale will not have any effect on our share capital.

As at the date of this Prospectus, we only have one class of shares, being ordinary shares, all of which rank equally amongst one another.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares.

Our Offer Shares rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meetings in person or by proxy or by other duly authorised representative. On a poll, every shareholder present in person or by proxy or other duly authorised representative shall have one vote for each ordinary share held.

## 4.5 PURPOSES OF OUR IPO

The purposes of our IPO are as follows:

(a) To enable our Group to raise funds for the purposes specified in Section 4.9 herein;

(b) To gain recognition through our listing status to enhance our reputation and to attract new and skilled employees particularly in the oil palm plantation industry;

(c) To provide an opportunity for the Malaysian Public to participate in our equity; and

(d) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise.

## 4.6 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:

(a) Our pro forma NA per Share of RM[●], calculated based on our pro forma NA after our IPO and utilisation of proceeds as at 30 September 2022 of approximately RM[●] million and enlarged share capital of 1,023,590,845 Shares upon Listing;

(b) The PE Multiple of our IPO Price of approximately [●] times based on our EPS of approximately 5.88 sen for FYE 2022, calculated based on our PAT of RM60.1 million for FYE 2022 and our enlarged share capital of 1,023,590,845 Shares upon Listing;

(c) Our historical financial track record as follows:

| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 282,324 | 306,611 | 315,817 |
| GP | 99,533 | 140,374 | 129,869 |
| PAT | 18,690 | 77,452 | 60,138 |

(d) Our competitive strengths as set out in Section 7.14; and

(e) Our business strategies and future plans as set out in Section 7.15.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 before deciding to invest in our Shares.

## 4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 1,023,590,845 Shares upon Listing, our total market capitalisation will be RM[●] million.

## 4.8 DILUTION

Dilution is the amount by which our IPO Price exceeds our pro forma NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

| | **RM** |
|---|---|
| IPO Price | [●] |
| Pro forma NA per Share as at 30 September 2022 after our Pre-IPO Reorganisation but before our IPO | [●] |
| Pro forma NA per Share as at 30 September 2022 after our Pre-IPO Reorganisation, IPO and utilisation of proceeds | [●] |
| Increase in pro forma NA per Share attributable to existing shareholders | [●] |
| Dilution in pro forma NA per Share to our new public investors | [●] |
| Dilution in pro forma NA per Share as a percentage of our IPO Price | [●]% |

Further details of our pro forma NA per Share as at 30 September 2022 is set out in Section 14.

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## 4. DETAILS OF OUR IPO *(Cont'd)*

Save as disclosed below, there is no substantial disparity between our IPO Price and the effective cash cost of our Shares acquired by our Promoters, substantial shareholders, Directors, key senior management or persons connected with them in any transaction from the date of our incorporation up to the date of this Prospectus:

| Promoters and/or substantial shareholders | (1)No. of Shares received | (2)Total consideration | Average effective cost per Share |
|---|---|---|---|
| | | RM | RM |
| MKH | 293,520,019 | 62,668,000 | 0.21 |
| CCSR | 8,122,850 | [●] | [●] |
| Tan Sri Alex Chen | 39,582 | [●] | [●] |
| Tan Sri Eddy Chen | 1,514,691 | [●] | [●] |
| Datuk Chen Fook Wah | 287,621 | [●] | [●] |
| Metro Kajang (Oversea) | 344,462,001 | [●] | [●] |
| MKH Plantation | 38,334,662 | [●] | [●] |
| Ivakijaya | 4,605,607 | 5,572,784 | 1.21 |
| PT Hikmat | 40,180,575 | 48,618,495 | 1.21 |
| **Total** | **731,067,608** | **[●]** | |

**Notes:**

(1) The number of Shares issued to them pursuant to the Pre-IPO Reorganisation and Distribution which were undertaken prior to our IPO are as follows:

| | | Pre-IPO Reorganisation | | | | | |
|---|---|---|---|---|---|---|---|
| | Before Pre-IPO Reorganisation | Share Split | Acquisition of PT MKH | Acquisition of PT SPS | Capitalisation | Distribution | Total |
| | No. of Shares | | | | | | |
| MKH | 62,668,000 | 313,340,000 | - | - | - | (82,487,981) | 293,520,019 |
| CCSR | - | - | - | - | - | 8,122,850 | 8,122,850 |
| Tan Sri Alex Chen | - | - | - | - | - | 39,582 | 39,582 |
| Tan Sri Eddy Chen | - | - | - | - | - | 1,514,691 | 1,514,691 |
| Datuk Chen Fook Wah | - | - | - | - | - | 287,621 | 287,621 |

## 4. DETAILS OF OUR IPO *(Cont'd)*

| | Before Pre-IPO Reorganisation | Pre-IPO Reorganisation | | | | Distribution | Total |
|---|---|---|---|---|---|---|---|
| | | Share Split | Acquisition of PT MKH | Acquisition of PT SPS | Capitalisation | | |
| | No. of Shares | | | | | | |
| Metro Kajang (Oversea) | 47,800,000 | 239,000,000 | 5,198,686 | - | 52,463,315 | - | 344,462,001 |
| MKH Plantation | - | - | - | 17,271,026 | 21,063,636 | - | 38,334,662 |
| Ivakijaya | - | - | - | 4,605,607 | - | - | 4,605,607 |
| PT Hikmat | - | - | 39,029,173 | 1,151,402 | - | - | 40,180,575 |

(2) The considerations for Shares issued to them pursuant to the Pre-IPO Reorganisation and the Distribution which were undertaken prior to our IPO are as follows:

| | Before Pre-IPO Reorganisation | Pre-IPO Reorganisation | | | | Distribution | Total |
|---|---|---|---|---|---|---|---|
| | | Share Split | Acquisition of PT MKH | Acquisition of PT SPS | Capitalisation | | |
| | RM | | | | | | |
| MKH | 62,668,000 | - | - | - | - | - | 62,668,000 |
| CCSR | - | - | - | - | - | [●] | [●] |
| Tan Sri Alex Chen | - | - | - | - | - | [●] | [●] |
| Tan Sri Eddy Chen | - | - | - | - | - | [●] | [●] |
| Datuk Chen Fook Wah | - | - | - | - | - | [●] | [●] |
| Metro Kajang (Oversea) | 47,800,000 | - | 6,290,410 | - | [●] | - | [●] |
| MKH Plantation | - | - | - | 20,897,942 | [●] | - | [●] |
| Ivakijaya | - | - | - | 5,572,784 | - | - | 5,572,784 |
| PT Hikmat | - | - | 47,225,299 | 1,393,196 | - | - | 48,618,495 |

## 4.9 UTILISATION OF PROCEEDS

### 4.9.1 Public Issue

The estimated gross proceeds from our Public Issue of RM[●] million will accrue entirely to us and are planned to be utilised in the following manner:

| Utilisation of proceeds | Notes | RM'000 | % | [(1)]Estimated timeframe for utilisation |
|---|---|---|---|---|
| Expansion of land banks for oil palm plantation | (a) | [●] | [●] | Within 24 months |
| Capital expenditures for existing plantation lands | (b) | [●] | [●] | Within 18 months |
| Setup of PK crushing facility | (c) | [●] | [●] | Within 12 months |
| Refurbishment and/or upkeep of existing palm oil mill | (d) | [●] | [●] | Within 24 months |
| Capital expenditures for refurbishment and construction of workers/staff housing quarters | (e) | [●] | [●] | Within 24 months |
| Capital expenditures to expand coverage of electricity supply | (f) | [●] | [●] | Within 24 months |
| Repayment of loan due to a related party | (g) | [●] | [●] | Within 6 months |
| Estimated listing expenses | (h) | [●] | [●] | Immediate |
| **Total** | | **[●]** | **100.0** | |

**Note:**

(1) From the date of our Listing.

Any variations from the amounts budgeted above shall be adjusted towards the proceeds allocated for items (a) and (c) in the following manner:

(i) Any excess amount from our Public Issue unutilised for any planned utilisation above shall firstly be reallocated to the planned utilisation under item (a), if required; and

(ii) After (i) above, any remaining unutilised proceeds will then be reallocated to planned utilisation under item (c), if required.

Where there are any remaining surplus to the earmarked amount for the planned utilisation above, such surplus will be used as our general working capital. For avoidance of doubt, any shortfall of the planned utilisation above will be funded via bank borrowings and/or internally generated funds. Upon completion of our Listing, where applicable and required under the Listing Requirements, we will seek our shareholders' approval for any material variation to the intended utilisation of proceeds.

Pending the deployment of the proceeds to be raised from our Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

## 4. DETAILS OF OUR IPO *(Cont'd)*

### (a) Expansion of land banks for oil palm plantation

As at LPD, we own 2 oil palm plantation estates, 1 palm oil mill and 1 jetty in East Kalimantan, Indonesia. We intend to grow our oil palm plantation business by expanding our oil palm plantation estates. As such, we plan to acquire additional land located in close proximity to our current oil palm plantation estates in Kutai Kartanegara, East Kalimantan for better coordination of operational and logistics management.

We have allocated RM[●] million of the proceeds to fully fund the following expansion of our oil palm plantation estates as well as for oil palm planting activities on the new land banks:

| Description | RM'000 |
|---|---|
| Acquisition of plantation land banks | [●] |
| Planting activities on the new land banks[(1)] | [●] |
| **Total estimated cost of expansion of land banks** | **[●]** |

**Note:**

(1) Details of the estimated cost for planting activities on the new land banks are as follows:

| Description | Estimated cost RM'000 |
|---|---|
| Land clearing and tillage | [●] |
| Cultivation and field planting of oil palm seedlings | [●] |
| | **[●]** |

As at LPD, our Group's 2 oil palm plantation estates have a total land area of 18,205.3 Ha, comprising planted area of 17,008.8 Ha, of which 100.0% is mature as detailed in Section 7.2.1, and unplanted area of 1,196.5 Ha. The unplanted area mainly consists of palm oil mill, management office, housing, nursery, roads, drains and canals. Further, all of our Group's planted oil palm are in young mature phase (age profile of 4 to 9 years) that will soon be entering peak production and prime mature phase (age profile of 10 to 16 years) that are in their peak production years. As such, replanting activities are not expected to be undertaken on the said land in near term as most of our existing oil palms will remain in peak production in near term.

As at LPD, we have identified company(ies) with potential land banks for oil palm plantation in the sub-district of Muara Kaman, Kutai Kartanegara, East Kalimantan. The estimated land area is approximately 5,000.0 Ha with an estimated area for planting of approximately 4,000.0 to 4,500.0 Ha. Subject to the successful negotiation and feasibility study to the satisfaction of our Group, the expected timeline for such acquisition is 2nd quarter of 2024. As at LPD, we are currently in the preliminary stage of negotiation to appoint an independent expert to conduct the said feasibility study such as climate, humidity and soil condition on the potential land banks for oil palm plantation. For clarity, the potential land banks comprise mainly unplanted lands where approximately 3.0% of the land area are planted with oil palms (average age of 2 years) by the local farmers, of which we will take over in the event that the above proposed acquisition materialises. Upon completion of the acquisition, we will commence planting of oil palms on the entire area for planting immediately, and we expect to harvest FFB after 2.5 years from the date of field planting. We also plan to set up a new palm oil mill within the new plantation estates to process the FFB harvested from the new plantation estates. As at LPD, the details on the setup of the new palm oil mill are not available as it is subject to the location and the actual planted area of the plantation land to be acquired.

## 4. DETAILS OF OUR IPO *(Cont'd)*

Based on the estimated area for planting of 4,500.0 Ha, we expect to harvest additional FFB in the plantation land after 2.5 years from the date of field planting, details of which are as follows:

| | **Immature** | **Young mature** | **Prime mature** |
|---|---|---|---|
| | **Year 2.5 to 3** | **Year 4 to 9** | **Year 10 to 20** |
| Average FFB to be harvested per year (MT) | 27,000 | 100,500 | 120,273 |

In the event that the above proposed acquisition materialises, we may recruit approximately 400 additional general workers with an estimated monthly salary totalling approximately RM0.4 million (to be funded internally) to carry out the planting activities at the plantation land. For avoidance of doubt, the plantation land to be acquired will be either part of the Plasma Programme where at least 20.0% of the total area will be developed for the local cooperative under the Plasma Programme for our Group to manage or in any other form or arrangement (such as a profit sharing scheme) as stipulated under the regulatory framework for plantation business licensing governed by the President of Indonesia Decree. The profit sharing scheme is based on an agreed sharing ratio of income or profit between our Group and the local farmers after taking into account the product selling price, production cost and the needs of the farm household. Under the profit sharing scheme and subject to further discussion with the local farmers, a cooperative will be formed by the local farmers as a forum to enter into a cooperation agreement with our Group where the local farmers will hand over their plantation land to our Group for development and management and our Group's obligations include, amongst others, maintenance of oil palm plantation, harvesting and marketing of FFB, provision of administrative, management and technical training for employees and the community in surrounding villages. As at LPD, our Group has not participated in the Plasma Programme or established any profit sharing scheme arrangement with the local farmers relating to the aforementioned plantation land.

In the event the above proposed acquisition does not materialise, we will continue to source for other plantation land which may be an empty land with no oil palms planted, or a plantation land which has been partially or fully planted with oil palms. The exact location and size of the plantation land are subject to changes depending on the price and availability. Once the details of acquisition are decided, we will acquire the company that owns the land to establish our third oil palm plantation estate on the land. If it is an empty land with no oil palms planted, we will begin the land preparation and planting of oil palms immediately after the acquisition and procurement of all the relevant business licences and permits; if it is a land which has been partially planted with oil palms, we will continue with the land preparation and planting of oil palms on the remaining parts of the land immediately after the acquisition and procurement of all the relevant business licences and permits; and if it is a land which has been fully planted with oil palms, we will continue to upkeep the oil palms.

We anticipate to complete the land acquisition within 24 months from the date of our Listing, and followed by land preparation and planting of oil palms immediately after the acquisition.

We intend to utilise a total of RM[●] million from the proceeds to be raised from our Public Issue to fully fund the acquisition of the plantation land or the company that owns the plantation land, as well as planting and upkeeping of oil palms. If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

Please refer to Section 7.15.1 for details of our Group's expansion of land banks for oil palm plantation.

**(b) Capital expenditures for existing plantation lands**

We have allocated RM[●] million to purchase additional machinery and equipment for our FFB harvesting as well as spare parts for our machinery and equipment, as follows:

| Description | Function | No. of unit | Total estimated cost RM'000 |
|---|---|---|---|
| Spare parts | Replacement parts for our harvesting machinery and equipment | | |
| - Undercarriage | Replacement parts for excavators[1] | 8 | [●] |
| - Main pump | | 8 | [●] |
| - Engine | | 8 | [●] |
| Crawler dumpers | For heavy duty FFB transportation from field to collection points | 50 | [●] |
| Farm ATVs | To collect FFB from fields to collection points | 65 | [●] |
| Trailers (attached to trucks) | To collect FFB from collection points to palm oil mill | 30 | [●] |
| | | | **[●]** |

**Note:**

(1) As at LPD, our harvesting machinery and equipment that require replacement are 8 units of excavators.

The machinery and equipment that we intend to purchase for FFB harvesting will be used to enhance the efficiency and mechanisation of our FFB harvesting activities, as we will be able to reduce manual transportation of FFB from the field to collection points, and increase the frequency of FFB transportation from collection points to our existing palm oil mill, while using less human resources.

Crawler dumper

Farm ATV

Trailer (attached to trucks)

As part of our practice, we have implemented continuous monitoring of our harvesting machinery and equipment and performed maintenance and replacement of spare parts for our harvesting machinery and equipment based on consideration factors including, amongst others, the wear and tear conditions of our harvesting machinery and equipment.

The total estimated cost of purchasing these new machinery and equipment and spare parts is estimated to be RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue.

The estimated cost for the purchase of additional machinery and equipment was derived based on suppliers' quotations. These machinery and equipment and spare parts will mostly be sourced via local suppliers in Indonesia. Please refer to Section 7.15.2 for the details of the key machinery and equipment as well as spare parts for our FFB harvesting that we intended to purchase.

**(c) Setup of PK crushing facility**

We have allocated RM[●] million to set up a PK crushing facility adjacent to our existing palm oil mill, with a processing capacity of 90MT PK per day, to crush and press PK for extraction and processing into CPKO and PKE, a by-product of CPKO from the crushing of PK. The setup of PK crushing facility includes construction of PK crushing facility within our existing palm oil mill, purchase and installation of machinery and equipment as well as 2 CPKO storage tanks with a total capacity of 2,500MT. The expected output of CPKO and PKE from the PK crushing facility are approximately 40MT CPKO per day and 45MT PKE per day, respectively.

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The total estimated setup cost of the PK crushing facility is approximately RM[●] million, of which RM[●] million will be funded from the proceeds to be raised from our Public Issue, with RM[●] million allocated for the construction of PK crushing facility and RM[●] million allocated for the purchase and installation of machinery and equipment and CPKO storage tanks. The remaining RM[●] million will be funded through bank borrowings and/or internally generated funds. The total estimated cost for setup of PK crushing facility are as follows:

**(i) Construction of PK crushing facility**

| Description | Total estimated cost | Estimated timing for commencement | Estimated timing for completion |
|---|---|---|---|
| | RM'000 | | |
| Construction works | | | |
| - Building and internal infrastructure works | [●] | (1)2nd quarter of 2023 | 1st quarter of 2024 |
| - Mechanical and electrical works | [●] | 4th quarter of 2023 | 1st quarter of 2024 |
| | **[●]** | | |

**Note:**

(1) The construction works will commence before the completion of our Listing. Before receipt of proceeds to be raised from our Public Issue, we will utilise internally generated funds to finance the construction works for the time being.

**(ii) Purchase and installation of machinery and equipment**

| Description | No. of unit | Total estimated cost | Function |
|---|---|---|---|
| | | RM'000 | |
| Purchase and installation of machinery and equipment | | | |
| - PK crushing machine | 1 | [●] | To crack the shell of PK |
| - Kernel bunker | 2 | [●] | To be used as temporary storage for PK |
| - CPKO pipeline | 1 | [●] | To deliver CPKO from oil buffer tank to storage tank |
| - Electrical works | 1 | [●] | To integrate the electrical power supply for machinery and equipment to be installed |
| Purchase and installation of CPKO storage tanks | 2 | [●] | To store CPKO |
| | | **[●]** | |

## 4. DETAILS OF OUR IPO *(Cont'd)*

The setup of PK crushing facility forms part of our Group's business strategy to increase our revenue streams by expanding our processing capabilities and product offerings to produce CPKO and PKE (a by-product of CPKO from the crushing of PK) for sale to external customers, using PK extracted from our Group's FFB which is currently being sold to our external customers and/or PK purchased from third parties.

The PK crushing facility will be operated and managed by our existing palm oil mill team, which is led by a project manager that is familiar with both process of crushing PK and palm oil milling process. If the need arises, we will recruit additional skilled and competent personnel with relevant knowledge and expertise to enhance our PK crushing facility operations. We expect to commence operations of the PK crushing facility by 2nd quarter of 2024.

PK crushing machine

Kernel bunker

CPKO storage tanks

The setup of the PK crushing facility requires the Building Approval *(Persetujuan Bangunan Gedung)*, a permit granted by the local authority or central government to building owners to build, change, expand, reduce, and/or maintain buildings in accordance with applicable building technical standards. The application for Building Approval, which was submitted via Building Management Information System on 26 May 2023, has been verified by the said system on 29 May 2023. Our Group has subsequently in early June 2023 had a consultation with the officer of Ministry of Public Works and Housing *(Kementerian Pekerjaan Umum dan Perumahan Rakyat)* and we expect to obtain the Building Approval from the local authority by 2nd quarter of 2023. In addition, upon completion of the setup of the PK crushing facility in 1st quarter of 2024, we are required to obtain the Feasibility Certificate *(Sertifikat Laik Fungsi)*, a certificate for buildings that have been completed and have met the technical feasibility requirements according to the building function. We expect to obtain the Feasibility Certificate by 1st quarter of 2024, and commence the operations of the PK crushing facility by 2nd quarter of 2024. Please refer to Section 7.15.3 for the further details on the setup of PK crushing facility.

**(d) Refurbishment and/or upkeep of existing palm oil mill**

We have allocated RM[●] million to purchase new machinery and equipment to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill. This is expected to enhance the efficiency of our palm oil milling activities and further improve our Group's OER.

The key machinery and equipment for our palm oil milling activities as well as spare parts for our machinery and equipment that we intend to purchase are as follows:

| Description | Function | No. of unit | Total estimated cost |
|---|---|---|---|
| | | | RM'000 |
| FFB cages | To carry FFB for sterilisation process | 20 | [●] |
| Fuel storage and conveyor system | To store and transport fuel (i.e. mesocarp fibre and PK shells) for burning in boilers | 1 | [●] |
| Kernel silo | To store polished palm nuts for drying to remove moisture content | 2 | [●] |
| EFB shredders | To shred EFB | 4 | [●] |
| Others[(1)] | Spare parts for the machinery and equipment for palm oil milling activities | - | [●] |
| | | | **[●]** |

**Note:**

(1) Comprises 10 units of machinery and equipment such as EFB pressing machines and hydrocyclone, all of which are below RM[●] million per unit, as well as 50 units of various spare parts such as vacuum dryer pump, oil transfer pump, purifier, nut polishing drum, column system and decanter.

The machinery and equipment that we intend to purchase for palm oil milling activities will be used to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill, and the spare parts that we intend to purchase will be used in the maintenance of our existing machinery and equipment for palm oil milling activities to upkeep the efficiency of our palm oil milling activities and further improve our OER from 18.5% (FYE 2022) to approximately 20.5%, which is expected to improve the financial performance of our Group. The expected improvement in OER is also due to the intended purchase of additional EFB shredders and EFB pressing machines which will increase the oil recovered from EFB during the oil recovery process, for mixing with our CPO. Please refer to Section 7.4.2 for details of the EFB pressing and oil recovery process. For avoidance of doubt, the purchase of these machinery and equipment would not affect the efficiency of PK extraction, and the KER would not be affected.

We continuously conduct inspection and maintenance of our machinery and equipment in each processing station for our palm oil milling activities and undertake certain repair works and replacement of parts and components to extend their lifespans. The said machinery and equipment as well as spare parts that are intended to be purchased are part of our replacement and upgrading plan at our existing palm oil mill based on consideration factors including, amongst others, the actual usage and conditions of our machinery and equipment, to ensure safety and smooth operating condition for our palm oil milling activities. Any faulty machinery and equipment in our palm oil mill will be replaced after the said inspection.

The total estimated cost of purchasing these new machinery and equipment is estimated to be RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue. These machinery and equipment and spare parts will mostly be sourced via local suppliers in Indonesia. If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

The estimated cost for the purchase of new machinery and equipment was derived based on suppliers' quotations. Please refer to Section 7.15.2 for the details on the refurbishment and/or upkeep of our existing palm oil mill.

**(e) Capital expenditures for refurbishment and construction of workers/staff housing quarters**

We have allocated RM[●] million for the construction of new staff quarters and refurbishment of existing staff quarters.

We have existing staff quarters constructed in our plantation estates to house our workers (including harvesters, plantation workers and support personnel) and their family members. The existing staff quarters are houses constructed fully by wood. Thus, we intend to refurbish our existing staff quarters to enhance the living conditions of our workers and their family members as part of our continuous accommodation upgrading initiative.

As at LPD, our existing staff quarters comprise 399 blocks (2,727 units) of wooden houses and are fully occupied. We plan to progressively construct 59 blocks (289 units) of new houses using a combination of bricks, concrete and wood which are safer and less exposed to hazards.

The total estimated cost for the refurbishment and construction of our existing staff quarters and construction new staff quarters are as follows:

| Description | No. of unit | Total estimated cost | Estimated timing for commencement | Estimated timing for completion |
|---|---|---|---|---|
| | | RM'000 | | |
| Refurbishment of existing staff quarters | 2,727 | [●] | 4th quarter of 2023 | 4th quarter of 2024 |
| Construction of new staff quarters | 289 | [●] | 4th quarter of 2023 | 3rd quarter of 2024 |
| | | [●] | | |

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

**(f) Capital expenditures to expand coverage of electricity supply**

As at LPD, we use some of our by-products from palm oil milling, namely PK shells and mesocarp fibre, as fuel for the boilers at our palm oil mill to produce steam for electricity generation by turbines. The electricity generated is used to power our palm oil mill, as well as for some domestic consumption in the central region of our plantation estates namely for staff quarters, offices, school, clinic and street lightings.

Although the turbines located in central region of our plantation estates have the capacity to generate electricity to power our Group's facilities in other regions of our plantation estates, there is no infrastructure to transmit the electricity generated by the turbines to these regions as at LPD. As such, our Group's facilities in other regions of our plantation estates are currently powered by electricity generated through diesel generators, which incur diesel fuel cost.

As such, we have allocated RM[●] million to build the required infrastructure for transmission of electricity from our turbines to other regions of our plantation estates. This will involve the construction of 8 mini electrical substations and the purchase and installation of electrical components such as power cables, step-up and step-down transformers, and other electrical accessories. We intend to engage a third party solution provider to carry out these works. With our expanded electricity supply system in place, we expect to reduce the diesel fuel cost used by the generators in other regions of our plantation estates of approximately RM3.8 million, RM4.6 million and RM8.6 million in FYE 2020 to 2022, which represented 2.1%, 2.8% and 4.6% of our total cost of sales, respectively. This will promote self-sustainability and enhance our reputation as we place emphasis on environmental governance and responsibility.

The total estimated cost to build the required infrastructure for transmission of electricity are as follows:

**(i) Construction of mini electrical substations**

| Description | Total estimated cost | Estimated timing for commencement | Estimated timing for completion |
|---|---|---|---|
| | RM'000 | | |
| Installation, testing and commissioning works | [●] | 2nd quarter of 2024 | 3rd quarter of 2025 |
| Construction works and fencing works for transformer shed | [●] | 2nd quarter of 2024 | 3rd quarter of 2025 |
| Electrical works (i.e. mobilisation, laying and jointing works) for power supply from the turbines at our palm oil mill | [●] | 2nd quarter of 2024 | 4th quarter of 2024 |
| | **[●]** | | |

**(ii) Purchase and installation of electrical components**

| Description | No. of unit | Total estimated cost | Function |
|---|---|---|---|
| | | RM'000 | |
| Power cables | 20,000 meters | [●] | For overhead distribution network |
| Step-up and step-down transformers | 7 | [●] | To convert high voltage alternating current into low voltage alternating current for power transmission |
| Cables for step-up transformers | 600 meters | [●] | To connect power source to input terminals of step-up transformers |
| Other electrical accessories | 1,208 | [●] | To support the power distribution |
| | | **[●]** | |

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

**(g) Repayment of loan due to a related party**

As at LPD, the outstanding loan owing by us to the related parties namely, Metro Kajang (Oversea) and MKH Plantation amounted to RM119.0 million. The loan was extended to our Group mainly to finance the development of PT MKH's oil palm plantation together with the palm oil mill as well as PT SPS' oil palm plantation. RM[●] million of the outstanding loan has been capitalised by our Company into new Shares under the Capitalisation as set out in Section 6.2.4, and we have allocated RM[●] million from the proceeds from the Public Issue to repay the balance outstanding loan to MKH Plantation, of which the loan is interest free and repayable on demand.

Upon such repayment, there will be no outstanding loan owing by us to any related party. Such repayment of outstanding loan to MKH Plantation coupled with the Capitalisation will improve our Group's current ratio and net current position (net current liabilities position as at FYE 2022) as well as gearing level (pro forma effects as set out in Section 12.19). Further, our Group's operations will be carried out independently and able to sustain without any financial assistance from MKH Group after our Listing.

**(h) Estimated listing expenses**

An amount of RM[●] million is allocated to meet the estimated expenses of our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

| Estimated listing expenses | RM'000 |
|---|---|
| Professional fees[(1)] | [●] |
| Underwriting, placement and brokerage fees | [●] |
| Fees payable to authorities | [●] |
| Printing and contingencies[(2)] | [●] |
| | **[●]** |

**Notes:**

(1) Includes advisory/professional fees for, amongst others, our Adviser, solicitors, reporting accountants, IMR, Independent Valuer and Issuing House.

(2) Other incidental or related expenses in connection with our IPO.

### 4.9.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM[●] million which will accrue entirely to our Selling Shareholder and is proposed to be utilised for repayment of loans and borrowings of MKH Group and to defray expenses relating to the Offer for Sale. We will not receive any of the proceeds relating to the Offer for Sale.

The Selling Shareholder shall bear all of the expenses including placement fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM[●] million.

## 4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION

### 4.10.1 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or Issuing House.

### 4.10.2 Placement fees

Our Placement Agent has placed out a total of 168,790,200 Issue Shares and 30,707,700 Offer Shares to selected investors.

We will pay our Placement Agent a placement fee of [•]% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of [•]% of the value of those Offer Shares placed out by our Placement Agent will be paid by our Selling Shareholder.

### 4.10.3 Underwriting commission

Our Underwriter has agreed to underwrite 51,209,800 Issue Shares made available for application by the Malaysian Public. We will pay our Underwriter an underwriting commission of [•]% of our IPO Price multiplied by the number of Issue Shares underwritten in accordance with the terms of the Underwriting Agreement.

## 4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 51,209,800 Issue Shares ("**Underwritten Shares**") as set out in Section 4.3.2.

The salient terms in the Underwriting Agreement are as follows:

[•]

## 4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the Main Market and an official quotation will commence after, among others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.1.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

### 5.1.2 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

| Name | Country of incorporation/ Nationality | [1]Before IPO | | | | [2]After IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Promoters and substantial shareholders** | | | | | | | | | |
| MKH | Malaysia | 293,520,019 | 36.53 | [4][5]382,796,663 | 47.64 | 293,520,019 | 28.68 | [4][5]352,088,963 | 34.40 |
| Tan Sri Alex Chen | Malaysian | 39,582 | [3]- | [6][8]712,478,060 | 88.66 | 39,582 | [3]- | [6][8]681,770,360 | 66.61 |
| Tan Sri Eddy Chen | Malaysian | 1,514,691 | 0.19 | [6][9]711,348,251 | 88.52 | 1,514,691 | 0.15 | [6][9]680,640,551 | 66.50 |
| Datuk Chen Fook Wah | Malaysian | 287,621 | 0.04 | [6][10]710,079,175 | 88.36 | 287,621 | 0.03 | [6][10]679,371,475 | 66.37 |
| **Substantial shareholders** | | | | | | | | | |
| Metro Kajang (Oversea) | Malaysia | 344,462,001 | 42.87 | - | - | 313,754,301 | 30.65 | - | - |
| MKH Plantation | Malaysia | 38,334,662 | 4.77 | - | - | 38,334,662 | 3.75 | - | - |
| CCSR | Malaysia | 8,122,850 | 1.01 | [7][11]701,954,608 | 87.35 | 8,122,850 | 0.79 | [7][11]671,246,908 | 65.58 |
| PT Hikmat[12] | Indonesia | 40,180,575 | 5.00 | - | - | 40,180,575 | 3.93 | - | - |

**Notes:**

(1) Based on the share capital of 803,590,845 Shares after the Pre-IPO Reorganisation but before our IPO.

(2) Based on the enlarged share capital of 1,023,590,845 Shares after our IPO.

(3) Less than 0.01%.

(4) Deemed interested by virtue of its shareholdings in Metro Kajang (Oversea).

(5) Deemed interested by virtue of its shareholdings in MKH Plantation.

(6) Deemed interested by virtue of his shareholdings in CCSR.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(7) Deemed interested by virtue of its shareholdings in MKH.

(8) Deemed interested by virtue of his shareholdings in Lotus Way and shareholdings held through AllianceGroup Nominees (Tempatan) Sdn Bhd, which are in turn deemed interested by virtue of their shareholdings in MKH. As at LPD, the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Lotus Way.

(9) Deemed interested by virtue of his shareholdings in AllianceGroup Nominees (Tempatan) Sdn Bhd through Liberty Alliance (M) Sdn Bhd, which is in turn deemed interested by virtue of its shareholding in MKH. As at LPD, the direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen.

(10) Deemed interested by virtue of his shareholdings in Activest Sdn Bhd, which is in turn deemed interested by virtue of its shareholding in MKH. As at LPD, the ultimate beneficial owner of Activest Sdn Bhd is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest Sdn Bhd. The remaining equity interest (<0.01%) in Activest Sdn Bhd is held by Chen Wei Sern, son of Datuk Chen Fook Wah.

(11) Deemed interested by virtue of its shareholdings held through HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad).

(12) PT Hikmat will cease to be our substantial shareholder after our IPO.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Group.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### 5.1.3 Profiles of Promoters and/or substantial shareholders

Save for the profiles of Tan Sri Alex Chen and Tan Sri Eddy Chen, who are also our Non-Independent Non-Executive Chairman and Non-Independent Non-Executive Director respectively, which are set out in Section 5.2.3, the profiles of our other Promoters and/or substantial shareholders are set out below:

**(a) MKH**

MKH was incorporated in Malaysia under the Companies Act 1965 on 27 September 1979 as a private company limited by shares and is deemed registered under the Act. MKH was incorporated under the name of Srijang Bena Sdn Bhd. It was converted into a public company limited by shares under the name of Metro Kajang Holdings Berhad on 12 July 1994 and was listed on the Main Board of Kuala Lumpur Stock Exchange (now known as Main Market) on 18 October 1995. It subsequently assumed its present name on 1 April 2011. MKH's principal activities are investment holdings and providing other management services. Its investment holdings are in real properties and shares of subsidiaries principally involved in the property development, trading of building materials, investment holding, provision of management services, building and civil works contracting and money lending services.

As at LPD, the issued share capital of MKH is RM654,458,655 comprising 586,548,168 ordinary shares (including 9,132,300 treasury shares).

The directors of MKH and their respective shareholdings in MKH as at LPD are as follows:

| Name | Designation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| Tan Sri Alex Chen | Group Executive Chairman/ Malaysian | 277,080 | 0.05 | (1)253,129,658 | 43.84 |
| Tan Sri Eddy Chen | Group Managing Director/ Malaysian | 10,602,844 | 1.84 | (2)245,220,987 | 42.47 |
| Datuk Chen Fook Wah | Deputy Managing Director/ Malaysian | 2,013,354 | 0.35 | (3)236,337,454 | 40.93 |
| Jeffrey bin Bosra | Non-Independent Non-Executive Director/ Malaysian | - | - | - | - |
| Datuk Mohammad Bin Maidon | Senior Independent Non-Executive Director/ Malaysian | - | - | - | - |
| Dato' Lim Hong Shuan | Independent Non-Executive Director/ Malaysian | - | - | - | - |
| Hoon Shat Mei | Independent Non-Executive Director/ Malaysian | - | - | - | - |

**Notes**:

(1) Deemed interested through shares held in CCSR, Lotus Way and AllianceGroup Nominees (Tempatan) Sdn Bhd. As at LPD, the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Lotus Way.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(2) Deemed interested through shares held in CCSR and AllianceGroup Nominees (Tempatan) Sdn Bhd via Liberty Alliance (M) Sdn Bhd. As at LPD, the direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen.

(3) Deemed interested through shares held in CCSR and Activest Sdn Bhd. As at LPD, the ultimate beneficial owner of Activest Sdn Bhd is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest Sdn Bhd. The remaining equity interest (<0.01%) in Activest Sdn Bhd is held by Chen Wei Sern, son of Datuk Chen Fook Wah.

The substantial shareholders of MKH and their respective shareholdings in MKH as at LPD are as follows:

| Name | Country of incorporation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| CCSR | Malaysia | 56,859,954 | 9.85 | (1)179,465,500 | 31.08 |
| Public Bank Group Officers' Retirement Benefits Fund | Malaysia | 53,352,059 | 9.24 | - | - |
| Tan Sri Alex Chen | Malaysian | 277,080 | 0.05 | (2)253,129,658 | 43.84 |
| Tan Sri Eddy Chen | Malaysian | 10,602,844 | 1.84 | (3)245,220,987 | 42.47 |
| Datuk Chen Fook Wah | Malaysian | 2,013,354 | 0.35 | (4)236,337,454 | 40.93 |

**Notes**:

(1) Deemed interested through shares held through HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad).

(2) Deemed interested through shares held in CCSR, Lotus Way and AllianceGroup Nominees (Tempatan) Sdn Bhd. As at LPD, the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Lotus Way.

(3) Deemed interested through shares held in CCSR and AllianceGroup Nominees (Tempatan) Sdn Bhd via Liberty Alliance (M) Sdn Bhd. As at LPD, the direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen.

(4) Deemed interested through shares held in CCSR and Activest Sdn Bhd. As at LPD, the ultimate beneficial owner of Activest Sdn Bhd is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest Sdn Bhd. The remaining equity interest (<0.01%) in Activest Sdn Bhd is held by Chen Wei Sern, son of Datuk Chen Fook Wah.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (b) Datuk Chen Fook Wah

Datuk Chen Fook Wah, a Malaysian aged 67 is our Promoter.

He underwent his secondary education at Kajang High School. In May 2012, he graduated with a Master of Business Administration from University of Wales.

In January 1973, he began his career as Account Executive in Guthrie Trading Sdn Bhd where he was responsible for handling day-to-day accounting, maintaining ledger, and conducting all other accounting activities. He left Guthrie Trading Sdn Bhd in December 1974 and joined Hilton Realty from January 1975 to December 1978, where he was appointed as Marketing Manager. His responsibilities include overseeing the sales and marketing portfolio of all kind of residential and commercial properties. He left the company in December 1978.

In January 1979, he joined CCSR as Field Manager where he was responsible for overseeing the overall rubber estate and oil palm estate operations. In October 1979, he joined MKH as Project and Implementation Manager and was subsequently appointed to the Board of MKH on 25 November 1999. He is currently the Deputy Managing Director of MKH, a position which he has held since 19 January 2005.

He is currently a member of the Executive Committee of MKH, a position which he was appointed to since 1999 and also a Director of GK Resort Berhad, a subsidiary of MKH, a position which he was appointed to since 1983. He was admitted to the Board of Valuers and Real Estate Agent of Malaysia in 1986.

He is the brother of Tan Sri Alex Chen and Tan Sri Eddy Chen and uncle of Chen Wei Chyong.

### (c) Metro Kajang (Oversea)

Metro Kajang (Oversea) was incorporated in Malaysia under the Companies Act 1965 on 22 July 1993 as a private company limited by shares and is deemed registered under the Act.

Metro Kajang (Oversea)'s principal activities are investment holding and provision of treasury management services, with its investment holding in shares of its subsidiary principally involved in the business of furniture manufacturing.

As at LPD, the issued share capital of Metro Kajang (Oversea) is RM490,000,000 comprising 200,175,000 ordinary shares and 2,550,000 RCPS. Metro Kajang (Oversea) is a wholly-owned subsidiary of MKH.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

The directors of Metro Kajang (Oversea) and their shareholdings in Metro Kajang (Oversea) as at LPD are as follows:

| Name | Designation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| Tan Sri Alex Chen | Director/ Malaysian | - | - | (1)200,175,000 | 100.00 |
| Tan Sri Eddy Chen | Director/ Malaysian | - | - | (1)200,175,000 | 100.00 |
| Datuk Chen Fook Wah | Director/ Malaysian | - | - | (1)200,175,000 | 100.00 |
| Tan Wan San | Director/ Malaysian | - | - | - | - |

**Note**:

(1) Deemed interested through shares held in MKH.

### (d) MKH Plantation

MKH Plantation was incorporated in Malaysia under the Companies Act 1965 on 15 June 2006 as a private company limited by shares and is deemed registered under the Act. MKH Plantation was incorporated under the name of Global Retreat (MM2H) Sdn Bhd and assumed its present name on 3 February 2016.

MKH Plantation's principal activity is investment holding, where its investment is in shares of its subsidiary, PT SPS, which is principally involved in oil palm plantation.

As at LPD, the issued share capital of MKH Plantation is RM70,670,000 comprising 60,000,000 ordinary shares and 106,700 redeemable convertible preference shares. MKH Plantation is a wholly-owned subsidiary of MKH.

The directors of MKH Plantation and their respective shareholdings in MKH Plantation as at LPD are as follows:

| Name | Designation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| Tan Sri Alex Chen | Director/ Malaysian | - | - | (1)60,000,000 | 100.00 |
| Tan Sri Eddy Chen | Director/ Malaysian | - | - | (1)60,000,000 | 100.00 |
| Datuk Chen Fook Wah | Director/ Malaysian | - | - | (1)60,000,000 | 100.00 |
| Datuk Wira Hj. Johan Bin Abd Aziz | Director/ Malaysian | - | - | - | - |

**Note**:

(1) Deemed interested through shares held in MKH.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (e) CCSR

CCSR was incorporated in Malaysia under the Companies Act 1965 on 21 February 1976 as a private company limited by shares and is deemed registered under the Act. CCSR was incorporated under its present name.

CCSR's principal activity is investment holding, where its investments are of listed and unlisted shares, with the business activities of the companies mainly in investment holding.

As at LPD, the issued share capital of CCSR is RM55,550,000 comprising 5,000,000 ordinary shares and 240,000 redeemable non-cumulative preference shares ("**RNCPS**").

The substantial shareholders and directors of CCSR and their respective shareholdings in CCSR as at LPD are as follows:

| Name | Designation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| Tan Sri Alex Chen | Director/ Malaysian | 1,645,000 | 32.90 | - | - |
| Tan Sri Eddy Chen | Director/ Malaysian | 1,592,500 | 31.85 | - | - |
| Datuk Chen Fook Wah | Director/ Malaysian | 1,592,500 | 31.85 | - | - |

| Name | Country of incorporation | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of RNCPS | % | No. of RNCPS | % |
| Ricard Securities Pty Ltd[1] | Australia | 240,000 | 100.00 | - | - |

**Note**:

(1) Ricard Securities Pty Ltd is a firm with an Australian financial services licence that authorises it to carry on a financial services business to provide financial product advice and to deal in financial products to retail and wholesale clients.

The substantial shareholder of Ricard Securities Pty Ltd and his shareholdings in Ricard Securities Pty Ltd as at LPD are as follows:

| Name | Designation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares | % | No. of shares | % |
| Richard Michael Van Cuylenburg | Director/ Australian | 100 | 100.00 | - | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (f) PT Hikmat

PT Hikmat was established in Indonesia by virtue of Deed No. 4 dated 15 November 2017, made before Sri Agustini, S.H., Notary in Jakarta ("**Deed of Establishment**"). The Deed of Establishment has been approved by the Minister of Law and Human Rights ("**MOLHR**") by virtue of Decree of the MOLHR No. AHU-0052855.AH.01.01.TH.2017 dated 22 November 2017.

PT Hikmat's principal activities are investment holding and provision of management consultancy services.

As at LPD, the issued share capital of PT Hikmat is IDR150,000,000 comprising 300 ordinary shares.

The substantial shareholders and directors of PT Hikmat and their respective shareholdings in PT Hikmat as at LPD are as follows:

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| **Name** | **Designation/ Nationality** | **No. of shares** | **%** | **No. of shares** | **%** |
| Taufik Nugraha | Director/ Indonesian | 150 | 50.00 | - | - |
| Indria Gunawan Leman | Commissioner/ Indonesian | 150 | 50.00 | - | - |

As at LPD, PT Hikmat is our substantial shareholder pursuant to the Acquisition of PT MKH and Acquisition of PT SPS. However, PT Hikmat will cease to be our substantial shareholder after our IPO. Please refer to Section 5.1.1 for further details on PT Hikmat's shareholdings in our Company before and after our IPO.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### 5.1.4 Changes in Promoters' and substantial shareholders' shareholdings

Save for the Pre-IPO Reorganisation as detailed in Section 6.2 and as disclosed below, there has been no change in our Promoters and substantial shareholders' respective shareholdings for the past 3 years preceding LPD:

| | As at 31 December 2020 | | | | As at 31 December 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| **Name** | **No. of Shares** | **%(1)** | **No. of Shares** | **%(1)** | **No. of Shares** | **%(2)** | **No. of Shares** | **%(2)** |
| **Promoters & substantial shareholders** | | | | | | | | |
| MKH | 62,668,000 | 100.00 | - | - | 62,668,000 | 56.73 | (7)47,800,000 | 43.27 |
| Tan Sri Alex Chen | - | - | (5)62,668,000 | 100.00 | - | - | (5)110,468,000 | 100.00 |
| Tan Sri Eddy Chen | - | - | (5)62,668,000 | 100.00 | - | - | (5)110,468,000 | 100.00 |
| Datuk Chen Fook Wah | - | - | (5)62,668,000 | 100.00 | - | - | (5)110,468,000 | 100.00 |
| **Substantial shareholders** | | | | | | | | |
| Metro Kajang (Oversea) | - | - | - | - | 47,800,000 | 43.27 | - | - |
| MKH Plantation | - | - | - | - | - | - | - | - |
| CCSR | - | - | (6)62,668,000 | 100.00 | - | - | (6)110,468,000 | 100.00 |
| PT Hikmat | - | - | - | - | - | - | - | - |

| | As at 31 December 2022 | | | | As at LPD(3) | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| **Name** | **No. of Shares** | **%(2)** | **No. of Shares** | **%(2)** | **No. of Shares** | **%(4)** | **No. of Shares** | **%(4)** |
| **Promoters & substantial shareholders** | | | | | | | | |
| MKH | 62,668,000 | 56.73 | (7)47,800,000 | 43.27 | 376,008,000 | 46.79 | (7)(8)382,796,663 | 47.64 |
| Tan Sri Alex Chen | - | - | (5)110,468,000 | 100.00 | - | - | (5)758,804,663 | 94.43 |
| Tan Sri Eddy Chen | - | - | (5)110,468,000 | 100.00 | - | - | (5)758,804,663 | 94.43 |
| Datuk Chen Fook Wah | - | - | (5)110,468,000 | 100.00 | - | - | (5)758,804,663 | 94.43 |
| **Substantial shareholders** | | | | | | | | |
| Metro Kajang (Oversea) | 47,800,000 | 43.27 | - | - | 344,462,001 | 42.87 | - | - |
| MKH Plantation | - | - | - | - | 38,334,662 | 4.77 | - | - |
| CCSR | - | - | (6)110,468,000 | 100.00 | - | - | (6)758,804,663 | 94.43 |
| PT Hikmat | - | - | - | - | 40,180,575 | 5.00 | - | - |

**Notes:**

(1) Based on the share capital of 62,668,000 Shares.

(2) Based on the share capital of 110,468,000 Shares after allotment of Shares due to conversion of 478,000 RCPS into 47,800,000 Shares by Metro Kajang (Oversea), a wholly-owned subsidiary of MKH, on 30 June 2021. This had resulted in the decrease in MKH's shareholding in our Company from 100.00% to 56.73% and Metro Kajang (Oversea) emerged as a substantial shareholder of our Company holding 43.27%.

(3) After completion of the Pre-IPO Reorganisation but before the Distribution and our IPO. Please refer to Section 6.2 for further details on the Pre-IPO Reorganisation.

(4) Based on the share capital of 803,590,845 Shares after the Pre-IPO Reorganisation but before the Distribution and our IPO.

(5) Deemed interested by virtue of his shareholdings in CCSR.

(6) Deemed interested by virtue of its shareholdings in MKH.

(7) Deemed interested by virtue of its shareholdings in Metro Kajang (Oversea).

(8) Deemed interested by virtue of its shareholdings in MKH Plantation.

### 5.1.5 Persons exercising control over the corporation

Save for our Promoters as set out in Section 5.1.1, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at LPD, there is no arrangement between our Company and the Promoters and our substantial shareholders with any third party which may result in a change in control of our Company at a date subsequent to our Listing.

### 5.1.6 Amounts or benefits paid or intended to be paid or given to our Promoters or substantial shareholders

Save for the issuance of our Shares as disclosed in Section 6.1 and aggregate remuneration and benefits paid or proposed to be paid for services rendered to our Group in all capacities as disclosed in Section 5.2.5, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### 5.2 DIRECTORS

#### 5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO are set out below:

| | | [1]Before IPO | | | | [2]After IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| Name | Designation/ Nationality | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Tan Sri Alex Chen | Non-Independent Non-Executive Chairman/ Malaysian | 39,582 | [3]- | [4][5]712,478,060 | 88.66 | 39,582 | [3]- | [4][5]681,770,360 | 66.61 |
| Tan Sri Eddy Chen | Non-Independent Non-Executive Director/ Malaysian | 1,514,691 | 0.19 | [4][6]711,348,251 | 88.52 | 1,514,691 | 0.15 | [4][6]680,640,551 | 66.50 |
| Dato' Lee Khee Meng | Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Chen Wei Chyong | Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Yeo Kiat Seng | Non-Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Leong Sow Yoke | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Ong Kim Pin | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Tan Hoe Hing | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Dr Hasuria Binti Che Omar | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| | | (1)Before IPO | | | | (2)After IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| **Name** | **Designation/ Nationality** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Yahya Bin Ariffin | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |

**Notes:**

(1) Based on the share capital of 803,590,845 Shares after completion of the Pre-IPO Reorganisation but before our IPO.

(2) Based on the enlarged share capital of 1,023,590,845 Shares after our IPO.

(3) Less than 0.01%.

(4) Deemed interested by virtue of his shareholdings in CCSR.

(5) Deemed interested by virtue of his shareholdings in Lotus Way and shareholdings held through AllianceGroup Nominees (Tempatan) Sdn Bhd, which are in turn deemed interested by virtue of their shareholdings in MKH. As at LPD, the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Lotus Way.

(6) Deemed interested by virtue of his shareholdings in AllianceGroup Nominees (Tempatan) Sdn Bhd through Liberty Alliance (M) Sdn Bhd, which is in turn deemed interested by virtue of its shareholding in MKH. As at LPD, the direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen.

### 5.2.2 Representative of corporate shareholder

Tan Sri Alex Chen, Tan Sri Eddy Chen and Chen Wei Chyong are the corporate representatives of MKH on our Board. Tan Sri Alex Chen and Tan Sri Eddy Chen are substantial shareholders and Executive Directors of MKH, whereas Chen Wei Chyong was formerly the Assistant General Manager - Human Resources and Administration of MKH.

### 5.2.3 Profiles of Directors

The profiles of our Directors are as follows:

#### (a) Tan Sri Alex Chen

Tan Sri Alex Chen, a Malaysian male aged 80, is our Promoter, substantial shareholder and Non-Independent Non-Executive Chairman and was appointed to our Board on 19 November 2004.

He undergone his secondary education at Sekolah Menengah Jenis Kebangsaan Yu Hua, Kajang and later completed his higher secondary education at Han Chiang High School, Penang in 1962.

He began working in 1962 in his family business involving in fruit selling. In 1970, he ventured into oil palm industry when he invested in a 300-acre oil palm plantation estate in Tanjung Sepat, Selangor.

After reviving the oil palm plantation, he sold the business in 1973 and later founded Srijang Bena Sdn Bhd in 1979 to be involved in property development business, which he had assumed the role as the Managing Director since then. Srijang Bena Sdn Bhd was later renamed to Srijang Holdings Sdn Bhd and Metro Kajang Holdings Berhad in 1987 and 1994 respectively, and was listed on the Main Board of Kuala Lumpur Stock Exchange (now known as Main Market) in 1995.

Tan Sri Alex Chen assumed his present position as the Group Executive Chairman of Metro Kajang Holdings Berhad in 2006. Metro Kajang Holdings Berhad was renamed to MKH on 1 April 2011. He is responsible for developing overall strategic direction and overseeing the overall operations of MKH. Through his involvement in property development and construction, he gained exposure and knowledge in sourcing for suitable lands for property development.

Under his leadership, MKH acquired SJL Utama Pte Ltd which owned 94.99% equity interest in PT MKH at that time to venture into oil palm business in Indonesia in 2008. In 2008, he assumed the role as our Executive Chairman, a position he held until March 2023. As our Executive Chairman, he spearheaded the development of our plantation from greenfield to brownfield. In March 2023, he was re-designated as our Non-Independent Non-Executive Chairman, and he continues to play a vital role in our Group's business and growth where he provides advice for our Group's business operations focusing on strategic matters such as major investment or capital expenditure and financing decisions.

Over the years, he received the following industry recognised awards and achievements:

- In 1996, he founded Chin Mooi Education Foundation (now known as Chen Choy & Chin Mooi Education Foundation).
- In 2013, he was awarded the "Property Man of the Year" by the International Real Estate Federation (FIABCI) Malaysia.
- In 2017, he was conferred on the "Lifetime Achievement Award for Leadership in Property Industry and Palm Oil Sector" by the Asian Strategy & Leadership Institute and the World Chinese Economic Summit.
- Since 2016, he has been the Chairman of the Hulu Langat Chinese Industry & Commerce Association.
- Since 2022, he has been the Honorary President of the Malaysia-China Chamber of Commerce.

He is the brother of Tan Sri Eddy Chen and Datuk Chen Fook Wah, our Promoters, and the father of Chen Wei Chyong. Kindly refer to Section 5.2.4(a) for his involvement in other business activities outside our Group.

**(b) Tan Sri Eddy Chen**

Tan Sri Eddy Chen, a Malaysian male aged 71, is our Promoter, substantial shareholder and Non-Independent Non-Executive Director and was appointed to our Board on 19 November 2004.

He graduated with a Bachelor of Business (Marketing) from Monash University, Australia in 1978. After graduation, he volunteered in student activities and social works in Australia.

In 1982, he returned to Malaysia and joined the management of Srijang Bena Sdn Bhd (now known as MKH) as a general manager of property development, where he was responsible for planning and overall management of mixed property development projects which comprised residential and commercial properties. He was appointed to the board of directors of MKH on 31 July 1984, where he was involved in strategic planning and evaluation of potential property development projects for tabling and approval by the board of directors of MKH, as well as managing bank borrowings for property development projects. He has been the Group Managing Director of MKH since 2005 and is responsible for executing strategic direction and operations of various division within MKH. In 2004, he was appointed as our Executive Director, a position he held until March 2023. As our Executive Director, he was responsible for executing strategic directions and operations of our Group. In March 2023, he was re-designated as our Non-Independent Non-Executive Director, and he continues to contribute his experiences particularly in evaluation of potential landbanks and negotiation of financing arrangements for our Group.

He has around 41 years of experience in property development and construction related businesses. His experience in the industry was recognised through "REHDA Recognition Award 2013, REHDA Personality" awarded by Real Estate and Housing Developers' Association ("**REHDA**") in 2013, Malaysia's Top 30 Green Catalysts awarded by GreenTech Malaysia in 2014, "CEO of the Year" awarded by Construction Industry Development Board Malaysia (CIDB) in 2015, and Outstanding Property CEO Award awarded by The Edge Malaysia in 2018.

He presently serves as the Patron of REHDA Malaysia and the Industry Advisor for Master of Business Administration (Building Management) Programme in Universiti Tunku Abdul Rahman.

Along with his string of industry recognised awards and achievements, he was also:

- President of the Building Management Association of Malaysia (2021 to 2023);
- Board of Advisors for Malaysia Shopping Malls Association (2018 to 2022);
- Past President of Malaysia Shopping Malls Association (2013 to 2017);
- Former Chairman of Perbadanan PR1MA Malaysia under Act 739 (2018 to 2020);
- Past President of ASEAN Association for Planning & Housing (2005 to 2007);
- National Council member of REHDA Malaysia (1994 to 2020); and
- President of REHDA Malaysia (1998 to 2002);

He was also an active committee member in various government as well as private sector organisations that formulate policies governing the housing and real estate industry:

- Advisory Council Member of Construction Labour Exchange Centre Berhad (2004 to 2019); and
- Member of PEMUDAH Special Task Force on Kuala Lumpur City Hall (2016 to 2018).

He is the brother of Tan Sri Alex Chen and Datuk Chen Fook Wah, our Promoters, and the uncle of Chen Wei Chyong. Kindly refer to Section 5.2.4(b) for his involvement in other business activities outside our Group.

**(c) Dato' Lee Khee Meng**

Dato' Lee Khee Meng, a Malaysian male aged 45, is our Executive Director and was appointed to our Board on 30 July 2021. He is responsible for overseeing and managing the overall plantation operations of our Group.

He was granted various scholarships and graduated with a Bachelor of Science (Honours) in Economics and Management from University of London, United Kingdom ("**UK**") in 2000. He also undertook and passed several papers in the Certified Credit Professional examinations from the Institut Bank-Bank Malaysia (now known as Asian Institute of Chartered Bankers) in 2005 catered for credit professionals in the banking and finance industry in Malaysia. He has been an international delegate at Indonesia Palm Oil Conferences since 2012 (except for periods affected by COVID-19), and sits in various Indonesian think tanks where he regularly shares his views on policies, initiatives, mechanisation, and innovative practices relevant to the oil palm industry in the conferences. In 2021, he participated as think tank innovator to develop conducive steps to prevent and manage COVID-19 and was awarded as the best think tank innovator in Corporate Social Responsibility Award, from the Investment and One Stop Service Department of Pemerintah Kabupaten Kutai Kartanegara. He has also been a member of the Incorporated Society of Planters in Malaysia since 2021.

He started his career in corporate banking in Public Finance Berhad (now known as Public Bank Berhad, a company listed on Main Market) in 2000. He joined the bank under the 12-month Graduate Trainee Programme, as a Graduate Trainee and was posted to Corporate Loans Department. Within 10 months, he received early recognition under the Graduate Trainee Programme where he was promoted to Senior Officer and was involved in corporate financial analysis, credit assessment and reviews, credit administration, as well as rehabilitation of financially-troubled companies under the purview of Pengurusan Danaharta Nasional Berhad Act 1998.

In 2002, he left Public Finance Berhad and joined AXA Affin Assurance Berhad as Business Analyst in the Corporate Planning and Business Development Department. He assisted the company's French headquarters and Malaysian executive management team to formulate, drive and execute operational strategies and determine the overall strategic direction of the group. He was involved in executing business improvements for the group's services and processes towards achieving operational excellence and long-term sustainable growth.

In 2005, he left AXA Affin Assurance Berhad and joined United Overseas Bank (Malaysia) Berhad as Account Relationship Manager in Commercial Lending Division where he was responsible for the marketing of the bank's credit offerings and managing the processing of credit facility applications.

In 2006, he left United Overseas Bank (Malaysia) Berhad and joined Haus Living Concepts Sdn Bhd as Chief Financial Officer where he spearheaded and executed various internal restructuring projects to improve the company's financial performance. He also implemented branding exercises and led the company in the participation of several international furniture fairs that enabled the company to expand its export markets into China, United Arab Emirates and Europe. He was promoted to Director of Operations and Finance in 2007 where he was responsible for both operational and finance matters for local and exports operations in China and UK before he left the company in 2008.

In 2008, he was accepted into the UK Highly Skilled Migrant Programme and relocated to Wimbledon Park, London. He worked with property developers from China on various UK property development projects. He also worked with Lionbridge Technologies LLC for the provision of legal, financial and technical interpretation services in English, Mandarin, Malay and Indonesian, where he specialised in projects involving the UK Home Office and UK National Health Service. After completion of the projects, he relocated back to Malaysia by 2010.

Upon his relocation back to Malaysia in 2010, he joined RHB Bank Berhad (listed on Main Market) as Outlet Manager for its new consumer banking direction, which included de-centralising banking businesses and marketing of bank and loan products to customers.

In 2011, he left RHB Bank Berhad and joined MKH as Finance Manager where he was involved in cashflow analysis and projections, commercial loan documentation and budget review for MKH's Property and Plantation divisions. He was promoted to Senior Manager of Executive Chairman's Office in 2012 where he was posted to the Plantation Division in which he was responsible for the management of oil palm plantation business which is based in Indonesia. Subsequently in 2013, he was promoted to General Manager of Industrial and Agricultural Development where he was responsible for the overall management of the oil palm plantation and operations of palm oil mill, as well as overseeing the areas of strategic planning, revenue maximisation, operational efficiencies, community socialisation and liaisons with authorities.

In 2014, he was promoted to Plantation Director and was subsequently transferred to our Company in 2021 pursuant to an internal restructuring, assuming his current responsibilities. Over the years, together with our Non-Independent Non-Executive Chairman, they championed for our plantation to be amongst the first batch of pioneers to be awarded the ISPO certification, and further implemented mechanisation and drone surveillance systems for efficient and effective crop evacuation works. These practices, along with other site enhancements, had thereafter improved our harvesting yield and operational efficiency, thereby improve the financial performances of our Group.

Presently, he does not hold any other directorships in any private and public limited companies outside our Group.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (d) Chen Wei Chyong

Chen Wei Chyong, a Malaysian female aged 48, is our Executive Director and was appointed to our Board on 30 July 2021, where she is responsible for overseeing our Group's overall human resource, administration and IT functions.

She graduated with a Bachelor of Business (Human Resource Management) from Charles Sturt University, Australia in 2002. In 2003, she obtained a Master of Business Administration (IT) from Charles Sturt University, Australia.

She began her career in 2002 as Administrative Officer in Cekap Corporation Berhad (a former subsidiary of MKH) where she was responsible for day-to-day administrative and accounting tasks while pursuing her Master through part time distance learning. In 2007, she was re-designated to Administrative Executive where her role was extended to researching for new businesses in addition to her daily tasks. She was subsequently transferred to Intelek Kekal (M) Sdn Bhd (a subsidiary of MKH) in 2010 where she assumed the same role. She was promoted to Senior Human Resources and Administration Executive in 2012 and Human Resources Manager in the same year where she was responsible for employees' benefits and payroll matters. She was re-designated to Manager – Human Resources and Administration in 2015 and promoted to Senior Manager – Human Resources and Administration in 2016 and Assistant General Manager – Human Resources and Administration in 2022, all under the Human Resources and Administration Department in Intelek Kekal (M) Sdn Bhd (a subsidiary of MKH). Notwithstanding her position being in Intelek Kekal (M) Sdn Bhd, she was involved in handling the human resources and administrative matters for the group level of MKH (including the human resources and administrative functions of MKHOP). In March 2023, she resigned from her position in Intelek Kekal (M) Sdn Bhd (a subsidiary of MKH) to focus on her role as our Executive Director. As Executive Director of our Group, she is responsible for our Group's overall human resource functions which include talent acquisition, training of employees, setting and maintenance of human resource policies as well as IT and administration functions.

She is the daughter of Tan Sri Alex Chen and the niece of Tan Sri Eddy Chen who are members of the Board of our Group. She is also the niece of Datuk Chen Fook Wah, our Promoter. Kindly refer to Section 5.2.4(c) for her involvement in other business activities outside our Group.

### (e) Yeo Kiat Seng

Yeo Kiat Seng, a Malaysian male aged 62, is our Non-Independent Non-Executive Director and was appointed to our Board on 11 August 2022. He is also a member of our Nominating Committee.

His non-independent directorship arises due to his involvement in Jurukur Jitu Runding as a land surveyor. Jurukur Jitu Runding provides land surveying services to MKH Group's property development division. For FYE 2020 to 2022, the consideration for the land surveying services were RM5.7 million, RM2.3 million and RM0.6 million respectively.

He graduated with a degree of Bachelor of Surveying from University of New South Wales, Australia in 1987. He is registered as a Land Surveyor with the Board of Land Surveyor, Peninsular Malaysia and has obtained his license to practice since 1994. In 2005, he obtained a Master of Science (Land Administration and Development) from Universiti Teknologi Malaysia and completed his Intensive Diploma in Oil Palm Management and Technology from the Institute of Malaysian Plantation and Commodities in 2010.

He began his career in 1987 as a Graduate Surveyor in Syarikat Jurukur Konsultant in which he was responsible for field survey works, survey computation and drafting as well as management of survey teams.

He left Syarikat Jurukur Konsultant in 1996 and founded Jurukur Jitu Runding, a land surveying firm registered with the Land Surveyors Board which provides land surveying services. He oversees the overall operations and growth of the business and provides strategic guidance and directions to the senior management team. In 2013, he co-founded Jitu Konsult Sdn Bhd and is responsible for overseeing the overall operations of the company in the provision of land surveying and land housing development services. In 2018, he co-founded Jitu Runding Sdn Bhd and is responsible for overseeing the overall operations of the company in the provision of land surveying services.

Kindly refer to Section 5.2.4(d) for his involvement in other business activities outside our Group.

**(f) Leong Sow Yoke**

Leong Sow Yoke, a Malaysian female aged 63, is our Independent Non-Executive Director and was appointed to our Board on 20 May 2022. She is the Chairperson of our Audit and Risk Management Committee.

She was admitted as an Associate of the Chartered Association of Certified Accountants (now known as Association of Chartered Certified Accountants or "**ACCA**") in 1986 and has been a Fellow of the ACCA since 1991. She was admitted as a Registered Accountant in the Malaysian Institute of Accountants ("**MIA**") in 1987, and has been a Chartered Accountant member of MIA since 2001. She has been a Certified Information Systems Auditor under the Information Systems Audit and Control Association ("**ISACA**") since 2007 and Certified in Risk and Information Systems Control with ISACA since 2010. She has also been a Chartered Banker by the Asian Institute of Chartered Bankers and Chartered Banker Institute, UK since 2015.

In 1983, she began her career as Audit Assistant with Azman, Wong, Salleh & Co/Salleh, Leong, Azlan & Co where she provided financial and IT audit and consultancy services. She left the firm as Audit Senior/Acting Manager in 1987 and joined the Lion group of companies as the Head of IT Audit to set up and head the IT audit functions of the group.

In 1989, she left the Lion Group of Companies and joined Overseas Union Bank (Malaysia) Berhad as Audit Senior, and was subsequently promoted to Head of Internal Audit in 1990. She was responsible for overseeing and leading all internal audit functions in the bank. In 2002, she joined United Overseas Bank (Malaysia) Berhad following the merger of Overseas Union Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Berhad. In 2003, she was promoted to Head of Division, Internal Audit and assumed similar responsibilities, until she left in 2010.

Thereafter, in the same year, she joined Alliance Bank Malaysia Berhad (listed on Main Market) as Group Chief Internal Auditor where she was responsible for overseeing the internal audit function of the group. She retired from Alliance Bank Malaysia Berhad in 2020.

In 2022, she was appointed as Independent Non-Executive Director of Bangkok Bank Berhad, a subsidiary of Bangkok Bank Public Company Limited (listed on the Stock Exchange of Thailand). Bangkok Bank Public Company Limited is one of the largest commercial banks in Thailand with international branches in 14 countries. It provides various banking and financial services such as personal banking, business banking, mortgage lending, credit cards, investment banking, debt securities underwriting and custodial services.

Kindly refer to Section 5.2.4(e) for her involvement in other business activities outside our Group.

**(g) Ong Kim Pin**

Ong Kim Pin, a Malaysian male aged 72, is our Independent Non-Executive Director and was appointed to our Board on 11 August 2022. He is also a member of our Audit and Risk Management Committee.

He graduated with a degree of Bachelor of Agricultural Science from University of Malaya in 1976. In 1982, he obtained a Master of Science majoring in Crop Production and Physiology from Iowa State University of Science and Technology, United States of America ("**USA**").

He began his career in 1976 as Agricultural Officer in the Department of Agriculture of Malaysia, where he was responsible for compliance with agricultural practices and regulations in the production of cocoa, coconut and coffee planting materials in Perak. He took a paid study break in 1980 to pursue his Master of Science majoring in Crop Production and Physiology in Iowa State University of Science and Technology, USA. In 1983, he continued his service in the Department of Agriculture of Malaysia with additional responsibilities in managing and specialising in the production of cocoa, coconut, coffee seeds and other planting materials.

In 1988, he left the Department of Agriculture and joined Eastern Plantation Agency (Johor) Sdn Bhd (now known as EPA Management Sdn Bhd), a subsidiary of Kulim (Malaysia) Berhad, as an Agronomist where he was responsible for assessing, evaluating and recommending the agronomy practices of oil palm, rubber and cocoa crop production. In 1996, he was promoted to Comptroller and in 2002, he was further promoted to Department Director of Research and Development, where he was responsible for managing research and development activities in the field of agronomy and on the technical aspects of the production of various plantation crops such as oil palm, rubber, tea, coffee and banana. He left EPA Management Sdn Bhd in 2007 alongside his retirement.

Since his retirement, he has been a freelance consultant and contracted to conduct plantation crop advisory, research and feasibility studies, and to provide technical advisory and training, to several oil palm companies in Malaysia and Indonesia as listed below:

- 2007 to 2013 : Consulting Advisor (Agronomy) with EPA Management Sdn Bhd) (a subsidiary of Kulim (Malaysia) Berhad);
- 2012 to 2022 : Consultant (Research and Development) with Sarawak Oil Palms Berhad (listed on Main Market);
- 2013 to 2014 : Consultant (Planting Advisory and Agronomy Consultancy) for Unico Desa Plantations Berhad;
- 2015 to 2017 : Consultant (Agronomy Consultancy and Planting Advisory) with Incasi Raya Group (Indonesia); and
- 2020 to 2022 : Consultant (Agronomy) for Kwantas Corporation Berhad.

Over the years, he has been actively involved in oil palm associations and discussions to share his vast knowledge in oil palm plantation:

- 2011 to 2021 : Chairman of Agriculture Research Committee Malaysian Palm Oil Association (MPOA);
- 2015 to 2022: Council Member of Malaysia Estate Owner Association (MEOA); and
- 2010 to 2012 : Member of Industrial Standard Committee (A) Standard and Industrial Research Institute of Malaysia (SIRIM).

Kindly refer to Section 5.2.4(f) for his involvement in other business activities outside our Group.

**(h) Tan Hoe Hing**

Tan Hoe Hing, a Malaysian male aged 72, is our Independent Non-Executive Director and was appointed to our Board on 11 August 2022. He is also the Chairperson of our Remuneration Committee and a member of our Audit and Risk Management Committee and Nominating Committee.

He graduated with a Bachelor of Agricultural Science from University of Malaya in 1976. In 1980, he completed his post-graduate diploma in Maize Production from International Maize and Wheat Improvement Center, Mexico. In 1988, he obtained a Master of Agriculture in Agriculture (Farm Management) from University of the Ryukyus, Okinawa, Japan.

He began his career in 1976 as Agriculture Officer in Department of Agriculture of Malaysia where he was responsible for ensuring all agricultural practices and products are in compliance with the local regulations and to ensure effective farm operations. Over the years, he was promoted several times and held the position as the Director of Paddy, Industrial Crops and Floriculture beginning May 2007, in which he was responsible for overseeing and providing services on the development of these agricultural commodities, before he retired in December 2007.

In 2008, he was appointed by Malaysian Agrifood Corporation Berhad as the Vice President, Standards and Certification where he was responsible for the adoption of Good Agricultural Practice in corporate owned farms and carrying out farm audits on suppliers' farms. He left Malaysian Agrifood Corporation Berhad upon the completion of the contract period in 2011.

Since 2015, he has been engaged by Cypark Resources Berhad (listed on Main Market) on several yearly contracts to project manage agricultural integrated solar farm projects involving the production of high valued crops in solar greenhouses. He also leads a horticultural team to carry out quality and performance improvement, developing standard operating procedures and methodology for effective operation under controlled environment in solar greenhouses.

Presently, he does not hold any other directorships in any private and public limited companies outside our Group.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (i) Dr Hasuria Binti Che Omar

Dr Hasuria Binti Che Omar, a Malaysian female aged 57, is our Independent Non-Executive Director and was appointed to our Board on 11 August 2022. She is also the Chairperson of our Nominating Committee and a member of our Remuneration Committee.

In 1990, she graduated with a Bachelor of Arts majoring in Geography from Universiti Sains Malaysia ("**USM**"). She pursued further studies and obtained a Master of Arts (Linguistics – Translation Studies) in 1996, and a Doctor of Philosophy (Ph.D) in Translation Studies in 2004, both from USM.

She began her career in 1995, where she joined USM as a Language Teacher for the Centre for Language and Translation, where she was responsible for preparing study courses and conducting classes on subjects related to language and translation studies. In 1998, she was promoted to Lecturer in which she was responsible for teaching undergraduate students and supervising postgraduate students for research and in mixed-mode study programmes. In 2005, she was promoted to Senior Lecturer, and her responsibilities expanded to include more research and writing of publications and supervising postgraduate students for research and in mixed-mode study programmes. In 2009, she was promoted to Associate Professor, where she was responsible for leading and coordinating courses and managing research and partnerships with other educational institutions. She was also responsible for designing and developing a range of study programmes for undergraduate and postgraduate studies. She retired from USM in 2022 after 26 years of service.

She also held the following administrative positions in School of Humanities in USM:

- 2007 to 2009 : Chairperson for Malay Language of the Translation and Interpretation Section; and
- 2013 to 2018 : Deputy Dean (Academic, Students and Alumni).

She has been the Advisor of the Malaysian Association of Sign Language Interpreter since 2006. She has also been the Vice-President of the Malaysian Translators Association since 2009, a voluntary professional body established under the auspices of Dewan Bahasa dan Pustaka (DBP).

Kindly refer to Section 5.2.4(g) for her involvement in other business activities outside our Group.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (j) Yahya Bin Ariffin

Yahya Bin Ariffin, a Malaysian male aged 66, is our Independent Non-Executive Director and was appointed to our Board on 11 August 2022. He is also a member of our Audit and Risk Management Committee and Remuneration Committee.

He graduated with a Diploma in Agriculture Science from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1979.

He began his career in 1979 as Trainee Assistant on West Estate under a training scheme for Ketengah Jaya Sdn Bhd in which he was responsible for monitoring daily harvesting and field operations.

In 1980, he left Ketengah Jaya Sdn Bhd and joined Kumpulan Guthrie Sdn Bhd (now known as Sime Darby Berhad, a company listed on Main Market) as Planting Assistant where he was responsible for assisting in maintenance operation and developing strategies to improve production. In 1995, he was promoted to Manager where he was responsible for overseeing plantation operations as well as designing and implementing strategic agricultural initiatives to increase the production. In 2005, he was promoted to General Manager of Estate Operations in Central region where his responsibilities expanded to include coordination with other businesses within the division and to lead team members to increase efficiency and effectiveness of business strategies. In 2006, he was seconded to Minamas Plantation, Kalimantan, Indonesia as Acting Senior General Manager of the Estate Operations, where he was responsible for overseeing the overall estates & mills operations.

In 2013, he was transferred to Sime Darby Plantation Berhad (listed on Main Market) as Estate Advisor where he was responsible for providing advisory services on the overall plantation's operation and strategic planning to ensure a sustainable business growth by managing the interests of all stakeholders. He retired from Sime Darby Plantation Berhad as Estate Advisor in 2017.

Presently, he does not hold any other directorships in any private and public limited companies outside our Group.

### 5.2.4 Principal business performed outside our Group

Save as disclosed below, none of our Directors are involved in any other principal business activities outside our Group as at LPD. The following table sets out the principal directorships of our Directors outside our Group and the principal business activities performed by our Directors outside our Group as at LPD and those other principal directorships of our Directors outside our Group that where held within the past 5 years preceding LPD:

**(a) Tan Sri Alex Chen**

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Achieve Acres Sdn Bhd[1] | Property development | Director | 19 September 2013 | - | - | [3]85.0 |
| Alif Mesra Sdn Bhd[1] | Property development | Director | 13 March 2014 | - | - | [3]65.0 |
| Aliran Perkasa Sdn Bhd[1] | Property development | Director | 1 March 2005 | - | | [3]100.0 |
| Amona Metro Development Sdn Bhd[1] | Property development | Director | 19 February 2008 | - | - | [3]60.0 |
| Amona MKH Ventures Sdn Bhd (formerly known as MKH IHS Precast Sdn Bhd)[1] | Property development | Director | 29 November 2013 | - | - | [3]50.0 |
| Budi Bidara Sdn Bhd[1] | Property development | Director | 6 February 2013 | - | - | [3]100.0 |
| CCSR | Investment holding of listed and unlisted shares, with the business activities of the companies mainly in investment holding | Director/ Shareholder | 21 February 1976 | - | 32.9 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Danau Saujana Sdn Bhd[1] | Property development | Director | 24 July 2014 | - | - | [3]100.0 |
| Daksina Harta Sdn Bhd[2] | Property development and property investment | - | - | - | - | [3]40.0 |
| Dapat Jaya Builder Sdn Bhd[1] | Building and civil works contracting and project management | Director | 17 November 2000 | - | - | [3]100.0 |
| Double Majestic Sdn Bhd | Investment holding of unlisted shares, with the business activity of the company in property investment | Director | 20 May 2014 | - | - | [4]100.0 |
| Everland Asia Development Sdn Bhd[1] | Property development | Director | 15 December 2008 | - | - | [3]100.0 |
| Gabung Wajib Sdn Bhd[1] | Investment holding and property development | - | - | - | - | [3]100.0 |
| Gerak Teguh Sdn Bhd[1] | Property development | - | - | - | - | [3]100.0 |
| GK Resort Berhad[1] | Investment holding of unlisted shares, with the business activities of the company in property development | - | - | - | - | [3]100.0 |
| Global Landscape Creation Sdn Bhd[1] | Dormant with intended activity of landscape care and maintenance service activities | Director | 10 June 2015 | - | - | [3]100.0 |
| Hiliran Juara Sdn Bhd[1] | Property development | Director | 14 January 2005 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Hillpark Resources Sdn Bhd[1] | Property development | - | - | - | - | [3]100.0 |
| Intelek Kekal (M) Sdn Bhd[1] | Management services | Director | 17 June 2004 | - | - | [3]100.0 |
| Intelek Murni (M) Berhad[1] | Operating of recreational club | Director | 31 January 2013 | - | - | [3]100.0 |
| Intra Tegas (M) Sdn Bhd[1] | Property development | - | - | - | - | [3]100.0 |
| Jasprima Sdn Bhd | Engaged in the business of property investment | - | - | - | - | [5]85.0 |
| Kajang Resources Corporation Sdn Bhd[1] | Property development | Director | 7 January 1984 | - | - | [3]100.0 |
| Kumpulan Indah Bersatu Sdn Bhd[1] | Property development | Director | 31 January 2013 | - | - | [3]100.0 |
| Laju Jaya Sdn Bhd[1] | Property investment, hotel and restaurant business | Director | 20 January 1984 | - | - | [3]100.0 |
| Lotus Way | Investment holding of properties and unlisted shares, with the business activity of the companies in investment holding/property investment | Director/ Shareholder | 20 May 1997 | - | 100.0 | - |
| Maha Usaha Sdn Bhd[1] | Property management and property investment | Director | 5 June 1986 | - | - | [3]100.0 |
| Metro Emart Sdn Bhd[1] | Electronic commerce | Director | 16 June 2016 | - | - | [3]100.0 |
| Metro K.L. City Sdn Bhd[1] | Property investment and property development | Director | 15 November 2008 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Metro Kajang (Oversea)[1] | Investment holding and provision of treasury management services, with its investment holding in shares of its subsidiary principally involved in the business of furniture manufacturing | Director | 28 March 2008 | - | - | [3]100.0 |
| Metro Kajang Construction Sdn Bhd[1] | Building and civil works contracting, project and building management services | Director | 12 January 1984 | - | - | [3]100.0 |
| Metro Nusantara Sdn Bhd[1] | Dormant with intended activity of holding | Director | 16 May 2008 | - | - | [3]100.0 |
| Metro Tiara (M) Sdn Bhd[1] | Property management and property investment company | - | - | - | - | [3]100.0 |
| Metro Readymix Sdn Bhd[1] | Trading of precast concrete, cement or artificial stone articles for use in construction | - | - | - | - | [3]100.0 |
| MKH (listed on Main Market) | Investment holdings and providing other management services | Director/ Shareholder | 27 September 1997 | - | <0.1 | [6]43.8 |
| MKH Building Materials[1] | Trading of building materials and household related products | Director | 26 August 2003 | - | - | [3]100.0 |
| MKH Credit Corporation Sdn Bhd[1] | Money lending, hire purchase, leasing finance | Director | 8 May 1996 | - | - | [3]100.0 |
| MKH Development Sdn Bhd[1] | Property development | Director | 21 July 2005 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| MKH Food Sdn Bhd[1] | Dormant with intended activity of manufacturing of other food products | Director | 10 March 2014 | - | - | [3]100.0 |
| MKH Land (Aust) Pty Ltd | Dormant with no intended activity | - | 4 October 2016 | 3 November 2022 | - | [3]100.0 |
| MKH Management Sdn Bhd[1] | Management, secretarial service and insurance agency | Director | 31 January 2013 | - | - | [3]100.0 |
| MKH Plantation[1] | Investment holding of unlisted shares with the business activity of its subsidiary, PT SPS in oil palm plantation | Director | 7 December 2020 | - | - | [3]100.0 |
| MKH Property Ventures Sdn Bhd[1] | Property development | Director | 11 January 2018 | - | - | [3]51.0 |
| MKH Resources[1] | Providing management services | Director | 17 August 2009 | - | - | [3]100.0 |
| Nexus Starship Sdn Bhd[1] | Investment holding in Quantum Density Sdn Bhd | Director | 12 December 2018 | - | - | [3]100.0 |
| Palga Sdn Bhd[1] | Investment holding of unlisted shares with the business activity of its subsidiary in property development | Director | 2 February 2005 | - | - | [3]100.0 |
| Panasonic Homes MKH Malaysia Sdn Bhd[2] | General construction | Director | 17 December 2015 | - | - | [3]49.0 |
| Pelangi Binaraya Sdn Bhd[1] | Property development | Director/ Shareholder | 8 August 2014 | - | - | [3]50.0 |
| Pelangi Semenyih Sdn Bhd[1] | Property development | Director/ Shareholder | 11 February 2009 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Pelangi Seri Alam Development Sdn Bhd[1] | Building and civil works contracting | Director/ Shareholder | 29 September 2005 | - | - | [3]100.0 |
| Perkasa Bernas (M) Sdn Bhd[1] | Property development and providing management services | Director/ Shareholder | 5 March 2009 | - | - | [3]100.0 |
| Petik Mekar Sdn Bhd[1] | Property development | Director/ Shareholder | 7 November 2013 | - | - | [3]100.0 |
| Pleasant Hill Sdn Bhd | Property development and management | Director | 17 April 1984 | - | - | [7]99.9 |
| PNSB-GK Resort Sdn Bhd[1] | Property development | Director/ Shareholder | 11 June 2008 | - | - | [3]70.0 |
| PT Nusantara Makmur Jaya | Dormant with intended activity of exporting plantation and agricultural products | Commissioner | 25 October 2022 | - | - | [3]100.0 |
| Quantum Density Sdn Bhd[1] | Property development | Director | 12 December 2018 | - | - | [3]50.0 |
| Restu Mesra Sdn Bhd[1] | Dormant with intended activity of investment holding | Director | 27 January 2022 | - | - | [3]100.0 |
| Ria Corporation Development Sdn Bhd | Construction of buildings | Director/ Shareholder | 15 November 1982 | - | <0.1 | [7]99.9 |
| Rimbunan Melati Sdn Bhd[2] | Property development | Director | 28 March 1995 | - | - | [3]45.0 |
| Serba Sentosa Sdn Bhd[1] | Property development | Director | 24 August 1995 | - | - | [3]100.0 |
| Serentak Maju Corporation Sdn Bhd[1] | Property development | Director | 13 December 1993 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Srijang Indah Sdn Bhd[1] | Property management, property investment and investment holding | - | - | - | - | [3]100.0 |
| Srijang Kemajuan Sdn Bhd[1] | Property development | Director | 13 March 2007 | - | - | [3]99.9 |
| Stand Allied Corporation Sdn Bhd[1] | Property development | Director | 31 January 2013 | - | - | [3]100.0 |
| Sumber Lengkap Sdn Bhd[1] | Property development | - | - | - | - | [3]100.0 |
| Sunway MKH Marketing Sdn Bhd[2] | Wholesale of construction materials | - | - | - | - | [3]49.0 |
| Suria Villa Sdn Bhd[1] | Construction of buildings | Director | 8 August 2014 | - | - | [3]100.0 |
| Temara Pekeliling Sdn Bhd[1] | Property development | Director | 16 February 2016 | - | - | [3]84.0 |
| Vast Furniture Manufacturing (Kunshan) Co. Ltd | Furniture manufacturing | Director | 18 September 2015 | - | - | [3]100.0 |
| Vista Haruman Development Sdn Bhd[1] | Property development | Director | 17 April 2013 | - | - | [3]55.0 |
| **Past involvement** | | | | | | |
| Akitomas Sdn Bhd | Dissolved on 16 January 2019 | Director/ Shareholder | 28 April 2010 | 16 January 2019 | 95.0 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

**Notes**:

(1) A subsidiary of MKH.

(2) An associate company of MKH.

(3) Deemed interested through shares held in MKH.

(4) Deemed interested through shares held in Lotus Way.

(5) Deemed interested through shares held in Double Majestic Sdn Bhd.

(6) Deemed interested through shares held in CCSR, Lotus Way and AllianceGroup Nominees (Tempatan) Sdn Bhd.

(7) Deemed interested through shares held in CCSR.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (b) Tan Sri Eddy Chen

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Achieve Acres Sdn Bhd[1] | Property development | Director | 19 September 2013 | - | - | [3]85.0 |
| Alif Mesra Sdn Bhd[1] | Property development | Director | 13 March 2014 | - | - | [3]65.0 |
| Aliran Perkasa Sdn Bhd[1] | Property development | Director | 1 March 2005 | - | - | [3]100.0 |
| Amona Metro Development Sdn Bhd[1] | Property development | Director | 19 February 2008 | - | - | [3]60.0 |
| Amona MKH Ventures Sdn Bhd (formerly known as MKH HIS Precast Sdn Bhd)[1] | Property development | Director | 29 November 2013 | - | - | [3]50.0 |
| Apollo Builders Sdn Bhd | Investment holding company | Director/ Shareholder | 3 February 2012 | - | 50.0 | - |
| Budi Bidara Sdn Bhd[1] | Property development | Director | 6 February 2013 | - | - | [3]100.0 |
| CCSR | Investment holding of listed and unlisted shares, with the business activities of the companies mainly in investment holding | Director/ Shareholder | 3 November 1982 | - | 31.9 | - |
| Daksina Harta Sdn Bhd[2] | Property development and property investment | Director | 9 November 2018 | - | - | [3]40.0 |
| Danau Saujana Sdn Bhd[1] | Property development | Director | 24 July 2014 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Dapat Jaya Builder Sdn Bhd[1] | Building and civil works contracting and project management services | Director | 17 November 2000 | - | - | [3]100.0 |
| Everland Asia Development Sdn Bhd[1] | Property development | Director | 15 December 2008 | - | - | [3]100.0 |
| Gabung Wajib Sdn Bhd[1] | Investment holding and property development | Director | 18 June 2004 | - | - | [3]100.0 |
| Gerak Teguh Sdn Bhd[1] | Property development | Director | 23 January 2003 | - | - | [3]100.0 |
| GK Resort Berhad[1] | Investment holding of unlisted shares, with the business activities of the company in property development | Director | 24 April 1989 | - | - | [3]100.0 |
| Global Landscape Creation Sdn Bhd[1] | Dormant with intended activity of landscape care and maintenance service activities | Director | 10 June 2015 | - | - | [3]100.0 |
| Hiliran Juara Sdn Bhd[1] | Property development | Director | 14 January 2005 | - | - | [3]100.0 |
| Hillpark Resources Sdn Bhd[1] | Property development | Director | 12 August 2014 | - | - | [3]100.0 |
| Intelek Kekal (M) Sdn Bhd[1] | Management services | Director | 17 June 2004 | - | - | [3]100.0 |
| Intelek Murni (M) Berhad[1] | Operating of recreational club | Director | 31 January 2013 | - | - | [3]100.0 |
| Intra Tegas (M) Sdn Bhd[1] | Property development | Director | 8 January 2004 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Kajang Resources Corporation Sdn Bhd[1] | Property development | Director | 7 January 1984 | - | - | [3]100.0 |
| Kumpulan Indah Bersatu Sdn Bhd[1] | Investment holding and property development | Director | 30 June 2005 | - | - | [3]100.0 |
| Laju Jaya Sdn Bhd[1] | Property investment, hotel and restaurant business | Director | 20 January 1984 | - | - | [3]100.0 |
| Liberty Alliance (M) Sdn Bhd | Investment holding in properties as well as listed and unlisted shares | Director/ Shareholder | 21 July 2011 | - | 99.9 | - |
| Maha Usaha Sdn Bhd[1] | Property management and property investment | Director | 5 June 1986 | - | - | [3]100.0 |
| Metro Emart Sdn Bhd[1] | Electronic commerce | Director | 16 June 2016 | - | - | [3]100.0 |
| Metro K.L. City Sdn Bhd[1] | Property investment and property development | Director | 15 November 2008 | - | - | [3]100.0 |
| Metro Kajang (Oversea)[1] | Investment holding and provision of treasury management services, with its investment holding in shares of its subsidiary principally involved in the business of furniture manufacturing | Director | 28 March 2008 | - | - | [3]100.0 |
| Metro Kajang Construction Sdn Bhd[1] | Building and civil works contracting, project and building management services | Director | 12 January 1984 | - | - | [3]100.0 |
| Metro Nusantara Sdn Bhd[1] | Dormant with intended activity of holding | Director | 18 June 2004 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Metro Readymix Sdn Bhd[1] | Trading of precast concrete, cement or artificial stone articles for use in construction | Director | 18 April 2018 | - | - | [3]100.0 |
| Metro Tiara (M) Sdn Bhd[1] | Property management and property investment company | Director | 18 September 2012 | - | - | [3]100.0 |
| MKH (listed on Main Market) | Investment holdings and providing other management services | Director/ Shareholder | 31 July 1984 | - | 1.8 | [4]42.5 |
| MKH Building Materials[1] | Trading of building materials and household related products | Director | 26 August 2003 | - | - | [3]100.0 |
| MKH Credit Corporation Sdn Bhd[1] | Money lending, hire purchase and leasing finance | Director | 25 January 1985 | - | - | [3]100.0 |
| MKH Development Sdn Bhd[1] | Property development | Director | 14 September 2009 | - | - | [3]100.0 |
| MKH Food Sdn Bhd[1] | Dormant with intended activity of manufacturing of other food products | Director | 8 December 2014 | - | - | [3]100.0 |
| MKH Land (Aust) Pty Ltd | Dormant with no intended activity | - | 4 October 2016 | 3 November 2022 | - | [3]100.0 |
| MKH Management Sdn Bhd[1] | Management, secretarial service and insurance agency | Director | 18 June 2004 | - | - | [3]100.0 |
| MKH Plantation[1] | Investment holding of unlisted shares with the business | Director | 1 June 2015 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| | activity of its subsidiary, PT SPS in oil palm plantation | | | | | |
| MKH Property Ventures Sdn Bhd[1] | Property development | Director | 11 January 2018 | - | - | [3]51.0 |
| MKH Resources[1] | Providing management services | Director | 25 March 2004 | - | - | [3]100.0 |
| Nexus Starship Sdn Bhd[1] | Investment holding in Quantum Density Sdn Bhd | Director | 12 December 2018 | - | - | [3]100.0 |
| Oscar Selection Sdn Bhd | Wholesale of a variety of goods without any particular specialisation | Director/ Shareholder | 18 August 2010 | - | 50.0 | - |
| Palga Sdn Bhd[1] | Investment holding of unlisted shares with the business activity of its subsidiary in property development | Director | 2 February 2005 | - | - | [3]100.0 |
| Panasonic Homes MKH Malaysia Sdn Bhd[2] | General construction | Director | 17 December 2015 | - | - | [3]49.0 |
| Pelangi Binaraya Sdn Bhd[1] | Property development | Director | 8 August 2014 | - | - | [3]50.0 |
| Pelangi Semenyih Sdn Bhd[1] | Property development | Director | 18 June 2004 | - | - | [3]100.0 |
| Pelangi Seri Alam Development Sdn Bhd[1] | Building and civil works contracting | Director | 14 September 2009 | - | - | [3]100.0 |
| Perkasa Bernas (M) Sdn Bhd[1] | Property development and management services | Director | 18 June 2004 | - | - | [3]100.0 |
| Petik Mekar Sdn Bhd[1] | Property development | Director | 7 November 2013 | - | - | [3]100.0 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Pleasant Hill Sdn Bhd | Property development and management | Director | 17 April 1984 | - | - | (5)99.9 |
| PNSB-GK Resort Sdn Bhd(1) | Property development | Director | 11 June 2008 | - | - | (3)70.0 |
| Quantum Density Sdn Bhd(1) | Property development | Director | 12 December 2018 | - | - | (3)50.0 |
| Redha Institute | To provide relevant training, consultancy and training, conduct policy research and provide education programme for real estate and property development | Director | 19 July 2005 | - | - | - |
| Restu Mesra Sdn Bhd(1) | Dormant with intended activity of investment holding | Director | 27 January 2022 | - | - | (3)100.0 |
| Ria Corporation Development Sdn Bhd | Construction of buildings | Director/ Shareholder | 15 November 1982 | - | <0.1 | (5)99.9 |
| Rimbunan Melati Sdn Bhd(2) | Property development | Director | 28 March 1995 | - | - | (3)45.0 |
| Serba Sentosa Sdn Bhd(1) | Property development | Director | 24 August 1995 | - | - | (3)100.0 |
| Serentak Maju Corporation Sdn Bhd(1) | Property development | Director | 21 July 2005 | - | - | (3)100.0 |
| Srijang Indah Sdn Bhd(1) | Property management, property investment and investment holding | Director | 30 June 2005 | - | - | (3)100.0 |
| Srijang Kemajuan Sdn Bhd(1) | Property development | Director | 30 June 2005 | - | - | (3)99.9 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Stand Allied Corporation Sdn Bhd[1] | Property development | Director | 23 December 2003 | - | - | [3]100.0 |
| Sumber Lengkap Sdn Bhd[1] | Property development | Director | 1 September 2005 | - | - | [3]100.0 |
| Sunway MKH Marketing Sdn Bhd[2] | Wholesale of construction materials | Director | 3 February 2021 | - | - | [3]49.0 |
| Suria Villa Sdn Bhd[1] | Construction of buildings | Director | 8 August 2014 | - | - | [3]100.0 |
| Temara Pekeliling Sdn Bhd[1] | Property development | Director | 16 February 2016 | - | - | [3]84.0 |
| Vast Furniture Manufacturing (Kunshan) Co. Ltd | Furniture manufacturing | - | - | - | - | [3]100.0 |
| Vista Haruman Development Sdn Bhd[1] | Property development | Director | 17 April 2013 | - | - | [3]55.0 |
| **Past involvement** | | | | | | |
| Europixel Sdn Bhd | Property development | Director | 6 August 2019 | 2 September 2022 | - | - |
| Hexapace Sdn Bhd | Dormant, with its intended principal activity being IT, cybersecurity and related businesses | Director | 6 August 2019 | 2 September 2022 | - | - |
| Mercu Jasakita Sdn Bhd | Dormant, with its intended principal activity being activities of holding companies, real estate, as well as export and import of goods | Director | 6 August 2019 | 2 September 2022 | - | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| The Royal Selangor Golf Club | Golf courses | Director | 10 June 2017 | 18 June 2022 | - | - |

**Notes**:

(1) A subsidiary of MKH.

(2) An associate company of MKH.

(3) Deemed interested through shares held in MKH.

(4) Deemed interested through shares held in CCSR and AllianceGroup Nominees (Tempatan) Sdn Bhd.

(5) Deemed interested through shares held in CCSR.

### (c) Chen Wei Chyong

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Double Majestic Sdn Bhd | Investment holding of unlisted shares, with the business activity of the company in property investment | Director | 20 May 2014 | - | - | - |
| Green Crafters Sdn Bhd | Retail, export and import of vegetables and fruits | Director/ Shareholder | 6 September 2018 | - | 100.0 | - |
| Jasprima Sdn Bhd | Engaged in the business of property investment | Director | 12 January 2021 | - | - | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Lotus Way | Investment holding of properties and unlisted shares, with the business activity of the companies in investment holding/property investment | Director | 20 May 1997 | - | - | - |
| MKH Management Sdn Bhd[(1)] | Management, secretarial service and insurance agency | Director | 31 January 2013 | - | - | - |
| **Past involvement** | | | | | | |
| Nil | | | | | | |

**Note**:

(1) A subsidiary of MKH.

**(d) Yeo Kiat Seng**

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Garuda Jaya Sdn Bhd | Dealing in real estate, housing and land agents, brokers, commission agents | Director/ Shareholder | 11 April 2014 | - | 80.0 | - |
| Inai Sempurna Sdn Bhd | • Dealing in property<br>• Survey works | Director/ Shareholder | 3 February 1997 | - | 99.9 | - |
| J.M. Realty (Langkawi) Sdn Bhd | To carry on the business as general trading | Director/ Shareholder | 25 November 2016 | - | 12.25 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Jitu Konsult Sdn Bhd[2] | Land surveying, consultancy on land housing development | Director/ Shareholder | 21 June 2013 | - | 33.3 | - |
| Jitu Mapping Sdn Bhd | Land surveying services | Director/ Shareholder | 29 November 2021 | - | 30.0 | - |
| Jitu Mega Industries & Hardware Sdn Bhd | Manufacturing and trading of cement bricks and other building materials | Director/ Shareholder | 29 November 2012 | - | 25.0 | - |
| Jitu Rancang Sdn Bhd | Town planning works and its related activities | Director/ Shareholder | 3 December 2007 | - | 50.0 | - |
| Jitu Runding Sdn Bhd[2] | • Activities of holding companies<br>• Land surveying services<br>• Real estate activities with own or leased property | Director/ Shareholder | 18 October 2018 | - | 35.0 | - |
| JJR Resources Sdn Bhd | Land surveying, consultancy in land & housing development and investment properties | Director/ Shareholder | 28 August 2001 | - | 51.0 | - |
| Jurukur Jitu Runding (KL) Sdn Bhd | Land surveying, consultancy in land & housing development | Director/ Shareholder | 17 June 2004 | - | 50.0 | - |
| Jurukur Jitu Runding (Sel) Sdn Bhd | Land surveying services | Director/ Shareholder | 27 December 2021 | - | 50.0 | - |
| Lembah Inai Sdn Bhd | Business of property and agency | Director/ Shareholder | 3 February 1997 | - | 33.3 | - |

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Jurukur Jitu Runding[2] | Land surveying firm registered with the Land Surveyors Board which provides land surveying services | Sole proprietor | N/A[1] | - | - | - |

**Past involvement**

Nil

**Notes:**

(1) Not applicable as Jurukur Jitu Runding is a sole proprietorship. Jurukur Jitu Runding was registered on 17 July 2012.

(2) Jurukur Jitu Runding is a sole proprietorship owned by Yeo Kiat Seng whereas Jitu Konsult Sdn Bhd and Jitu Runding Sdn Bhd have common directors and shareholders namely Yeo Kiat Seng, Tan Say Kee and Teh Hock Heng.

**(e) Leong Sow Yoke**

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Bangkok Bank Berhad (a subsidiary of a company listed on the Stock Exchange of Thailand) | Banking and related financial services | Director | 9 June 2022 | - | - | - |
| LMH Biotech Sdn Bhd | Contract research organisation and contract manufacturer of pharmaceutical, biotechnology and medical device | Director/ Shareholder | 22 September 2021 | - | 10.0 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Past involvement** | | | | | | |
| Nil | | | | | | |

### (f) Ong Kim Pin

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Kulim Topplant Sdn Bhd | Tissue culture laboratory | Director | 1 January 2005 | - | - | - |
| **Past involvement** | | | | | | |
| Elaeis Food Products Sdn Bhd | Franchise restaurant | Director | 14 March 2012 | 15 May 2018 | - | - |
| Bounty Harvest Oil Palm Berhad | Dissolved on 7 December 2022 | Director | 15 December 2011 | 7 December 2022 | - | - |

### (g) Dr Hasuria Binti Che Omar

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Zill Resources Sdn Bhd | • Other food service activities<br>• Other business support service activities<br>• Transaction and interpretation activities | Director/ Shareholder | 18 August 2022 | - | 40.0 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Past involvement** | | | | | | |
| Nil | | | | | | |

As at LPD, the directorships of our Directors in other companies are in compliance with Paragraph 15.06 of the Listing Requirements as our Directors do not hold more than 5 directorships in public listed companies on Bursa Securities.

Save as disclosed in Section 11, the involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Further, the involvement of our Executive Directors in those business activities outside our Group does not preclude them from allocating or committing their time and effort to our Group as they are not actively involved in the management and day-to-day operations of these companies. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. Whereas, the involvement of our Non-Executive Directors in business activities outside our Group does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of our Group. Therefore, their involvement in these companies does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

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### 5.2.5 Directors remuneration and benefits

The remuneration of our Directors including fees, salaries, bonuses, allowances, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. The Director's fees and any benefits payable to Directors shall be subject to annual approval by our shareholders pursuant to an ordinary resolution passed at a general meeting in accordance with our Constitution. Please refer to Section 15.3 for further details.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2022 and 2023 are as follows:

| | Directors' fees | Salaries | Bonuses | Allowances | Other emolument | Benefits-in-kind | Total |
|---|---|---|---|---|---|---|---|
| | | | | RM'000 | | | |
| **FYE 2022 (Paid)** | | | | | | | |
| Tan Sri Alex Chen[1] | - | - | - | - | - | - | - |
| Tan Sri Eddy Chen[1] | - | - | - | - | - | - | - |
| Dato' Lee Khee Meng | - | 308 | 44 | 18 | 52 | 7 | 429 |
| Chen Wei Chyong[2] | - | - | - | - | - | - | - |
| Yeo Kiat Seng | 6 | - | - | 1 | - | - | [3]7 |
| Leong Sow Yoke | 15 | - | - | 1 | - | - | [4]16 |
| Ong Kim Pin | 6 | - | - | 1 | - | - | [3]7 |
| Tan Hoe Hing | 6 | - | - | 1 | - | - | [3]7 |
| Dr Hasuria Binti Che Omar | 6 | - | - | 1 | - | - | [3]7 |
| Yahya Bin Ariffin | 6 | - | - | 1 | - | - | [3]7 |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

| | Directors' fees | Salaries | Bonuses | Allowances | Other emolument | Benefits-in-kind | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | | | | | | |
| **FYE 2023 (Proposed)** | | | | | | | |
| Tan Sri Alex Chen[1] | [5]180 | - | - | - | - | - | 180 |
| Tan Sri Eddy Chen[1] | [5]150 | - | - | - | - | - | 150 |
| Dato' Lee Khee Meng | - | 326 | [6]111 | 18 | 60 | 25 | 540 |
| Chen Wei Chyong[2] | - | 303 | [6]45 | 6 | 43 | 31 | 428 |
| Yeo Kiat Seng | 40 | - | - | 7 | - | - | 47 |
| Leong Sow Yoke | 40 | - | - | 16 | - | - | 56 |
| Ong Kim Pin | 40 | - | - | 18 | - | - | 58 |
| Tan Hoe Hing | 40 | - | - | 13 | - | - | 53 |
| Dr Hasuria Binti Che Omar | 40 | - | - | 8 | - | - | 48 |
| Yahya Bin Ariffin | 40 | - | - | 12 | - | - | 52 |

**Notes:**

(1) As at LPD, the remuneration and benefits to the common Directors of MKH and our Group, namely Tan Sri Alex Chen and Tan Sri Eddy Chen in relation to their services rendered to our Group are made solely by way of management fees charged by MKH Resources, a subsidiary of MKH, to our Company. The management fees are computed based on a proportion of their remuneration and benefits in MKH. In view that Tan Sri Alex Chen and Tan Sri Eddy Chen have been re-designated as our Non-Independent Non-Executive Directors in March 2023, the aforementioned arrangement shall be terminated by 31 March 2023. The remuneration and benefits for Tan Sri Alex Chen and Tan Sri Eddy Chen which have been paid for FYE 2022 (i.e. from October 2021 to September 2022) and FYE 2023 (i.e. from October 2022 to March 2023) pursuant to the aforementioned arrangement is illustrated as follows:

| | Salaries | Bonuses | Other emolument | Total |
|---|---|---|---|---|
| | RM'000 | | | |
| **FYE 2022** | | | | |
| Tan Sri Alex Chen | 1,205 | 1,506 | 526 | 3,237 |
| Tan Sri Eddy Chen | 995 | 1,078 | 407 | 2,480 |
| **FYE 2023** | | | | |
| Tan Sri Alex Chen | 576 | 1,439 | 383 | 2,398 |
| Tan Sri Eddy Chen | 475 | 1,030 | 286 | 1,791 |

Bonuses paid to Tan Sri Alex Chen and Tan Sri Eddy Chen for FYE 2022 and FYE 2023 are determined based on their performance as well as our Group's performance for the FYE 2021 and FYE 2022, respectively.

(2) For FYE 2022, the payroll of Chen Wei Chyong was under Intelek Kekal (M) Sdn Bhd, a subsidiary of MKH, as she was the Assistant General Manager – Human Resources and Administration in MKH which she oversaw the Human Resources and Administration Department of MKH Group. In March 2023, she resigned from her position in MKH to focus on her role as our Executive Director. Thereafter, her payroll was transferred to our Group in April 2023.

(3) Pro-rated based on their respective appointment dates as our Directors on 11 August 2022 up to 30 September 2022.

(4) Pro-rated based on their respective appointment dates as our Directors on 20 May 2022 up to 30 September 2022.

(5) Fees proposed to be paid to our Non-Independent Non-Executive Directors, namely Tan Sri Alex Chen and Tan Sri Eddy Chen for FYE 2023 (i.e. from April 2023 to September 2023), which have been reviewed and recommended by our Remuneration Committee.

(6) Bonuses paid which are determined based on the individual's performance as well as our Group's performance for the FYE 2022.

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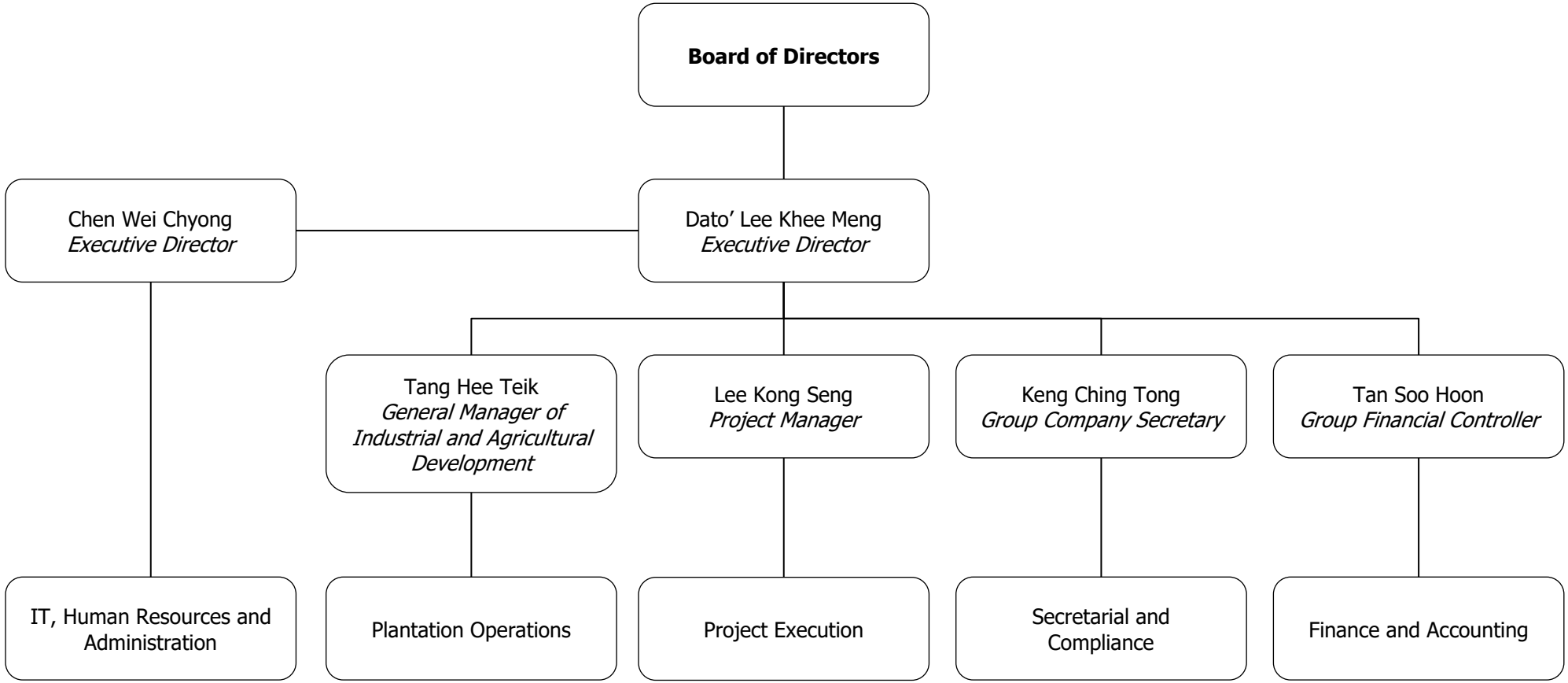
## 5.3 KEY SENIOR MANAGEMENT

### 5.3.1 Management structure

The management reporting structure of our Group is as follows:



### 5.3.2 Key senior management shareholdings

Save for the shareholdings of our Executive Directors as set out in Section 5.2.1, none of our key senior management has any Shares before and after our IPO.

Further, none of our key senior management represents any corporate shareholder on our Board.

### 5.3.3 Profiles of key senior management

Save for the profiles of our Executive Directors which are set out in Section 5.2, the profiles of the other key senior management of our Group are as follows:

#### (a) Tang Hee Teik

Tang Hee Teik, a Malaysian male aged 49, is our General Manager of Industrial and Agricultural Development. He is primarily responsible for overseeing and monitoring operation works in the plantation and palm oil mill. He also coordinates inter-department support for sales and marketing activities.

He graduated with a Bachelor of Engineering (Agriculture) from Universiti Putra Malaysia in 1999. After working for few years in food industries, he obtained his Professional Engineer qualification in Agricultural branch registered with the Board of Engineers Malaysia (BEM) from 2005 to 2011. He was also a Member of The Institution of Engineers Malaysia (IEM) from 2006 to 2011; but discontinued his professional memberships from the BEM and IEM since 2012 due to his posting as Project Manager to setup the palm oil mill and jetty in our plantation in Indonesia.

In 1998, he began his career as Production Engineer in Syarikat Thong Guan Trading Sdn Bhd (a subsidiary of Thong Guan Industries Berhad, a company listed on Main Market) where he was responsible for ensuring operation safety standards on production floor. He left Syarikat Thong Guan Trading Sdn Bhd in 2001 and took a short career break to study Good Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP) in food production. Subsequently, in the same year, he joined Shuang Hor Enterprise Sdn Bhd as Products and Quality Control Assistant Manager where he was responsible for the setup of a new department tasked to import products for repacking.

In 2002, he left Shuang Hor Enterprise (M) Sdn Bhd and joined GAHC Sdn Bhd as an Assistant Factory Manager. He was later promoted to Factory Manager in 2005, and in both roles he was responsible for managing the manufacturing activities of the company. In 2007, he left GAHC Sdn Bhd and joined Cocoaland Industry Sdn Bhd, a subsidiary of Cocoaland Holdings Berhad (listed on Main Market) until November 2022 as Factory Manager, where his responsibility was extended to overseeing contract manufacturing activities and leading projects on enhancement of plant productivity. In 2008, he left Cocoaland Industry Sdn Bhd and joined PureCircle Sdn Bhd as Project Manager, where he was in charge of designing the process flow of the equipment for a new herbal extraction plant in China. Upon completion of the project, he left the company in 2009.

In 2009, he joined Gerak Teguh Sdn Bhd, a wholly-owned subsidiary of MKH, as Project Manager of Agriculture where he was responsible in leading agricultural research and strategy development, and he was a part of the pioneer team involved in the establishment of our Company. In 2010, he was transferred to Intelek Kekal (M) Sdn Bhd, a wholly-owned subsidiary of MKH and was promoted to Assistant General Manager of Industrial and Agricultural Development in 2014, where he was responsible for assisting in overseeing overall plantation activities. In 2017, he was transferred to MKH Resources to streamline the payroll administration. He was subsequently promoted to General Manager of Industrial and Agricultural Development in January 2021 where he was responsible for managing the operations of our plantation estates and palm oil mill. He was transferred to our Company commencing April 2021 pursuant to an internal restructuring, assuming the position he presently holds.

Kindly refer to Section 5.3.4(a) for his involvement in other business activities outside our Group.

**(b) Tan Soo Hoon**

Tan Soo Hoon, a Malaysian female aged 46, is our Group Financial Controller and is responsible for preparing financial and management reports, yearly budgets and forecasts, and business plans of our Group.

She graduated with a Bachelor of Accounting from Universiti Malaya in 2001. She has been a member of the MIA and the Malaysian Institute of Certified Public Accountants since 2004 and 2006 respectively.

She started her career in 2001 in KPMG PLT as an Audit Assistant, where she assisted in financial audit engagements for clients. She was promoted to Senior Auditor in 2004, where she led audit engagements and provided guidance to associates, as well as being involved in reviewing profit and cash flow forecast and projections as well as preparing accountant's reports for clients' corporate exercises. In 2005, she left KPMG PLT to join Standard Chartered Bank Malaysia Berhad as Management Information System Reporting Officer. She was promoted to Management Information System Analytics Finance Manager in 2006 where she was responsible for carrying out data analysis and loan impairment analysis under the Credit Department, as well as monitoring the department's expenses.

In 2007, she left Standard Chartered Bank Malaysia Bhd and joined LB Aluminium Berhad (listed on Main Market) as an Accountant where she was responsible for overseeing the accounts and costing team, preparing the company's budgets and financial reporting. In 2010, she left LB Aluminium Berhad and joined Panasonic R&D Centre Malaysia Sdn Bhd as Finance Assistant Manager, where she was assisted in managing the accounting, procurement and planning team.

In 2013, she left Panasonic R&D Centre Malaysia Sdn Bhd and joined MKH Resources, a wholly-owned subsidiary of MKH, as Group Accountant, where she was responsible for preparing financial statements and consolidation of audit reports, including those of MKHOP. In 2021, she was transferred to our Company pursuant to an internal restructuring and was re-designated as the Financial Controller of our Company. In 2022, she was promoted to Group Financial Controller, a position she presently holds.

Presently, she does not hold any directorships in any private and public limited companies.

**(c) Keng Ching Tong**

Keng Ching Tong, a Malaysian male aged 42, is our Group Company Secretary and is responsible for our Group's corporate and compliance matters including preparing and reviewing secretarial matters.

He graduated with a Diploma in Business Studies in Business Administration from Kolej Tunku Abdul Rahman (now known as Kolej Universiti Tunku Abdul Rahman) in 2002. In 2004, he completed his Advanced Diploma in Commerce in Business Management from Kolej Tunku Abdul Rahman. In 2005, he was admitted to Graduateship of The Institute of Chartered Secretaries and Administrators. In 2007, he was elected as an Associate with the designation of "Chartered Secretary and Chartered Governance Professional" by the Chartered Governance Institute.

In 2004, he began his career in Cheng & Co Secretarial Sdn Bhd as Secretarial Assistant where he was responsible for maintaining statutory records of the directors' and members' circular resolutions as well as formation of new companies. In 2005, he left Cheng & Co Secretarial Sdn Bhd and joined Multi Task Business Consultants Sdn Bhd as Secretarial Assistant. He was promoted to Senior Secretarial Assistant in January 2008 where he was responsible for advising clients on secretarial matters and statutory compliances, until he left the company in April 2008. Subsequently, in May 2008, he joined Symphony Corporatehouse Sdn Bhd as Senior Executive for a short stint until December 2008, where he was responsible for managing corporate secretarial matters for multiple private and public listed companies to ensure compliance with the relevant listing requirements and company acts.

In 2009, he joined Strategy Corporate Secretariat Sdn Bhd as Senior Executive, where he was responsible for managing corporate secretarial matters for multiple private and public listed companies and reviewing listing documents to ensure they are in compliant with the relevant rules and regulations including the listing requirements and the Acts.

He left Strategy Corporate Secretariat Sdn Bhd as Assistant Manager in 2010 and joined MKH as Assistant Manager of Secretarial where he assisted in managing the secretarial matters of MKH Group, including those of MKHOP. In 2011, he was transferred to MKH Resources to streamline the payroll administration. In 2013, he was promoted to Manager of Secretarial and subsequently promoted to Senior Manager of Secretarial in 2017. He was involved in managing the secretarial as well as corporate and compliance matters of MKH Group, including those of MKHOP. In 2021, he was transferred to our Company pursuant to an internal restructuring and assumed the position he presently holds since 2022.

Kindly refer to Section 5.3.4(b) for his involvement in other business activities outside our Group.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

### (d) Lee Kong Seng

Lee Kong Seng, a Malaysian male aged 47, is our Project Manager. He is responsible for conducting feasibility studies for new projects, liaising with consultants and contractors during project execution, and managing overall project budgets and delivery times.

He graduated with a Diploma of Electrical/Electronic Engineering from Institut Teknologi Pertama Malaysia in 1996.

He has over 26 years of experience in the engineering, procurement, construction and commissioning ("**EPCC**") of palm oil milling projects for numerous large palm oil companies in Malaysia, Indonesia, the Philippines and Thailand. He began his career in 1997 as Project Executive in Besteel Berhad where he was involved in palm oil mill construction projects in Sabah and Sarawak, covering areas related to civil, structural, mechanical and electrical works. He left Besteel Berhad in 1999 and joined Salcon Engineering Berhad in 2000 as Project Engineer where he was responsible for the execution of palm oil mill construction projects in Malaysia and Indonesia, as well as ensuring timely completion and compliance with the design and technical specifications.

In 2003, he left Salcon Engineering Berhad and re-joined Besteel Berhad as Project Engineer where he was responsible for managing EPCC projects for palm oil mills based in Malaysia and Indonesia. In 2008, he left Besteel Berhad and joined Kraftmec Sdn Bhd as Project Manager where he was responsible for EPCC projects for palm oil mills based in Indonesia and Thailand. In 2010, he left Kraftmec Sdn Bhd and joined Perunding HMT Sdn Bhd as Project Manager where he was responsible for the preparation of tender documents and drawings of palm oil mill construction projects which includes attending site meetings with clients, liaising with contractors and suppliers to ensure compliance with contract specifications for projects based in Malaysia, Philippines and Indonesia.

He left Perunding HMT Sdn Bhd and joined MKH Resources as Project Manager in January 2021 where he was involved in coordinating the execution of projects undertaken by MKHOP. He was then transferred to our Company in April 2021 pursuant to an internal restructuring, assuming the position he presently holds.

Presently, he does not hold any directorships in any private and public limited companies.

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### 5.3.4 Principal business performed outside our Group

Save as disclosed in Section 5.2.3 and below, none of our key senior management are involved in any other principal business activities outside our Group as at LPD. The following table sets out the principal directorships of our key senior management outside our Group and the principal business activities performed by our key senior management outside our Group as at LPD and those other principal directorships of our key senior management outside our Group that where held within the past 5 years preceding LPD:

**(a) Tang Hee Teik**

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| PT Nusantara Makmur Jaya | Dormant with intended activity of exporting plantation and agricultural products | President Director | 29 October 2021 | - | - | - |
| **Past involvement** | | | | | | |
| Nil | | | | | | |

**(b) Keng Ching Tong**

| Company | Principal activities | Position held | Date of appointment | Date of resignation/ cessation | % of shareholdings held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Present involvement** | | | | | | |
| Nil | | | | | | |
| **Past involvement** | | | | | | |
| MKH Property Ventures Sdn Bhd | Property development | Director | 10 January 2018 | 12 January 2018 | - | - |

### 5.3.5 Key senior management remuneration and benefits

The remuneration of our key senior management including salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

The aggregate remuneration and material benefits-in-kind (in bands of RM50,000) paid and proposed to be paid to our key senior management (save for our Directors which are disclosed in Section 5.2.5) for services rendered in all capacities to our Group for FYE 2022 and FYE 2023 are as follows:

| | **[(1)]Remuneration band** | |
|---|---|---|
| | **FYE 2022 (Paid)** | **FYE 2023 (Proposed)** |
| | **RM'000** | |
| Tang Hee Teik | 300 – 350 | 350 – 400 |
| Tan Soo Hoon | 200 – 250 | 250 – 300 |
| Keng Ching Tong | 150 – 200 | 150 – 200 |
| Lee Kong Seng | 150 – 200 | 150 – 200 |

**Note:**

(1) The remuneration for key senior management includes salaries, bonuses, allowances and other emoluments.

## 5.4 BOARD PRACTICE

### 5.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

(a) set corporate values and promote good corporate governance culture within our Company and our Group, which reinforces ethical, prudent and professional behaviour to ensure our obligations to shareholders and stakeholders are met;

(b) review and approve management's proposals for our Group on matters including but not limited to the overall corporate strategy, business plan, annual budgets and regulatory plan, and monitor its implementation by management;

(c) review and approve and oversee the implementation of strategic initiatives and business plans of our Group's business that support sustainability and long term value creation and includes strategies on economic, environmental and social and governance considerations underpinning sustainability;

(d) evaluate, modify (if deemed necessary) and approve modifications to the approved business plans and annual budgets (including capital expenditure budget) based on a fair evaluation and robust discussion of the underlying assumptions;

(e) formulate, review, approve and ensure compliance of all major policies of our Group;

(f) ensure that all members of our Board and the management have the necessary skills and experience, and there are measures in place to provide for the orderly succession of our Board members and senior management of our Group;

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(g) identify principal business risks faced by our Group and ensure the implementation of an appropriate internal controls and risk management framework to mitigate and address such risks;

(h) set the risk appetite within which our Board expects management to operate, and ensure that there is an appropriate risk management framework and internal controls to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

(i) establish the appropriate Board sub-committees where required, and be responsible for all decisions made by the sub-committees;

(j) review the adequacy and integrity of our Group's financial and non-financial reporting, internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

(k) review and approve the financial statements encompassing annual audited accounts, dividend policy, credit facilities from financial institutions and guarantees;

(l) approve the appointment of all external advisers and their related advisory fees subject to the approved authorised limits; and

(m) carry out or perform such other functions as deemed necessary in the discharge of its fiduciary duties under the relevant laws, rules and regulations.

In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting ("**AGM**"). At the first AGM of our Company, all our Directors shall retire from office, and at the AGM in every subsequent year, one-third of our Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election. This is provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

As at LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:

| Name | Date of appointment as Director | Date of expiration of the current term in office | Tenure up to LPD |
|---|---|---|---|
| Tan Sri Alex Chen | 19 November 2004 | Subject to retirement by rotation at the 19th AGM in 2024 | 18 years and 3 months |
| Tan Sri Eddy Chen | 19 November 2004 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 18 years and 3 months |
| Dato' Lee Khee Meng | 30 July 2021 | Subject to retirement by rotation at the 19th AGM in 2024 | 1 year and 7 months |
| Chen Wei Chyong | 30 July 2021 | Subject to retirement by rotation at the 19th AGM in 2024 | 1 year and 7 months |
| Yeo Kiat Seng | 11 August 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 6 months |
| Leong Sow Yoke | 20 May 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 8 months |
| Ong Kim Pin | 11 August 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 6 months |
| Tan Hoe Hing | 11 August 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 6 months |
| Dr Hasuria Binti Che Omar | 11 August 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 6 months |
| Yahya Bin Ariffin | 11 August 2022 | 3 March 2023 (retirement by rotation at the 18th AGM in 2023) | 6 months |

The members of our Board are set out in Section 5.2.

Our Directors who are deemed as Independent Directors, as defined in the Listing Requirements, shall be subject to re-appointment in the manner described above. Our Group has adopted all the practices recommended by the MCCG.

### 5.4.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established by our Board on 27 September 2022. The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility on the oversight of the integrity of our Group's accounting and financial reporting matters. Our Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

**(a) Risk Management**

(i) Develop and inculcate a risk awareness culture within our Group;

(ii) Provide input to management regarding our Group's risk appetite and risk tolerance;

(iii) Provide in-depth governance of risks for our Group;

(iv) Review and robustly assess the design, completeness and effectiveness of the risk management framework relative to our Group's activities to ensure key risks are systematically identified, monitored and controlled;

(v) Oversee the key guidelines and policies governing our Group's significant processes for risk assessment and risk management;

(vi) Report to our Board regarding our Group's risk exposures, including review risk assessment model used to monitor the risk exposures and management's views on the acceptable and appropriate level of risks faced by our Group's business units;

(vii) Monitor and ensure the timeliness of and reports on the effectiveness of corrective action taken;

(viii) Ensure resources and systems are in place for the risk management function; and

(ix) Review the implementation and adequacy of our Group's business continuity plan.

**(b) Internal Controls**

(i) Evaluate the overall adequacy and effectiveness of the system of internal control including IT controls to prevent data breaches and cybersecurity threats, our Group's financial, audit and accounting organisations and personnel and our Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and other consultants, where required and discussions with management;

(ii) Provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of our Group's businesses towards achievement of sustainability goals across our Group;

(iii) Review the annual statement on risk management and internal control and sustainability reporting to be published in our Company's annual report; and

(iv) Review the whistle-blowing policy and the outcome of any defalcation cases investigated.

**(c) Internal Audit**

(i) Mandate the internal audit department or internal audit service providers to report directly to our Audit and Risk Management Committee;

(ii) Review the adequacy of the scope, functions, competency and resources of the internal audit and compliance functions, and that each function has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;

(iii) Review internal audit reports, discuss major findings and deficiencies in internal controls and ensure that appropriate and prompt remedial action is taken by the management on lapses in internal controls or procedures that are identified by internal audit;

(iv) Review the results of ad-hoc investigations performed by the internal auditors and the actions taken relating to those investigations (where applicable);

(v) Review the results of annual assessment performed on the internal audit function;

(vi) Review any difficulties encountered in the course of audit or compliance work, including any restrictions on the scope of activities or access to required information;

(vii) Review and challenge the internal audit charter, internal audit annual budget, audit and compliance plans and audit methodology, to the extent applicable and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;

(viii) Approve the internal audit charter, when applicable, which defines the purpose, authority, scope and responsibilities of the internal audit function within our Group;

(ix) Approve any appointment or termination of internal audit service provider or senior staff members of the internal audit function, namely our Head of Internal Auditor and his/her deputy, if any;

(x) Review the appraisal or assessment of performance of the Head of Internal Auditor and his/her deputy, if applicable;

(xi) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

(xii) Direct any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and management's response; and

(xiii) Review our Audit and Risk Management Committee report to be published in our Company's annual report.

**(d) External Audit**

(i) Consider and make recommendations to our Board in relation to the nomination and re-appointment of the external auditors, audit fees, resignation or dismissal of the external auditors, by reviewing the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;

(ii) Monitor the effectiveness of the external auditors' performance and their independence and objectivity;

(iii) Discuss with the external auditors before the audit commences, the nature and scope of the audit, the audit plan, and ensure co-ordination where more than one audit firm is involved;

(iv) Review major findings raised by the external auditors including the external auditors' management letter and management's responses, including the status of the previous audit recommendations;

(v) Discuss audit findings arising from the interim and final audits, and any matter the external auditors may wish to discuss (in absence of management or executive directors, at least twice a year or where necessary);

(vi) Provide a direct line of communication between our Board and the external auditors;

(vii) Review the extent of assistance and co-operation extended by our Group's employees to the external auditors, including any difficulties or disputes with management encountered during the audit;

(viii) Review and monitor the provision of non-audit services by the external auditors; and

(ix) Responsible for requiring our Company's external auditors to submit on a periodic basis to our Audit and Risk Management Committee a formal written statement delineating all relationships between the external auditors and our Company, consistent with International Standard on Auditing (ISA) 260, "Communication with Those Charged with Governance" modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are and have been, independent throughout the conduct of the audit engagement.

**(e) Compliance**

(i) The adequacy of the processes and systems in place across our Company or Group to ensure compliance with all laws, regulations and rules established by all relevant regulatory bodies;

(ii) Review all findings arising from any examinations by regulatory authorities;

(iii) Obtain updates from our management and our legal counsel regarding regulatory compliance matters;

(iv) Review and consider any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(v) Review the annual internal and external audit reports on matters relating to compliance;

(vi) Assess the performance of our Heads of Departments on annual basis; and

(vii) Consider any material breaches or exposure to breaches of regulatory requirements, including our Group's anti-bribery and corruption policy.

**(f) Related party transactions and conflict of interest**

(i) Review any related party transactions and conflict of interest situations and where appropriate, make recommendations to our Board for approval that such transactions are at arm's length and are in the best interest of our Group, including any transaction, procedure or course of conduct that raises questions of management integrity; and

(ii) Review the process used to procure our shareholders' mandate for recurrent related party transactions.

**(g) Whistleblowing**

(i) Our Audit and Risk Management Committee shall exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures for our Group; and

(ii) Our Audit and Risk Management Committee shall report to our Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of our Board.

**(h) Other responsibilities**

(i) Review and assess the adequacy of the terms of reference (where necessary), with the assistance of management, the external auditors and legal counsel; and

(ii) Perform any other duties as may be mutually agreed by our Audit and Risk Management Committee and our Board from time to time.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board.

The members of our Audit and Risk Management Committee as at LPD are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Leong Sow Yoke | Chairperson | Independent Non-Executive Director |
| Ong Kim Pin | Member | Independent Non-Executive Director |
| Yahya Bin Ariffin | Member | Independent Non-Executive Director |
| Tan Hoe Hing | Member | Independent Non-Executive Director |

Our Nominating Committee will review the composition, performance and effectiveness of our Audit and Risk Management Committee annually.

### 5.4.3 Nominating Committee

Our Nominating Committee was established by our Board on 27 September 2022. The duties and responsibilities as stated in the terms of reference of our Nominating Committee include the following:

(a) identify, evaluate and recommend new candidates to our Board and any Board committee of our Group based on recommendations from existing Directors, management or major shareholders and other independent sources. In making its recommendation, our Nominating Committee shall refer the fit and proper policy and consider the candidates': -

(i) age, gender, cultural background, track record, skills, knowledge, expertise and experience;

(ii) professionalism, integrity, contribution, performance and time commitment;

(iii) in the case of candidates for the position of Independent Non-Executive Directors, the candidate's independence and ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors; and

(iv) other commitment and time available to contribute inputs to our Board.

(b) review on a periodic basis, the appropriate size, a balanced composition with a diverse mix of skills, knowledge, qualifications, experience, age, cultural background and gender diversity of our Board in order to ensure its effectiveness in discharging its duties, and having regard to the MCCG;

(c) assess on a periodic basis the independence of independent directors and that the Directors and officers of our Group meet the identified independence criteria and are not disqualified under the relevant regulations;

(d) review and recommend the continuation in office of independent director(s) who has/have served a cumulative term of nine years as an independent director at our AGM;

(e) establish and recommend for our Board's approval, a mechanism for the formal assessment of the performance of our Board as a whole, our Board committees, individual Directors, and each member of our Board committees;

(f) identify, evaluate and recommend or approve, as the case may be, the appointment of key management of our Group;

(g) review succession planning and senior management development, including nominations to our Board, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace;

(h) recommend to our Board suitable induction and training programs to ensure our Directors and Board committee members keep abreast with latest developments and for the closure of skill gaps;

(i) review and recommend Directors of our Group who are retiring by rotation to be put forward for re-election taking into consideration of their performance and ability to contribute to the Board of our Group in terms of knowledge, skills, experience and fit and proper criteria;

(j) ensure that a statement on the activities of the Nominating Committee in the discharge of its nomination duties for the financial year is included in our Company's annual report; and

(k) carry out such other responsibilities as may be delegated by our Board from time to time and such other matters as the Nominating Committee considers appropriate.

The recommendations of our Nominating Committee are subject to the approval of our Board.

The members of our Nominating Committee as at LPD are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Dr Hasuria Binti Che Omar | Chairperson | Independent Non-Executive Director |
| Tan Hoe Hing | Member | Independent Non-Executive Director |
| Yeo Kiat Seng | Member | Non-Independent Non-Executive Director |

### 5.4.4 Remuneration Committee

Our Remuneration Committee was established by our Board on 27 September 2022. The duties and responsibilities as stated in the terms of reference of our Remuneration Committee include the following:

(a) assist our Board in determining the policy and structure for the compensation of Non-Executive Directors and remuneration of the Executive Directors and key management of our Group against each individual's responsibility and seniority;

(b) review and approve annual salary increments and bonuses of Executive Directors and Senior Executives of our Group based on each individual Director's and Senior Executives individual performance and Company's operating results;

(c) recommend to our Board the remuneration of our Executive Directors in all its forms, comparable within the industry and with comparable companies and drawing from outside advice as necessary;

(d) in the case of Non-Executive Directors, the determination of their remuneration is a matter for our Board as a whole and the level of remuneration reflects the experience and level of responsibility undertaken by the particular Non-Executive Director concerned;

(e) ensure that the levels of remuneration for Executive Directors are structured according to the skills, experience and performance of the Executive Directors in order to attract, retain and motivate the Executive Directors to run our Group in ways that enhance our Group's long-term profitability and value;

(f) recommend the appointment and promotion of senior executives within our Group, determine their salaries and recommend salary increments and bonuses; and

(g) assist our Board in making disclosures concerning the activities of the Remuneration Committee in the discharge of its duties for the financial year, to be included in our Company's annual report.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at LPD are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Tan Hoe Hing | Chairperson | Independent Non-Executive Director |
| Dr Hasuria Binti Che Omar | Member | Independent Non-Executive Director |
| Yahya Bin Ariffin | Member | Independent Non-Executive Director |

## 5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

Save as disclosed below, there are no associations and family relationships between our Promoters, Directors, substantial shareholders and key senior management as at LPD:

(a) Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah are brothers;

(b) Tan Sri Alex Chen and Chen Wei Chyong are father and daughter;

(c) Tan Sri Eddy Chen and Datuk Chen Fook Wah are uncles of Chen Wei Chyong;

(d) Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah are the Executive Directors and substantial shareholders of MKH;

(e) Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah are the directors and substantial shareholders of CCSR;

(f) Metro Kajang (Oversea) is a wholly-owned subsidiary of MKH;

(g) MKH Plantation is a wholly-owned subsidiary of MKH; and

(h) Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah are the directors of Metro Kajang (Oversea).

## 5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at LPD, there are no existing or proposed service agreements entered into between our Company with any Directors; or between any companies within our Group with any key senior management.

## 5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following (whether in or outside Malaysia):

(a) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which he/she was a Director or a member of key senior management;

(b) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(d) in the last 10 years, any judgment that was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;

(e) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;

(f) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;

(g) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(h) has any unsatisfied judgment against such person.

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## 6. INFORMATION ON OUR GROUP

### 6.1 INFORMATION ON MKHOP

Our Company was incorporated in Malaysia under the Companies Act 1965 on 10 August 2004 as a private company limited by shares under the name of Detik Merdu Sdn Bhd and is deemed registered under the Act. On 7 January 2021, we changed our name to MKH Global Plantation Sdn Bhd. Subsequently, on 1 October 2021, we further changed our name to MKH Oil Palm (East Kalimantan) Sdn Bhd. On 11 August 2022, our Company was converted into a public company limited by shares and assumed our present name.

Our Company's principal activities are investment holding and management services. Through our subsidiaries, we are principally involved in the cultivation of oil palm and production and sale of CPO and PK. The principal activities of our subsidiaries are set out in Section 6.4.

There has been no material change in the manner in which we conduct our business or activities since our incorporation and up to LPD. Please refer to Section 7.1 for detailed information of our Group's history.

As at LPD, our issued share capital is RM[●] million comprising 803,590,845 Shares. The movements in our share capital since the date of our incorporation are set out below:

**(a) Ordinary shares**

| Date of allotment | No. of Shares allotted | Consideration/ Type of issue | Cumulative share capital | |
|---|---|---|---|---|
| | | | RM | No. of Shares |
| 10 August 2004 | 2 | RM2/ Subscriber's shares | 2 | 2 |
| 16 August 2006 | 99,998 | RM99,998/ Cash | 100,000 | 100,000 |
| 28 September 2018 | 26,561,050 | RM26,561,050/ Otherwise than cash | 26,661,050 | 26,661,050 |
| 28 September 2018 | 38,950 | RM38,950/ Cash | 26,700,000 | 26,700,000 |
| 23 September 2019 | 4,685 | RM4,685/ Cash | 26,704,685 | 26,704,685 |
| 23 September 2019 | 35,963,315 | RM35,963,315/ Otherwise than cash | 62,668,000 | 62,668,000 |
| 30 June 2021 | 47,800,000 | Nil/ Redemption and conversion of 478,000 RCPS by way of a fresh issue | 110,468,000 | 110,468,000 |
| [●] | 552,340,000 | Nil/ Share Split | 110,468,000 | 662,808,000 |
| [●] | 44,227,859 | RM53,515,709/ Allotment of shares pursuant to the Acquisition of PT MKH | 163,983,709 | 707,035,859 |
| [●] | 23,028,035 | RM27,863,922/ Allotment of shares pursuant to the Acquisition of PT SPS | 191,847,631 | 730,063,894 |
| [●] | 52,463,315 | RM[●]/ Allotment of shares pursuant to the Capitalisation(1) | [●] | 782,527,209 |
| [●] | 21,063,636 | RM[●]/ Allotment of shares pursuant to the Capitalisation(2) | [●] | 803,590,845 |

**Notes:**

(1) The Shares were allotted by way of capitalising the entire amount owing by our Company to Metro Kajang (Oversea) of RM[●] pursuant to the Capitalisation. Please refer to Section 6.2(d) for further details of the Capitalisation.

(2) The Shares were allotted by way of capitalising RM[●], being part of the amount owing by our Company to MKH Plantation of RM55,487,000 pursuant to the Capitalisation. Please refer to Section 6.2(d) for further details of the Capitalisation.

**(b) RCPS**

| Date of allotment | No. of RCPS allotted/ (redeemed) | Consideration/ Type of issue | Cumulative share capital |
|---|---|---|---|
| | | | RM |
| 27 May 2011 | 420,000 | RM42,000,000/ Cash | 42,000,000 |
| 1 July 2013 | 58,000 | RM5,800,000/ Cash | 47,800,000 |
| 30 June 2021 | (478,000) | Nil/ Redemption and conversion of RCPS | - |

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM[●] million comprising 1,023,590,845 Shares.

## 6.2 PRE-IPO REORGANISATION

In preparation for our Listing, we have undertaken the Pre-IPO Reorganisation comprising the Share Split, Acquisition of PT MKH, Acquisition of PT SPS and Capitalisation.

Details of the Pre-IPO Reorganisation undertaken by our Group are as follows:

### 6.2.1 Share Split

Our Company had on [●] undertaken a subdivision of every 1 existing MKHOP Share into 6 new MKHOP Shares.

Upon completion of the Share Split, the resultant number of MKHOP Shares in the issued share capital of our Company is as follows:

| | No. of MKHOP Shares | Issued share capital |
|---|---|---|
| | | RM |
| Existing | 110,468,000 | 110,468,000 |
| Issued under the Share Split | 552,340,000 | - |
| | **662,808,000** | **110,468,000** |

The Share Split had not resulted in any change to our Company's cumulative value of issued share capital.

### 6.2.2 Acquisition of PT MKH

On 29 March 2023, our Company entered into a conditional share sale agreement with Metro Kajang (Oversea) and PT Hikmat to acquire a total of 27,634 ordinary shares in PT MKH representing 5.7% equity interest for a total purchase consideration of RM53.5 million which was satisfied via the issuance of 44,227,859 new MKHOP Shares (after the Share Split) to the vendors at an issue price of RM1.21 each ("**PT MKH SSA**").

Details of the vendors and the number of MKHOP Shares issued to the vendors are set out below:

| | Shareholdings in PT MKH | | | |
|---|---|---|---|---|
| **Vendor of PT MKH** | **No. of shares acquired** | **% of share capital** | **Purchase consideration** | **No. of MKHOP Shares issued** |
| | | | **RM** | |
| Metro Kajang (Oversea) | 3,248 | 0.7 | 6,290,410 | 5,198,686 |
| PT Hikmat | 24,386 | 5.0 | 47,225,299 | 39,029,173 |
| | **27,634** | **5.7** | **53,515,709** | **44,227,859** |

The purchase consideration for the Acquisition of PT MKH of RM53.5 million was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration the revalued NA of PT MKH (as detailed below) as it more accurately represents the carrying value of PT MKH's plantation assets after taking into consideration their market value. The issue price of RM1.21 per MKHOP Share is based on the revalued NA per share of MKHOP after accounting for the aforementioned revaluation, with a discount of approximately 10.8%.

| | **RM** |
|---|---|
| Audited NA of PT MKH as at 30 September 2022 | 279,716,825 |
| Add: Net revaluation surplus[(1)] | 664,789,159 |
| **Revalued NA of PT MKH** | **944,505,984** |

**Note:**

(1) The net revaluation surplus was arrived at as follows:

| | **RM** |
|---|---|
| Market value of PT MKH's oil palm plantation, palm oil mill and CPO bulking station with jetty as at 21 December 2022 based on the valuation reports | 1,097,830,000 |
| Less: NBV of PT MKH's oil palm plantation, palm oil mill and CPO bulking station with jetty as at 30 September 2022 | 245,536,206 |
| Less: Deferred tax liabilities (at 22.0%) | 187,504,635 |
| **Net revaluation surplus** | **664,789,159** |

The Acquisition of PT MKH was completed on [●] and PT MKH became our wholly-owned subsidiary. Further, pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, PT MKH is required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT MKH, where its number of shareholders reduces below 2. As such, upon completion of the Acquisition of PT MKH and before the implementation of the IPO, MKHOP shall transfer 1 ordinary share it owns in PT MKH to the SPV. The SPV will remain as the shareholder of the 1 ordinary share in PT MKH to comply with Paragraph 1 of Article 7 the Indonesian Company Law.

### 6.2.3 Acquisition of PT SPS

On 29 March 2023, our Company entered into a conditional share sale agreement with MKH Plantation, Ivakijaya and PT Hikmat to acquire a total of 9,300 ordinary shares in PT SPS representing the entire equity interest for a total purchase consideration of RM27.9 million which was satisfied via the issuance of 23,028,035 new MKHOP Shares (after the Share Split) to the vendors at an issue price of RM1.21 each ("**PT SPS SSA**"). The issue price of RM1.21 per MKHOP Share was arrived at on the same basis as that of the Acquisition of PT MKH.

Details of the vendors and the number of MKHOP Shares issued to the vendors are set out below:

| | Shareholdings in PT SPS | | | |
|---|---|---|---|---|
| **Vendor of PT SPS** | **No. of shares acquired** | **% of share capital** | **Purchase consideration** | **No. of MKHOP Shares issued** |
| | | | **RM** | |
| MKH Plantation | 6,975 | 75.0 | 20,897,942 | 17,271,026 |
| Ivakijaya | 1,860 | 20.0 | 5,572,784 | 4,605,607 |
| PT Hikmat | 465 | 5.0 | 1,393,196 | 1,151,402 |
| | **9,300** | **100.0** | **27,863,922** | **23,028,035** |

The purchase consideration for the Acquisition of PT SPS of RM27.9 million was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration the revalued NA of PT SPS (as detailed below) as it more accurately represents the carrying value of PT SPS' plantation assets after taking into consideration their market value. The issue price of RM1.21 per MKHOP Share is based on the revalued NA per share of MKHOP after accounting for the aforementioned revaluation, with a discount of approximately 10.8%.

| | **RM** |
|---|---|
| Audited net liabilities of PT SPS as at 30 September 2022[(1)] | (9,668,871) |
| Add: Net revaluation surplus[(2)] | 37,532,793 |
| **Revalued NA of PT SPS** | **27,863,922** |

**Notes:**

(1) Notwithstanding the net liabilities position of PT SPS, our Board is of the view that the plantation assets of PT SPS, which are located adjacent to the plantation land owned by PT MKH, forms part of the entire plantation operations of our Group in East Kalimantan, Indonesia, and will continue to generate returns to our Group after our Listing.

(2) The net revaluation surplus was arrived at as follows:

| | RM |
|---|---|
| Market value of PT SPS' oil palm plantation as at 21 December 2022 based on the valuation report | 104,450,000 |
| Less: NBV of PT SPS' oil palm plantation as at 30 September 2022 | 56,331,034 |
| Less: Deferred tax liabilities (at 22.0%) | 10,586,173 |
| **Net revaluation surplus** | **37,532,793** |

The Acquisition of PT SPS was completed on [●] and PT SPS became a wholly-owned subsidiary of our Company. Further, pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, PT SPS is required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT SPS, where its number of shareholders reduces below 2. As such, upon completion of the Acquisition of PT SPS and before the implementation of the IPO, MKHOP shall transfer 1 ordinary share it owns in PT SPS to the SPV. The SPV will remain as the shareholder of the 1 ordinary share in PT SPS to comply with Paragraph 1 of Article 7 of the Indonesian Company Law.

### 6.2.4 Capitalisation

We have undertaken the Capitalisation whereby:

(a) PT MKH novated an amount owing to Metro Kajang (Oversea) of RM54,966,141 to our Company ("**PT MKH Debt Novation**");

(b) PT SPS novated an amount owing to MKH Plantation of RM55,487,000 to our Company ("**PT SPS Debt Novation**");

(c) Our Company capitalised the entire amount owing by our Company to Metro Kajang (Oversea) of RM[●] as at 30 September 2022;

(d) Our Company capitalised the entire amount owing by our Company to Metro Kajang (Oversea) pursuant to PT MKH Debt Novation, being RM[●] as at 30 September 2022; and

(e) Our Company capitalised RM[●], being part of the entire amount owing by our Company to MKH Plantation pursuant to PT SPS Debt Novation, i.e. RM55,487,000 as at 30 September 2022.

Details of the number of MKHOP Shares issued to Metro Kajang (Oversea) and MKH Plantation pursuant to the Capitalisation are set out below:

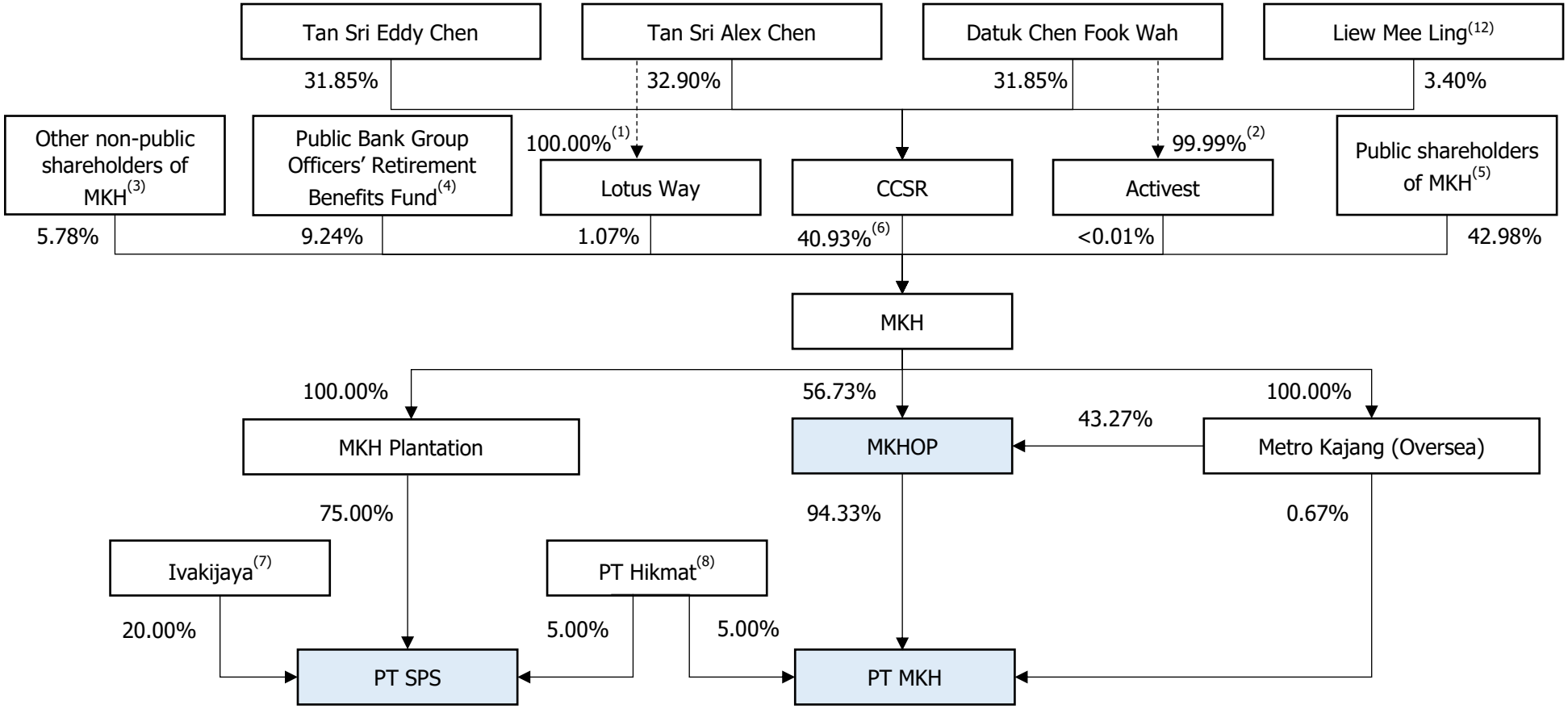
| | Amount owing as at 30 September 2022 | Amount capitalised | No. of MKHOP Shares issued | Balance amount owing |
|---|---|---|---|---|
| | RM | RM | | RM |
| Metro Kajang (Oversea) | 63,480,612 | [●] | 52,463,315 | [●] |
| MKH Plantation | 55,487,000 | [●] | 21,063,636 | [●] |
| | **118,967,612** | **[●]** | **73,526,951** | **[●]** |

The balance amount owing by our Company to MKH Plantation after the Capitalisation of RM[●] million will be repaid by our Company from the proceeds to be raised from our Public Issue as disclosed in Section 4.9.1(g).

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

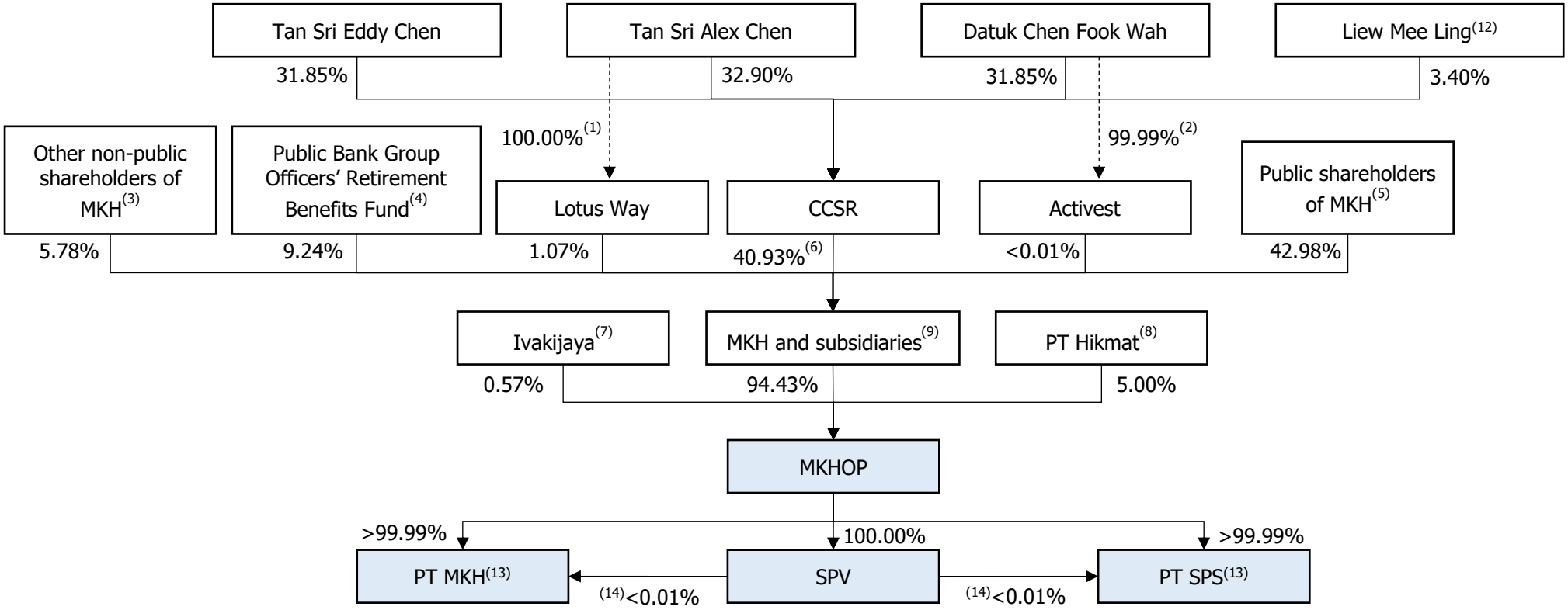
### 6.3 GROUP STRUCTURE

**Before the Pre-IPO Reorganisation**



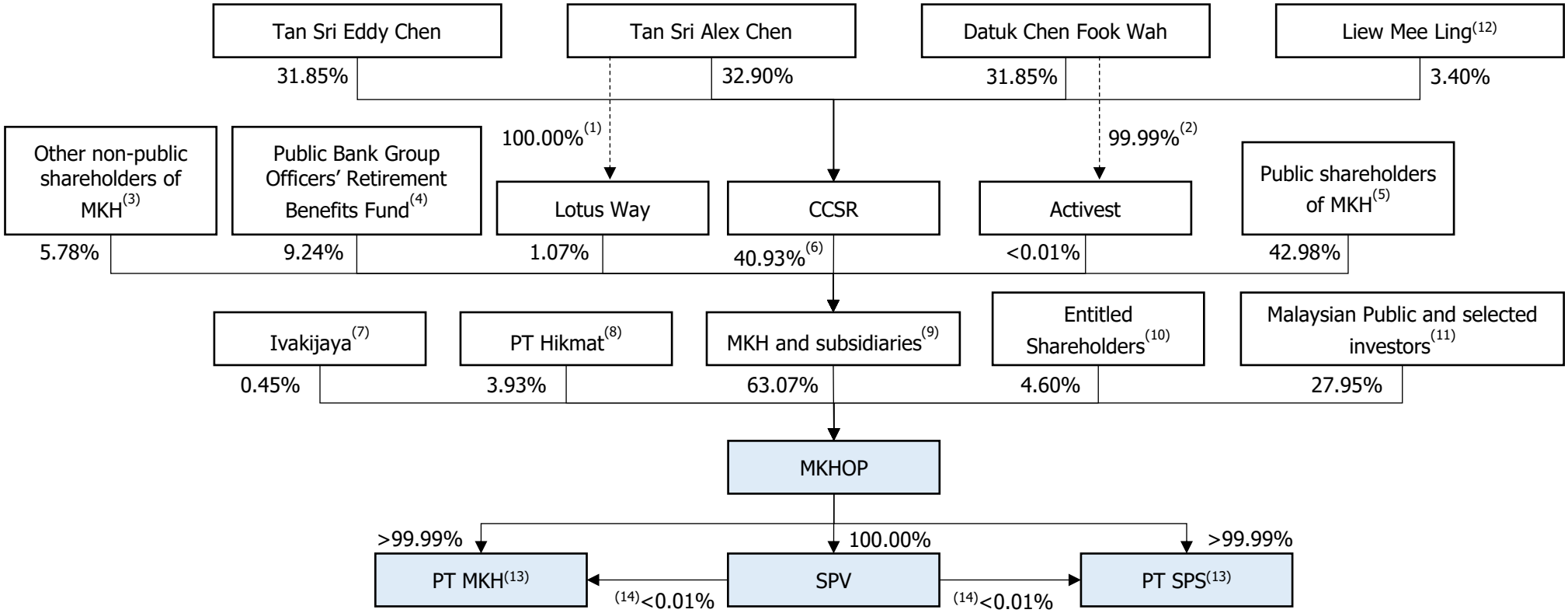
## 6. INFORMATION ON OUR GROUP *(Cont'd)*

**After the Pre-IPO Reorganisation but before the Distribution and our IPO**



## 6. INFORMATION ON OUR GROUP *(Cont'd)*

**After the Distribution and our IPO**



**Notes:**

(1) As at LPD, Lotus Way is wholly-owned by Tan Sri Dato' Alex Chen (L) Foundation and the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Tan Sri Dato' Alex Chen (L) Foundation.

(2) As at LPD, the ultimate beneficial owner of Activest is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest. The remaining equity interest (< 0.01%) in Activest is held by Chen Wei Sern, son of Datuk Chen Fook Wah.

(3) Other non-public shareholders of MKH collectively holding 5.78% equity interest in MKH which include the following:

(i) Tan Sri Alex Chen's direct equity interest in MKH (0.05%) and AllianceGroup Nominees (Tempatan) Sdn Bhd for Tan Sri Alex Chen (1.84%);

(ii) Tan Sri Eddy Chen's direct equity interest in MKH (1.84%) and AllianceGroup Nominees (Tempatan) Sdn Bhd for Liberty Alliance (M) Sdn Bhd (1.54%). The direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen;

(iii) Datuk Chen Fook Wah's direct equity interest in MKH (0.35%);

(iv) Direct equity interests in MKH of Directors of MKH's subsidiaries companies (0.16%); and

(v) Other shareholders holding less than 100 ordinary shares in MKH (<0.01%).

(4) Public Bank Group Officers' Retirement Benefits Fund holds 9.24% equity interest in MKH through its interests in Kenanga Nominees (Tempatan) Sdn Bhd (5.98%) and Public Investment Nominees (Tempatan) Sdn Bhd (3.26%). The ultimate beneficiaries of the fund are the eligible employees of the Public Bank Berhad group of companies.

(5) As at 28 February 2023, being the latest date of the Record of Depositors of MKH, MKH has 6,229 shareholders, of which 5,596 shareholders collectively holding approximately 42.98% equity interest in MKH are public shareholders. Other than CCSR and Public Bank Group Officers' Retirement Benefits Fund, there is no other direct substantial shareholder of MKH.

(6) Including CCSR's direct equity interest in MKH (9.85%) and equity interests collectively held by nominee companies (31.08%) namely, HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad). The ultimate beneficial owners of CCSR are Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah, collectively holding 96.60% equity interest in CCSR.

(7) As at LPD, the shareholders of Ivakijaya are Ong Khek Gee (50.00%) and Shamsol Anuar bin Rohani @ Rosani (50.00%). Ong Khek Ghee is the Commissioner of PT SPS and his responsibilities as a member of the Board of Commissioner in PT SPS include, amongst others, examining PT SPS' books and records, providing recommendations and receiving explanations to/from the board of directors of PT SPS, and approving the board of directors of PT SPS to obtain, assign, sell or transfer assets of PT SPS. Save for their equity interests in our Company through Ivakijaya after completion of the Acquisition of PT SPS as well as the role of Ong Khek Ghee as the Commissioner of PT SPS, both Ong Khek Ghee and Shamsol Anuar bin Rohani @ Rosani do not hold any role in our Group.

(8) As at LPD, the shareholders of PT Hikmat are Taufik Nugraha (50.00%) and Indria Gunawan Leman (50.00%).

(9) The equity interest of 63.07% in our Company is held by MKH (28.68%) and its wholly-owned subsidiaries, namely Metro Kajang (Oversea) (30.65%) and MKH Plantation (3.74%).

(10) Entitled Shareholder(s) that participate in the Proposed Distribution excluding public shareholders of MKH.

(11) Including Entitled Shareholder(s) which are public shareholders of MKH that will collectively hold 3.46% equity interest in the Company after the Proposed Distribution.

(12) Liew Mee Ling does not hold any role in our Group and is not a person connected to our Directors and/or substantial shareholders. Hence, she is not deemed interested in our Group as at LPD and after our Listing.

(13) Pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, both PT MKH and PT SPS are required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT MKH and Acquisition of PT SPS respectively, where the number of shareholders in both PT MKH and PT SPS reduces below 2. As such, upon completion of the Acquisition of PT MKH and Acquisition of PT SPS and before the implementation of our IPO, MKHOP shall transfer 1 ordinary share it owns in both PT MKH and PT SPS to the SPV. The SPV will remain as the shareholder of the 1 ordinary share in both PT MKH and PT SPS to comply with Paragraph 1 of Article 7 of the Indonesian Company Law. Please refer to Sections 6.2.2 and 6.2.3 for further details on the Acquisition of PT MKH and Acquisition of PT SPS.

(14) Represents 1 ordinary share in each PT MKH and PT SPS to be held by the SPV.

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

### 6.4 SUBSIDIARIES

Details of our subsidiaries as at LPD are summarised as follows:

| Company/ Registration number | Date/ Place of incorporation | Principal place of business | Issued share capital | Effective equity interest | Principal activities |
|---|---|---|---|---|---|
| | | | IDR | % | |
| PT MKH/ 8120014280519 | 9 September 2005/ Indonesia | Indonesia | 243,860,000,000 | 100.00 | Oil palm plantation and crude oil palm industry |
| PT SPS/ 8120019071063 | 20 October 2004/ Indonesia | Indonesia | 9,300,000,000 | 100.00 | Oil palm plantation |

Details of the share capital of our subsidiaries are set out in Section 15.2.

As at LPD, we do not have any associated company.

#### 6.4.1 PT MKH

PT MKH was incorporated in Republic of Indonesia on 9 September 2005 as a private limited company based on Deed No. 52 dated 9 September 2005, made before Achmad Dahlan, Sarjana Hukum ("**S.H.**"), Notary in Samarinda, Indonesia which has been approved by the Minister of Law and Human Rights ("**MOLHR**") by virtue of Decree of the MOLHR No. C-29498HT.01.01.TH.2005 dated 25 October 2005. PT MKH was established under the name of PT Khaleda Agroprima Malindo and subsequently assumed its present name on 9 November 2015. PT MKH is principally involved in oil palm plantation and crude oil palm industry.

As at LPD, PT MKH is our wholly-owned subsidiary and PT MKH does not have any subsidiary or associated company.

Please refer to Section 16.2.1 for share capital of PT MKH as at LPD.

#### 6.4.2 PT SPS

PT SPS was incorporated in Republic of Indonesia under on 20 October 2004 as a private limited company based on Deed No. 205 dated 20 October 2004, made before Achmad Dahlan, S.H., Notary in Samarinda, Indonesia which has been approved by the MOLHR by virtue of Decree of the MOLHR No. C-08391HT.01.01.TH.2005 dated 30 March 2005. PT SPS is principally involved in oil palm plantation.

As at LPD, PT SPS is our wholly-owned subsidiary and PT SPS does not have any subsidiary or associated company.

Please refer to Section 16.2.1 for share capital of PT SPS as at LPD.

## 6.5 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts in the ordinary course of business) entered into by our Group for FYE 2020 to 2022 and up to LPD:

(a) Land/Building Lease Agreement

This agreement was entered into on 8 January 2021 between PT MKH and PT Profesional Telekomunikasi Indonesia ("**Protelindo**"), under which PT MKH leases a part of a plot of land under a HGU measuring approximately 270 sq m located at Jalan Seguntung Estate, Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province and access right to such part of the plot of land ("**Leased Premise**") to Protelindo. The Leased Premise will be used by Protelindo to build and operate telecommunication towers, supporting foundations including facilities and other related equipment for use by telecommunication companies ("**Tower User**"), and Protelindo is granted with an exclusive right over the Leased Premise and is fully entitled to utilize and control the Leased Premise to carry out its business activities. The telecommunication tower enables mobiles telecommunication coverage in our plantation estate.

This agreement is valid for an initial period of 10 years, but valid retroactively from 27 May 2014 until 26 May 2024 ("**Initial Term**") and will be automatically renewed for 10 years ("**First Renewal Term**"), each based on Protelindo's discretion.

The lease fee for the Initial Term is IDR79,444,444 ("**Initial Term Lease Fee**") for any number of the Tower Users installed or to be installed at the Leased Premise. For the First Renewal Term, the lease fee would be adjusted with a 15%-increment, i.e., IDR91,361,111 ("**First Renewal Lease Fee**") for any number of the Tower Users installed or to be installed at the Leased Premise.

Issues pertaining to this agreement such as non-inclusion of land leasing as one of the objectives and purposes of PT MKH under its articles of association, and unavailability of land leasing-related licences for PT MKH (due to size of the land leased to Protelindo being insignificant, and leasing is not the main business activity of PT MKH nor is PT MKH generating any material income from the said lease), have been addressed by PT MKH through a statement letter confirming that the Initial Term Lease Fee was charged only as necessary to reimburse costs incurred by PT MKH to enable the use of the Leased Premise by Protelindo (i.e., for supply of electricity to the Leased Premise to energise the telecommunication towers erected thereon during the Initial Term). PT MKH will not bear any profit from the Initial Term Lease Fee pursuant to the Agreement during the Initial Term.

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## 6. INFORMATION ON OUR GROUP *(Cont'd)*

(b) Plasma Agreements

The Plasma Programme obligation essentially refers to the facilitation of construction of community plantation for a certain percentage of the total area of land (total area granted to the respective companies in their plantation business licences).

As part of the legal obligations under the law, under the Plasma Programme, our Group is required to develop a total of 2,226.0 Ha of plantation land for plantation development and management for the local cooperatives. In this respect, PT MKH and PT SPS have fulfilled the requirement and entered into plasma agreements, among others, with local cooperatives as follows:

| Plasma Programme requirement | | | | |
|---|---|---|---|---|
| **Fulfilled by** | **Land size (Ha)** | **Location** | **Plantation cooperative involved** | **Agreement no. (as listed below)** |
| PT MKH | (1)1,200 | Desa Sedulang | Sawit Sendowan | (i) |
| | (1)406 | Desa Puan Cepak | Sawit Sendowan | (1)(c) |
| PT SPS | (1)300 | Desa Sedulang | Sawit Sendowan | (i) |
| | (2)320 | Desa Puan Cepak | Sawit Seguntung Jaya | (iii) |
| | **2,226** | | | |

**Notes:**

(1) Pursuant to the Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 on Guidelines on Plantation Business Licence of Cultivation as amended lastly by the Regulation of the Indonesian Minister of Agriculture No. 21/Permentan/KB.410/6/2017, any oil palm plantation company which obtained its IUP prior to 28 February 2007 and has implemented *Perusahaan Inti Rakyat* (PIR) Plantation Scheme, PIR with transmigration scheme or PIR with Credit Facility for Cooperation (*Kredit Koperasi Primer untuk Anggota*) or any other core-plasma cooperation is not required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. In view that PT MKH obtained its IUP on 15 November 2005, PT MKH was not required to comply with the aforementioned obligations as it was not stated in the Plantation Business Licence of Cultivation (IUP) of PT MKH. Nevertheless, PT MKH and PT SPS have collaborated with Sawit Sendowan Plantation Cooperative pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program in the following manner:

(a) a total of 1,200.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT MKH to develop and manage;

(b) a total of 300.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT SPS to develop and manage; and

(c) a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop and manage. There was no agreement entered into with Sawit Sendowan Plantation Cooperative in this respect as Sawit Sendowan Plantation Cooperative was unable to identify sufficient land for plasma plantation under Desa Puan Cepak. Thereafter, on 24 December 2012, PT MKH had entered into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion and agreement between PT MKH and the local farmers. For clarity, the entry into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative is in accordance with the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.

(2) In view that PT SPS obtained its IUP on 19 October 2009, PT SPS was required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. Based on the principal agreement entered into with Sawit Seguntung Jaya Plantation Cooperative in September 2016, PT SPS was required to develop and manage approximately 320 Ha plantation area based on the planted area of 1,567 Ha at that point in time.

Following the rehabilitation and planting activities by PT SPS, the total planted area of PT SPS' plantation estate has increased to 1,996.4 Ha as at LPD. Pursuant thereto, the relevant supplemental agreement or addendum to the principal agreement in respect of the abovementioned Plasma Programme obligations shall be entered into between PT SPS and Sawit Seguntung Jaya Plantation Cooperative upon the issuance of IUP, which is expected to be obtained by 3rd quarter of 2023, for Sawit Seguntung Jaya Plantation Cooperative, whereby PT SPS shall be required to develop and manage a total of approximately 400 Ha of land (i.e. 320 Ha (already assigned to PT SPS) and 80 Ha (to be assigned to PT SPS)) being the plantation area to be assigned based on the Plasma Programme requirement of at least 20% of total planted area of approximately 1,996.4 Ha by Sawit Seguntung Jaya Plantation Cooperative.

PT MKH and PT SPS have entered into the following plasma agreements to set out the cooperation terms with the respective partnering plantation cooperatives as listed above. For avoidance of doubt, a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program. However, 182.8 Ha of the said land was deemed unsuitable for planting. As such, 182.8 Ha of land owned by PT SPS has been earmarked for transfer to the cooperative for fulfilment of PT MKH's obligation pursuant to the agreement (v) below. For clarity, the plasma obligations in relation to the remaining land area not addressed by the transfer of the 182.8 Ha plantation land is addressed pursuant to the Cooperation Agreement for Plasma Plantation Development dated 24 December 2012, which was entered into between PT MKH and Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion between PT MKH and the local farmers.

(i) Tripartite Agreement with Sawit Sendowan Plantation Cooperative and PT Anugerah Urea Sakti on 27 September 2010.

Under this agreement, Sawit Sendowan Plantation Cooperative is referred to as the "**First Party**", PT MKH and PT SPS are collectively referred to as the "**Second Party**", and PT Anugerah Urea Sakti is referred to as the "**Third Party**".

The scope of the agreement is a cooperation between the First Party and the Second Party with a partnership pattern in development and management of oil palm plantation at plasma plantation owned by the First Party, located at Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province, in the area of 1,500 Ha ("**First Party's Plasma Plantation**"), with the division of obligations between PT MKH and PT SPS based on land area and number of patriarchs. The Third Party was also appointed under the agreement to carry out development and management of plantation with a partnership pattern at the First Party's Plasma Plantation pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program for joint development under the Plasma Programme for Sawit Sendowan Plantation Cooperative.

The obligations of the Second Party and Third Party are differentiated based on the following:

(a) the Second Party's obligations are (i) to conduct observation at the First Party's Plasma Plantation location or the Third Party's office to obtain, examine and make copies and summaries of notes and reports prepared and maintain by the Third Party for monitoring purpose; and (ii) to place its employees in the implementation of development and management of the First Party's Plasma Plantation for monitoring purposes; and

(b) the Third Party's obligations are to carry out development and management of the First Party's Plasma Plantation, which include: (i) land clearing; (ii) nursery; (iii) cover cropping; (iv) oil palm planting; (v) maintenance of immature plants and mature plants; (vi) construction and maintenance of road infrastructure, bridges, channels and guardrails; (vii) harvesting and transportation; and (viii) land certification for oil palm plantation with partnership pattern in the form of right of ownership in the name of the First Party. The Third Party advances the development and management costs (including the cost for the palm oil FFB processing plant, if any), which will then be repaid by the First Party from the production of the First Party's Plasma Plantation as stipulated under this agreement.

Net income from the proceeds of sales of FFB will be applied in accordance with this agreement (settlement of the First Party's obligations to the bank, deduction by costs borne by the First Party to perform its obligations under the agreement), with a management fee of 5% for the Third Party, and the balance thereof will be distributed to its members (the First Party is a cooperative with members).

This agreement is valid until 1 December 2038 and may be extended by the parties. For avoidance of doubt, the appointment of Third Party under this agreement was terminated in December 2012 as the Third Party did not carry out the management and maintenance of the First Party's Plasma Plantation in a proper manner. The First Party and Second Party were not obliged to compensate the Third Party in any form as such termination was due to the Third Party's non-performance of its obligations in accordance with the terms and conditions of this agreement.

Thereafter, the Second Party continued to undertake the development and management of the First Party's Plasma Plantation as the terms of this agreement was still binding for the First Party and Second Party where the Second Party assumed the obligations and rights of the Third Party as stipulated in the agreement. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

(ii) Cooperation Agreement for Plasma Plantation Development between Sedulang Village Unit of Sawit Sendowan Plantation Cooperative with PT MKH and PT SPS with Plasma Core Partnership Pattern on 22 May 2017.

Under this agreement, Sedulang Village Unit of Sawit Sendowan Plantation Cooperative is referred to as the "**First Party**", PT MKH and PT SPS are collectively referred to as the "**Second Party**".

The scope of this agreement is the development and management of oil palm plantation by the Second Party over the land owned by farmers who are members of the First Party at Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province in the area of 1,500 Ha. Further, this agreement re-confirms the Second Party's status as a Pioneer, Financier, and Guarantor of the First Party's plasma plantation.

The obligations of the Second Party are differentiated based on the periods (immature plants or mature plants). Additional obligations of the Second Party include, amongst others: (i) during immature plants period: prioritising members of the First Party for work opportunities if workers are required to develop the plantation; (ii) during mature plants period where credit facilities from the credit facility provider have not been repaid: purchasing all production of the First Party which standards are based on the ripe fruit standards determined by the Second Party and which price is based on the terms determined by the government; and (iii) during mature plants period where credit facilities from the credit facility provider has been repaid: delivering the sales proceeds of the FFB to the First Party upon deduction of relevant costs such as maintenance cost, replanting cost, harvesting and transportation costs, land clearing cost, nursery and planting costs. The aforementioned costs relating to the Plasma Programme which are borne by the Group shall be repaid through deduction of proceeds from sale of FFB pursuant to the Plasma Programme.

The costs for management and maintenance of oil palm plantation shall be in accordance with the plafond of the plasma plantation development costs stipulated by the Directorate General of Plantation on the maximum unit cost for oil palm plantation development, or agreed between the parties. If the plafond of plantation development costs from the bank is not sufficient, the Second Party is authorised to seek for credit facility providers to cover the shortfall. The proceeds of the sale of palm oil from the First Party's plasma plantation including bailout fund/credit facility from other party are kept in a joint account between the parties.

For clarity, the abovementioned credit facility refers to the financing (which is used as working capital) granted to Sedulang Village Unit of Sawit Sendowan Plantation Cooperative by the credit facility provider.

This agreement is valid insofar the Second Party's core land still exists.

(iii) Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 20 September 2016 as amended by first addendum to Plasma Plantation Cooperation Agreement between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 9 July 2018 on 20 September 2016 (for the initial agreement) and on 9 July 2018 (for the first addendum).

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT SPS is referred to as the "**Second Party**". PT MKH is not a party to this agreement.

The scope of this agreement is the establishment of a partnership between the parties to build/develop and manage a plot of land for an oil palm plasma plantation with a partnership pattern of 320 Ha, which is located at Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province ("**Cooperative Land**"). The forms of work in this agreement include: (i) oil palm plantation development; (ii) plantation maintenance during immature new crops and mature crops period; (iii) harvesting of FFB; and (iv) marketing of FFB.

Under this agreement, the First Party delivers the rights of development and management of the Cooperative Land, entirely to the Second Party. The development and management activities include: (i) land clearing, nursery and planting; (ii) plant care/ maintenance during immature crops period and mature crops period; (iii) harvest and transport; and (iv) funding, payment of credit instalments and loan interests. In addition to developing and managing the Cooperative Land, the Second Party is also obliged to purchase all FFB production of the First Party which price is guided by the provisions contained in the Regulation of the Minister of Agriculture regarding the Guidelines for Determining the Purchase Price for FFB for Plantation Production issued by the Plantation Office of East Kalimantan Province. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under this agreement, as well as the relevant taxes related to the Cooperative Land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

This agreement is valid for 1 cycle in accordance with technical standards for oil palm cultivation as of the execution of the agreement by the parties, and may be extended for 1 cycle in accordance with technical standards for oil palm cultivation, unless there is cancellation by the Second Party, which will be conveyed to the First Party within 2 years prior to the expiration of the agreement. PT SPS has clarified in writing that 1 cycle herein shall mean 30 years, and the commencement date is 20 September 2016.

(iv) Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT MKH with the Plasma Core Partnership Pattern dated 24 December 2012.

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT MKH is referred to as the "**Second Party**".

The scope of this agreement is the establishment of a partnership between the parties to build/develop and manage a plot of land for an oil palm plasma plantation with a partnership pattern for a total of ±197 family heads with 2 Ha of land for each family head or a total of ±394 Ha, in the area of Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province. Notwithstanding that ±394 Ha has been determined based on the family heads under this agreement, PT MKH has agreed to continue with the development and management of land area (i.e. 406.0 Ha) which was assigned to PT MKH pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.

The forms of work in this agreement include: (i) oil palm plantation development; (ii) plantation maintenance during immature new crops and mature crops period; (iii) harvesting of FFB; (iv) creation and maintenance of facilities and infrastructure; and (v) land certification for oil palm plantation with partnership pattern in the form of right of ownership in the name of the First Party.

Under this agreement, the First Party delivers the rights of development and management of the plasma plantation land, entirely to the Second Party. The development and management activities include: (i) land clearing, nursery and planting; (ii) plant care / maintenance during immature crops period and mature crops period; (iii) harvest and transport; and (iv) funding, payment of credit instalments and loan interests. In addition to developing and managing the plasma plantation land, the Second Party is also obliged to purchase all FFB production of the First Party which price is guided by the provisions contained in the Regulation of the Minister of Agriculture regarding the Guidelines for Determining the Purchase Price for FFB for Plantation Production issued by the Plantation Office of East Kalimantan Province. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under this agreement, as well as the relevant taxes related to the plasma plantation land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost) during immature and mature plants period.

This agreement is valid for 1 planting cycle (30 years) and can be extended for 1 planting cycle by the parties. Either party shall notify the other party of the intention to extend this agreement 2 years before the expiration of the agreement.

(v) Cooperation Agreement for the Development and Management of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT MKH on a grant land with an area of 182.8 Ha with Plasma Core Partnership Pattern on 18 January 2022.

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT MKH is referred to as the "**Second Party**". PT SPS is not a party to this agreement.

The scope of this agreement is a cooperation between the parties in the development and management of a plot of land of palm oil plantation with partnership pattern in the area of ±182.8 Ha on a grant land. Works under this agreement include: (i) management of mature plants; (ii) development and management of plantation during immature plants period; (iii) harvest of FFB; (iv) sales of FFB to the Second Party; and (v) return of plant investment costs on grant area from palm acid oil sales proceeds and FFB sales.

Under this agreement, the First Party grants the Second Party with full authority to develop and manage mature and immature plants on the cooperative's land and to carry out the following activities: (i) relinquishment of land, nursery, and planting; (ii) maintenance of plants during immature and mature periods; and (iii) harvest and transportation. In addition to developing and managing the cooperative's land during the period of this agreement, the Second Party is also obliged to purchase FFB of the First Party, which price is based on the guidelines under the Ministry of Agriculture regulation on Guidelines on Stipulation of Purchase Price of FFB Produced by Planters. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under the agreement, as well as the relevant taxes related to the cooperative's land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

This agreement is valid for 1 crop cycle (±30 years) and may subsequently be extended and renewed for 1 cycle (± 30 years) insofar the HGU of the Second Party exists, unless there is cancellation from the Second Party, which will be notified to the First Party at the latest within 1 year prior to the expiration of the agreement.

For FYE 2020 to 2022, our Group received a total of management fees of RM0.2 million, RM0.3 million and RM0.3 million respectively under the Plasma Programme.

(c) PT MKH SSA, which was completed on [●];

(d) PT SPS SSA, which was completed on [●];

(e) Novation agreement dated [●] between our Company, PT MKH and Metro Kajang (Oversea) pursuant to the PT MKH Debt Novation;

(f) Novation agreement dated [●] between our Company, PT SPS and MKH Plantation pursuant to the PT SPS Debt Novation; and

(g) Underwriting agreement dated [●] between our Company and M&A Securities for the underwriting of 51,209,800 Issue Shares for an underwriting commission of [●]% of the IPO Price multiplied by the number of Issue Shares underwritten.

## 6.6 PUBLIC TAKE-OVERS

During the last financial year and the current financial year up to LPD, there were:

(a) No public take-over offers by third parties in respect of our Shares; and

(b) No public take-over offers by our Company in respect of other companies' shares.

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## 6. INFORMATION ON OUR GROUP *(Cont'd)*

### 6.7 MAJOR APPROVALS AND LICENCES

As at LPD, there are no major approvals, major licences and permits issued to our Group in order for us to carry out our operations other than those disclosed below:

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (a) | MKHOP/ Majlis Perbandaran Kajang | 15 July 2022/ 14 July 2023 | Licence for trade, business and industry for our Company | Nil | N/A |
| (b) | PT MKH/ Ministry of Investment/ Investment Coordinating Board via the Online Single Submission ("**OSS**") – Risk Based Assessment ("**OSS-RBA**") | 1 December 2018/ It is valid as long as PT MKH carries its business activities | Business Identification Number (*Nomor Induk Berusaha*)<br><br>For evidence that the company has been registered in the OSS-RBA as a pre-requisite for application of business/operational licences<br><br>Please refer to Section 6.10(g) for the applicable laws and regulations | Nil | N/A |
| (c) | PT MKH/ Tax Service Office of Pratama Tenggarong | No effective date or date of issue is stated/ No expiration date is stated | Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*, "**NPWP**") – Head Office<br><br>This licence serves as evidence that PT MKH has been registered as a taxpayer for the office located at Puan Cepak Village, Sabintulung Muara Kaman, Kutai Kartanegara Regency, East Kalimantan<br><br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (d) | PT MKH/ Tax Service Office of Madya Balikpapan | No effective date or date of issue is stated/ No expiration date is stated | NPWP of Branch Office<br>This licence serves as evidence that PT MKH has been registered as a taxpayer for the office located at Jalan Juanda, Ruko Juanda No. 30 RT 07, Air Hitam, Samarinda Ulu, Samarinda City, East Kalimantan (branch office)<br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |
| (e) | PT MKH/ Tax Service Office of Madya Balikpapan | 6 April 2016/ No expiration date is stated | Taxable Entrepreneur Confirmation Letter (*Surat Pengukuhan Pengusaha Kena Pajak*)<br>This licence serves as evidence that PT MKH has been registered as a taxable entrepreneur<br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |
| (f) | PT MKH/ OSS system | 9 August 2016/ No expiration date is stated | Plantation Business Licence<br>This licence serves as evidence that PT MKH has obtained a business licence for Standard Classification of Indonesian Business Fields (*Klasifikasi Baku Lapangan Usaha Indonesia*, "**KBLI**") 01262 (Palm Oil Plantation) prior to the enactment of the OSS system and has registered such licence to the old version of the OSS system<br>Please refer to Section 6.10(a) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (g) | PT MKH/ OSS-RBA | Unverified certificate issuance date: 9 August 2016/ Pending issuance of verified standard certificate via the OSS-RBA | Verified Standard Certificate for KBLI 10431 (Crude Oil Palm Industry)<br><br>For operating in oil palm industry<br><br>Please refer to Section 6.10(c) for the applicable laws and regulations | Nil | The mandatory technical verification, a new requirement under the OSS-RBA which came into effect on 2 February 2021, has been carried out on 5 January 2023, following the Company's application for the verification of the standard certificate since 2022. Based on the assessment by the verification team from the Directorate General of Agro-Industry of the Ministry of Industry, PT MKH has fulfilled all of the requirements in the industrial sector and is ready to commence the production activities. As a follow-up, PT MKH has uploaded these documents to the OSS-RBA to obtain a verified standard certificate |
| (h) | PT MKH/ Kutai Kartanegara Regent | 15 November 2005/ 15 November 2035 (30 years as of 15 November 2005) | Plantation Business Licence of Cultivation (*Izin Usaha Budidaya Perkebunan,* "**IUP-B**") No. 503/08/SK-DISBUN KUKAR/XI/2005 as amended lastly by Approval of Kutai Kartanegara Regent No. P-009/DPMPTSP/BID.IV.1/525.26/IUPPerub/XI/2019<br><br>This licence serves as the plantation business licence for cultivation of PT MKH issued by the local authority (before the OSS licensing regime)<br><br>Please refer to Section 6.10(a) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (i) | PT MKH/ Kutai Kartanegara Regent | 2 July 2012/ It is valid as long as PT MKH carries its business activities | Plantation Business Licence for Processing (*Izin Usaha Perkebunan untuk Pengolahan*, "**IUP-P**") No. 525/04/IUP-P/DPK.IV/2012 as amended lastly by Approval of Kutai Kartanegara Regent No. 525.26/006/IUPP/BID.I/VIII/2016/BP2T<br><br>This licence serves as the business licence for processing of palm oil FFB by PT MKH issued by the local authority (before the OSS licensing regime)<br><br>Please refer to Sections 6.10(a), Section 6.10(b), and 6.10(j) for the applicable laws and regulations | Nil | N/A |
| (j) | PT MKH/ Directorate General of Sea Transport of the Ministry of Transportation | 21 June 2017/ 21 June 2027 (10 years as of 21 June 2017) | Licence to Operate an Own Interest Terminal (*Terminal Untuk Kepentingan Sendiri,* "**TUKS**")<br><br>This licence is granted for PT MKH to operate a TUKS to support PT MKH's business activities in plantation sector<br><br>Please refer to Section 6.10(r) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (k) | PT MKH/ PT SGS Indonesia | 12 August 2020/ 11 August 2025 | ISPO Certificate<br><br>This certificate is a testament to PT MKH's sustainable plantation practices and ability to produce sustainable palm oil issued by an independent auditor agency<br><br>Please refer to Section 6.10(k) for the applicable laws and regulations | Nil | N/A |
| (l) | PT MKH/ Head of Capital Investment Agency and One Door Integrated Services of East Kalimantan Province | 23 June 2021/ 23 June 2024 (3 years as of 23 June 2021) | Groundwater Utilisation Permit (*Surat Izin Pengusahaan Air Tanah*, "**SIPA**") for 5 Wells with different licence number<br><br>These licences are granted for the utilisation of groundwater by PT MKH<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | N/A |
| (m) | PT MKH/ Minister of Public Works and Housing | 21 November 2018/ 21 November 2023 (5 years as of 21 November 2018) | Water Resources Exploitation Licence<br><br>These licences are granted for the utilisation of surface water in Mahakam and Seguntung River<br><br>Please refer to Sections 6.10.(d) and 6.10.(e) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (n) | PT MKH/ Kutai Kartanegara Regent | 24 September 2008/ The validity period is similar to the validity period of PT MKH's business licence | Environmental Feasibility of Palm Oil Plantation of PT MKH in Puan Cepak Village dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency based on Decree No. KAKK/26/AMDAL/KELAPASAWIT/2008 as amended lastly by Decree of Kutai Kartanegara Regent No. 73 of 2016<br><br>This licence serves as the environmental licence for the palm oil plantation business activities<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | PT MKH is in the midst of renewing its environmental licence due to the expiry of Hazardous Toxic Waste ("**B3**") licence. Please refer to the notes of the B3 licence below |
| (o) | PT MKH/ Kutai Kartanegara Regent | 22 December 2015/ The validity period is similar to the validity period of PT MKH's business licence | Environmental Feasibility of Palm Oil Mills of PT MKH at 90 tons within an area of 127a kata. 43.33 hectares in Puan Cepak Village dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency based on Decree No. KAKK/27/KOMPEDAL-KUKAR/XII/2015 as amended lastly by Decree of Kutai Kartanegara Regent No. 74 of 2016<br><br>This licence serves as the environmental licence for the palm oil mills of PT MKH<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | PT MKH is in the midst of renewing its environmental licence due to the expiry of B3 licence. Please refer to the notes of the B3 licence below |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (p) | PT MKH/ Kutai Kartanegara Regent | N/A[1] | B3 Waste Storage and Management-related Licences<br><br>For the storage of waste in the oil palm plantation<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | PT MKH has obtained several permits of utilisation of B3 for the B3 Storage which have already expired. PT MKH is currently in the process of obtaining the Technical Details for B3 Storage[2] which are applicable as the licence for B3 storage/management upon the issuance of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation. In relation to this matter, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency which states that the existing B3 licence of PT MKH and PT SPS remains valid until the environmental documents[3] of PT MKH are adjusted, and the B3 licence will be covered under the adjusted environmental documents[4]. PT MKH is in the midst of renewing and adjusting the environmental documents |
| (q) | PT SPS/ Ministry of Investment/ Investment Coordinating Board via the OSS-RBA | 16 October 2018, amended on 8 July 2022/<br>It is valid as long as PT SPS carries its business activities | Business Identification Number (*Nomor Induk Berusaha*)<br><br>For evidence that the company has been registered in the OSS-RBA as a pre-requite for application of business/operational licences<br><br>Please refer to Section 6.10(g) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (r) | PT SPS/ Tax Service Office of Pratama Tenggarong | N/A/ No expiration date is stated | NPWP<br><br>This licence serves as evidence that PT SPS has been registered as a taxpayer for the office located at Jalan A. Yani No. 30 RT 10, Melayu, Tenggarong, Kutai Kartanegara Regency, East Kalimantan<br><br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |
| (s) | PT SPS/ Tax Service Office of Pratama Tenggarong | N/A/ No expiration date is stated | NPWP of Branch Office<br><br>This licence serves as evidence that PT SPS has been registered as a taxpayer for the office located at Jalan A. Yani No. 30 RT 10, Melayu, Tenggarong, Kutai Kartanegara Regency, East Kalimantan. According to the confirmation of PT SPS, this NPWP is the NPWP for PT SPS' branch office<br><br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (t) | PT SPS/ Tax Service Office of Pratama Tenggarong | 6 January 2016/ No expiration date is stated | Taxable Entrepreneur Confirmation Letter (*Surat Pengukuhan Pengusaha Kena Pajak*)<br><br>This licence serves as evidence that PT SPS has been registered as a taxable entrepreneur<br><br>Please refer to Section 6.10(q) for the applicable laws and regulations | Nil | N/A |
| (u) | PT SPS/ OSS system | 4 May 2016/ No expiration date is stated | Plantation Business Licence<br><br>This licence serves as evidence that PT SPS has obtained a business licence for KBLI 01262 (Palm Oil Plantation) prior to the enactment of the OSS system and has registered such licence to the old version of the OSS system<br><br>Please refer to Section 6.10(a) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (v) | PT SPS/ Kutai Kartanegara Regent | 19 October 2009/ 19 October 2039 (30 years as of 19 October 2009) | IUP-B based on Decree No. 503/22/SK-DISBUN KUKAR/V/2006 as amended lastly by Decree of Kutai Kartanegara Regent No. 503/48/SK-DISBUN KUKAR/X/2009<br><br>This licence serves as the plantation business licence for cultivation of PT SPS<br><br>Please refer to Section 6.10(a) for the applicable laws and regulations | Nil | N/A |
| (w) | PT SPS/ Head of Capital Investment Agency and One Door Integrated Services of East Kalimantan Province | 14 January 2022/ 14 January 2025 (3 years as of 14 January 2022) | This licence is granted for the utilisation of groundwater for the well located in Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | N/A |
| (x) | PT SPS/ PT Global Inspeksi Sertifikasi | 27 July 2022/ 26 July 2027 | ISPO Certificate<br><br>This certificate is a testament to PT SPS' sustainable plantation practices and ability to produce sustainable palm oil issued by an independent auditor agency<br><br>Please refer to Section 6.10(k) for the applicable laws and regulations | Nil | N/A |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| No. | Licencee/ Issuing authority | Effective date or date of issue/ Date of expiry | Nature of approval/licences | Equity and/or major conditions imposed | Compliance status |
|---|---|---|---|---|---|
| (y) | PT SPS/ Kutai Kartanegara Regent | 30 March 2009/ No expiration date is stated | Approval of the Environmental Management Efforts and Environmental Monitoring Efforts (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup,* "**UKL-UPL**")<br><br>This approval serves as evidence that the Environmental Agency of Kutai Kartanegara has approved the UKL-UPL documents submitted by PT SPS<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | PT SPS is in the midst of renewing its environmental licence due to the expiry of B3 licence. Please refer to the notes of the B3 licence below |
| (z) | PT SPS/ Kutai Kartanegara Regent | N/A[1] | B3 Waste Storage and Management-related Licences<br><br>For the storage of waste in the oil palm plantation<br><br>Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations | Nil | PT SPS has obtained several permits of utilisation of B3 for the B3 Storage which have already expired. PT SPS is currently in the process of obtaining the Technical Details for B3 Storage[2] which are applicable as the licence for B3 storage/management upon the issuance of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation. In relation to this matter, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency which states that the existing B3 licence of PT MKH and PT SPS remains valid until the environmental documents[3] of PT SPS are adjusted, and the B3 licence will be covered under the adjusted environmental documents[4]. PT SPS is in the midst of renewing and adjusting the environmental document |

**Notes:**

(1) Due to the change in the regulatory regime, neither PT MKH nor PT SPS was able to renew their respective B3 licences. However, based on the letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency, the existing B3 licences of PT MKH and PT SPS remain valid until the environmental documents of PT SPS and PT MKH are adjusted. Hence, the validity period of the respective B3 licences are not applicable due to its temporary validity at this juncture.

(2) Technical Details *(Rincian Teknis)* for B3 Storage, which is a new term under the current regulation, refer to documents that provide the details of the management of B3 by the B3 Storage licence holder such as name, source, characteristic and amount produced of B3. Technical Details for B3 Storage have been integrated with the Environmental Approval following the enactment of GR 22/2021 (as defined herein) that are being obtained by PT MKH and PT SPS as set out in Note (3) below.

(3) The environmental documents refer to the "Environmental Approval *(Persetujuan Lingkungan)*" document which is a new term under the current regulation. In 2020, the Indonesian Government issued Law No. 11 of 2020 on Job Creation as further replaced by the Government Regulation in Lieu of Law No. 2 of 2022 ("**Omnibus Law**"). The Omnibus Law contains major changes to a myriad of regulations, including the environmental law which was previously stipulated in Law No. 32 of 2009 on Protection and Management of the Environment. The Omnibus Law attempts to simplify the existing permits for carrying out activities or businesses that have an impact on the environment. Following the Omnibus Law, the Government also issued Government Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management which was enacted on 2 February 2021 ("**GR 22/2021**") that introduces the term Environment Approval *(Persetujuan Lingkungan)* to distinguish it from the previous environmental licensing regime. GR 22/2021 stipulates that the environment licences and documents issued before GR 22/2021 was enacted shall remain valid.

GR 22/2021 also stipulates that a B3 waste producer must obtain a Technical Details for B3 storage as integrated with the Environmental Approval (if the B3 waste is produced by activity or activities subject to an Environmental Impact Analysis Document (*Analisis Mengenai Dampak Lingkungan* – "**AMDAL**") or Environmental Management and Monitoring Efforts Report (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Linkungan Hidup* – "**UKL-UPL**") (such as PT MKH and PT SPS), or by a government institution that produces B3 waste). Therefore, although PT MKH and PT SPS' environmental licences remain valid after the issuance of the Omnibus Law and GR 22/2021, as their respective B3 licences have already expired in 2021, PT MKH and PT SPS were unable to renew their B3 licences due to the change in licensing regime. Consequently, as B3-related licences under the current regime are integrated into an Environmental Approval, PT MKH and PT SPS need to adjust their existing environmental licences to an Environmental Approval, which will also cover the B3 licence under the new regulatory regime in the form of Technical Details for B3. In this regard, Technical Details for B3 and the Environmental Approval, both of which are being applied by PT MKH and PT SPS, are collectively referred to as the "adjusted environmental documents". As at LPD, PT MKH and PT SPS have not received any notice of non-compliance from the relevant authorities in relation to their B3 licences. Further, there was no mandatory timeframe imposed by the relevant authorities for PT MKH and PT SPS to comply with the new licensing regime.

In light of the above, PT MKH and PT SPS are in the midst of renewing and adjusting the environmental licence/documents. For this purpose, PT MKH and PT SPS had on 3 October 2022 appointed an environmental consultant to coordinate, prepare and submit the relevant applications to Environmental and Forestry Agency of Kutai Kartanegara Regency, on their behalf. The environmental licence/documents are expected to be renewed and adjusted by 1st quarter of 2024. For avoidance of doubt, there is no deadline specified by the Environmental and Forestry Agency of Kutai Kartanegara to complete the renewal and adjustment of the environmental licence/documents of PT MKH and PT SPS.

(4) PT MKH and PT SPS are currently liaising closely with the local authorities on this matter. In this regard, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency, which states that the existing B3 licences of PT MKH and PT SPS remain valid until the environmental documents of PT MKH and PT SPS are adjusted. Based on PT MKH and PT SPS' consultation with the Environmental and Forestry Agency of Kutai Kartanegara Regency, it is interpreted that the existing B3 licences (which have already expired) will be deemed valid until the adjustments to their existing environmental licence are completed. Once the adjustment is complete, the B3 licence will be covered under the Environmental Approval. Please refer to Note (2) above for further details on the Environmental Approval.

Save for item (g), namely verified standard certificate which is expected to be obtained by 3rd quarter of 2023 (as set out in Section 6.10(c)), our Group has the necessary government approvals, authorisations, licences, permits or approvals of any nature whatsoever which are required under any law, decree or regulation to carry on our business and operations, namely IUP-B and IUP-P as disclosed under items (h), (i) and (v) above, and such approvals, authorisations, licences or permits are still valid and the same has not been revoked or threatened to be revoked. Save as disclosed under items (g), (h), (i) and (v) above, our Group is not dependent on any major licences, permits and approvals for our business operations.

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## 6. INFORMATION ON OUR GROUP *(Cont'd)*

### 6.8 TRADEMARKS

Save as disclosed below, our Company does not own any trademarks as at LPD:

| Trademark | Registered owner | Trademark No. | Class/ Description | Status | Place of registration | Validity period |
|---|---|---|---|---|---|---|
| | PT MKH | IDM000450150 | 29/ Palm kernel oil for food, cooking oil, palm oil for food | Registered | Indonesia | 19 April 2022 to 20 June 2032 |
| | PT MKH | IDM000450156 | 31/ Oil palm trees, plant seeds, fresh fruit bunches or oil palm fruit | Registered | Indonesia | 19 April 2022 to 20 June 2032 |
| | PT MKH | IDM000456551 | 35/ Business administration, office functions, management consulting and corporate organisation, business management | Registered | Indonesia | 19 April 2022 to 20 June 2032 |
| | PT MKH | IDM000456549 | 44/ Oil palm plantation services, nurseries, distribution of fertilizers and agricultural chemicals from the air and on the ground | Registered | Indonesia | 19 April 2022 to 20 June 2032 |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

In addition, our Group has entered into a Trademark Licence Agreement dated 15 November 2021 with MKH ("**Licence Agreement**"), whereby MKH as the licensor and owner of or has the right to use trademarks, has granted the licence to our Group as the licencee of the trademarks, labels and logos and registrations set forth under the Licence Agreement. The licence fee paid to MKH in relation to each Licence Agreement is RM10, and the Licence Agreement shall be valid for as long as agreement is not terminated by the parties.

The trademarks licenced to our Company and PT MKH (for Class 29, 31 & 40) as well as PT SPS (for Class 29 & 31) based on the Licence Agreement are as follows:

| No. | Trademark | Trademark no. owned by the licensor | Class | Details | Validity period | Status |
|---|---|---|---|---|---|---|
| (a) | MKH | 2013062980 | 29 | Edible oils and fats; cooking oils; palm oil for food, palm kernel oil for food; all included in class 29 | 29 November 2013 to 29 November 2023 | Registered |
| (b) | | 2013062968 | | | | |
| (c) | MKH | 2013062942 | | | | |
| (d) | MKH | 2013062992 | 31 | Grains and agricultural, horticultural and forestry products not included in other classes; trees; fresh fruits; oil palm trees, oil palm fruits, oil palm seeds; all included in class 31 | 29 November 2013 to 29 November 2023 | Registered |
| (e) | | 2013062949 | | | | |
| (f) | MKH | 2013062934 | | | | |
| (g) | MKH | 2013062975 | 40 | Processing of oil; extraction of crude palm oil and palm kernel; refining of crude oil; all included in class 40 | 29 November 2013 to 29 November 2023 | Registered |
| (h) | | 2013062972 | | | | |
| (i) | MKH | 2013062943 | | | | |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

As the trademarks licenced will be expiring by November 2023, MKH is in the midst of renewing the said trademarks. The renewed trademarks are expected to be obtained by 4th quarter of 2023. In the event that MKH fails to renew the above trademark registration applications, our Group does not anticipate material adverse impact our business operations as our Group may continue to use the brand name and marks by way of the Licence Agreement. However, MKH's rights for these particular trademarks may not be protected under the Trademarks Act 2019 of Malaysia, and they may not be able to stop the misuse of the trademark or initiate an action against third parties for infringement of the trademark under the Trademarks Act 2019 of Malaysia. Nonetheless, MKH may enforce its rights to these trademarks by taking legal action against third parties under common law such as passing off actions.

Notwithstanding, MKH has not experienced any major difficulties in renewing its trademark registrations in the past and the relevant renewal application has been submitted within the prescribed period prior to its expiry.

As at LPD, we use the same logo as MKH as we have traditionally shared a common corporate identity. However, moving forward, our Company will adopt the same logo in a green colours instead of the trademarked blue colours to distinguish itself as a separate listed entity from the MKH Group. We are currently undergoing plans to trademark our own green logo, and will gradually phase out the use of the current blue MKH logo, which we will continue using in the meantime, in accordance with the Licence Agreement.

For avoidance of doubt, our business and profitability are not materially dependent on any of the trademarks above.

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## 6. INFORMATION ON OUR GROUP *(Cont'd)*

### 6.9 PROPERTY, PLANT AND EQUIPMENT

#### 6.9.1 Properties owned by our Group

The summary of the material properties owned by our Group as at LPD are set out below:

| No. | Registered owner/ Title/ Location | Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any) | Land area/ [1]Built-up area | [2]Date of purchase | Encumbrance | Audited NBV as at 30 September 2022 | [3]Market value as at 21 December 2022 |
|---|---|---|---|---|---|---|---|
| | | | | | | RM'000 | RM'000 |
| (a) | PT MKH/ HGU No. 8, Puancepak dan Sedulang/ Puancepak and Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province | Oil palm plantation, office building, CPO mill and estate quarter/ Oil palm plantation/ Leasehold of 35 years expiring on 12 September 2042 (with an unexpired term of lease of 19 years) with an option to renew for a further period of 25 years and generally can be further renewed for another period of 35 years upon fulfilment of conditions | 159,425,909 sq m/ 379,473 sq m | 21 September 2007 | First rank mortgage in favour of OCBC Al-Amin Bank Berhad | | |
| (b) | PT MKH/ HGB No. 6, Sebulu Ilir/ Sebulu District, Kutai Kartanegara Regency, East Kalimantan | Jetty facilities building / Jetty housing/ Leasehold of 20 years expiring on 28 December 2030 (with an unexpired term of lease of 7 years) with an option to renew for a further period of 20 years upon fulfilment of conditions | 1,028 sq m/ Nil | 30 December 2010 | Nil | 245,536 | 1,097,830 |
| (c) | PT MKH/ HGU Certificate No. 6, 7 & 8, Sebulu Ilir/ Sebulu District, Kutai Kartanegara Regency, East Kalimantan | Jetty and ancillary facilities building/ CPO bulking station/ Leasehold of 20 years expiring on 25 January 2031 (with an unexpired term of lease of 8 years) with an option to renew for a further period of 20 years upon fulfilment of conditions | 48,450 sq m/ 1,020 sq m | 23 February 2011 | Nil | | |

| No. | Registered owner/ Title/ Location | Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any) | Land area/ (1)Built-up area | (2)Date of purchase | Encumbrance | Audited NBV as at 30 September 2022 | (3)Market value as at 21 December 2022 |
|---|---|---|---|---|---|---|---|
| | | | | | | RM'000 | RM'000 |
| (d) | PT SPS/ HGU Certificate No. 138 & 139, Puancepak/ Puancepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan | Oil palm plantation and estate quarter/ Oil palm plantation/ Leasehold of 35 years expiring on 25 April 2045 (with an unexpired term of lease of 22 years) with an option to renew for a further period of 25 years and generally can be further renewed for another period of 35 years upon fulfilment of conditions | 24,454,900 sq m/ 10,242 sq m | 6 April 2010 | Nil | 56,331 | 104,450 |

**Notes:**

(1) Refers to only building and estate quarter.

(2) Being the date of the HGB or HGU as applicable.

(3) The properties as listed above have been valued by our Independent Valuer vide its valuation reports dated 20 February 2023. Our Independent Valuer has also inspected the above properties from 18 December 2022 to 21 December 2022, and adopted 21 December 2022 as the material date of valuation for the updated valuation certificates. Please refer to Section 15 for the valuation certificates from our Independent Valuer for the details of the valuation of the above properties.

The properties owned by our Group are not in breach of any land use conditions, statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD. All our properties have obtained all the necessary licences and certificates.

### 6.9.2 Properties rented by our Group

The summary of material property rented by our Group as at LPD is set out below:

| No. | Postal address | Landlord/ Tenant | Description/ Existing use | Built-up area | Date of certificate of completion and compliance | Period of tenancy/ Rental per annum |
|---|---|---|---|---|---|---|
| (a) | G-02 & G-03, Ground Floor Wisma MKH Jalan Semenyih 43300 Kajang Selangor | Laju Jaya Sdn Bhd/ MKHOP | Office units used as headquarters/ Business premise | 510.88 sq m | 22 May 1995 | 1 October 2022 to 30 September 2023 (with an option to renew)/ RM296,954 |

As at LPD, we have not encountered any difficulty in renewing the tenancy of the abovementioned rented property.

### 6.9.3 Acquisition of properties

We have not acquired nor entered into any agreements to acquire any properties during FYE 2020 to 2022 and up to LPD.

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### 6.9.4 Material machinery

Details of our Group's material machinery are as follows:

**Cultivation of oil palm**

| Machinery and equipment | Function | Fully depreciated | With NBV | Average life span[1] | Average age | NBV as at 30 September 2022 |
|---|---|---|---|---|---|---|
| | | units | | years | years | RM'000 |
| Powered wheelbarrow | To collect FFB from fields to the collection points | - | 98 | 8 | 3 | 5,239 |
| Farm ATV | To collect FFB from fields to the collection points | - | 188 | 8 | 2 | 1,973 |
| Utility vehicle | To be used by our employees for general transport | 31 | 56 | 8 | 6 | 2,830 |
| Excavator | To be used for road and drainage maintenance | 24 | 8 | 8 | [2]8 | 2,994 |
| Backhoe loader | To be used for road and drainage maintenance | 4 | 4 | 8 | 5 | 912 |
| Motor grader | To be used for road and drainage maintenance | 4 | 2 | 8 | [2]8 | 531 |
| Truck | To transport FFB from the collection points to our palm oil mill | 59 | 6 | 8 | [2]10 | 526 |
| Compactor | To be used for road maintenance | 7 | 2 | 8 | 7 | 262 |
| Wheel loader | To clear FFB from the loading ramps in our palm oil mill | 1 | 1 | 8 | [2]8 | 141 |
| Farm UTV | To collect FFB from fields to the collection points | - | 13 | 8 | 4 | 142 |
| Forklift | To move objects within our palm oil mill | - | 1 | 8 | 2 | 60 |
| Prime mover | To perform heavy duty transport (i.e. transport of other vehicles such as compactors) | 1 | - | 8 | [2]11 | - |
| | | | | | **Total** | **15,610** |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

**Notes:**

(1) Average lifespan of the machinery and equipment for cultivation of oil palm is computed based on the average lifespan of 8 years, which is consistent with the computation of depreciation for equipment adopted by our Group's accounting policy.

(2) These machinery and equipment are still fit for use although their average age has exceeded the average life span and/or are fully depreciated as we continuously conduct inspection and maintenance of our machinery and equipment, and replace the parts and components to extend their lifespans. Our policy is to use our machinery and equipment for at least the duration of their estimated useful life. We will continue to utilise these fully depreciated machinery and equipment for our cultivation of oil palm as the conditions of these machinery and equipment remained intact. Thereafter, we would consider the ongoing cost of maintenance and repair relative to the costs and benefits of replacing these machinery and equipment.

**Palm oil milling**

| Machinery and equipment | Function | Fully depreciated | With NBV | Average lifespan | Average age | NBV as at 30 September 2022 |
|---|---|---|---|---|---|---|
| | | units | | years | years | RM'000 |
| FFB reception | To weigh trucks prior to and after unloading FFB | | | | | |
| FFB sterilisation | To sterilise FFB and weaken the stalk of FFB | | | | | |
| FFB threshing | To separate fruitlets from bunches | | | | | |
| Pressing and oil extraction | To mash fruitlets and press out oil and waste water from mashed fruitlets | | | | | |
| Oil clarification | To separate oil from waste water and dirts, and to clarify oil prior to storage | | | | | |
| PK recovery | To recover palm nuts from mesocarp fibre, and thereafter polish, dry and crack the palm nuts to recover PK | - | 153 | 15 to 20 | (1)8 to 10 | 27,673 |
| EFB pressing | To extract EFB liquor | | | | | |
| Steam and electricity generation | To produce steam for sterilisation process and pressing and oil extract process as well as to channel into turbines for electricity generation | | | | | |
| POME treatment | To treat POME prior to discharging for land application and selling the residue (i.e. sludge oil) to external customers | | | | | |

**Note:**

(1) None of our key machinery and equipment have exceeded the average useful lifespan. Our machinery and equipment that were installed during the initial setup of our palm oil mill have an average age of 10 years whereas the newly-added machinery and equipment have an average age of 8 years.

The placement of the machinery and equipment in our palm oil mill were designed and installed as a whole for our palm oil milling activities, namely the production of CPO and extraction of PK as disclosed in Section 7.4.2. We have purchased new production and extraction equipment subsequent to the initial setup of our palm oil mill and we continuously conduct inspection and maintenance of our machinery and equipment in each processing station for our palm oil milling activities and undertake certain repair works and replacement of parts and components to extend their lifespans. The disposal policy for our key machinery and equipment typically takes into consideration the following:

(a) estimated useful life of the machinery and equipment;

(b) cost of maintenance and repair; and

(c) cost and benefits of replacement.

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### 6.9.5 Material capital expenditures and divestitures

#### (a) Material capital expenditures

Save for the expenditures disclosed below, there were no other capital expenditures made by us for FYE 2020 to 2022 and up to LPD:

| | At cost | | | |
|---|---|---|---|---|
| | FYE 2020 | FYE 2021 | FYE 2022 | 1 October 2022 up to LPD |
| **Capital expenditures** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Buildings | - | - | 3 | - |
| Motor vehicles | - | 127 | (1)1,599 | (2)757 |
| Plant and machinery(3) | 4,220 | 3,546 | 8,702 | 3,804 |
| Furniture, fittings and office equipment | 333 | 499 | (4)1,865 | 397 |
| Bearer plants | - | - | - | - |
| Plantation infrastructure | - | 39 | - | - |
| Under construction(5) | 4,853 | 5,871 | 3,943 | 1,511 |
| | **9,406** | **10,082** | **16,112** | **6,469** |

**Notes:**

(1) Relates to purchase of 25 units of motor vehicles for usage in our plantation estates, of which 10 units of motor vehicles were for replacement purpose and 15 units of motorcycles were purchased for our estate workers.

(2) Relates to purchase of 3 units of dump truck for usage in our plantations estates and 1 unit of passenger vehicle for usage at our headquarter in Kajang, Malaysia.

(3) Relates mainly to the purchase of the following plant and machinery:

(i) farm ATVs, powered wheelbarrows, backhoe loader, hydraulic lifting arms, forklift, compactor, trucks, excavators, trailers for our oil palm cultivation and harvesting activities;

(ii) FFB cages, EFB press, conveyors, decanter, generation set, super heater for our palm oil milling activities; and

(iii) hydraulic pump for our jetty operations.

We increased investment in plant and machinery for FYE 2022 as we needed more mechanical assistance to enhance productivity especially during periods of heavy weather, which impedes the productivity of our workers.

(4) Relates to purchase of computer and office equipment and renovation cost incurred for setting up the new office units currently being used as our headquarters in Kajang, Malaysia.

(5) Relates to mainly bearer plants planting costs and capital work-in-progress. Our capital work-in-progress comprised expenditures on building, plant and machinery and facilities which are under construction, of which will be reclassified to the respective asset categories when the said assets are ready for use.

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures are mainly driven by our business growth as well as for replacement purposes.

**(b) Material capital divestitures**

We do not have any material capital divestitures for FYE 2020 to 2022 and up to LPD.

As at LPD, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1 and the material capital commitment as set out in Section 12.7, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

### 6.9.6 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO to finance the capital expenditure as set out in Section 4.9.1, our Group does not have any other immediate plans to construct, expand and improve our facilities as at LPD.

## 6.10 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS

Our oil palm plantation business in Indonesia is governed by various number of prevailing laws, regulations, and decree, which the following are material to our operations. They relate essentially to: requisite licenses, land titles, certificates, approvals and confirmations to be obtained (items (a) to (g), (i), (k), (n), (o) and (r)), as well as the requisite compliance of laws and regulations on manpower, health, social responsibility, intellectual property, and taxation (items (h), (j), (l), (m), (p) and (q). In this respect, our Group does not have any non-compliances with regards to such laws and regulations.

**(a) Law No. 39 of 2014 on Plantation as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Plantation Law")**

The Plantation Law aims to improve and strengthen the national plantation industry and, at the same time, protect the customary societies, empower local farmers, and realise the environment-friendly plantation businesses. The Plantation Law provides that a plantation business can be conducted in Indonesia either by farmers (*pekebun*) (an Indonesian citizen farmer that operates a plantation business within a specific scale set by the Minister of Agriculture), or companies (a plantation company that is owned by Indonesian citizen or legal entity established under Indonesian laws and domiciled in Indonesia that operates plantation businesses within a specific scale set by the Minister of Agriculture). In addition, the Plantation Law also regulates other important issues such as plantation industry's master plan, types of plantation business, land use, licensing, investment in the plantation industry, protection and development of seeds, protection and empowerment of customary societies and local farmers, environmental protection, and commodity prices.

The Plantation Law stipulates that any person who unauthorizedly (i) cultivates, uses, occupies, and/or possesses any plantation area, (ii) cultivates, uses, occupies, and/or possesses land of the communities or *Hak Ulayat* of the indigenous people with the aim for plantation business, (iii) cuts plants within the plantation area, and/or (iv) harvest and/or collects plantation product, is subject to imprisonment of at most 4 years or a fine of at most Rp4,000,000,000. Also, any plantation business undertakings who clear and/or cultivates the plantation by using fire, is subject to imprisonment of at most 10 years or a fine of at most Rp10,000,000,000. Where the above criminal offenses are perpetrated by an official upon instruction or a person that is authorized to be in charge of the plantation area ex officio, such an official shall be sentenced to the sentence under the Plantation Law increased by ⅓.

PT MKH and PT SPS have obtained the required plantation business licence as the basis to carry out their business activities in palm oil plantation.

**(b) Law No. 5 of 1960 ("Agrarian Law")**

Under the Agrarian Law, Republic of Indonesia holds the ultimate title for land in Indonesia, and the highest title for land ownership right (*Hak Milik* ("**HM**")) made available only for Indonesian citizens. In order to establish a plantation business, a company must obtain the relevant rights over a land. The land titles that are most relevant, in the case of a plantation business, are HGU, HGB and Land Use Right (*Hak Pakai* or "**HP**"). However, if the land is part of the development of an Indonesian company's plantation (this includes a Foreign Investment Company (*perusahaan penanaman modal asing*), only the HGU title may be used for such purpose.

Subject to the fulfillment of relevant obligations and operations of a plantation in accordance with the prevailing regulations, the HGU is usually granted for a maximum period of 35 years and can be extended for an additional maximum period of 25 years. A holder of the HGU can also renew the HGU title for a subsequent period of 35 years after the term of the extension expires.

The basic provisions concerning land in Indonesia are regulated under the Agrarian Law. However, the land rights in Indonesia are further regulated under Government Regulation No. 18 of 2021 concerning Management Rights, Land Rights, Flat Units and Land Registration, along with a number of new provisions governing various land rights and land registration procedures.

In addition, land rights are also stipulated under the Ministry of Agrarian Affairs and Spatial Planning / Head of National Land Agency No. 18 of 2021 on Procedures for Determining Right to Manage and Land Rights ("**MOA Regulation No. 18/2021**"). MOA Regulation No. 18/2021 was issued on 29 April 2021. It generally provides the procedures for applying and granting land rights (*hak atas tanah*), including Rights to Cultivate (*Hak Guna Usaha*). Rights to cultivate are granted for agricultural (including plantation), animal husbandry and fishery/fishpond business activities.

PT MKH and PT SPS have obtained the relevant land titles in the form of HGU and HGB.

**(c) Law No. 3 of 2014 on Industrial Affairs as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Industrial Law")**

Industrial sector in Indonesia is generally stipulated under the Industrial Law. As an implementing regulation, the Government has issued Government Regulation No. 28 of 2021 on the Industrial Sector that was issued and came into force on 2 February 2021 ("**GR 28/2021**"). Overall, the following key areas are addressed by GR 28/2021: (a) supervision of industrial undertakings and industrial estate operators; (b) access to and utilisation of raw materials; (c) application of the Indonesian National Standards (SNI), technical specifications and procedural guidelines; and (d) strategic industries.

Failure to comply with the requirement for industrial business undertakings under GR 28/2021 may lead to administrative sanction in the form of (i) written warning, (ii) administrative fines, (iii) temporary closing of business, (iv) suspension of business licence, and/or (v) revocation of business licence.

In relation to the licence in the industrial sector, PT MKH is currently in the process of obtaining the verified standard certificate as required under the current licensing regime. As a part of the process, the mandatory technical verification, a new requirement under the OSS-RBA which came into effect on 2 February 2021, has been carried out on 5 January 2023, following the Company's application for the verification of the standard certificate since 2022. Based on the assessment by the verification team from the Directorate General of Agro-Industry of the Ministry of Industry, PT MKH has fulfilled all of the requirements in the industrial sector and is ready to commence the production activities. As a follow-up, PT MKH has uploaded these documents to the OSS-RBA to obtain a verified standard certificate and it is expected to be obtained by 3rd quarter of 2023.

PT MKH was informed by the Ministry of Industry that SIINas system (Ministry of Industry's online system) that should be used for the application of technical verification of the Standard Certificate is still under integration process with the OSS-RBA and thus, it still cannot be used at this point of time. There is no penalty or sanction stipulated under GR 28/2021 pertaining to the aforementioned issue. To date, PT MKH has never received any notice of non-compliance, warning letters or sanctions in relation to this issue.

**(d) Law No. 32 of 2009 on Environmental Protection and Management as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Environmental Law")**

Environmental protection in Indonesia is governed by various laws, regulations, and decrees, including the Environmental Law and its implementing regulations, which, among others, are GR No. 22/2021 and Minister of Environment and Forestry Regulation No. 4 of 2021 ("**Regulation No. 4/2021**"). In conjunction with GR No. 22/2021, the Environmental Law stipulates that all business sectors that are required to obtain an AMDAL or UKL/UPL as a pre-requisite for companies to obtain their business licensing (*perizinan berusaha*). These regulations introduce the term Environment Approval (*Persetujuan Lingkungan*) to distinguish it from the previous environmental licensing regime. The Environment Approval is integrated with the business licensing so business undertakings are now no longer required to obtain a standalone Environment Licence. As consequence to the integration of Environment Approval with business licensing, administrative sanction under GR No. 22/2021 will be imposed directly on the company's business licensing, leading to suspension or cessation of the company's business activities as a whole and fines.

Under Regulation No. 4/2021, crude oil palm plantations (KBLI 10431) with an aggregate land area 10.0 Ha or more require an AMDAL, and if the aggregate land area is between 1.0 Ha to 10.0 Ha, UKL/UPL will be needed. If such company owns crude palm oil processing that is integrated with the oil palm plantation (KBLI 10431), an AMDAL will be required as well.

PT MKH and PT SPS are in the midst of applying for the Environmental Approval. For further details on this matter, please refer to our notes in Section 6.7.

**(e) Minister of Environment and Forestry Regulation No. 5 of 2021 on Procedure for Issuing Technical Approval and Operational Feasibility Letter in the Field of Environmental Pollution Control ("Regulation No. 5/2021")**

In order to carry out the mandate regulated in GR No. 22/2021, the Minister of Environment and Forestry has issued Regulation No. 5/2021, which outlines the various requirements and procedures for the issuance of technical approvals and operational feasibility letter ("**SLO**") for the following activities:

(i) Wastewater disposal and/or utilisation, which encompass the following:

(aa) disposal of wastewater into surface water bodies, certain formations or seas; and

(bb) utilisation of wastewater within certain formations or for applications to soil; and

(ii) Releases of emissions

The securing of technical approvals and SLO are mandatory in relation to the implementation of the abovementioned activities by any businesses and/or through activities for which the following documents are required:

(aa) Environmental Impact Analyses (Analisis Mengenai Dampak Lingkungan – "**AMDAL**"); or

(bb) Environmental Management Efforts and Environmental Monitoring Efforts (Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup – "**UKL-UPL**").

It is important to note that based on Environmental Law, any person who intentionally commits a violation (wrongdoing) that causes the excess of the ambient limit of the standard of air quality, water quality, seawater quality, or the standard criteria of environmental damage, shall be punished with imprisonment of minimum 3 years and maximum 10 years and a fine of at least Rp3,000,000,000 at most Rp10,000,000,000. In case the violation as cited above (i) causes injury and/or hazard to human health, the person shall be punished with imprisonment for a minimum of 4 years and a maximum of 12 years and a fine of at least Rp4,000,000,000 and at most Rp12,000,000,000, or (ii) causes serious injury and/or death, the person shall be punished with imprisonment for a minimum of 5 years and a maximum of 15 years and a fine of at least Rp5,000,000,000 and at most Rp15,000,000,000.

PT MKH and PT SPS are in the midst of applying for the Environmental Approval. For further details on this matter, please refer to our notes in Section 6.7.

**(f) Minister of Agrarian/Head of National Land Agency Regulation No. 13 of 2021 on the Implementation of the Accordance of Space Utilisation Activities and the Synchronization of Space Utilisation Programs ("Regulation No. 13/2021")**

This regulation aims to implement the provisions of Article 146 paragraph (1) Government Regulation Number 21 of 2021 concerning Spatial Planning ("**GR No. 21 of 2021**"). Basically, Regulation No. 13/2021 stipulates the details of the processes involved in the issuance of Accordance of Space Utilisation Activities (Konfirmasi Kesesuaian Kegiatan Pemanfaatan Ruang or "**KKPR**") for business activities, KKPR for non-business activities, and KKPR for national strategic activities, as well as the implementation of the Synchronization of Space Utilisation Programs (Sinkronisasi Program Pemanfaatan Ruang or "**SPPR**"). KKPR will be conducted through OSS-RBA.

Failure to obtain the relevant KKPR, the business undertakings may not be able obtain the required business licensing allowing it to engage in its business activities.

PT MKH and PT SPS have obtained this KKPR and complied with the requirements.

**(g) Law No. 25 of 2007 on Investment, as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Investment Law")**

The Investment Law is aimed to promote domestic and foreign investment in Indonesia by granting several incentives to the investors, including but not limited to provisions of tax and financial incentives, immigration facilities for foreign workers and assistance in the licensing for imports. Furthermore, the Investment Law provides that all business sectors are open for foreign investment, except for the business sector that is determined as closed for foreign investors, or the business sector that is reserved to the Government of Republic Indonesia.

In this regard, the President of the Republic of Indonesia has issued the Government Regulation No. 5 of 2021 regarding The Organization of Risk-Based Business Licensing ("**GR No. 5/2021**") and Presidential Regulation No. 10 of 2021 on Investment Business Fields, as amended by Presidential Regulation No. 49 of 2021 ("**PR No. 10/2021**"). PR No. 10/2021 is issued with the objective to further enhance investment activities in Indonesia and enhance the competitiveness of the national economy in the face of the ASEAN Economic Community and the dynamics of economic globalisation, while enhancing the protection of various strategic sectors of the national companies and the micro, small and medium enterprises, and cooperatives ("**UMKMK**"), as well as enhancing the collaboration between foreign investors and UMKMK.

PR No. 10/2021 stipulates that generally, every business field is open for foreign investment, except for the business field that is determined as closed for foreign investment, or the business field that is reserved for the government of Republic Indonesia. Since the agricultural business is not included under GR No. 5/2021 and PR No. 10/2021 does and their annexes, under the new regime, palm oil plantation sector is 100% open for foreign investment, provided that the foreign investor fulfils all the obligations set out under GR No. 5/2021 and PR No. 10/2021.

After the enactment of GR No. 5/2021, every business in Indonesia will be carried out based on their risks through the OSS-RBA, a system operated by OSS under the Indonesian Investment Coordinating Board/Ministry of Investment (*Badan Koordinasi Penanaman Modal/Kementerian Investasi* or "**BKPM**").

PT MKH and PT SPS have obtained the licences issued by the OSS-RBA, save for the verified standard certificate. For further details on this matter, please refer to Section 6.7.

**(h) Law No. 13 of 2003 on Manpower as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Manpower Law")**

Generally, Indonesian employment law is governed by Manpower Law. The government has issued government regulations to implement the Manpower Law, namely:

- Government Regulation No. 35 of 2021, dated 2 February 2021, regarding Fixed-Term Employment Contracts, Outsourcing, Work and Rest Time, and Termination of the Work Relationship; and

- Government Regulation No. 36 of 2021, dated 2 February 2021, regarding Salary.

The two other main laws and regulations are:

- Law No. 2/2004, dated 14 January 2004, regarding industrial relations dispute settlement; and

- Law No. 21/2000, dated 4 August 2000, regarding labor unions.

In addition to the above laws, employers and employees are also subject to company regulations (or work rules) or a collective labor agreement (CLA), if applicable, as well as the express provisions of the employment agreement between the employer and the employee. There is also prohibition to perform child labor (child means every person who is under the age of 18). Any employer who performs child labor is subject to a criminal sanction in for of imprisonment for a minimum of 2 years and a maximum of 5 years and/or a fine of a minimum of Rp200,000,000 and a maximum of Rp500,000,000.

PT MKH and PT SPS have complied with the Manpower Law provisions, including but not limited to the minimum wage requirements, social security requirements, and reporting requirements.

**(i) Minister of Agriculture Regulation No. 98/PERMENTAN/OT.140/ 9/2013 as amended by Minister of Agriculture Regulations No. 29/PERMENTAN/KB.410/5/2016 Tahun 2016 and No. 21/Permentan/KB.410/6/2017 on Guidelines for Plantation Permits ("Regulation No. 98/2013")**

Regulation No. 98/2013 aims to improve the regulatory framework for plantation business licensing governed by the previous Minister of Agriculture Regulation No. 26/Permentan/OT.140/2007. Regulation No. 98/2013 contains the guidelines for the licensing of plantation business, plasma programme, and limitation of an overall cap of 100,000 Ha on the aggregate area of palm plantation concessions within Indonesia that may be vested in a single company or in a group.

Under Regulation No. 98/2013, there are 3 types of plantation businesses; i.e. cultivation business, crops/product processing business and plantation services business. A plantation company which has obtained a plantation business permit must submit an annual report regarding its business development, at least, once a year to the issuer of plantation business licence and the Minister of Agriculture. Failure to comply with such reporting obligation, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of the Plantation Business Licence.

PT MKH and PT SPS have obtained the required plantation business licence. For further details on this matter, please refer to Section 6.7.

**(j) Minister of Agriculture Regulation No. 18 Year 2021 on Plantation Development Facilitation for Surrounding Community ("MOA Regulation 18/2021")**

Any plantation companies which have obtained Plantation Business Licence of Cultivation, Plantation Business Licence of Processing and Plantation Business Licence of Cultivation and Processing ("**Integrated IUP**") are subject to several obligations, among other things:

(i) facilitating the development of community plantation along with the construction of company's plantation; and

(ii) having a partnership with farmers, employees, and community.

The Plantation Development Facilitation for Surrounding Community 's obligation may be carried out through the following schemes:

(a) credit scheme;

(b) profit sharing scheme;

(c) other financing scheme as agreed by the parties; and/or

(d) other partnership schemes.

Failure to comply with above obligation, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of the Integrated IUP.

PT MKH and PT SPS have complied with these requirements. For further details on this matter, please refer to Section 6.5.

**(k) Regulation of the President of The Republic of Indonesia No. 44 of 2020 on Indonesian Sustainable Palm-Oil Certification System**

Pursuant to Regulation No. 44/2020, Indonesian Sustainable Palm Oil Certification System ("**ISPO Certification**") is a palm plantation business system that is economically, socially, and environmentally feasible, based on the Indonesian applicable laws and regulations. ISPO Certification is regulated to ensure that the palm plantation companies and palm plantation business consistently complies with the ISPO Certification's principles and criteria, in order to produce palm oil sustainably. The implementation of ISPO can be mandatory or voluntary, depending on the nature of each palm plantation company or business. ISPO Certificate is issued upon engagement from a certification institution (lembaga sertifikasi) to conduct the certification assessment based on ISPO Certification's principles and criteria. A certification institution (lembaga sertifikasi) is an independent institution that has obtained the recognition from the ISPO Commission and has been accredited by the National Accreditation Committee (Komite Akreditasi Nasional) for quality management system and environmental management system. In the event of an absence of an ISPO Certificate, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of Plantation Business Permit (Izin Usaha Perkebunan).

PT MKH and PT SPS have obtained the ISPO certificate respectively.

**(l) Law No. 36 of 2009 on Health as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("Health Law")**

The Health Law stipulates that every individual is entitled to a healthy environment for good health. The issuance of the Health Law is aimed at increasing everyone's awareness, willingness, and ability to lead a healthy life, which will result in productive human resources, socially and economically. The Indonesian government is responsible to plan, regulate, perform, develop, and supervise the implementation of distributed and affordable health measures through public services. The Indonesian government and the public are also required to guarantee the availability of healthy environment, which includes housing, working place, recreational area and public facilities. The Health Law stipulates that healthy environment shall be free from, among others, liquid wastes, dangerous chemical substances, and polluted water. Business entities are required to guarantee the health of their employees by way of prevention, improvement, medication, recovery measures as well as bearing their employees' health care costs in accordance with the laws and regulations.

PT MKH and PT SPS have complied with the Health Law requirements and have applied a healthy environment within PT MKH and PT SPS' area.

**(m) Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility ("GR No. 47/2012")**

GR No. 47/2012 was enforced in order to impose a mandatory CSR regime for "natural resource-based" and "natural resource-related" companies as mandated by Article 74 of the Company Law. Under GR No. 47/2012, a company's director is responsible to implement the company's CSR activities and required to prepare an annual CSR operation plan, including an annual CSR budget plan. Such annual operation and budget plans must be prepared based on the "appropriateness and reasonableness" described as the financial capacity of the company having regard to the risks that give rise to the social and environmental responsibilities that must be borne by the company, subject to the obligations of the company as set out in the legislation governing the company's business operations. Therefore, the higher the company's profit and the greater the impact of its operation to the environment, the more resources the company must allocate for its CSR activities.

PT MKH and PT SPS are in compliance with the requirements under GR No. 47/2012. Please refer to Section 6.11 for the CSR activities carried out by PT MKH and PT SPS.

**(n) Government Regulation No. 20 of 2021 on The Control over Abandoned Areas and Lands ("GR No. 20/2021")**

Pursuant to GR No. 20/2021, a person or legal entity which owns or possesses any kind of land rights (HM, HGU, HGB, HP or Right to Manage (Hak Pengelolaan)) must use their land according to their respective purposes in accordance with the social function of the land. The landowner must also report the utilisation of their land from time to time. The Head of Agency (the government or local authority that issued the licence/concession/business licensing) will conduct evaluation of abandoned area to ensure that the landowner utilise their land. In the event that the evaluation result shows that the land is abandoned or not utilized, the Head of Agency convey a written warning to the landowner. If after the third warning letter the land is still not utilised, the Head of the Agency stipulate such land as an abandoned land, followed by the revocation of the landowner's business licensing and/or the land will become an area that is controlled directly by the state (dikuasai langsung oleh negara).

PT MKH and PT SPS has respectively obtained the relevant land titles in the form of HGB and HGU, and thus, PT MKH and PT SPS have controlled over abandoned areas.

**(o) Regulation of the Minister for Agrarian and Spatial Affairs/Head of National Land Agency No. 21 of 2020 on The Handling and Settlement of Land Dispute ("Regulation No. 21/2020")**

Regulation No. 21/2020 provides provisions regarding all land-related cases, conflict, dispute settlements, supervision and management and legal aid and protection. In general, in order to handle and resolve land disputes and conflicts, as well as cases related to land, the Minister of Agrarian Affairs and Spatial Planning/Head of the National Land Agency will receive any complaints originating from the following parties: (i) Individuals or community members; (ii) Community groups; (iii) Legal entity; (iv) Government agencies; and (v) Ministry technical units, regional offices of the National Land Agency and land offices. The settlement of the dispute can also be conducted through mediation and through traditional institution (lembaga adat) based on local culture (kearifan lokal).

PT MKH and PT SPS has respectively obtained the relevant land titles in the form of HGB and HGU and does not have any dispute related to the land.

### (p) Intellectual Property Rights Laws and Regulations

The types and regulation of Intellectual Property Rights in Indonesia are Copyright by Law No. 28 of 2014, Patent by Law No. 13 of 2016 as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation, Trademarks and Geographical Indications by Law No. 20 of 2016, Industrial Design by Law No. 31 of 2000 as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation, Integrated Circuit Layout Design by Law No. 32 of 2000, Trade Secrets by Law No. 30 of 2000, and Plant Variety Protection by Law No. 29 of 2000 as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation.

PT MKH and PT SPS have entered into licence agreement on the trademarks with our Company and have complied with the Intellectual Property Rights Laws and Regulations.

### (q) Taxation Laws and Regulations

According to Law No. 6 of 1983 concerning General Provisions and Tax Procedures as lastly amended by Law No. 16 of 2009 concerning the Fourth Amendment to Law No. 6 of 1983 and DGT Regulation No. PER-20/PJ/2013 concerning Procedures for Registration and Licensing of Taxpayer Identification Number, Reporting of Business and Confirmation of Taxable Entrepreneur, Elimination of Taxpayer Identification Number, and Revocation of Confirmation of Taxable Entrepreneur, and Change of Data and Transfer of Taxpayer, every taxpayer which has fulfilled the subjective and objective requirements according to taxation laws and regulation, shall register to the relevant Tax Service Office whose working area covers the domicile and project location of the taxpayer.

Whoever deliberately fails to apply to be given a taxpayer registration number which may cause losses to the state's revenue shall be punished by imprisonment for a minimum of 6 months and maximum of 6 years and by fine for a minimum of 2 times the amount of unpaid or underpaid tax and maximum of 4 times the amount of unpaid or underpaid tax.

PT MKH and PT SPS have respectively obtained a taxpayer registration number and comply with the taxation laws and regulations.

### (r) Own Interest Terminal Laws and Regulations

Own Interest Terminal (Terminal Untuk Kepentingan Sendiri, "**TUKS**") is regulated under Regulation of the Minister of Transportation No. PM 52 of 2021 on Special Terminals and Private (Own Interest) Terminals. Business entities may construct and operate own interest terminals in order to support certain activities within the relevant ports' work authority areas (*daerah lingkungan kerja* – "**DLKr**") and interest authority areas (*daerah lingkungan kepentingan* – "**DLKp**").

In terms of the management of TUKS, Regulation 20/2017 required said management to be carried out based on cooperation with port operators and upon the securing of approvals from the Director-General or from the relevant governors or regents/mayors, depending on the locations of terminals. Said approvals were granted for ten-year periods and could be extended upon the fulfilment of certain requirements.

PT MKH currently operates a TUKS to support its main business activity and has obtained the required license to operate a TUKS.

As at LPD, PT MKH and PT SPS are in the midst of applying for the Environmental Approval which covers the B3 licence under the new regulatory regime in the form of Technical Details for B3 (as stated in items (d) and (e) above) and PT MKH is in the midst of obtaining the verified standard certificate (as stated in item (c) above). Please refer to Section 6.7 for further details on the Environmental Approval and verified standard certificate including the status and processes of application. As at LPD, our Group is in compliance with the governing laws, regulations, rules or requirements relating to our business.

## 6.11 ENVIRONMENT, SOCIAL AND GOVERNANCE PRACTICES

Our Group is committed to act responsibly in its business operations, including to its business stakeholders, its employees and the local community around its plantation estates. As an oil palm plantation group, our Group is exposed to risks related to environmental, health and safety issues in the oil palm industry in Indonesia, hence our Group implements sustainability practices across all facets of its businesses. With this in place, our environment, social and governance practices strives to be in-line with the Sustainability Reporting Guide issued by Bursa Securities, which seeks to help Main Market and ACE Market listed companies to embed sustainability in their operations. Moving forward, our Group shall endeavour towards ensuring that our environment, social and governance practices are disclosed to our various stakeholders in a detailed manner (including disclosures on our Group's management of material sustainability matters) via the preparation of Sustainability Statements in line with Bursa Securities' Sustainability Reporting Guide, of which our Group will appoint a sustainability consultant by 3rd quarter of 2023 to evaluate and recommend to our Board the sustainability practices for our adoption. Our Group's operations are guided by the following practices, principles, policies and processes to ensure the sustainability of its business:

### 6.11.1 Environmental practices

Our Group is committed to preserve a healthy ecosystem at its plantation estates via good estate management/plantation practices, including:

(a) adoption of zero-burning policy during land clearing and putting up various signboards on environment preservation and wildlife protection as a constant reminder to our Group's plantation workers as they carry out their daily duties;

(b) installation of an integrated drainage system across our Group's plantation estates as part of its water management practices as well as to maintain the moisture level of soil to promote growth of oil palm trees;

(c) reduction of the application of agrochemicals through the use of natural alternatives such as planting of beneficial plants to combat pests, as well as introduction of barn owls for pest control in our Group's plantation estates;

(d) treatment of POME which are accumulated from palm oil milling process and used for land application in our Group's plantation estates;

(e) generation of electricity for domestic consumption in certain parts of our Group's plantation estates by using by-products produced during palm oil milling, i.e. PK shell and mesocarp fibre as fuel for the boiler to generate steam for the electricity turbine;

(f) reuse of by-products from our Group's palm oil milling process, i.e. EFB and decanter cake, as fertilisers for its plantation estates;

(g) reduce the usage of plastic and shrink wrap, as well as recycle of dry waste such as plastic, shrink wrap and cartons by selling them to recycling companies for alternative uses; and

(h) adoption of no child labour and no discrimination policies where our Group commits to protect children's and workers' welfare.

As at LPD, our Group has not experienced any environmental issues at our plantation estates.

### 6.11.2 Health, safety and social

Our Group places strong emphasis on ensuring the well-being of its workers. Our Group has established a Safety and Health Committee to develop in-house occupational health and safety rules, review the policies and ensure that all employees are in a safe working environment. Initiatives undertaken by our Group to ensure the health, safety and well-being of its employees include:

(a) building and provision of infrastructure and facilities such as ATMs, mini market, staff quarters, recreational facilities and prayer facilities to improve the livelihood and living convenience of our Group's workers and the local community;

(b) availability of a 24-hour clinic with medical personnel on duty and essential medical equipment to address the medical needs of the community;

(c) implementation of health programme and regular fogging to prevent dengue;

(d) equipping our Group's workers with the necessary safety and protection equipment for work, such as face masks, rubber boots and gloves;

(e) regular cleaning activities to ensure the cleanliness and hygiene of workplace and living quarters; and

(f) imposition of infection control measures during the COVID-19 pandemic, to protect our Group's employees against potential COVID-19 infection.

Further, our Group has also received several appreciations/awards in recognition of its emphasis on the health, safety and well-being of its employees, as follows:

| Year | Appreciation / award | Awarding body |
|---|---|---|
| 2020 | Appreciation on the implementation of prevention and control programme on HIV and AIDs at workplace (Gold standard) | Governor of East Kalimantan |
| 2021 | Appreciation on the implementation of prevention and control programme on HIV and AIDs at workplace (Platinum standard) | Governor of East Kalimantan |
| 2021 | Appreciation on the prevention of COVID-19 at workplace (Gold standard) | Governor of East Kalimantan |
| 2022 | Appreciation on the prevention of COVID-19 at workplace (Platinum standard) | Ministry of Manpower of the Republic of Indonesia |

As an oil palm group in Indonesia, our Group is obligated to participate in the Plasma Programme initiated by the Government of Indonesia to facilitate the development of community plantation and to establish cooperation between plantation companies and community members in the village to improve the wellbeing of underprivileged communities and reduce socio-economic disparities.

As part of our Group's CSR initiatives, our Group has also established a pre-school, a primary school and junior secondary school (from Grade 7 to Grade 9) to provide education to the children of our estate workers. Further, as our Group is concerned with community needs and the front-liners since the COVID-19 pandemic outbreak, our Group donated more than 100,000 pieces of face masks to the Provincial Government of Kutai Kartanegara and communities near our plantation estates. Our Group also donated oxygen regulators to Kutai Kartanegara Health Office (Dinas Kesehatan Kutai Kartanegara) for the welfare of the patients.

Additionally, our Group organised blood donation drives to encourage blood donation and conducted fogging activities at the surrounding community and staff quarters to prevent dengue.

### 6.11.3 Governance

Our Group recognises the importance of promoting good corporate governance to ensure long term sustainability, growth and delivering value. As such, our Group is committed to uphold the highest standards of corporate governance and ethical conduct in accordance with the principles and practices of corporate governance as set out in the MCCG.

PT MKH obtained its ISPO certification since 4 April 2017 while PT SPS obtained the ISPO certification (with a 5-year certification) from PT Global Inspeksi Sertifikasi, an accredited certification body of ISPO on 27 July 2022. Our Group has met the criteria under the ISPO certification including but not limited to environmental management and monitoring, social and community responsibility, sustainable business development as well as the technical guidelines for oil palm cultivation and processing where our Group conform to good agricultural practices.

## 6.12 EMPLOYEES

The breakdown of our employees as at 30 September 2022 and LPD are as follows:

| | Permanent | | Contractual | | |
|---|---|---|---|---|---|
| **Department/ Business function** | **Local**[1] | **Foreign**[2] | **Local**[1] | **Foreign**[2] | **Total** |
| **As at 30 September 2022** | | | | | |
| Director | - | 4 | - | - | 4 |
| Key senior management | - | 4 | - | - | 4 |
| Administrative, finance and information technology | 92 | 7 | 4 | - | 103 |
| Field audit/R&D | 19 | - | 1 | - | 20 |
| General workers[3] | 1,367 | 2 | 180 | - | 1,549 |
| Harvesters | 1,094 | - | 344 | - | 1,438 |
| Support[4] | 768 | 1 | 28 | - | 797 |
| Palm oil milling | 152 | 1 | 3 | - | 156 |
| Jetty | 14 | - | - | - | 14 |
| Purchasing | 10 | 1 | - | - | 11 |
| Logistics | 25 | - | 2 | - | 27 |
| **Total** | **3,541** | **20** | **562** | **-** | **4,123** |

## 6. INFORMATION ON OUR GROUP *(Cont'd)*

| Department/ Business function | Permanent | | Contractual | | |
|---|---|---|---|---|---|
| | Local[1] | Foreign[2] | Local[1] | Foreign[2] | Total |
| **As at LPD** | | | | | |
| Director | - | 4 | - | - | 4 |
| Key senior management | - | 4 | - | - | 4 |
| Administrative, finance and IT | 89 | 7 | 1 | - | 97 |
| Field audit/R&D | 19 | - | 1 | - | 20 |
| General workers[3] | 1,498 | 2 | 163 | - | 1,663 |
| Harvesters | 1,192 | - | 215 | - | 1,407 |
| Support[4] | 748 | 2 | 23 | - | 773 |
| Palm oil milling | 151 | 1 | 3 | - | 155 |
| Jetty | 14 | - | - | - | 14 |
| Purchasing | 10 | 1 | - | - | 11 |
| Logistics | 23 | - | 2 | - | 25 |
| | **3,744** | **21** | **408** | **-** | **4,173** |

**Notes:**

(1) Refers to Indonesian employees.

(2) Refers to non-Indonesian employees i.e. Malaysian employees.

(3) Comprises general workers that carry out planting, chemical spraying, application of fertilisers, general maintenance and other labour works.

(4) Comprises support personnel in human resources and general affairs; healthy, safety and environment; ISPO compliance; geographic information system; land business development and quality management system.

As at LPD, our Group has a total workforce of 4,173 employees of which 3,765 are permanent employees and 408 are contractual employees. None of our employees are member of any union nor have there been any major industrial disputes in the past.

For information purposes, our Group had on 31 March 2023 terminated the management services agreement entered into with MKH Resources for the provision of internal audit, human resources and administration and IT to our Group.

In this respect, Chen Wei Chyong, our Executive Director, was appointed to oversee our Group's IT, human resource and administration functions, which were set up in April 2023, where she is supported by 55 personnel, of which 5 are local employees and 50 are Indonesian employees, with respective functional expertise. Moving forward, our Group intends to set up an internal audit function to plan and execute the annual audit plans, subject to review and evaluation of our Audit and Risk Management Committee, as well as to provide assurance that our business and operations are carried out in accordance with our Group's relevant policies and procedures. We expect to recruit an internal audit manager which possess knowledge in internal audit for the establishment of our internal audit system, which is expected to be completed by 4th quarter of 2023.

All foreign employees (i.e. Malaysian employees) employed by us have valid working permits and are not in breach of any immigration laws.

# 7. BUSINESS OVERVIEW

## 7.1 HISTORY OF OUR GROUP

The history of our Group can be traced back to 19 November 2004 when our parent company, MKH acquired the entire equity interest in our Company as a shelf company. Between 2006 and 2019, there were 3 allotments of shares of our Company to MKH, and MKH remained as the sole shareholder of our Company. Apart from these allotments, in 2011 and 2013, there was an allotment of RCPS each year to Metro Kajang (Oversea), which were all redeemed and converted to ordinary shares in 2021 and resulted in Metro Kajang (Oversea) owning 43.27% equity interest and MKH owning the remaining 56.73% equity interest in our Company.

The acquisition of our subsidiaries and changes in shareholdings, as well as the history and development of our Group and business operations since 2008 are as follows:

**Incorporation/acquisition of our subsidiaries and changes in shareholdings**

As part of MKH's plan to venture into oil palm plantation business, on 18 January 2008, our Company acquired the entire equity interest in SJL Utama Pte Ltd ("**SJL**"), a company incorporated in Labuan, Malaysia which had a 94.998%-owned subsidiary named PT MKH, with the remaining equity interests held by PT Khaleda Anugerah Utama ("**PT Khaleda**") (4.998%), Ong Khek Gee (0.002%) and Juhni Mirza (0.002%). PT MKH owned approximately 15,942.6 Ha of plantation land located in East Kalimantan, Indonesia. Before the acquisition of the entire equity interest in SJL, our Company had remained dormant since the acquisition by MKH.

On 1 July 2009, our Company acquired 94.998% equity interest in PT MKH from SJL, resulting in PT MKH becoming our directly-owned subsidiary. This was in preparation of the cessation of SJL's business to streamline the corporate structure of MKH, whereby SJL was subsequently struck off from the register of Labuan Financial Services Authority with effect from 15 November 2011. On the same date, another subsidiary under MKH, namely Metro Kajang (Oversea), acquired 0.002% equity interest in PT MKH from Ong Khek Gee.

Between 2015 and 2018, PT MKH undertook 3 allotments of shares to its shareholders, namely PT Khaleda, Juhni Mirza and Metro Kajang (Oversea); and on 7 February 2018, Juhni Mirza disposed his entire equity interest to PT Khaleda; which resulted in Metro Kajang (Oversea) owning 0.67% equity interest, PT Khaleda owning 5.00% equity interest, and our Company owning the remaining 94.33% equity interest in PT MKH.

On 27 March 2017, as part of our expansion plans, MKH Plantation, a wholly-owned subsidiary of MKH, acquired 75.00% equity interest in PT SPS, with the remaining equity interest held by Ivakijaya (20.00%) and PT Khaleda (5.00%). PT SPS owned approximately 2,445.5 Ha of plantation land located adjacent to the plantation land owned by PT MKH.

In 2021 and 2022, PT Khaleda transferred all of its equity interest in PT MKH (5.00%) to PT Hikmat, resulting in PT Hikmat owning 5.00% equity interest, Metro Kajang (Oversea) owning 0.67% equity interest, and our Company owning the remaining 94.33% equity interest in PT MKH. Over the same period, PT Khaleda transferred all of its equity interest in PT SPS (5.00%) to PT Hikmat, resulting in PT Hikmat owning 5.00% equity interest, Ivakijaya owning 20.00% equity interest, and MKH Plantation owning the remaining 75.00% equity interest in PT SPS.

As part of the Pre-IPO Reorganisation and in preparation for our Listing, our Company has undertaken the Acquisition of PT MKH and Acquisition of PT SPS to acquire the remaining 5.67% equity interest in PT MKH that are owned by PT Hikmat (5.00%) and Metro Kajang (Oversea) (0.67%); as well as the entire equity interest in PT SPS that are owned by PT Hikmat (5.00%), Ivakijaya (20.00%), and MKH Plantation (75.00%). The Acquisition of PT MKH and the Acquisition of PT SPS were completed on [●], and PT MKH and PT SPS became our wholly-owned subsidiaries.

**History and development of our Group and business operations**

Upon the acquisition of SJL in 2008, we purchased oil palm seedlings from third party suppliers and commenced the cultivation of seedlings by setting up a nursery on the plantation land. By end of 2008, we had planted oil palms on approximately 20.0% of the total plantation land; and by end of 2009, we had planted oil palms on approximately 55.0% of the total plantation land. By end of 2010, approximately 90.0% of the plantation land was planted with oil palms.

In January 2011, we began to harvest FFB and commenced sale of FFB to third party palm oil mills. In October 2011, we completed the construction of a palm oil mill with a processing capacity of 60 MT FFB per hour, on the plantation estate owned by PT MKH, to commence the processing of FFB harvested from our plantation estate to produce CPO and extract PK. With this, we ceased selling FFB to third party palm oil mills as we began processing all FFB harvested from our plantation estate in our palm oil mill, except during periods where our palm oil mill undergoes annual major maintenance.

With the aim to increase the operational capacity of our palm oil mill as part of our expansion plan and to meet our rising FFB production, in July 2014, we upgraded our palm oil mill to a capacity of 90 MT FFB per hour.

Upon the acquisition of PT SPS in 2017, the total area of our oil palm plantation land increased to 18,388.1 Ha. At the point of acquisition, approximately 70.0% of the plantation land of PT SPS was already planted with oil palms.

On 4 April 2017, PT MKH obtained the ISPO certification from PT SGS Indonesia, an accredited certification body of ISPO as a testament to the sustainability of our plantation practices and in recognition of our compliance with the relevant laws and regulations in Indonesia. On 27 July 2022, PT SPS obtained the ISPO certification from PT Global Inspeksi Sertifikasi, an accredited certification body of ISPO. Please refer to Section 7.1.1 for further details of the certifications and awards obtained by our Group.

As our oil palms began entering the prime mature stage with peak FFB harvest, we recognised the importance of enhancing the productivity in our plantation estates. In 2018, we purchased and commissioned over 100 units of powered wheelbarrows to replace some of our conventional wheelbarrows for the collection of FFB, thus increasing our in-field mobility and operational efficiency in FFB collection. Further, we began implementing more mechanisation processes and adopted more technology to enhance the productivity and efficiency of FFB collection in our plantation estates. Please refer to Section 7.7 for further details of the technology adopted by our Group.

In October 2018, our Group began to undertake the building materials trading business in Malaysia, together with another subsidiary under MKH, namely MKH Building Materials Sdn Bhd. Subsequently in 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

### 7.1.1 Certification and awards

Our Group adopts plantation practices that focus on the efficiency of our plantation management and quality of our crop. Among the areas of our plantation practices include field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment management. The adoption of these plantation practices has improved FFB yields in our plantation estates as well as OER and KER in our palm oil mill. It helps to ensure the quality of our products. Please refer to Section 7.4.1 for further details of the plantation practices adopted by our Group.

## 7. BUSINESS OVERVIEW *(Cont'd)*

As a testament to the quality of our products and the efficiency of our plantation practices, our Group was awarded with the following certifications and awards:

**Certifications**

| Certification | Processing facility / scope | Certification body/ awarding body | Date first awarded | Current validity period |
|---|---|---|---|---|
| ISPO | Compliance with the ISPO certification system of the plantation estate and palm oil mill owned and operated by PT MKH | PT SGS Indonesia | 4 April 2017 | 11 August 2025 |
| ISPO | Compliance with the ISPO certification system of the plantation estate owned and operated by PT SPS | PT Global Inspeksi Sertifikasi | 27 July 2022 | 26 July 2027 |
| Company performance rating assessment programme in environmental management (PROPER) – Blue (2015 to 2020) and Green (2021 to 2022) | Conformance to the requirements in efforts carried out to control pollution and/or damage to the environment carried out by PT MKH | Governor of East Kalimantan | 5 June 2015 | (1)N/A |

**Note:**

(1) This is a yearly assessment conducted by the Governor of East Kalimantan on our level of conformance to the requirements in controlling pollution and/or damage to the environment. These certificates are usually issued to our Group in the middle of every calendar year upon the completion of assessments.

This assessment comprises 5 ranks, i.e. from black being the lowest rank, to red, blue, green and gold being the highest rank. Our Group received a Blue rank from 2015 to 2020, and a Green rank from 2021 to 2022. This demonstrates our continuous and enhanced efforts in preserving the environment as part of our business operations.

As mandated by the Indonesian Government, ISPO certification is a mandatory certification scheme for all oil palm growers in Indonesia, with the aim to improve sustainable practices and reduce greenhouse gas emissions in the Indonesian oil palm industry. The scheme is based on relevant prevailing Indonesian laws and regulations which aims to facilitate compliance by palm oil producers as detailed in Section 6.10. To obtain the ISPO certification, we are evaluated and audited by accredited certification bodies of ISPO, from all aspects of the abovementioned plantation practices. Further, we are reviewed regularly by our customers (i.e. downstream refineries and PK crushing mills) based on the scope of ISPO assessment criteria as part of their audit process. In the event that our Group does not meet the ISPO assessment criteria during our customers' audit process, the customers may not purchase CPO and/or PK from us until we meet their ISPO assessment criteria, or may request for higher discount when they purchase CPO and/or PK from us.

**Awards**

| Year | Award | Awarding body |
|---|---|---|
| 2019 | Zero Work Accident Award | Ministry of Manpower of the Republic of Indonesia |
| 2019 | Zero Accident Award | Governor of East Kalimantan |
| 2020 | Gold Award for Best Foreign Owned Plantation Company | Provincial Government of Kutai Kartanegara, Indonesia |
| 2020 | Zero Accident Award | Governor of East Kalimantan |
| 2021 | Zero Accident Award | Governor of East Kalimantan |
| 2022 | First Class Plantation (Excellence) | Plantation office of Kutai Kartanegara, Indonesia |

## 7.2 DESCRIPTION OF OUR BUSINESS

We are an upstream oil palm plantation group and our operations are based in East Kalimantan, Indonesia. Through our subsidiaries, we are principally involved in:

(a) cultivation of oil palm; and

(b) production and sale of CPO and PK.

As at LPD, our Group owns 2 oil palm plantation estates, 1 palm oil mill and 1 jetty located in East Kalimantan, Indonesia. The harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK for onward sales to our customers.

Our principal activities, business model and products are further detailed in the ensuing sections.

### 7.2.1 Cultivation of oil palm

Through our subsidiaries, we cultivate oil palm and harvest FFB on 2 plantation estates owned by our Group located in East Kalimantan, Indonesia. These 2 plantation estates have a total plantation land area of 18,205.3 Ha, comprising 17,008.8 Ha of planted area and 1,196.5 Ha of unplanted area as at LPD, with details as follows:

| | PT MKH | PT SPS | Total |
|---|---|---|---|
| | | Ha | |
| Total planted area | 15,012.4 | 1,996.4 | 17,008.8 |
| Unplanted area for other purposes (e.g. palm oil mill, management office, housing, nursery, roads, drains, canals) | 930.2 | 266.3 | 1,196.5 |
| **Total land area** | **15,942.6** | **(1)2,262.7** | **18,205.3** |

**Note:**

(1) 182.8 Ha of the plantation land area owned by PT SPS has been earmarked for transfer in the form of HGU to Sawit Seguntung Jaya Plantation Cooperative, Puan Cepak Village. The transfer of the plantation land area was to fulfill the obligation of PT MKH under the Plasma Programme whereby PT MKH is obligated to amongst others, provide the plantation facilities and assist in the management of the plantation land. Please refer to Section 6.5(b)(iv) for further details of the transfer of plantation land area measuring 182.8 Ha.

Under Plantation Law and MOA Regulation No. 18/2021 (as respectively defined in Section 6.10), the Indonesian Government requires oil palm plantation companies to develop and manage new plantations under the Plasma Programme for local cooperatives which comprise local farmers. Under the Plasma Programme, our Group is required to provide a total of 2,226.0 Ha of plantation land (1,606.0 Ha under PT MKH and 620.0 Ha of plantation land under PT SPS) for plantation development and management for the local cooperatives. To fulfil this requirement, PT MKH and PT SPS have entered into several agreements, among others, Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 20 September 2016 as amended by the first addendum dated 9 July 2018. As at LPD, our Group has fully fulfilled the Plasma Programme requirement, where 1,906.0 Ha of plantation land provided to the local cooperatives have been planted with oil palm, and the remaining 320.0 Ha of plantation land provided to the local cooperatives are yet to be planted as they are pending the issuance of IUP to commence planting. The following table illustrates the Plasma Programme requirement as fulfilled by PT MKH and PT SPS respectively:

| Plasma Programme requirement | | | |
|---|---|---|---|
| **Fulfilled** | **Land size (Ha)** | **Location** | **Plantation cooperative involved** |
| PT MKH | (1)1,200 | Desa Sedulang | Sawit Sendowan |
| | (1)406 | Desa Puan Cepak | Sawit Sendowan |
| PT SPS | (1)300 | Desa Sedulang | Sawit Sendowan |
| | (2)320 | Desa Puan Cepak | Sawit Seguntung Jaya |
| | **2,226** | | |

**Notes:**

(1) Pursuant to the Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 on Guidelines on Plantation Business Licence of Cultivation as amended lastly by the Regulation of the Indonesian Minister of Agriculture No. 21/Permentan/KB.410/6/2017, any oil palm plantation company which obtained its IUP prior to 28 February 2007 and has implemented *Perusahaan Inti Rakyat* (PIR) Plantation Scheme, PIR with transmigration scheme or PIR with Credit Facility for Cooperation (*Kredit Koperasi Primer untuk Anggota*) or any other core-plasma cooperation is not required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. In view that PT MKH obtained its IUP on 15 November 2005, PT MKH was not required to comply with the aforementioned obligations as it was not stated in the Plantation Business Licence of Cultivation (IUP) of PT MKH. Nevertheless, PT MKH and PT SPS have collaborated with Sawit Sendowan Plantation Cooperative pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program in the following manner:

(a) a total of 1,200.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT MKH to develop and manage;

(b) a total of 300.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT SPS to develop and manage; and

(c) a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop and manage. There was no agreement entered into with Sawit Sendowan Plantation Cooperative in this respect. However, on 24 December 2012, PT MKH had entered into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion and agreement between PT MKH and the local farmers. For clarity, the entry into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative is in accordance with the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.

(2) In view that PT SPS obtained its IUP on 19 October 2009, PT SPS was required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. Based on the principal agreement entered into with Sawit Seguntung Jaya Plantation Cooperative in September 2016, PT SPS was required to develop and manage approximately 320 Ha plantation area based on the planted area of 1,567 Ha at that point in time.

Following the rehabilitation and planting activities by PT SPS, the total planted area of PT SPS' plantation estate has increased to 1,996.4 Ha as at LPD. Pursuant thereto, the relevant supplemental agreement or addendum to the principal agreement in respect of the abovementioned Plasma Programme obligations shall be entered into between PT SPS and Sawit Seguntung Jaya Plantation Cooperative upon the issuance of IUP, which is expected to be obtained by 3rd quarter of 2023, for Sawit Seguntung Jaya Plantation Cooperative, whereby PT SPS shall be required to develop and manage a total of approximately 400 Ha of land (i.e. 320 Ha (already assigned to PT SPS) and 80 Ha (to be assigned to PT SPS)) being the plantation area to be assigned based on the Plasma Programme requirement of at least 20% of total planted area of approximately 1,996.4 Ha by Sawit Seguntung Jaya Plantation Cooperative.

Please refer to Section 6.5(b) for the further details on the agreements entered into with the plantation cooperatives.

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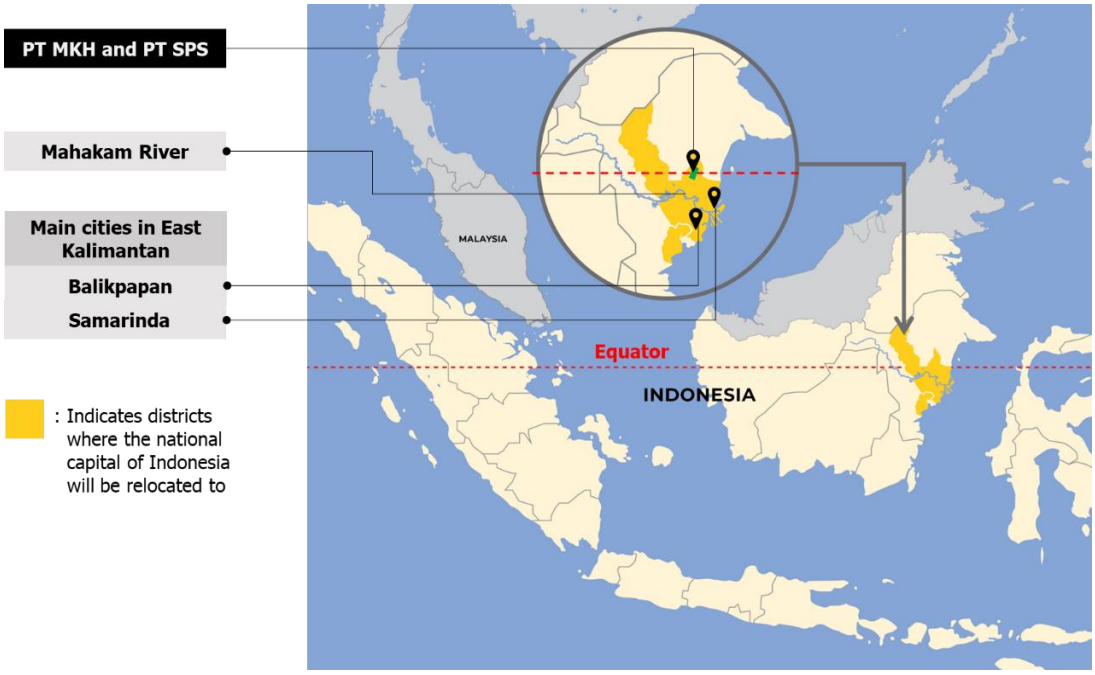
**Location and land profile of our oil palm plantation estates**

Our oil palm plantation estates owned and managed by PT MKH and PT SPS are adjacent to each other and are located in East Kalimantan, Indonesia as shown in the map below:

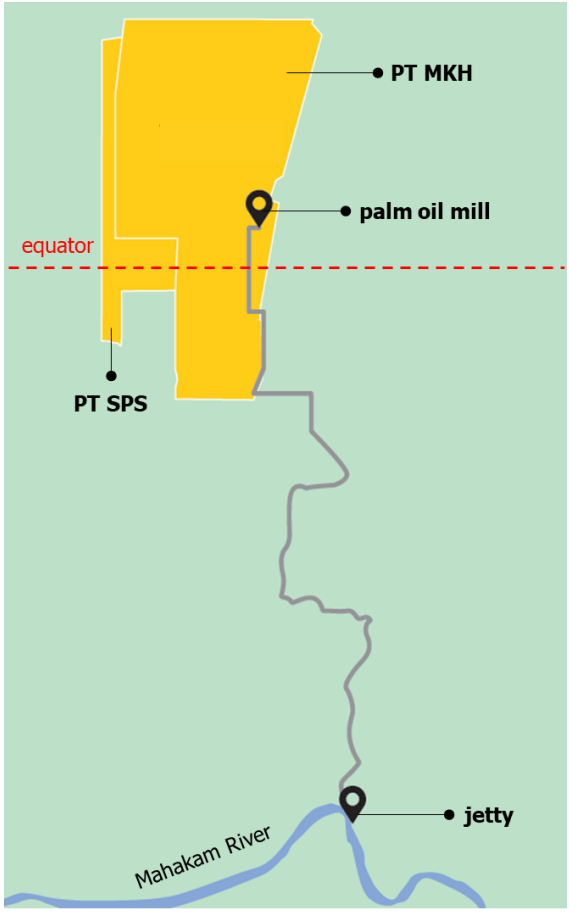



Our palm oil mill is located within the central region of our plantation estate managed by PT MKH. Our plantation estates and palm oil mill are located at approximately 90km from Samarinda, the capital of East Kalimantan; and 200km from Balikpapan, the financial centre of Kalimantan. Further, our plantation estates and palm oil mill are located within Kutai Kartanegara and 270km from North Penajam Paser, which are the 2 districts where the national capital of Indonesia will be relocated to.

Geographically, our plantation estates are situated along the equator, which are areas with adequate levels of rainfall and direct sunshine, making them ideal for oil palm growth. All the terrain of our oil palm planted areas are generally flat to gently undulating with the whole of the land below 50 metre AMSL, whereby most of the elevations are between 15 metre and 30 metre AMSL and higher, and up to 40 metre AMSL near the eastern boundary. This eases our operations, including planting, upkeep and maintenance as well as harvesting and evacuation of FFB, as it does not require our workers to ascend steep slopes, or to operate our machinery and vehicles such as powered wheelbarrows, farm ATVs and UTVs, and trucks across steep slopes, to carry out these activities which are more time- and energy- consuming; thus, contributing to our productivity.

Our plantation estates are equipped with an integrated drainage system which comprises a network of canals and drains spanning across our estates as well as water control equipment such as pumps, stoppers and water gates, for water management purposes. It helps to divert excess rainwater to a lake nearby to minimise the risks of flood; as well as to maintain the moisture level of soil. We have a private jetty owned and operated by our Group, which is located approximately 48km away from our plantation estates. The private jetty is a river jetty along the Mahakam River which eases the logistics management as we are able to transport our CPO and PK via the jetty to other river ports along the Mahakam River for onward delivery to our customers, through third party providers appointed by our customers.

The layout of our plantation estates as well as the location of our palm oil mill and jetty are shown in the map below:




The illustrations of our plantation estates, palm oil mill and jetty are shown below:

Plantation estates

Palm oil mill

Jetty

In terms of soil profile, our plantation estates are located on both mineral soil land and peat soil land, with breakdown as follows:

| | PT MKH | | PT SPS | | Total | |
|---|---|---|---|---|---|---|
| **Soil type** | **Total planted area Ha** | **%** | **Total planted area Ha** | **%** | **Total planted area Ha** | **%** |
| Mineral | 8,433.8 | 56.2 | 235.7 | 11.8 | 8,669.5 | 51.0 |
| Peat | 6,578.6 | 43.8 | 1,760.7 | 88.2 | 8,339.3 | 49.0 |
| | **15,012.4** | **100.0** | **1,996.4** | **100.0** | **17,008.8** | **100.0** |

As at LPD, 51.0% of our oil palms planted area are on mineral soil land, and the remaining 49.0% of our oil palms planted area are on peat soil land. The different types of soil land do not affect our plantation activities, growing conditions of our oil palms, nor our FFB yield.

**Age profile of our oil palm**

Oil palms start to mature from around the 4th year after planting and typically reach their peak production period from around the 10th year until approximately the 20th year. We classify our young mature oil palms as those aged between the 4th year and 9th year, and our prime mature oil palms as those that aged between the 10th year and 20th year. In general, young mature oil palms can produce approximately 16MT of FFB per Ha per year; and prime mature oil palms can produce over 25MT of FFB per Ha per year.

The age profile of our oil palm as at LPD is depicted as follows:

| | PT MKH | | PT SPS | | Total | |
|---|---|---|---|---|---|---|
| **Age Profile** | **Ha** | **%** | **Ha** | **%** | **Ha** | **%** |
| **Immature** | **-** | **-** | **-** | **-** | **-** | **-** |
| (0 to 3 years) | - | - | - | - | - | - |
| **Young mature** | **-** | **-** | **1,245.4** | **62.4** | **1,245.4** | **7.3** |
| (4 to 6 years) | - | - | 217.8 | 10.9 | 217.8 | 1.3 |
| (7 to 9 years) | - | - | 1,027.6 | 51.5 | 1,027.6 | 6.0 |
| **Prime mature** | **15,012.4** | **100.0** | **751.0** | **37.6** | **15,763.4** | **92.7** |
| (10 to 12 years) | - | - | 733.0 | 36.7 | 733.0 | 4.3 |
| (13 to 16 years) | 15,012.4 | 100.0 | 18.0 | 0.9 | 15,030.4 | 88.4 |
| (17 to 20 years) | - | - | - | - | - | - |
| **Old** | **-** | **-** | **-** | **-** | **-** | **-** |
| (21 to 25 years) | - | - | - | - | - | - |
| **Replanting** | **-** | **-** | **-** | **-** | **-** | **-** |
| (>25 years) | - | - | - | - | - | - |
| **Total** | **15,012.4** | **100.0** | **1,996.4** | **100.0** | **17,008.8** | **100.0** |

As at LPD, a majority of our oil palms (i.e. 15,763.4 Ha, or 92.7% of our total planted area) were prime mature oil palms that are in their peak production years, while the remaining were young mature oil palms (i.e. 1,245.4 Ha, or 7.3% of our total planted area) which will soon be entering peak production. As at LPD, none of our oil palms are immature oil palms aged 3 years and below, old oil palms aged between 21 and 25 years, or older than 25 years which are due for replanting. When our oil palms reach old stage at the age of around 22 years, we will commence replanting on a staggered basis, which includes cultivation of oil palm seedlings for about 9 to 12 months and field planting. Please refer to Section 7.4.1 for further details on our planting process of oil palms.

Nevertheless, our replanting efforts may not only involve oil palms that are older than 25 years, as replanting, or known as infilling, may be carried out as and when required to replace unhealthy oil palms, in order to maintain the number of oil palms per Ha (i.e. 136 to 145 oil palms per Ha) and our FFB yield.

In preparation for the infilling which may be required from time to time and supply of oil palm seedlings to local cooperatives under our Plasma Programme, we are continuously involved in the cultivation of oil palm seedlings. As at LPD, we have an oil palm nursery measuring 10.4 Ha in our plantation estate owned by PT MKH. Our seedlings mature at age between 9 and 12 months and will be transplanted to our plantation estates. The matured seedlings in our oil palm nursery will be prioritised for field planting in our plantation estates, however the seedlings may be sold to local cooperatives under our Plasma Programme.

**FFB yields**

In our plantation estates, harvested FFB are transported to our palm oil mill where processing takes place for the production of CPO and extraction of PK. As FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield, we transport the harvested FFB to our palm oil mill within 24 hours for processing. Please refer to Section 7.2.2 for further details on the production of CPO and PK.

With all oil palms at its prime mature stage, plantation estates managed by PT MKH recorded average FFB yields at 29.9MT per Ha, 27.9MT per Ha and 24.2MT per Ha in FYE 2020 to 2022 respectively. On the other hand, our FFB yields in the plantation estate managed by PT SPS stood at 22.7MT per Ha, 14.7MT per Ha and 13.5MT per Ha in FYE 2020 to 2022, respectively.

A summary of our FFB yield profile is shown below:

| | **Average FFB yield per Ha[(1)]** | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | | **MT** | |
| PT MKH | 29.9 | 27.9 | 24.2 |
| PT SPS | 22.7 | 14.7 | 13.5 |
| **Overall Group** | **29.3** | **[(2)]26.7** | **[(2)]23.2** |

**Notes**:

(1) Represents the FFB yield in our plantation estates owned and managed by PT MKH and PT SPS. This does not include FFB yield for the plantations of the local cooperatives under the Plasma Programme.

(2) Lower FFB yield in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and 2022. The average monthly rainfall recorded in our plantation estates increased from 140mm in FYE 2020 to 198mm in FYE 2021, and to 240mm in FYE 2022. Notwithstanding that our plantation estates are equipped with an integrated drainage system to divert excess rainwater to a lake nearby to minimise the risk of flooding, the La Nina phenomenon in FYE 2021 and FYE 2022 resulted in higher-than-expected rainfall which caused flooding to some area in our plantation estates and also affected pollination, which eventually led to lower FFB yield.

PT SPS experienced a more significant decline in FFB yield in FYE 2021 and FYE 2022 as compared to the decline in FFB yield in PT MKH over the same period. This was due to a less established drainage system compared to PT MKH, as PT SPS was a relatively newly acquired estate. As such, PT SPS experienced prolonged floods in its oil palm field, and its FFB harvesting activities were therefore disrupted. Our Group has since continuously strengthened our rehabilitation efforts in PT SPS to better mitigate future adverse weather conditions. Rehabilitation in both of our plantation estates in PT MKH and PT SPS is an on-going effort to maintain the efficiency of, and/or to enhance, our drainage system through amongst others, deepening and widening the canals and drains as well as the outlets diverting excess rainwater from our estates; and constructing additional canals and drains within our estates if needed. As at LPD, our Group is deepening and widening the outlets in both PT MKH and PT SPS to allow quicker diversion of rainwater during heavy rain to minimise the risk of flooding.

Apart from using the harvested FFB for the production of CPO and PK in house, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance. These FFB are delivered to our neighbouring palm oil mills through transporters appointed by our Group.

### 7.2.2 Production and sale of CPO and PK

We have a palm oil mill with a processing capacity of 90MT FFB per hour located within the plantation estate managed by PT MKH. Save for the period where our palm oil mill undergoes maintenance, all FFB harvested in our plantation estates are transported to this palm oil mill for the production of CPO and extraction of PK. As our palm oil mill is located within our plantation estates, it enables us to deliver our harvested FFB to the palm oil mill to be processed in the shortest time possible. This is essential as FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield. We purchase FFB from local cooperatives under our Plasma Programme for processing at our palm oil mill.

A summary of our FFB produced, purchased and processed; as well as our CPO produced and PK extracted together with the OER and KER is shown as follows:

| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
|---|---|---|---|
| | | **MT** | |
| **Input for our palm oil mill (i.e. FFB) for the production of CPO and extraction of PK** | | | |
| FFB harvested in our plantation estates | | | |
| - PT MKH | 433,413 | 417,780 | 362,904 |
| - PT SPS | 28,772 | 21,941 | 19,848 |
| FFB purchased under Plasma Programme | 20,599 | 20,175 | 22,210 |
| **Total FFB processed** | **482,889** | **459,940[(1)]** | **404,901[(1)]** |
| **Output from our palm oil mill (i.e. CPO and PK)** | | | |
| **CPO produced** | **100,010** | **89,438** | **74,942** |
| OER (%) | 20.7 | 19.4[(2)] | 18.5[(2)] |
| **PK extracted** | **20,331** | **17,963** | **16,245** |
| KER (%) | 4.2 | 3.9[(2)] | 4.0[(2)] |

**Notes**:

(1) Lower FFB processed in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina weather phenomenon in FYE 2021 and 2022.

(2) Lower OER and KER in FYE 2021 and FYE 2022 were due to higher moisture content in FFB harvested as a result of heavy rainfall from La Nina weather phenomenon in FYE 2021 and 2022.

Our Group's OER, from FFB processed to CPO produced, stood at 20.7%, 19.4% and 18.5% in FYE 2020 to 2022. On the other hand, our KER, from FFB processed to PK extracted, stood at 4.2%, 3.9% and 4.0%, respectively over the same period.

We sell our CPO to downstream refineries in Indonesia for further processing into palm-based edible oils and other oleochemical products. Further, PK extracted from FFB in our palm oil mill are sold to PK crushing mills and downstream refineries in Indonesia to produce PK products.

According to the Indonesian National Standard's quality guidelines published by the National Standardisation Agency of Indonesia, the content of FFA in CPO produced by palm oil mills in Indonesia should not be more than 5.0% at the point of loading for delivery to customers.

Over the years, the FFA content in CPO produced by our Group is generally lower than 5.0%, at averages of 3.4%, 4.0% and 4.6%, respectively in FYE 2020 to 2022. We purchase CPO with FFA content of above or close to 5.0% from neighbouring palm oil mills to mix with our CPO in order to achieve CPO with higher FFA content but still below 5.0% for sale to customers. This enables us to increase the production of our CPO at lower cost as CPO with higher FFA content is generally purchased at a discounted rate from our neighbouring palm oil mills, thereby increasing our sales revenue and profitability at a cost-effective manner. In FYE 2020 and 2021, we purchased 1,503MT and 2,709MT of CPO, respectively from neighbouring palm oil mills. We did not purchase CPO from neighbouring palm oil mills for mixing with our CPO in the FYE 2022 due to relatively high FFA content (at an average of approximately 6.5%) in the CPO offered for sale to our Group by our neighbouring palm oil mills.

To maintain a low FFA content in CPO produced by our Group and to ensure delivery of CPO with FFA content lower than 5.0% to our customers, we undertake the following quality control processes:

(a) We practise a FFB harvesting interval of 10 to 12 days and collect loose fruits on the ground within 2 days of FFB harvesting to avoid overripe FFB which may increase the FFA content.

(b) We transport the FFB and loose fruits collected to our palm oil mill within 24 hours for processing to achieve maximum oil yield and to avoid overripe FFB which may increase the FFA content.

(c) While the CPO produced by our Group is stored in our storage tanks, we perform regular testing on the FFA content, and perform mixing when required to produce CPO with optimised level of FFA content (below 5.0%) for sale to customers.

Despite having these quality control processes in place, in FYE 2020 to 2022, there were some sales of CPO with FFA content more than 5.0% to our customers. Please refer to Sections 9.1.2 for further details on the claims received from our customers.

Apart from CPO and PK, our palm oil mill yields other by-products during the processing such as EFB, decanter cake, mesocarp fibre, PK shells and POME. EFB and decanter cake are used as fertiliser at our oil palm plantations, mesocarp fibre and PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation), and POME are treated prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers to be used in the production of biodiesel and soaps.

### 7.2.3 Infrastructure and facilities in our plantation estates

As at LPD, there are approximately 4,000 workers, who reside in our plantation estates together with their family members. To improve the livelihood and living convenience of our workers and the local community, we are committed to continuously building and upgrading the infrastructure and facilities in our plantation estates. Among the infrastructure and facilities in our plantation estates that we have built are as follows:

(a) A pre-school, a primary school and a junior secondary school (from Grade 7 to Grade 9), to provide education to the children of our estate workers;

(b) A clinic that operates 24-hours a day with medical personnel on duty and essential medical equipment to address the medical needs of the community;

(c) Self-service banking stations with ATM to enable the community to perform transactions including withdrawals, bill payments and fund transfers;

(d) A mobile telecommunications tower, constructed by a local telecommunications company, to provide the community with access to telecommunication services;

## 7. BUSINESS OVERVIEW *(Cont'd)*

(e) A mini mart that sells daily necessities and groceries;

(f) Recreational facilities such as a football field, badminton courts, sepak takraw courts and basketball courts; and

(g) Prayer facilities comprising mosques and chapels.

The illustrations of our infrastructure and facilities are shown below:

Staff quarters

School

Self-service banking station

Mobile telecommunications tower

## 7. BUSINESS OVERVIEW *(Cont'd)*

Mini mart

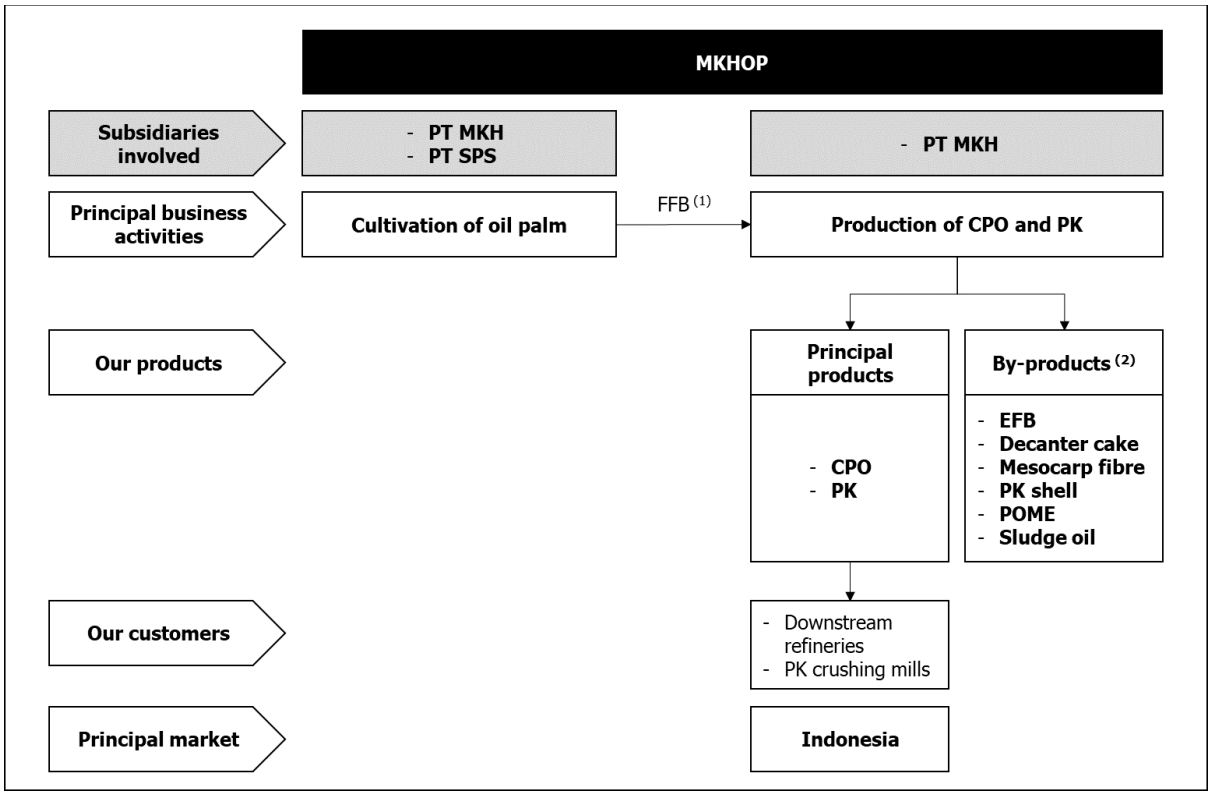
Clinic and ambulance

Mosque

Chapel

Under the Plasma Programme, our Group is involved in assisting local cooperatives in the development and preparation of plantation land, supplying oil palm seedlings to local cooperatives as well as training and educating the farmers under the local cooperatives in oil palm cultivation and management.

### 7.2.4 Business model



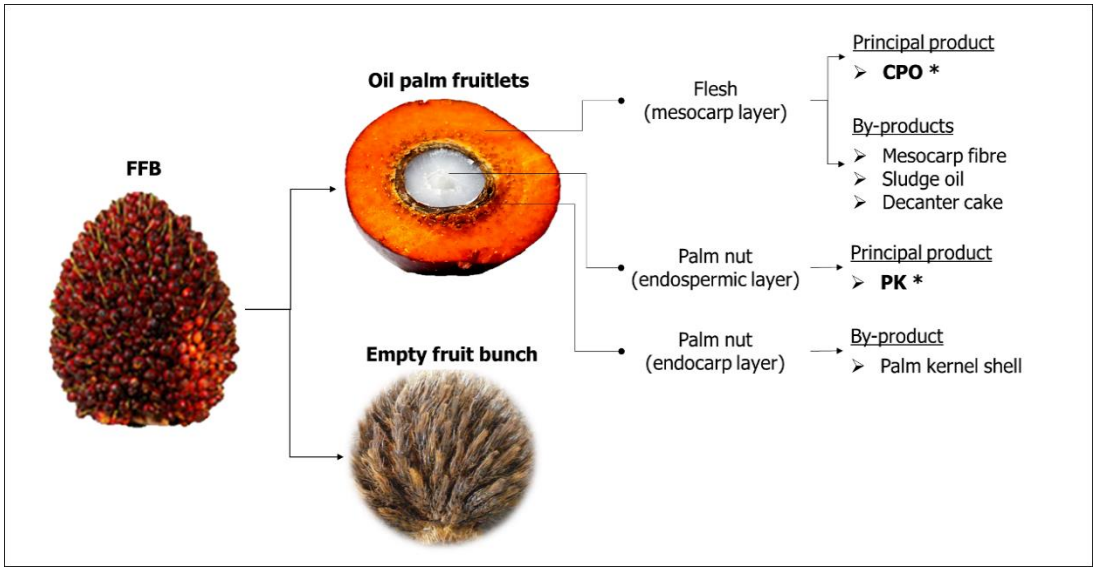
**Notes:**

(1) Harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK. In addition, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance.

(2) EFB and decanter cake are used as fertiliser at our oil palm plantations, mesocarp fibre and PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation), and POME are treated prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers which can be used in the production of biodiesel and soaps.

### 7.2.5 Our products

The diagram below depicts the principal products and by-products that can be produced from the processing of FFB. Please refer to Section 7.4.2 for further details on the processing of FFB.




**Note**:

* Indicates principal products produced and sold by our Group to our customers.

Our principal products are CPO and PK which are mainly sold locally to customers in Indonesia. The details of our products and the type of customers are as follows:

| Products | Description | Type of customers |
|---|---|---|
| CPO | A deep reddish-orange oil extracted from the mesocarp layer of oil palm fruit via the pressing process carried out in our palm oil mill. CPO has a balanced composition of fatty acids in which the level of saturated fatty acids is almost equal to that of unsaturated fatty acids. | Downstream refineries |

| Products | Description | Type of customers |
|---|---|---|
| | CPO has to undergo further processing in refineries, which comprises the refining process and fractional distillation, to refine and separate the oils into its specific use for different industries. The refining process results in RBD palm oil. RBD palm oil then undergoes fractional distillation to produce RBD palm olein, RBD palm stearin and oleochemicals which are used in the manufacturing of food and non-food products. | |
| PK | PK is the seed or the endospermic layer of oil palm fruit. The extraction of CPO from oil palm fruit results in the leftover of palm nuts. PK is recovered from the residual palm nut through the removal of the PK shell.<br><br>The recovered PK has to undergo further crushing and pressing activities to extract oil from the recovered PK by PK crushing mills. The oil extracted from PK is sent for further clarification process to produce clear CPKO. CPKO has to undergo further processing in refineries that results in RBD palm kernel oil. RBD palm kernel oil then undergoes fractional distillation to produce RBD palm kernel olein, RBD palm kernel stearin and oleochemicals which are used in the manufacturing of food and non-food products. | PK crushing mills, downstream refineries and traders of palm products |

We produce other by-products namely EFB, decanter cake, mesocarp fibre, PK shells, POME and sludge oil, whereby the usage of these by-products are detailed in Sections 7.2.2 and 7.2.4.

## 7.3 PRINCIPAL MARKETS AND SEGMENTS

For FYE 2020 to 2022, the sale of CPO was the largest revenue contributor to our Group as it contributed 79.9%, 85.9% and 87.3% to our Group's total revenue, respectively. The breakdown of our Group's revenue by business segments for FYE 2020 to 2022 is as follow:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| **Business segment** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **Plantation** | | | | | | |
| CPO | 225,584 | 79.9 | 263,571 | 85.9 | 275,612 | 87.3 |
| PK | 24,870 | 8.8 | 30,887 | 10.1 | 40,205 | 12.7 |
| | **250,454** | **88.7** | **294,458** | **96.0** | **315,817** | **100.0** |
| **Trading** [(1)] | **31,870** | **11.3** | **12,153** | **4.0** | **-** | **-** |
| **Total** | **282,324** | **100.0** | **306,611** | **100.0** | **315,817** | **100.0** |

**Note**:

(1) Refers to trading of building materials business in Malaysia which was carried out by our Group. Subsequently, in FYE 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

In FYE 2020 and 2021, our Group's business activities were largely based in Indonesia, therefore sales derived in Indonesia were higher than sales derived in Malaysia. During the same period, sales derived in Indonesia contributed 88.7% and 96.0% to our Group's total revenue respectively, which was entirely from our plantation business; while sales derived in Malaysia accounted for 11.3% and 4.0% to our Group's total revenue, respectively which was entirely generated from the trading of building materials.

Since the cessation of trading of building materials business of our Group effective from 1 January 2021, our Group has been solely focusing on the cultivation of oil palms and production of CPO and PK in Indonesia, whereby our customers from this business segment are mainly local customers in Indonesia. As such, in the FYE 2022, our Group solely generated our revenue from Indonesia.

The breakdown of our Group's revenue segmentation by geographical locations for FYE 2020 to 2022 is as follow:

| | **Audited** | | | | | |
|---|---|---|---|---|---|---|
| | **FYE 2020** | | **FYE 2021** | | **FYE 2022** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Indonesia | 250,454 | 88.7 | 294,458 | 96.0 | 315,817 | 100.0 |
| Malaysia[(1)] | 31,870 | 11.3 | 12,153 | 4.0 | - | - |
| **Total** | **282,324** | **100.0** | **306,611** | **100.0** | **315,817** | **100.0** |

**Note**:

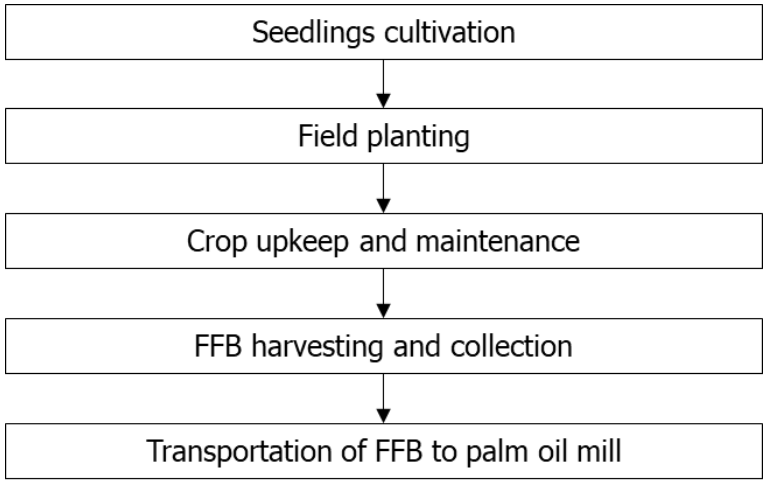
(1) Relates to trading of building materials business in Malaysia which was carried out by our Group. Subsequently, in FYE 2021, our Group had ceased the building materials trading business from 1 January 2021 for the preparation of our Listing.

## 7.4 BUSINESS PROCESS

We harvest FFB in our plantation estates, and the harvested FFB will be collected and delivered to our palm oil mill for the production of CPO and extraction of PK to be sold to our customers. The process flow of planting of oil palms and harvesting of FFB as well as production of CPO and extraction of PK are detailed as follow:

### 7.4.1 Planting of oil palms and harvesting of FFB

The process of planting of oil palms and harvesting of FFB is depicted as follows:



**Seedlings cultivation**

Our planting of oil palms begins in our nursery located in one of our plantation estates, where we purchase seedlings from seedling suppliers, and cultivate these seedlings in our nursery for about 9 to 12 months before they are ready to be planted in the fields.

**Field planting**

The matured seedlings from our nursery are generally planted in the field approximately 9 metres apart, as well as in lines and in a pattern of equilateral triangles. This planting methodology generally results in approximately 136 to 145 oil palms per Ha. Oil palms generally begin to produce fruits 2.5 years after planting in the fields, and begin to produce commercial harvests when they reach the stage of young mature (i.e. approximately 4 years after planting in the fields).

**Crop upkeep and maintenance**

In our oil palm field, it is important to continuously upkeep and maintain the crops to ensure the harvest and quality of our FFB yields. We implement a set of plantation practices for crop upkeep and maintenance, including:

(a) Fertilise our oil palms regularly using inorganic fertilisers such as urea, rock phosphate and potash to replenish the nutrients absorbed by our oil palms. We use organic fertilisers, which are by-products from our palm oil mill such as EFB and decanter cake. By re-using these by-products produced from our palm oil mill, we save on the cost of inorganic fertilisers, while maintaining environmental balance;

(b) Ensure that the area surrounding each oil palm is free from other vegetation and crops which may compete with the oil palms for soil nutrients, water and sunlight;

(c) Ensure that leguminous cover crop is established to discourage the growth of competing vegetation and crops; and

(d) Ensure that our oil palms are protected from pests and disease by using approved pesticides and through an organic way by planting beneficial plants such as Antigonon Leptopus, Cassia Cobanensis and Turnera Subulata.

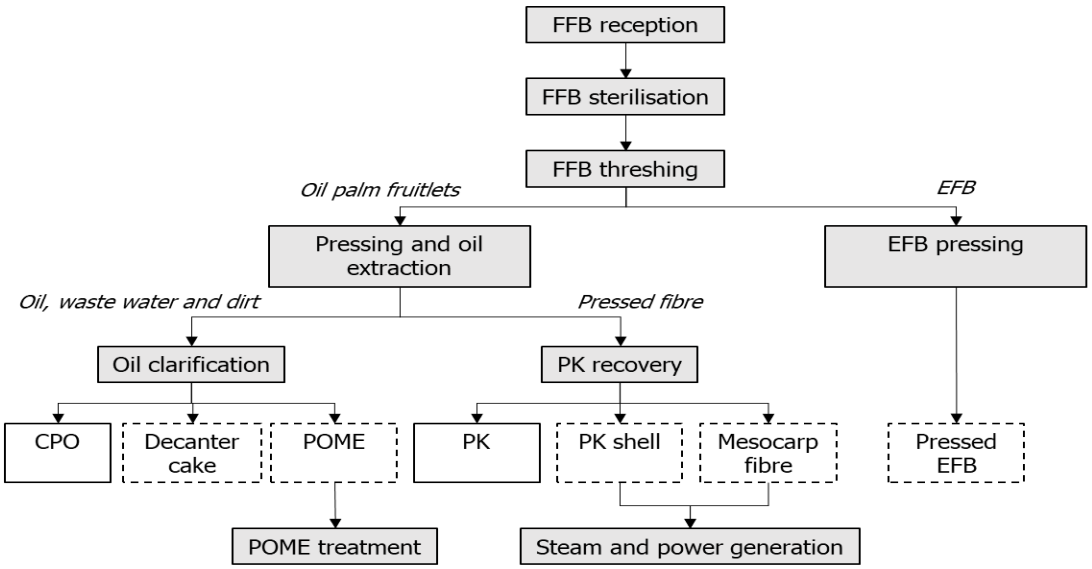
**FFB harvesting and collection**

Oil palms generally begin to produce commercial harvests approximately 4 years after planting in the fields. We only harvest the FFB when they reach its peak ripeness to maximise the quality and quantity of palm oil extraction. We collect and transport the FFB harvested to the main pathways using a series of mechanical-enhanced equipment including powered wheelbarrows and farm ATV which are incorporated with hydraulic lifting arms to ease the transfer of FFB to collection bins. Please refer to Section 7.7 for further information on the technology adopted for the collection of FFB.

**Transportation of FFB to palm oil mill**

At the main pathways of our plantation estates where FFB collected from the fields are gathered at, empty collection bins are placed and FFB collected from the fields are transferred to the collection bins with the assistance of hydraulic lifting arms incorporated in our powered wheelbarrows as well as farm ATVs and UTVs. Thereafter, our trucks which are incorporated with high-lift trailers will hook on the filled collection bin and transport it to our palm oil mill for processing to produce CPO and extract PK. Please refer to Section 7.7 for further information on the technology adopted for the collection of FFB. As FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield, we transport the FFB collected to our palm oil mill within 24 hours for processing.

### 7.4.2 Production of CPO and extraction of PK




: Palm oil milling process

: Main products

: By-products, whereby decanter cake and pressed EFB are used as fertilisers; PK shell and mesocarp fibre are used as burning materials for boilers for steam and power generation; and POME are treated prior to be discharged for land application in our estates.

**FFB reception**

Upon arrival of the trucks carrying the FFB collected from our plantation estates, the trucks will be weighed at our weighbridge before they unload the FFB into the hoppers at our loading ramps. Visual inspection will be conducted on each load of FFB for sorting purpose based on the ripeness and size of the FFB. The FFB will then be conveyed from the loading ramp and fed into the sterilisers for sterilisation to take place. The trucks will be weighed again before leaving our premises to ensure all FFB have been unloaded.

**FFB sterilisation**

Horizontal sterilisers are used in our palm oil mill for FFB sterilisation. Sterilisation prepares the FFB for downstream processing whereby the heat generated from the steam inside the sterilisers will weaken the stalk of the FFB which eases the separation of fruitlet from the bunch. At the same time, the structure of the fruitlet is weakened by breaking the oil cells in the mesocarp, thus eases the extraction of oil and detaching the fibrous material in the pressing and oil extraction process.

**FFB threshing**

Post sterilisation, the sterilised FFB are discharged from the sterilisers and conveyed into threshing machines to separate the sterilised fruitlets from the bunches. Separated fruitlets will then be conveyed to digesters before being conveyed to pressing machines to undergo pressing process, while the EFB will be sent to EFB pressing machine for oil recovery.

**Pressing and oil extraction**

Fruitlets conveyed from the threshing machines into the digesters and steam is injected to complete the breaking of oil cells in the mesocarp. The stirring action in the digesters mashes the fruitlets and prepares it for the pressing process. The mashed fruitlets are released from the digesters into the pressing machines where oil and waste water will be pressed out from the mashed fruitlets, leaving the fibrous materials consisting mesocarp fibre and palm nuts in a form of pressed fibre.

The oil, waste water and dirt will then be conveyed for oil clarification process while the pressed fibre will be conveyed to cake breaker conveyor and ripple mill for PK recovery.

**Oil clarification**

Oil, waste water and dirt from the pressing process will pass through a vibrating screen to filter residual fibrous materials and subsequently pumped into a vertical clarification tank where oil can be skimmed off from top of the tank while sludge will settle at bottom of the tank. The skimmed oil will be channelled into the decanter for further clarification to separate CPO and decanter cake from the skimmed oil. The layers of CPO and decanter cake will be individually extracted and conveyed to the vacuum dryer or cake dryer drum to reduce their moisture content.

The CPO is then stored in our bulk storage tanks before being transported to our private jetty for delivery to our customers. The decanter cake will be used as fertilisers in our plantation estates.

**PK recovery**

Pressed fibre from the pressing process will pass through fibre breaker conveyor where mesocarp fibre is loosened and separated from palm nuts. The mesocarp fibre will be used as fuel for the boilers at our palm oil mill for steam and electricity generation.

The palm nuts will be channelled into polishing drums to remove dirt, stones and fibrous materials. The polished palm nuts are stored in kernel silo to be dried with heated air to remove moisture content before being fed into ripple mill. In the ripple mill, palm nuts will be cracked to recover PK. The cracked mixture which consists of PK and PK shell is subsequently separated.

The PK recovered are sold to third party PK crushing mills and downstream refineries, whereas the PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation).

**EFB pressing and oil recovery**

EFB received from the threshing machine is first shredded to ensure all fruitlets are removed from the bunches. The shredded EFB is sent to the pressing machine to extract EFB liquor that mainly consists of oil and water. Thereafter, the EFB liquor will undergo recovery process to recover oil which will then be mixed into our CPO. The pressed EFB is then returned to our plantation estates and to be used as fertiliser.

**Steam and electricity generation**

Solid waste fuel in the form of PK shells and mesocarp fibre, which are by-products of our milling process, are used as fuel for the boilers at our palm oil mill to produce steam. Steam produced from boilers can be used in sterilisation process as well as in the digesters during the pressing and oil extraction process.

Further, steam produced can be channelled into turbines to generate electricity. The electricity generated are used to power our palm oil mill, as well as for domestic consumption in the central region of our plantation estates which includes staff quarters, offices, school, clinic and street lightings.

**POME treatment**

POME is a brownish liquid containing mainly water and some suspended solids which are accumulated from milling process. In order to comply with the wastewater discharge quality standards outlined by the local authorities, we treat all of our POME using the two-phase ponding system, namely anaerobic and aerobic digestion, prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers to be used in the production of biodiesel and soaps.

## 7.5 OPERATING CAPACITIES AND OUTPUT

Our Group's FFB processing utilisation rate in our palm oil mill was 89.4%, 85.2% and 75.0%, respectively over FYE 2020 to 2022. The following sets out our annual FFB processing capacity, actual FFB processed and utilisation rates for FYE 2020 to 2022:

| | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|
| | | MT | |
| Annual FFB processing capacity[1] | 540,000 | 540,000 | 540,000 |
| Actual FFB processed | 482,889 | 459,940 | 404,901 |
| Utilisation rate (%) | 89.4 | [2]85.2 | [2]75.0 |

**Notes:**

(1) Our palm oil mill has a processing capacity of 90MT FFB per hour. Our annual FFB processing capacity is calculated based on 2 working shifts per day with 10 operating hours per shift, over 300 available processing days in a year.

(2) Lower utilisation rate in FYE 2021 and 2022 was a result of lower FFB processed due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and 2022.

With an annual FFB processing capacity of 540,000MT, our existing palm oil mill is capable of handling the processing of FFB harvested from our plantation estates and FFB purchased from local cooperatives under our Plasma Programme. As such, our Group does not plan to expand the processing capacity of our existing palm oil mill.

## 7.6 SALES AND MARKETING STRATEGIES

Our Group's sales and marketing activities are carried out by a team of Tender Committee which is headed by Tang Hee Teik (our General Manager of Industrial and Agricultural Development), and comprises Dato' Lee Khee Meng and Chen Wei Chyong (our Executive Directors), Tan Soo Hoon (our Group Financial Controller) and several other employees. The Tender Committee is responsible for attending enquiries from potential customers, serving existing customers, managing and coordinating tenders, as well as planning and executing the following sales and marketing strategies:

### (a) Direct approach and referrals

We secure new customers through direct contact with potential customers and/or through referral from our business associates. Our Tender Committee are responsible in collecting marketing information in order to identify potential customers.

Further, as the prices of CPO and PK generally fluctuate based on the supply and demand conditions, the sales and marketing of our products require a certain level of understanding of the industry. As such, our Tender Committee are responsible in keeping abreast on industry updates to ensure their ability to deliver the required information on our products accurately to our customers.

Our Tender Committee constantly involved in building and maintaining relationships with our existing customers as our Group believes that such relationship building is crucial in maintaining our reputation and customer-base that we have built over the years. By maintaining good business relationship with our customers, we are able to capture new sales opportunities and broaden our exposure to industry players within the oil palm industry value chain.

**(b) Corporate website**

We have established our corporate website, *www.mkhoilpalm.com*, which provides information on our Group, including our Company profile, as well as our product offerings to customers. Enquiries through our corporate website are channelled back to our Tender Committee. The current widespread use of internet as a source of information and a platform for customers, enables us to cross geographical boundaries and facilitates access from any part of the world, thus enhancing our potential market reach and exposure.

Our CPO and PK are primarily sold to customers who have entered into sale and purchase agreements with our Group. As at LPD, we have entered into sale and purchase agreements with agreement terms of approximately 1 year, with 2 of our major customers (i.e. PT Kutai Refinery Nusantara for sale of CPO and PK, and PT Binasawit Abadipratama for sale of PK), whereby the agreements are subject to yearly renewal. Based on the sale and purchase agreements, our Group is obliged to sell a pre-agreed quantity of CPO or PK to the respective customers. The selling prices of CPO and PK to PT Kutai Refinery Nusantara are determined based on the auction price published by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK on spot trading day; while the selling price of PK to PT Binasawit Abadipratama is based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month. These auction and average prices from PT Perkebunan Nusantara and PT Astra Agro Lestari Tbk are used as a basis to determine the selling prices of our CPO and PK, together with a fixed quantum of discounts pre-agreed with our customers to compensate for freight costs incurred by our customers as our products are delivered on free-on-board terms. PT Perkebunan Nusantara is a state-owned enterprise which is involved in, amongst others, plantation, management, processing and marketing of palm oil, rubber, sugar cane, tea and coffee. Prices published by PT Perkebunan Nusantara is commonly used by industry players in Indonesia as a price reference of CPO. PT Astra Agro Lestari Tbk is one of the largest palm oil companies in Indonesia involved in plantation, milling, refining and sale of palm oil. Prices published by PT Astra Agro Lestari Tbk are therefore regarded as reliable, and are commonly used by industry players in Indonesia as a price reference of PK.

On top of the CPO and PK produced to fulfil the sale obligations under the sale and purchase agreements, we produce additional CPO and PK for sales. These CPO and PK can be sold to customers whom we entered into sale and purchase agreements, as a top-up to their pre-agreed quantity, whereby the selling prices are determined based on spot price used by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK. Further, the additional CPO and PK produced can be sold to other customers through e-bidding tendering process, whereby the sales are exercised at auction price from tenders and the delivery is typically carried out within 30 days from the confirmation of tenders. Auction prices submitted by our customers during tenders are based on the prices published by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK on spot trading day, with a discount factored into the price to compensate for freight costs incurred by our customers as our products are delivered on free-on-board terms. The discounts factored into the prices by these customers are generally higher than the discounts given to our customers for sales via sale and purchase agreements as customers whom we entered in sale and purchase agreements are located nearer to our plantation estates and hence the freight costs are generally lower.

Our Group subscribes to a third party tender platform which enables us to publish tenders in relation to CPO and PK available for sale. Our customers are required to register with our Group for participation in tenders on the third party tender platform, and these interested customers are evaluated by our Group mainly in terms of their financial capability and ability to fulfil payment before successful registration. Prior to the publication of tenders, we will invite our registered customers to participate in the tenders through notifications sent via the tender platform. Once the tenders are closed, the sale of CPO or PK will generally be awarded to customers who offer the highest auction price, and thereafter forward contracts will be entered between our Group and the awarded customers.

## 7.7 TECHNOLOGY USED

We employ the following technologies in our oil palm plantation estates and palm oil mill to improve our plantation workflow, milling performance, extraction rates as well as to reduce operational cost. The technologies that we adopt as part of our operations include the following:

**Oil palm plantation**

| Technology | Description |
|---|---|
| Monitoring facilities | We use the following monitoring facilities in our plantation estates:<br><br>(a) Close-circuit television (CCTV) installed at entrance and boundaries of our plantation estates, jetty, palm oil mill and security checkpoints for security purposes<br><br>(b) Drones that can be remotely controlled by our estate workers to monitor the physical appearance of our oil palm trees (e.g. the colour and shape of leaves) to ensure that our oil palm trees are at a healthy state. Further, aerial scanning and monitoring using drones help us to determine any occurrence of fire at the surrounding areas of our estates, which enables our Group to undertake proactive actions to prevent the fire to be spread to our estates<br><br>(c) A mobile application custom made by a third party company for our Group, namely RondaApp, which allows our estate workers to record the growth conditions of our oil palms and update the status of FFB collection and evacuation using their mobile devices. In addition, it allows our estate workers to report any issues faced such as damage to road conditions, unhealthy oil palms or pest attack at certain areas<br>The information updated and reported by the estate workers will be transmitted and recorded in our database, as well as escalated to the relevant personnel to attend. RondaApp enables the plantation management team to monitor and take timely steps to mitigate or resolve matters such as to apply pesticides or to arrange for maintenance and repair work to roads<br><br>The usage of the above monitoring facilities provides real time monitoring within the plantation which optimises the efficiency of managing our plantation estates by automating the management process and allowing us to have real time and consistent data for quick and timely decision making |
| Mechanical-assisted collection and evacuation of FFB | We use the following mechanical-enhanced equipment for the collection and evacuation of FFB from field to our palm oil mill: |

| Technology | Description |
|---|---|
| | From field to collection points along the main pathways of our plantation estates<br><br>(a) In addition to powered wheelbarrows which we use to transport harvested FFB from fields to the collection points at the main pathways of our plantation estates, we have modified our powered wheelbarrows by replacing the wheels with continuous tracks, which helps to distribute pressure more evenly over a larger surface area to reduce the incidence of compaction and rutted path especially after rainfalls<br><br>Further, we use farm ATVs and UTVs for FFB collection on mineral soil as farm ATVs and UTVs can be maneuvred faster as compared to crawler dumpers. Crawler dumpers are capable in transporting FFB on both mineral soil (harder soil) and peat soil (softer soil). Using crawler dumpers to transport FFB on peat soil enables us to reduce the incidences of compaction and rutted path on field which peat soil are prone to especially after rainfall<br><br>The collection of FFB using powered wheelbarrows and crawler dumpers is carried out by a team comprising several harvesters, while the collection of FFB using farm ATVs and UTVs are carried out by individual harvesters<br><br>(b) We have integrated hydraulic lifting arms into our powered wheelbarrows as well as farm ATVs and UTVs, to transfer FFB to the collection bins at the collection points, with minimal labour required as we eliminated the manual transfer process<br><br>At collection points<br><br>(a) Empty collection bins are placed at several designated collection points along the main pathways of our plantation estates whereby FFB collected from fields are transferred to the collection bins<br><br>(b) Once the collection bins are fully loaded with FFB, we will transport the fully-loaded collection bins to our palm oil mill with trucks. This has increased the efficiency and maximised the utilisation of our trucks as it has eliminated the waiting time required for the collection bins to be fully loaded<br><br>From collection points to palm oil mill<br><br>(a) At the collection points, the trucks will hook on the fully-loaded collection bins, and thereafter deliver them to our palm oil mill for processing<br><br>(b) Our trucks can lift and tilt the collection bins for ease of unloading of FFB at our palm oil mill<br><br>By adopting the above mechanisation for FFB collection and evacuation, we have improved our labour productivity in terms of FFB harvested per manday |

| Technology | Description |
|---|---|
| Biological protection of oil palm crop | We adopt the following pest management practices that emphasise on using natural/biological methods to resolve pest problems:<br>(a) Reducing the application of agrochemicals through the use of natural alternatives such as planting of beneficial plant including *Antigonon Leptopus*, *Cassia Cobanensis* and *Turnera Subulata* along the main pathway of our plantation estates to combat pests<br>(b) Rearing barn owls for pest control in our plantation estates<br>The above pest control practices are more sustainable and in line with ISPO requirements as it is less damaging to the environment |
| Integrated drainage system | Our plantation estates are equipped with an integrated drainage system which comprises a network of canals and drains as well as water control equipment such as pumps, stoppers and water gates. Our drainage system spans across the entire plantation estates for water management as detailed below:<br>(a) Pumps, stoppers and water gates installed at canals and drains play the role in controlling the water table of our estates to maintain the optimised moisture level of our soil<br>(b) During the wet seasons, the system assists in discharging excessive rainwater to a lake nearby through canals and drains, thus minimising the risks of flood. The lake is connected to a river nearby through natural streams<br>(c) During the dry seasons, the system assists in using the rainwater stored to maintain the moisture level of the soil our oil palms<br>(d) In addition to our integrated drainage system, we have weather stations installed at several locations of our plantation estates to monitor and record rainfall |

**Palm oil mill**

On top of the machines that we used for the production of CPO and extraction of PK as part of our palm oil milling, we use indexer system throughout several milling processes, as described below:

| Technology and mechanisation | Description |
|---|---|
| Indexer system | Indexer system is a system used in palm oil milling under the sterilisation process to handle cages filled with FFB in the sterilisation bay. The system comprises a hydraulic cylinder which provides a consistent pulling or pushing force to carry the filled cages towards the sterilisers for sterilisation process<br>The indexer system assists in automating the sterilisation process to control the timing, steaming cycle and cage movement, thereby ensuring consistent sterilisation with minimal human intervention |
| Conveyor system | Conveyor system is used to connect multiple stations in our palm oil mill, including loading ramp, sterilisers, threshing machines, |

| Technology and mechanisation | Description |
|---|---|
| | digesters, pressing machines, oil clarification machines and cake breakers. The conveyor system is a rail track that continuously handles the FFB and other semi-processed products (e.g. oil palm fruitlets, EFB and pressed fibre) across multiple machines<br><br>Our conveyor system is an automated system which can be operated with minimal amount of labour required, thereby improving the overall efficiency of our milling activities |

## 7.8 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the temporary interruption to our business operations during the outbreak of the COVID-19 pandemic leading to several measures being undertaken by our Group to prevent the outbreak of the virus in our plantation estates, we had not experienced any other interruptions to our business which had a significant effect on our operations in FYE 2020 to 2022 and up to LPD.

As a result of the outbreak of the COVID-19 pandemic in Indonesia, the Indonesian Government declared a national State of Emergency beginning 29 February 2020 up to 29 May 2020 to curb the spread of the virus. During the State of Emergency, there was no specific restrictions imposed by the Indonesian Government, until the Pembatasan Sosial Berskala Besar ("**PSBB**") was declared by the Indonesian Government. However, during the State of Emergency, the government may determine disaster-prone areas to be prohibited areas for settlement, and/or revoke or reduce part or all of the ownership rights of each person on an object in accordance with statutory regulations.

Subsequently on 2 April 2020, the Indonesian Government declared a PSBB whereby governors of the respective provinces were required to apply with the Ministry of Health Republic of Indonesia to implement the PSBB in their provinces. Provinces that received approval to implement the PSBB had ordered for the closure of all private premises except for those involved in essential services. Provincial governors, gauging the improvement on COVID-19 containment, may subsequently announce for the relaxation of control measures for their respective provinces.

To better control the COVID-19 pandemic situation in Indonesia, the Indonesian Government implemented 'Pemberlakuan Pembatasan Kegiatan Masyarakat ("**PPKM**")' in several regions and districts effective from 11 January 2021 to 8 February 2021. The PPKM was implemented in targeted regions that meet certain criterias set out by the Indonesian Government. Unlike the PSBB which involves large-scale social restrictions, PPKM was implemented at targeted regions within a province to limit mobility within the region.

Subsequently, to manage the COVID-19 pandemic situation more effectively, the Indonesian Government implemented PPKM at a micro scale ("**PPKM-Mikro**") from 9 February 2021 to 14 June 2021. PPKM-Mikro focused on improving community discipline and law enforcement at a smaller scale, such as establishing guard posts in villages and sub-districts to handle COVID-19 pandemic situations in the respective villages and sub-districts.

Following the implementation of PPKM-Mikro, the Indonesian Government implemented emergency PPKM up to July 2021 to reduce the COVID-19 spread. Further, as of July 2021 up to August 2022, the Indonesian Government implemented different levels of PPKM (Level 4, 3, 2, and 1) in Java and Bali area which were differently applied based on the COVID-19 pandemic situation in Java and Bali area. As of August 2022, all Java and Bali, including East Kalimantan areas fall under level 1 of PPKM. Further, as of 30 December 2022, the Indonesian Government instructed all regions in Indonesia to cease the PPKM with immediate effect.

As at LPD, PPK is no longer implemented within the Indonesian area, including East Kalimantan, in which our plantation estates are located.

The impact on our Group's operations, financials, and business and earning prospects pursuant to the COVID-19 pandemic are described as follows:

### 7.8.1 Impact to our operations

During the periods of State of Emergency, PSBB, PPKM and PPKM-Mikro, agricultural and plantation activities as well as production of agricultural goods were permitted under a guideline published by the Indonesian Government. As such, our plantation estates and palm oil mill have been able to operate at full capacity and there have been no interruptions to our business operations.

Further, to prevent the occurrence of COVID-19 cases in our plantation estates, our Group has imposed strict control at the entry points of our plantation estates to prohibit unauthorised personnel from entering our plantation estates, whereby all the entrances to our plantation estates were closed since 30 March 2020 till date. During this period, non-employees and non-authorised personnel were not allowed to enter our plantation estates, and our employees were not allowed to leave our plantation estates without permission from management. Further, third party truck drivers who enter our plantation estates for delivery of supplies or collection of CPO and PK are not allowed to leave the trucks and mingle with our employees. With this measure in place, we have been able to prevent any occurrence of COVID-19 cases in our plantation estates up to LPD.

We experienced some slight delays in the supply of certain fertilisers and chemicals from our suppliers during the pandemic due to global supply chain disruptions as a result of lockdown measures imposed in many countries. Nevertheless, there was no material impact to our business operations including the FFB yield of our oil palm trees, as our Group advanced our purchase of fertilisers and chemicals with our suppliers up to 6 months ahead of the planned usage (from our standard practice of up to 3 months of advanced purchase prior to the pandemic) to minimise the delays in the receipt of these supplies. While our Group's FFB yield was declining in the past 3 FYEs from 29.3MT per Ha in FYE 2020 to 26.7MT per Ha in FYE 2021 and 23.2MT per Ha in FYE 2022, the decline in FFB yield was due to lower FFB harvested as a result of heavy rainfall from the La Nina phenomenon. Further, we experienced some delays in product collection by our customers, but such delays did not lead to any material impact to our business operations as the delays were minor and did not result in constraints in our storage capacity nor disrupt our milling activities. These products have subsequently been collected by our customers and there was no dispute arising from these delays in product collection by our customers.

Save for the abovementioned events, there have been no other interruptions to our business operations arising from the COVID-19 pandemic.

### 7.8.2 Impact to our sales, business cash flows, liquidity, financial position and financial performance

Our sales and financial performance were not impacted by the COVID-19 pandemic as there was no cancellation of contracts or deferment of contracts. Further, we have been able to sell our CPO and PK as there have been continuous demand for our products from our customers. Additionally, there was no material impact or difficulties in the collectability of our trade receivables within our credit terms. There was also no material impact to our cash flows, liquidity, financial position and financial performance.

### 7.8.3 Strategy and steps taken to address the impact of the COVID-19 pandemic

In addition to the strict control at the entry points of our plantation estates, our Group has established a standard safety protocol in accordance to the guidelines and SOPs on COVID-19 prevention to protect our employees against potential COVID-19 infection.

As at LPD, the infection control measures include amongst others:

(a) wearing of face masks in our premise;

(b) COVID-19 rapid test kit antigen (RTK-Ag) test for employees who left and enter our plantation estates; and

(c) prohibition of non-employees (e.g. third party truck drivers) from leaving their trucks and mingling with our employees while entering our plantation estates for delivery of supplies or collection of CPO and PK.

We have conducted an anti-COVID-19 program which includes educating our workers on COVID-19 prevention, enforcing social distancing among workers, ensuring cleanliness in our plantation estates and carrying out sanitisation regularly.

As of to-date, we have achieved zero COVID-19 case in our plantation estates and we were awarded a 'Gold' standard from the Ministry of Manpower Indonesia as a recognition of our Group's effort in prevention and control of COVID-19 in workplace. We have also received 'Gold' and 'Platinum' standard appreciation on the prevention of COVID-19 at workplace from the Governor of East Kalimantan and Ministry of Manpower of the Republic of Indonesia, respectively.

To comply with the SOPs imposed until LPD, our Group has incurred costs related to COVID-19 testing, disinfection, purchase of masks, hand sanitisers and self-test kits, amongst others, which amounted to approximately RM3.0 million. As at LPD, we are not in breach of any laws relating to COVID-19 restrictions which may lead to penalties by the relevant authorities.

## 7.9 SEASONALITY

Our operations are not subject to seasonal or cyclical effect as our CPO and PK are sold to downstream refineries and PK crushing mills, and these customers generally operate throughout the year. Nevertheless, the harvest of FFB at our plantation estates are dependent on weather conditions that may affect the flowering of our oil palm trees and fruiting of FFB. Please refer to Section 9.2.1(a) for further details on the impact of adverse weather conditions to our business operations.

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## 7.10 MAJOR CUSTOMERS

Our top 5 major customers by revenue contribution for FYE 2020 to 2022 are as follows:

**FYE 2020**

| Major customers | Nature of business | Principal market[1] | Revenue contribution RM'000 | Revenue contribution % | Type of products sold | [2]Length of business relationship years |
|---|---|---|---|---|---|---|
| Apical Group of Companies[3] | Downstream refinery and PK crushing mill | Indonesia, China and Spain, with headquarters in Singapore | 109,397 | 38.7 | CPO and PK | 4 |
| PT LDC East Indonesia | Downstream refinery | Indonesia | 52,816 | 18.7 | CPO | 5 |
| Golden Agri-Resources Group of Companies[4] | Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing | Indonesia, China and India, with headquarters in Singapore | 47,156 | 16.7 | CPO and PK | 6 |
| Customer W[5] | Downstream refinery | Indonesia | 23,809 | 8.4 | CPO | 9 |
| Sri Binaraya Sdn Bhd | Building construction | Malaysia | 15,695 | 5.6 | Building materials | 1 |
| | | | **248,873** | **88.2** | | |

## 7. BUSINESS OVERVIEW *(Cont'd)*

**FYE 2021**

| Major customers | Nature of business | Principal market[1] | Revenue contribution RM'000 | Revenue contribution % | Type of products sold | [2]Length of business relationship years |
|---|---|---|---|---|---|---|
| Apical Group of Companies[3] | Downstream refinery and PK crushing mill | Indonesia, China and Spain, with headquarters in Singapore | 221,067 | 72.1 | CPO and PK | 5 |
| Customer W[5] | Downstream refinery | Indonesia | 23,866 | 7.8 | CPO | 10 |
| PT Energi Unggul Persada | Downstream refinery and PK crushing mill | Indonesia | 23,164 | 7.6 | CPO and PK | Less than 1 year |
| Golden Agri-Resources Group of Companies[4] | Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing | Indonesia, China and India, with headquarters in Singapore | 20,289 | 6.6 | PK | 7 |
| Sri Binaraya Sdn Bhd | Building construction | Malaysia | 5,627 | 1.8 | Building materials | 2 |
| | | | **294,013** | **95.9** | | |

## 7. BUSINESS OVERVIEW *(Cont'd)*

**FYE 2022**

| Major customers | Nature of business | Principal market[1] | Revenue contribution RM'000 | Revenue contribution % | Type of products sold | [2]Length of business relationship years |
|---|---|---|---|---|---|---|
| Apical Group of Companies[3] | Downstream refinery and PK crushing mill | Indonesia, China and Spain, with headquarters in Singapore | 263,752 | 83.5 | CPO and PK | 6 |
| Golden Agri-Resources Group of Companies[4] | Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing | Indonesia, China and India, with headquarters in Singapore | 28,648 | 9.1 | PK | 8 |
| PT K2 Industries Indonesia | Downstream refinery | Indonesia (headquarters), Malaysia, Thailand and Pakistan | 12,383 | 3.9 | CPO and sludge oil | Less than 1 year |
| PT Energi Unggul Persada | Downstream refinery and PK crushing mill | Indonesia | 10,040 | 3.2 | CPO | 1 |
| PT Samudra Biru Cemerlang | Trading of palm products including CPO, PK and CPKO | Indonesia | 833 | 0.3 | PK | Less than 1 year |
| | | | **315,656** | **99.9** | | |

**Notes**:

(1) Represents the country(ies) in which the major customers operate.

(2) Length of business relationship with our major customers is calculated based on the commencement date of our first business transaction with these customers up to the end of each respective financial year.

(3) Comprises PT Sari Dumai Sejati and PT Kutai Refinery Nusantara, which are part of Apical Group Ltd. Apical Group Ltd is mainly involved in the processing, refining and trading of palm oil.

(4) Comprises PT Sinar Mas Agro Resources and Technology Tbk and PT Binasawit Abadipratama, which are part of Golden Agri-Resources Ltd. Golden Agri-Resources Ltd is mainly involved in oil palm plantation, palm oil milling, downstream refining of palm oil as well as production and distribution of palm and oilseed-based products comprising bulk and branded products, oleochemicals, sugar and other vegetable oils.

(5) Customer W, a palm oil company mainly involving in cultivation of oil palm, processing of CPO and downstream refining of palm oil based in Indonesia. Customer W is not listed on any exchange, however, its holding company, is listed on the Singapore Exchange. We do not have a non-disclosure agreement with Customer W. However, Customer W has informed us that it is not agreeable to be named in this Prospectus due to their company policy.

Our Group is an upstream oil palm plantation group involved in the sale of commodities (i.e. CPO and PK) to companies which are involved in downstream refining and PK crushing. It is more efficient for our Group to engage with a concentrated number of established customers with large order quantities instead of having a wide range of customers with smaller order quantities at the expense of efficiency. Hence, we have a relatively small customer base of 8 customers, 8 customers and 6 customers for FYE 2020 to 2022 respectively, for the sale of CPO and PK. For FYE 2020 to 2022, sales contributed by our top 5 major customers accounted for 88.2%, 95.9% and 99.9% of our total revenue, respectively. During the same period, our top 5 major customers mainly comprise downstream refineries, and products sold to our top 5 major customers were mainly CPO. As at LPD, to the best of our Board's knowledge and belief, our major customers are not related to each other.

During FYE 2020 and 2021, there were sales of building materials to customers for our business of building materials trading in Malaysia. However, in FYE 2021, our Group ceased carrying out the building materials trading business since 1 January 2021 for the preparation of our Listing.

Amongst our major customers for FYE 2020 to 2022, Apical Group of Companies ranked first with revenue contribution of 38.7%, 72.1% and 83.5% respectively. For FYE 2021 and FYE 2022, sales to Apical Group of Companies were more than double from the sales in FYE 2020. This was due to an increase in sales secured through the first annual sale and purchase agreement entered into with Apical Group of Companies through PT Sari Dumai Sejati which was effective in February 2021. As at LPD, our Group has an annual sale and purchase agreement with agreement term of approximately 1 year with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO and PK. The annual sale and purchase agreement stipulates monthly sale and purchase obligations between our Group and PT Kutai Refinery Nusantara, thereby providing certainty on our sales to PT Kutai Refinery Nusantara. For avoidance of doubt, our sale and purchase agreement with PT Sari Dumai Sejati entered in February 2021 was concluded without renewal, as it Apical Group of Companies has elected to use PT Kutai Refinery Nusantara for continued purchase of CPO and PK from us. In view of the high revenue contributions from Apical Group of Companies and certainty provided to our Group from the annual sale and purchase agreement with PT Kutai Refinery Nusantara, we are dependent on Apical Group of Companies for the sale of CPO and PK. In the event that Apical Group of Companies ceases to purchase from our Group and/or ceases to renew the annual sale and purchase agreement due to reasons beyond our control (e.g. change in business directions and/or change in procurement strategy or procedure), we may experience prolonged disruptions to our business and financial performance if we are unable to replace the loss of sales with alternative customers in a timely manner.

Apart from Apical Group of Companies which we have annual sale and purchase agreement with, our Group also has annual sale and purchase agreement with PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as at LPD, for sale of PK. Revenue contribution from Golden Agri-Resources Group of Companies was at 16.7%, 6.6% and 9.1% for FYE 2020 to 2022 respectively, which was not as substantial compared to Apical Group of Companies. Notwithstanding this, we are dependent on Golden Agri-Resources Group of Companies as our financial performance and results of our operations may still be adversely affected if the annual sale and purchase agreement with Golden Agri-Resources Group of Companies is not renewed and they cease to purchase from us, and if we are unable to replace the loss of sales with alternative customers in a timely manner.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Despite the concentration of our revenue on several customers and dependency on existing annual sale and purchase agreements with Apical Group of Companies and Golden Agri-Resources Group of Companies, our Group believes that the concentration and dependency risks can be mitigated by the following:

(i) We have established long-term business relationships with Apical Group of Companies (7 years as at LPD) and Golden Agri-Resources Group of Companies (9 years as at LPD). We believe that our long-term business relationships and our ability to continuously meet their requirements over the years have made us a trusted supplier to these major customers.

(ii) We are able to secure sales from other customers, including customers that are registered under our tender platform. As at LPD, we have a total of 14 companies registered under our tender platform, of which 7 of these companies are our major customers for FYE 2020 to 2022. Amongst the 14 companies registered under our tender platform, 10 companies are sizable companies that are involved in downstream refining located in Indonesia which require CPO to carry out refinery activities. As these companies are well-established with sizable operations, our management is of the view that our Group will be able to maintain our volume of sales to these customers. As for the remaining 7 companies registered under our tender platform who are not our major customers for FYE 2020 to 2022, our Group has only transacted with 4 of these companies since their registration in our tender platform. Amongst these 4 companies, our Group transacted with 2 companies in the FYE 2020 to 2022, and the aggregate sales to these companies were approximately RM9.73 million in FYE 2020, RM2.55 million in FYE 2021 and RM0.16 million in FYE 2022. As at the LPD, the length of business relationship with the 4 companies which we have transacted with ranged from 3 years to 9 years. Moving forward, as our production output increases following the expansion of our plantation estates as detailed in Section 7.15.1, our Group may expand the number of companies registered under our tender platform by approaching other downstream refineries in Indonesia. Nevertheless, we may be subject to increased price fluctuations if all sales are carried out through the e-bidding tendering process as the sales are exercised at auction prices from tenders which are generally subject to higher discounts requested by customers to compensate for freight costs, as opposed to the fixed quantum of discounts pre-agreed in the annual sale and purchase agreements. As such, our financial performance may face greater fluctuations with less certainty in the event of termination of the annual sale and purchase agreements.

(iii) Apart from companies registered under our tender platform and customers which our Group has annual sale and purchase agreements with, there are also other sizable companies involved in downstream refining activities located in East Kalimantan, Indonesia. Our management views these companies as our potential customers who we can approach directly to sell our products in the event of loss or reduction of sales from any of our existing major customers. Sales to these customers will be subject to the same level of discounts given to customers registered under our tender platform.

(iv) As a commodity supplier, it is relatively easier for us to secure replacement customers as there is consistent demand for our products in the market as our products are rather homogenous and standardised worldwide with pricing capable of making reference to price quotes at commodity exchange. As such, our Group believes that any loss of our major customers, including Apical Group of Companies which contributed substantially to our Group's revenue in the FYE 2020 to 2022, is not expected to lead to major impact to our Group's ability in securing sales from other customers as we can sell our products to other established and sizable companies involved in downstream refining and PK crushing due to consistent demand for CPO and PK in the market as palm oil has a wide range of food and non-food applications. For example, palm oil is used in the production of cooking oil, margarine, bakery shortening and confectionery fats food applications; and the ingredients from oleochemical products derived from palm oil are used in the manufacturing of personal and hygiene care products such as soaps, cosmetics, sanitisers and detergents. Please refer to Section 8 (IMR Report) for further details of the applications and the demand for palm oil, which will sustain the demand for CPO and PK.

Moving forward, if opportunity arises, our Group intends to secure more customers through sale and purchase agreements subject to our evaluation mainly in terms of the potential customers' financial capability and ability to fulfil payment.

There has been no dispute with any of our major customers for FYE 2020 to 2022.

The salient terms of the sale and purchase agreements with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO and PK, and PT Binasawit Abadipratama (part of Apical Group of Companies) for sale of PK, are as follows:

**(i) Sale and purchase agreement with PT Kutai Refinery Nusantara for sale of CPO**

| | |
|---|---|
| **Contracting parties** | PT MKH as the Seller and PT Kutai Refinery Nusantara (part of Apical Group of Companies) as the Purchaser |
| **Description** | The sale and purchase of CPO between the Seller and Buyer |
| **Product quantity** | CPO (5,000MT per month) |
| **Term** | 1 February 2023 to 31 January 2024 (the agreement may be extended based on mutual agreement of the parties at latest 1 month prior to the expiration of the term) |
| **Price and payment** | (i) Pricing determined based on the auction price published by PT Perkebunan Nusantara on spot trading day.<br>(ii) Downpayment of 90.0% shall be paid prior to loading of products and settlement of remaining 10.0% shall be paid after the products are loaded. |
| **Obligations of the Seller** | (i) The product delivered by the Seller must comply with the standards and criteria, and must be in accordance with the product quantity pursuant to the terms of the agreement.<br>(ii) The Seller's obligations, among others:<br>(a) perform the obligations pursuant to the terms of the agreement;<br>(b) always comply with the laws and regulations that apply from time to time, especially those in connection with the performance of the agreement;<br>(c) bear all costs incurred for transportation and accommodation for the third party inspection team (if any); and |

(d) be responsible for all licences and/or certifications in the performance of the agreement and release and hold harmless the Buyer from any and all losses arising directly or indirectly from the failure of the Seller to complete all such permits and/or certifications;

(e) provide sufficient equipment and tools and vehicles in good and ready-to-use condition in performing the agreement.

**Assignment** Either party is not allowed to assign the agreement without the prior written consent of the other party.

**Dispute settlement** In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties shall choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia. Until a final and binding decision is awarded, the parties must perform the obligations pursuant to the agreement.

**Termination** (i) The agreement terminates if (a) the term expires; (b) the Seller is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders; and (c) terminated due to Force Majeure Event.

(ii) The Buyer is entitled to unilaterally terminate the agreement, without claim in any form from the Seller and all damages resulting therefrom shall be fully borne by the Seller, including but not limited to the following events:

(a) the Seller does not perform its obligations under the agreement well based on the Buyer's assessment;

(b) the Seller assigns the agreement whether in part or in whole to another party without prior written approval from the Buyer;

(c) the Seller does not perform its obligations under the agreement, does not remedy a violation under the agreement, and/or does not complete performance of the agreement in accordance with the schedule determined by the Buyer upon written notification from the Buyer;

(d) the Seller does something in relation to the agreement without the knowledge or approval from the Buyer, or does something that may directly or indirectly detriment the Buyer;

(e) the Seller violates one or more provisions under the applicable laws, decree, or government regulations, whether related or unrelated to the field under the agreement which may prevent the Seller from performing the agreement or cause and/or result in the imposition of sanction by the government or other competent authorities on the Buyer, whether directly or indirectly, whether in the form of penalty, administrative sanction or other types of sanction

(iii) The Buyer will firstly serve 2 written warnings to the Seller within a 3-business day interval prior to unilateral termination by the Buyer. If the agreement is unilaterally terminated by the Buyer due to the above reasons, the Seller must cease the implementation of the agreement and comply with the deadline set forth by the Buyer to dissolve and return its workforce and return materials, equipment and tools borrowed from the Seller (if any) and the price of the products that has not been accepted by the Seller will be deducted by the Buyer's losses (and if there is a shortfall, should be paid by the Seller).

(iv) In addition to termination provisions above, the Buyer is entitled to, without reason, unilaterally terminate the agreement, without claim in any form from the Seller. The termination shall be notified in writing to the Seller within 30 days prior to the effective date thereof.

(v) In the event of termination of the agreement, the Seller is required to return guarantee, downpayment and/or advance payment granted by the Buyer (if any), if the guarantee, downpayment and/or advance payment granted by the Buyer are higher than the price of the products for the quantity provided and/or delivered by the Seller to the Buyer.

**Covenants** If the Seller is unable to comply with the product quality specification under the agreement, the Seller is willing to accept claim from the Buyer in accordance to the agreement.

**Force majeure** Force majeure refers to events that occur beyond the estimation and ability of humans which directly result in the failure of the implementation of the obligations of each party, including but not limited to the occurrence of natural disasters, fires, riots, labour strikes, acts of terrorism, embargoes, riots, explosions, a state of war and the existence of regulations/policies or changes in regulations/government policies related to the implementation of the agreement which must be complied with ("**Force Majeure Event**"), as long as it can be proven as the Force Majeure Event and acceptable to the parties.

The Party directly affected by/experiencing the Force Majeure Event may suspend its obligations and/or rights, as long as the implementation of these obligations and rights is obstructed due to the Force Majeure Event and the party must notify the other party in writing no later than 48 hours from the day that the Force Majeure Event occurred

The Force Majeure Event can only be accepted as an event beyond human capacity if it is proven by a written statement regarding the occurrence of the Force Majeure Event from the competent authority for that purpose. During the Force Majeure Event, the parties are freed from the obligations imposed on each party, but the parties can continue the agreement after further deliberation. If such a Force Majeure Event continues continuously and consecutively for more than 14 calendar days, then the non-affected party has the right to terminate the agreement after completing the calculation and settlement between the parties. If the Force Majeure Event occurs in a period of less than 14 days, the parties can conduct further deliberations to discuss the continuation of the agreement. If the conditions for the acceptance of the Force Majeure Event are not met, either one or more, then the argument regarding the Force Majeure Event proposed by either party may be rejected, so that the provisions of the agreement remain binding and applicable to the parties.

**Governing law** Laws of the Republic of Indonesia

**(ii) Sale and purchase agreement with PT Kutai Refinery Nusantara for sale of PK**

| | |
|---|---|
| **Contracting parties** | PT MKH as the Seller and PT Kutai Refinery Nusantara (part of Apical Group of Companies) as the Purchaser |
| **Description** | The sale and purchase of PK between the Seller and Buyer |
| **Product quantity** | PK (600MT per month) |
| **Term** | 1 June 2022 to 31 May 2023 (1 July 2023 to 31 December 2023 based on an addendum dated 24 May 2023)[1] (the agreement may be extended based on mutual agreement of the parties at latest 1 month prior to the expiration of the term) |
| **Price and payment** | (i) Pricing determined based on the auction price published by PT Astra Agro Lestari Tbk on spot trading day.<br>(ii) Downpayment of 90.0% shall be paid after the sales contract is signed by the parties and settlement of remaining 10.0% shall be paid after the products are received by the Buyer. |
| **Obligations of the Seller** | (i) The product delivered by the Seller must comply with the standards and criteria, and must be in accordance with the product quantity pursuant to the terms of the agreement.<br>(ii) The Seller's obligations, among others:<br>(a) perform the obligations pursuant to the terms of the agreement;<br>(b) assume and pay compensation for all actions of the Seller and/or its employees or appointed representatives, whether intentional or due to negligence, that cause damages to the Buyer;<br>(c) be responsible for all licences and/or certifications in the performance of the agreement and release and hold harmless the Buyer from any and all losses arising directly or indirectly from the failure of the Seller to complete all such permits and/or certifications;<br>(d) bear all costs incurred for transportation and accommodation for the third party inspection team (if any); and<br>(e) provide sufficient equipment and tools and vehicles in good and ready-to-use condition in performing the agreement. |
| **Assignment** | (i) The Buyer is entitled to assign a part or all parts of the agreement to other parties without any approval and without any claim in any form from the Seller and/or other third parties, whether inside or outside the court; and<br>(ii) The Seller agrees to not assign the agreement to any third parties without a written approval from the Buyer. |

**Dispute settlement** In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties shall choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia. Until a final and binding decision is awarded, the parties must perform the obligations pursuant to the agreement.

**Termination**

(i) The agreement terminates if (a) the term expires; (b) the Seller is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders; and (c) terminated due to Force Majeure Event.

(ii) The Buyer is entitled to unilaterally terminate the agreement, without claim in any form from the Seller and all damages resulting therefrom shall be fully borne by the Seller, including but not limited to the following events:

(a) the Seller does not perform its obligations under the agreement well based on the Buyer's assessment;

(b) the Seller assigns the agreement whether in part or in whole to another party without prior written approval from the Buyer;

(c) the Seller does not perform its obligations under the agreement, does not remedy a violation under the agreement, and/or does not complete performance of the agreement in accordance with the schedule determined by the Buyer upon written notification from the Buyer;

(d) the Seller does something in relation to the agreement without the knowledge or approval from the Buyer, or does something that may directly or indirectly detriment the Buyer;

(e) the Seller violates one or more provisions under the applicable laws, decree, or government regulations, whether related or unrelated to the field under the agreement which may prevent the Seller from performing the agreement or cause and/or result in the imposition of sanction by the government or other competent authorities on the Buyer, whether directly or indirectly, whether in the form of penalty, administrative sanction or other types of sanction

(iii) The Buyer will firstly serve 2 written warnings to the Seller within a 3-business day interval prior to unilateral termination by the Buyer. If the agreement is unilaterally terminated by the Buyer due to the above reasons, the Seller must cease the implementation of the agreement and comply with the deadline set forth by the Buyer to dissolve and return its workforce and return materials, equipment and tools borrowed from the Seller (if any) and the price of the products that has not been accepted by the Seller will be deducted by the Buyer's losses (and if there is a shortfall, should be paid by the Seller).

(iv) In addition to termination provisions above, the Buyer is entitled to, without reason, unilaterally terminate the agreement, without claim in any form from the Seller. The termination shall be notified in writing to the Seller within 30 days prior to the effective date thereof.

(v) In the event of termination of the agreement, the Seller is required to return guarantee, downpayment and/or advance payment granted by the Buyer (if any), if the guarantee, downpayment and/or advance payment granted by the Buyer are higher than the price of the products for the quantity provided and/or delivered by the Seller to the Buyer.

**Covenants** If the Seller is unable to comply with the product quality specification under the agreement, the Seller is willing to accept claim from the Buyer in accordance to the agreement.

**Force majeure** Force majeure refers to events that occur beyond the estimation and ability of humans which directly result in the failure of the implementation of the obligations of each party, including but not limited to the occurrence of natural disasters, fires, riots, labour strikes, acts of terrorism, embargoes, riots, explosions, a state of war and the existence of regulations/policies or changes in regulations/government policies related to the implementation of the agreement which must be complied with ("**Force Majeure Event**"), as long as it can be proven as the Force Majeure Event and acceptable to the parties.

The Party directly affected by/experiencing the Force Majeure Event may suspend its obligations and/or rights, as long as the implementation of these obligations and rights is obstructed due to the Force Majeure Event and the party must notify the other party in writing no later than 48 hours from the day that the Force Majeure Event occurred

The Force Majeure Event can only be accepted as an event beyond human capacity if it is proven by a written statement regarding the occurrence of the Force Majeure Event from the competent authority for that purpose. During the Force Majeure Event, the parties are freed from the obligations imposed on each party, but the parties can continue the agreement after further deliberation. If such a Force Majeure Event continues continuously and consecutively for more than 14 calendar days, then the non-affected party has the right to terminate the agreement after completing the calculation and settlement between the parties. If the Force Majeure Event occurs in a period of less than 14 days, the parties can conduct further deliberations to discuss the continuation of the agreement. If the conditions for the acceptance of the Force Majeure Event are not met, either one or more, then the argument regarding the Force Majeure Event proposed by either party may be rejected, so that the provisions of the agreement remain binding and applicable to the parties.

**Governing law** Laws of the Republic of Indonesia

**Note:**

(1) In view that our Group intends to set up a PK crushing facility to facilitate the expansion of our processing capabilities and product offerings to produce CPKO and PKE as detailed in Sections 4.9.1(c) and 7.15.3, we had on 24 May 2023 signed an addendum with PT Kutai Refinery Nusantara pertaining to the term of the sale and purchase agreement for the sale of PK from yearly renewal to a period from 1 July 2023 to 31 December 2023. If our Group intends to continue with the said agreement after the expiration, we will further extend the term of the said agreement subject to mutual agreement of both parties.

**(iii) Sale and purchase agreement with PT Binasawit Abadipratama for sale of PK**

| | |
|---|---|
| **Contracting parties** | PT MKH as the Seller and PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as the Purchaser |
| **Description** | The sale and purchase of PK between the Seller and Buyer |
| **Product quantity** | PK (600MT per month) |
| **Term** | 1 June 2022 to 31 May 2023 (renewal for period from 1 June 2023 to 31 December 2023)[1] (the agreement may be extended upon request of the Purchaser by notifying the Seller in writing at latest 30 calendar days prior to the expiration of the term and the Seller must respond to such request within 10 business days upon receipt of such written notice) |
| **Price and payment** | (i) Pricing determined based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month.<br>(ii) Downpayment of 90.0% shall be paid within 4 business days after the invoice issued by the Seller and settlement of remaining 10.0% shall be paid within 5 business days after the products are received by the Buyer and the invoice is issued by the Seller. |
| **Obligations of the Seller** | The Seller must warrant to the Purchaser that the quality of PK during delivery to the Purchaser conforms to the specifications under the agreement. |
| **Assignment** | The agreement, in whole or in part, may not be assigned by either party to any third party without obtaining prior written approval from the other party. |
| **Dispute settlement** | In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia. |
| **Termination** | (i) The agreement terminates if (a) the term expires; (b) terminated before the expiration of term based on mutual agreement of the parties; and (c) terminated due to Force Majeure Event.<br>(ii) The Purchaser is entitled to terminate the agreement by way of written notice to the Seller if the Seller does not perform its obligations under the agreement. |

(iii) Each party is entitled to unilaterally terminate the agreement without claim in any form from the other party if solely based on consideration of either party against the other party, such party has carried out the following actions:

(a) either party has received warning letters for 2 consecutive times within an interval of 14 calendar days from the other party, and the party does not its obligations under the agreement, does not remedy a violation under the agreement; and

(b) either party is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders, or change of ownership[(2)]

(iv) The cancellation, termination and/or expiration of the agreement does not eliminate all outstanding and or pending obligations of the parties, and or sanctions that must be complied with/carried out by the respective parties in accordance with the agreement.

**Covenants**

(i) The parties agree that each party is obliged and hereby covenants and binds themselves to maintain public order and work safety at the work location and in the community around the work location and or community environment directly or indirectly related to the work and work location as stipulated in the agreement in accordance with the applicable laws and regulations.

(ii) The Purchaser covenants and binds itself to maintain harmonious working relations with employees/workers who work for the Seller who carry out and perform the work of the Purchaser based on the agreement or with other third parties, including but not limited to parties related to the Purchaser and the competent authorities.

(iii) The Seller covenants and binds itself to release the Purchaser from all claims, lawsuits, and payments of any kind relating to disputes that arise between the Seller and the employees/workers who work for the Purchaser, who carry out and perform the work of the Seller based on the agreement or with any third party, including but not limited to parties related to the Purchaser and competent authorities, and will fulfil all provisions stipulated under the laws and regulations in the field of manpower.

**Force majeure**

Force majeure refers to events that occur beyond the estimation and ability of humans which directly result in the failure of the implementation of the obligations of each party, including but not limited to the occurrence of natural disasters, fires, riots, labour strikes, acts of terrorism, embargoes, riots, explosions, a state of war and the existence of regulations/policies or changes in regulations/government policies related to the implementation of the agreement which must be complied with ("**Force Majeure Event**").

In the event of the Force Majeure Event that affects the implementation of the obligations of either party, the party experiencing the Force Majeure Event is obliged to notify the other party no later than 7 calendar days as of the occurrence of the Force Majeure Event. A written notice must also be made when the Force Majeure Event has ended.

If the party experiencing the Force Majeure Event does not send a notice within 7 calendar days, then the force majeure is deemed to have never occurred, unless the party experiencing the Force Majeure Event can show evidence showing that the notice regarding the Force Majeure Event has been delivered within the prescribed period. The party receiving the notice is deemed to have accepted and agreed to the Force Majeure Event if there is no written response (accept or reject) from the party within a period of 7 calendar days after receiving the written notice from the party experiencing the Force Majeure Event.

All obligations of the party experiencing the Force Majeure Event, other than obligations under these force majeure provisions, are suspended during the occurrence of the Force Majeure Event. However, the party experiencing the Force Majeure Event must try as much as possible to immediately fulfil all of its obligations under the agreement. Within 14 calendar days from the receipt of notice regarding the occurrence of the Force Majeure Event, the parties must have entered into an agreement regarding the suspended obligation. If the intended agreement is not reached, then based on the mutual agreement of the parties in writing, the agreement can be terminated.

**Governing law** Laws of the Republic of Indonesia

**Notes:**

(1) In view that our Group intends to set up a PK crushing facility to facilitate the expansion of our processing capabilities and product offerings to produce CPKO and PKE as detailed in Sections 4.9.1(c) and 7.15.3, we are in the midst of discussing with PT Binasawit Abadipratama to renew the term of the sale and purchase agreement for a period from 1 June 2023 to 31 December 2023 instead of yearly renewal. The sale and purchase of PK continues to-date with terms unchanged, in accordance with the expired agreement.

(2) PT Binasawit Abadipratama had confirmed to us that they are agreeable with the change in our shareholding structure pursuant to our Listing.

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## 7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

For our plantation business, our Group's purchases mainly comprise fertilisers, spare parts, diesel and petrol as well as FFB which collectively accounted for 58.4%, 71.2% and 96.0% of our Group's total purchases in FYE 2020 to 2022.

Save for spare parts which we source from local and overseas suppliers, the supplies that we purchase are generally readily available and can be sourced from local suppliers in Indonesia. In FYE 2020 to 2022, we did not face any difficulties in sourcing our supplies from local and overseas suppliers.

The price of some of our supplies are subject to price fluctuations, as follows:

(a) The prices of some fertilisers such as urea, potash and borate purchased from suppliers, are in line with crude oil prices as the key raw material to manufacture these fertilisers is a by-product of crude oil;

(b) The prices of FFB purchased from local cooperatives under our Plasma Programme, are based on prices determined by the Indonesian Government which fluctuate in line with the prevailing CPO prices;

(c) The prices of CPO purchased from neighbouring third party palm oil mills, fluctuate according to their supply and demand conditions;

(d) The prices of diesel and petrol purchased from suppliers, move in accordance to the prevailing global crude oil prices; and

(e) The prices of chemicals such as herbicides purchased from suppliers, are based on their supply and demand conditions.

Nevertheless, the volatility of the prices of the abovementioned supplies did not lead to any substantial increase in our cost of sales which could lead to an adverse impact to our Group's financial performance in FYE 2020 to 2022. In FYE 2022, there was an increase in the price of fertilisers resulting from shortage of supply due to the Russia-Ukraine conflict; and an increase in the price of diesel for use in our generation sets and vehicles due to the increase in global crude oil prices arising from the increase in global demand for crude oil due to fears in the market on any disruptions in supply as a result of the Russia-Ukraine conflict and sanctions implemented by the United States against Russia, which subsequently led to a reduction in subsidies on diesel as announced by the Government of Indonesia in September 2022. The increase in the prices of fertilisers and diesel led to an increase in our cost of sales of approximately RM8.6 million, which led to a decline in our GP in FYE 2022 despite cushioned by higher revenue contributed by higher average selling prices of CPO and PK. Save for the aforementioned, there was no increase in the price of our other supplies which are subject to price fluctuations for FYE 2020 to 2022. Please refer to Section 12.2.2 for further details of our Group's results of operations. Save for the above, the remaining supplies generally do not experience material price fluctuations and the prices are relatively stable. To mitigate our exposure to the price fluctuations of some of our supplies mentioned above, we constantly monitor the changes in market prices of these supplies, conduct forecast on the volume of required supplies to ensure smooth operations, and place bulk orders with our suppliers which allows us to negotiate for better pricing.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Save for the purchase of FFB from local cooperatives under our Plasma Programme, all our selected suppliers are evaluated in terms of pricing, supply capacity, reputation, ability to meet our quality requirements and timely delivery of the raw materials.

The breakdown of the purchase of supplies by our Group for FYE 2020 to 2022 is as follows:

| | | Audited | | | | | |
|---|---|---|---|---|---|---|---|
| | | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| **Supplies** | **Source [1]** | **RM'000** | **% of total purchases** | **RM'000** | **% of total purchases** | **RM'000** | **% of total purchases** |
| **Plantation business** | | | | | | | |
| Fertiliser | Local | 20,282 | 23.1 | 20,296 | 26.2 | 23,080 | 27.1 |
| Spare parts[2] | Local and overseas | 14,898 | 16.9 | 13,766 | 17.7 | 22,720 | 26.6 |
| Diesel and petrol | Local | 7,219 | 8.2 | 9,371 | 12.1 | 18,181 | 21.3 |
| FFB[3] | Local | 8,976 | 10.2 | 11,819 | 15.2 | 17,947 | 21.0 |
| Chemical[4] | Local | 1,660 | 1.9 | 1,397 | 1.8 | 1,529 | 1.8 |
| Lubricant | Local | 314 | 0.4 | 1,007 | 1.3 | 1,192 | 1.4 |
| Tyre | Local | 292 | 0.3 | 523 | 0.7 | 656 | 0.8 |
| CPO[5] | Local | 3,070 | 3.5 | 7,501 | 9.7 | - | - |
| PK[6] | Local | 478 | 0.5 | 468 | 0.6 | - | - |
| **Trading business** | | | | | | | |
| Building materials[7] | Overseas | 30,741 | 35.0 | 11,376 | 14.7 | - | - |
| **Total purchases** | | **87,931** | **100.0** | **77,524** | **100.0** | **85,305** | **100.0** |

**Notes**:

(1) Local refers to purchases from Indonesian suppliers, while overseas refer to purchases from non-Indonesian suppliers.

(2) Includes spare parts such as hardware, tools and equipment purchased to replace parts for our machinery and equipment.

(3) Refers to FFB purchased from local cooperatives under our Plasma Programme.

(4) Refers to herbicides, pesticides and rat baits which are used to protect our oil palms from pests and diseases.

(5) Refers to CPO with FFA content of above or close to 5.00% purchased from neighbouring third party palm oil mills.

(6) Refers to PK purchased from neighbouring third party palm oil mills for reselling to our customers.

(7) Refers to building materials purchased for the trading business carried out by our Group until 31 December 2020. Our Group had ceased the purchase of building materials since 1 January 2021 onwards following the cessation of trading business by our Group for the preparation of our Listing.

For spare parts which we sourced from local suppliers in Indonesia and overseas suppliers, as well as for building materials which we solely sourced from overseas suppliers, the breakdown of these purchases by country for FYE 2020 to 2022 is as follows:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| **Supplies** | **RM'000** | **% of purchases** | **RM'000** | **% of purchases** | **RM'000** | **% of purchases** |
| **Spare parts** | | | | | | |
| Indonesia | 13,426 | 90.1 | 12,876 | 93.5 | 21,344 | 93.9 |
| Malaysia | 1,472 | 9.9 | 890 | 6.5 | 1,376 | 6.1 |
| **Total** | **14,898** | **100.0** | **13,766** | **100.0** | **22,720** | **100.0** |
| **Building materials** | | | | | | |
| Malaysia | 30,741 | 100.0 | 11,376 | 100.0 | - | - |
| **Total** | **30,741** | **100.0** | **11,376** | **100.0** | **-** | **-** |

All our purchases from local suppliers in Indonesia are denominated in IDR. Purchases of spare parts from suppliers in Malaysia are denominated in RM and/or USD, and purchases of building materials from suppliers in Malaysia are solely denominated in RM. Please refer to Section 12.13(a) for the breakdown of our purchases by currencies.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.12 MAJOR SUPPLIERS

Our top 5 major suppliers by total purchases for FYE 2020 to 2022 are as follows:

**FYE 2020**

| Major suppliers | Principal market[1] | Value of purchases RM'000 | Value of purchases [2]% | Type of products purchased | [3]Length of business relationship years |
|---|---|---|---|---|---|
| PT Wilmar Chemical Indonesia | Indonesia | 17,687 | 20.1 | Fertiliser | 5 |
| Sawit Sendowan Plantation Cooperative, Sedulang Jaya | Indonesia | 8,976 | 10.2 | FFB | 7 |
| M.K. Chaw Enterprise Sdn Bhd | Malaysia | 7,498 | 8.5 | Building materials | 2 |
| PT Indotrans Sejahtera | Indonesia | 7,219 | 8.2 | Diesel | 2 |
| Buildcon Concrete Sdn Bhd | Malaysia | 4,862 | 5.5 | Building materials | Less than 1 year |
| | | **46,242** | **52.6** | | |

**FYE 2021**

| Major suppliers | Principal market[1] | Value of purchases RM'000 | Value of purchases [2]% | Type of products purchased | [3]Length of business relationship years |
|---|---|---|---|---|---|
| PT Wilmar Chemical Indonesia | Indonesia | 18,775 | 24.2 | Fertiliser | 6 |
| Sawit Sendowan Plantation Cooperative, Sedulang Jaya | Indonesia | 11,819 | 15.2 | FFB | 8 |
| PT Indotrans Sejahtera | Indonesia | 9,371 | 12.1 | Diesel | 3 |
| PT Karya Tehnik Plantation | Indonesia | 7,969 | 10.3 | CPO and PK | 7 |
| Setiamix Sdn Bhd | Malaysia | 1,608 | 2.1 | Building materials | 2 |
| | | **49,542** | **63.9** | | |

**FYE 2022**

| Major suppliers | Principal market[1] | Value of purchases RM'000 | Value of purchases [2]% | Type of products purchased | [3]Length of business relationship years |
|---|---|---|---|---|---|
| PT Indotrans Sejahtera | Indonesia | 18,181 | 21.3 | Diesel | 4 |
| Sawit Sendowan Plantation Cooperative, Sedulang Jaya | Indonesia | 17,863 | 20.9 | FFB | 9 |
| PT Sasco Indonesia | Indonesia | 6,693 | 7.8 | Fertiliser | 5 |
| PT Agrochem Mega Globalindo | Indonesia | 5,773 | 6.8 | Fertiliser | 5 |
| PT Gerrindo Surya Makmur | Indonesia | 5,127 | 6.0 | Fertiliser | 7 |
| | | **53,637** | **62.9** | | |

**Notes:**

(1) Represents the country in which the major suppliers operate.

(2) Calculated as the value of purchases divided by total purchases for the respective financial years.

(3) Length of business relationship with our major suppliers is calculated based on the commencement date of our first business transaction with these suppliers up to the end of each respective financial year.

In FYE 2020 to 2022, our Group has a supplier base of 301 suppliers, 257 suppliers and 230 suppliers respectively, for our plantation business. In FYE 2020 to 2022, purchases from our top 5 major suppliers accounted for 52.6%, 63.9% and 62.9% of our total purchases, respectively. During the same period, products purchased from our top 5 major suppliers for our plantation business were fertiliser, diesel, CPO and FFB.

In FYE 2020 and 2021, there were purchases of building materials from suppliers for our trading business in Malaysia. However, in FYE 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

We are not dependent on these major suppliers as the products provided by them can be easily sourced from the Indonesia market, notwithstanding that our Group has specific requirements on the specifications of certain supplies (e.g. fertilisers) depending on the growing conditions of our oil palms. All purchases with our suppliers are on purchase order basis as we do not have any long term agreements/contracts with our suppliers, except Sawit Sendowan Plantation Cooperative, Sedulang Jaya and Sawit Seguntung Jaya Plantation Cooperative, Puan Cepak upon harvesting of FFB, which we are obliged to purchase all FFB harvested by them under our Plasma Programme.

There has been no dispute with any of our major suppliers for FYE 2020 to 2022.

## 7.13 R&D

Our Group recognises the importance of continuous R&D to improve the efficiency of our plantation activities and enhance our FFB yields. As such, our R&D efforts focus on enhancing our mechanisation process adopted in our plantation activities; as well as studies related to soil fertility and pollination to ensure healthy crop and maximised FFB yields. These R&D activities are carried out by our in-house field audit / R&D team.

### (a) Enhancement of mechanisation process

Our Group emphasises on the continuous enhancement of FFB collection and evacuation process from field to our palm oil mill to improve the overall efficiency of our plantation activities. As such, we adopt mechanical-assisted equipment for the collection of FFB and transportation of FFB from field to our palm oil mill. We modify these equipment according to our needs in order to improve the efficiency in FFB collection and evacuation process whilst reducing manual labour needed.

### (b) Studies related to soil fertility, foliage analysis and pollination

Our Group carries out regular and/or ad-hoc studies related to soil fertility of our planted land, as well as foliage analysis and pollination of our oil palms. By carrying out these studies, we are able to outline and implement the suitable strategies and plans to maintain soil fertility and health of oil palm trees through the usage of fertilisers, and to encourage pollination through hatch and carry technique to increase the population of oil palm pollinating weevil. This is to ensure healthy crop and maximised FFB yields by ensuring that the soil remain nutritious and are suitable for the growth of oil palms; as well as to ensure efficient pollination for the flowering of oil palms.

There is no record of R&D expenses as the expenses incurred for the above R&D activities are not material and they are expensed off as part of our maintenance and direct costs.

## 7.14 COMPETITIVE STRENGTHS

### 7.14.1 We have oil palm plantations with a maturity and topographical profile that result in high FFB yields

Oil palms reach their prime maturity and experience peak production period from around 10 to 20 years. Prime mature oil palms can generally produce over 25MT of FFB per Ha per year. As at LPD, our prime mature oil palms which are aged between 10 and 16 years, made up approximately 92.7% of our total planted area, whereby 4.3% aged between 10 and 12 years and 88.4% aged between 13 and 16 years. The remaining 7.3% of our oil palms are young mature oil palms between the ages of 4 and 9 years, and will begin to reach peak maturity starting from 2024 onwards. As at LPD, none of our oil palms are categorised as old oil palms (aged between 21 and 25 years) or due for replanting (aged above 25 years). Please refer to Section 7.2.1 for further details on the age profile of our oil palm.

Further, all of our oil palm planted areas are generally flat to gently undulating with the whole of the land below 50 metre AMSL, whereby most of the elevations are between 15 metre and 30 metre AMSL and higher, and up to 40 metre AMSL near the eastern boundary. This eases our operations, including planting, upkeep and maintenance as well as harvesting and evacuation of FFB, thus contributing to our FFB yields.

As a result of the ideal age profile of our oil palms whereby majority of them are in the early or mid-years of prime mature stage, as well as the topographical profile of our plantation estates, we achieved average FFB yields of 29.3MT per Ha, 26.7MT per Ha and 23.2MT per Ha for FYE 2020 to 2022, respectively. In comparison, according to the latest available information published by the Plantation Office of East Kalimantan, the average FFB yield in East Kalimantan was 17.4MT per Ha in 2020. Our Group's FFB yield is relatively high in comparison to the average FFB yield in East Kalimantan.

As a substantial majority of our oil palms are in their peak-production years or will soon enter their peak-production years, we believe that the age profile of our oil palms will continue to result in high FFB yields for our Group. As the age maturity and topographical profile of our plantation estates are favourable for oil palm cultivation, we believe these are some of the important factors for the sustained growth and success of our Group.

### 7.14.2 We adopt efficient plantation practices in our plantation estates, leading to our success in improving FFB yields and production of CPO and PK

Our Group adopts plantation practices that focus on the efficiency of our plantation management and quality of our crop. These plantation practices include field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment management.

Further, we utilise technology and enhanced mechanisation to achieve efficient plantation and quality crop. These include the usage of drones and a software application called RondaApp to remotely monitor the conditions of our plantation estates including roads and machinery, usage of powered wheelbarrows as well as farm ATVs and UTVs to improve the efficiency of FFB collection and minimise the delivery time to our palm oil mill, usage of drainage systems to control the water levels, and planting of beneficial plant to combat pest. Please refer to Section 7.7 for further details on the technology adopted by our Group. In addition, our Group's palm oil mill is located within the central region of our plantation estates which allows the delivery of harvested FFB for processing in the shortest time possible to achieve maximum oil yield.

The adoption of the above plantation practices has improved our labour productivity in terms of FFB harvested per manday as well as the management and operational efficiency of our plantation activities. It is our Group's core values and beliefs to continuously endeavour for enhancement of our plantation practices along with technological advancement. These plantation practices, as well as our effort to enhance these practices, will continue to serve as strong foundations for the growth and sustainability of our business.

### 7.14.3 We are well positioned to benefit from the optimal conditions for oil palm plantation and infrastructural development in East Kalimantan, Indonesia

Our oil palm plantation estates are located in East Kalimantan, Indonesia which is within the tropical belt along the equator that has an optimum climate for the cultivation of oil palm. Given the tropical climate of East Kalimantan, it receives adequate rainfall which is one of the conditions ideal for the growth of oil palm and to achieve high FFB yields. While there may be excessive rainfall in certain months, our plantation estates are equipped with an integrated drainage system to divert excessive water as well as to maintain the moisture level of soil, as set out in Section 7.7.

Our plantation estates and palm oil mill are located close to the provincial capital of East Kalimantan, namely Samarinda; and the financial centre of Kalimantan, namely Balikpapan. Balikpapan is a seaport city which will be the main gateway to the new national capital of Indonesia. Further, we have a private jetty located 48km away from our plantation estates and is along the Mahakam River, thus easing the logistics management as we are able to transport our CPO and PK via the jetty to other river ports along the Mahakam River for onward delivery to our customers, through third party providers appointed by our customers.

In addition, Joko Widodo, the President of Indonesia, announced that the national capital of Indonesia will be relocated from Jakarta to East Kalimantan. The new national capital will be named 'Nusantara', and will be located across 2 districts in East Kalimantan, namely North Penajam Paser and Kutai Kartanegara (which our plantations estates are located in). With this relocation, it is expected to boost the local population and thus further accelerating infrastructural and economic development in East Kalimantan. Moreover, being located close to the national capital will enhance the visibility and exposure of our Group to investors and traders as national capitals generally attract more business travellers, thereby contributing to the prospects of our business.

### 7.14.4 Our subsidiaries, PT MKH and PT SPS, are ISPO-certified which allows our Group to expand the market acceptance of our products in local market

In our effort to produce sustainable palm oil, we are committed to the preservation of a healthy ecosystem at our plantation estates via good estate management practices such as zero-burning during land clearing and putting up various signboards on environment preservation and wildlife protection as a constant reminder to our plantation workers as they carry out their daily duties. Our approach to sustainable plantation practices ensures that all aspects of environmental health, economic profitability and social responsibility are taken into consideration, in achieving the objective of providing a strong foundation for our ISPO certification and wider market acceptance.

As a result, our subsidiaries, namely PT MKH and PT SPS received the ISPO certification in 2017 and 2022, respectively, as a testament to our sustainable plantation practices and ability to produce sustainable palm oil. Please refer to Section 7.1.1 for further details of the certifications received by our Group. By having an ISPO certification, it has expanded the market acceptance of our products in local market due to the demand for sustainable palm oil. Our ISPO certification increases the exposure of our Group as well as strengthens our reputation in the industry, and is thereby beneficial for our future growth and expansion.

### 7.14.5 We have an experienced key senior management team with strong industry expertise

Our key senior management team is headed by our Executive Director, Dato' Lee Khee Meng, who has substantial knowledge and exposure in the oil palm plantation business and has successfully led our Group in business expansions over the years.

Dato' Lee Khee Meng is supported by the following key senior management:

| Name | Designation | Years of relevant working experience |
|---|---|---|
| Chen Wei Chyong | Executive Director | 21 |
| Tang Hee Teik | General Manager of Industrial and Agricultural Development | 25 |
| Tan Soo Hoon | Group Financial Controller | 22 |
| Keng Ching Tong | Group Company Secretary | 19 |
| Lee Kong Seng | Project Manager | 26 |

Our key senior management team has played a vital role in promoting our growth and business expansion, and will continue to contribute to our growth in the future. Please refer to Sections 5.2.3 and 5.3.3 for the profiles of our Executive Directors and key senior management, respectively.

### 7.14.6 We are well positioned to benefit from growth in the global edible oils market and the oil palm industry in Indonesia

The potential for our future revenue growth is promising in line with the increasing demand for edible oils and fats globally. According to the IMR Report, from 2020 to 2022, the total global consumption of major edible oils increased from 239.27 million MT to 243.07 million MT at a CAGR of 0.79%. Palm oil is the highest consumed edible oils, outstripping the consumption of other major edible oils and fats. In 2022, palm oil accounted for 30.98% of total global consumption of major edible oils and fats. On the other hand, palm kernel oil was the eighth most consumed edible oil globally, accounting for 3.24% of total global edible oils and fats consumption in 2022. Global demand for major edible oils is expected to grow in line with the growing demand for food as a result of increasing world population.

Global demand for palm oil as the most consumed edible oil and fat benefits the oil palm industry in Indonesia. According to the IMR Report, Indonesia is the world's largest consumer market for CPO; and in 2022, CPO consumption in Indonesia amounted to 19.47 million MT, accounting for 25.85% of global CPO consumption of 75.31 million MT. From 2020 to 2022, consumption of CPO in Indonesia increased from 16.71 million MT to 19.47 million MT at a CAGR of 7.94%.

As an upstream oil palm plantation group which produces and sells CPO and PK to downstream refineries and PK crushing plants for the production of palm-based edible oils and oleochemical products, our growth will remain in tandem with the oil palm industry in Indonesia as well as the increasing consumption of CPO in Indonesia. Further, with the ever-increasing global population, we believe that we are well-positioned to benefit from this growth and the relatively recession-proof demand for food products.

## 7.15 BUSINESS STRATEGIES AND PROSPECTS

### 7.15.1 We plan to expand our oil palm plantation business through the expansion of plantation estates

As at LPD, we own 2 plantation estates, 1 palm oil mill and 1 jetty in East Kalimantan, Indonesia. We intend to grow our oil palm plantation business by expanding our oil palm plantation estates. As such, we plan to acquire additional land located in close proximity to our current oil palm plantation estates in Kutai Kartanegara, East Kalimantan for better coordination of operational and logistics management.

As at LPD, we have identified company(ies) with potential land banks for oil palm plantation in the sub-district of Muara Kaman, Kutai Kartanegara, East Kalimantan. The estimated land area is approximately 5,000.0 Ha with an estimated area for planting of approximately 4,000.0 to 4,500.0 Ha. Subject to successful negotiation and feasibility study to the satisfaction of our Group, the expected time to finalise such acquisition is by second quarter of 2024. As at LPD, we are currently in the preliminary stage of negotiation to appoint an independent expert to conduct the said feasibility study such as climate, humidity and soil condition on the potential land banks for oil palm plantation. For clarity, the potential land banks comprise mainly unplanted lands where approximately 3.0% of the land area are planted with oil palms (average age of 2 years) by the local farmers, of which we will take over in the event that the above proposed acquisition materialises. Upon completion of the acquisition, we will commence planting of oil palms on the entire area for planting immediately, and we expect to harvest FFB after 2.5 years from the date of field planting. We also plan to set up a new palm oil mill within the new plantation estates to process the FFB harvested from the new plantation estates. As at LPD, the details on the setup of the new palm oil mill are not available as it is subject to the location and the actual planted area of the plantation land to be acquired.

We intend to utilise a total of RM[●] million from the proceeds to be raised from our Public Issue to fully fund the acquisition of the land or the company that owns the land, as well as planting and upkeeping of oil palms. Should the cost of the above be greater than RM[●] million, the outstanding cost will be funded through bank borrowings and/or internally generated funds. In the event that the above proposed acquisition materialises, we may recruit approximately 400 additional general workers with an estimated monthly salary totalling approximately RM0.4 million (to be funded internally) to carry out the planting activities at the plantation land. For avoidance of doubt, the plantation land to be acquired will be either part of the Plasma Programme where at least 20.0% of the total area will be developed for the local cooperative under the Plasma Programme for our Group to manage or in any other form or arrangement (such as profit sharing scheme) as stipulated under the regulatory framework for plantation business licensing governed by the President of Indonesia Decree. The profit sharing scheme is based on an agreed sharing ratio of income or profit between our Group and the local farmers after taking into account the product selling price, production cost and the needs of the farm household. As at LPD, our Group has not participated in the Plasma Programme or established any profit sharing scheme arrangement with the local farmers relating to the aforementioned plantation land. Please refer to Section 4.9.1(a) for further details on the utilisation of proceeds.

With the new plantation estate, we will be able to increase our FFB harvest to increase our production of CPO and PK, which is expected to improve our financial performance. This is will then enhance our position in the industry and strengthen our foundation for future business growth and expansion.

### 7.15.2 We intend to enhance our operational efficiency by acquiring new machinery and equipment to be used in FFB harvesting and palm oil milling

We intend to purchase additional machinery and equipment to enhance the efficiency of our FFB harvesting activities and palm oil milling activities. The key machinery and equipment we intend to purchase are as follows:

| Machinery and equipment | Function | Number of units | Total estimated cost |
|---|---|---|---|
| | | | RM'000 |
| **FFB harvesting** | | | |
| Spare parts | Replacement parts for our harvesting machinery and equipment | | |
| - Undercarriage | Replacement parts for excavators[1] | 8 | [●] |
| - Main pump | | 8 | [●] |
| - Engine | | 8 | [●] |
| Crawler dumpers | For heavy duty FFB transportation from field to collection points | 50 | [●] |
| Farm ATVs | To collect FFB from fields to collection points | 65 | [●] |
| Trailers (attached to trucks) | To collect FFB from collection points to palm oil mill | 30 | [●] |
| | | | **[●]** |
| **Palm oil milling** | | | |
| FFB cages | To carry FFB for sterilisation process | 20 | [●] |
| Fuel storage and conveyor system | To store and transport fuel (i.e. mesocarp fibre and PK shells) for burning in boilers | 1 | [●] |
| Kernel silo | To store polished palm nuts for drying to remove moisture content | 2 | [●] |
| EFB shredders | To shred EFB | 4 | [●] |
| Others[2] | Spare parts for the machinery and equipment for palm oil milling activities | - | [●] |
| | | | **[●]** |

**Notes:**

(1) As at LPD, our harvesting machinery and equipment that require replacement are 8 units of excavators.

(2) Comprises 10 units of machinery and equipment such as EFB pressing machines and hydrocyclone, all of which are below RM[●] million per unit, as well as 50 units of various spare parts such as vacuum dryer pump, oil transfer pump, purifier, nut polishing drum, column system, and decanter.

The machinery and equipment that we intend to purchase for FFB harvesting will be used to enhance the efficiency and mechanisation of our FFB harvesting activities, as we will be able to reduce manual transportation of FFB from the field to collection points, and increase the frequency of FFB transportation from collection points to our existing palm oil mill, while using less human resources.

On the other hand, the machinery and equipment that we intend to purchase for palm oil milling will be used to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill, and the spare parts that we intend to purchase will be used in the maintenance of our existing machinery and equipment for palm oil milling activities to upkeep the efficiency of our palm oil milling activities. This is expected to improve our OER, which will eventually improve the financial performance of our Group.

The total cost of purchasing these new machinery and equipment is estimated to be approximately RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue. Please refer to Sections 4.9.1(b) and (d) for further details on the machinery and equipment to be purchased and utilisation of proceeds. We expect to purchase these machinery within 24 months upon our Listing.

### 7.15.3 We plan to expand our processing capabilities and product offerings by producing and selling CPKO

As at LPD, we are principally involved in the production and sale of CPO and PK. Customers who purchase PK from our Group are PK crushing mills and downstream refineries, whereby these customers are involved in extracting oil from PK for further processing into CPKO which are used in the manufacturing of food and non-food products. CPKO is more saturated than CPO, and is used to produce cooking oil for high-temperature cooking as it remains stable in high temperature. Further, CPKO is used to produce non-food products such as cosmetics and personal care products. In line with our business strategy to increase our revenue streams, we plan to expand our processing capabilities and product offerings to produce CPKO and PKE (a by-product of CPKO from the crushing of PK), for sale to external customers, using PK extracted from our FFB which is currently sold to external customers and/or PK purchased from third parties.

To facilitate this plan, our Group intends to set up a PK crushing facility adjacent to our existing palm oil mill, with a processing capacity of 90MT PK per day, to crush and press PK for extraction and processing into CPKO, which includes PKE which is a by-product of CPKO from PK crushing. The setup of the PK crushing facility will mainly involve the construction of the facility as well as purchase and installation of machinery, with estimated costs as follows:

| **Setup of the PK crushing facility** | **Estimated total cost** |
|---|---|
| | **RM'000** |
| Construction of the PK crushing facility | [●] |
| Purchase and installation of machinery and equipment | [●] |
| Purchase and installation of 2 CPKO storage tanks with a total capacity of 2,500MT | [●] |
| | **[●]** |

The total setup cost is estimated to be approximately RM[●] million, of which RM[●] million will be funded from the proceeds to be raised from our Public Issue, with RM[●] million allocated for the construction of the PK crushing facility and RM[●] million allocated for the purchase and installation of machinery and equipment and CPKO storage tanks. The remaining RM[●] million will be funded through bank borrowings and/or internally generated funds. The setup of the PK crushing facility requires the Building Approval *(Persetujuan Bangunan Gedung)*, a permit granted by the local authority or central government to building owners to build, change, expand, reduce, and/or maintain buildings in accordance with applicable building technical standards. The application for Building Approval, which was submitted via Building Management Information System on 26 May 2023, has been verified by the said system on 29 May 2023. Our Group has subsequently in early June 2023 had a consultation with the officer of Ministry of Public Works and Housing *(Kementerian Pekerjaan Umum dan Perumahan Rakyat)* and we expect to obtain the Building Approval from local authority by 2nd quarter of 2023. In addition, upon completion of the setup of the PK crushing facility in 1st quarter of 2024, we are required to obtain the Feasibility Certificate *(Sertifikat Laik Fungsi)*, a certificate for buildings that have been completed and have met the technical

feasibility requirements according to the building function. We expect to obtain the Feasibility Certificate by 1st quarter of 2024 and commence the operations of the PK crushing facility by 2nd quarter of 2024. Please refer to Section 4.9.1(c) for further details on the utilisation of proceeds from our Public Issue.

We expect to complete the setup of the PK crushing facility and commence operations by 2nd quarter of 2024, with a tentative timeline as follows:

| Tentative timing | Key events |
|---|---|
| 2nd quarter of 2023 | • To obtain the Building Approval *(Persetujuan Bangunan Gedung)* from local authority<br>• To commence construction of the PK crushing facility |
| 1st quarter of 2024 | • To complete construction of the PK crushing facility<br>• To commence installation of machinery and equipment and CPKO storage tanks<br>• To obtain the Feasibility Certificate *(Sertifikat Laik Fungsi)* |
| 2nd quarter of 2024 | • To complete installation of machinery and equipment and CPKO storage tanks<br>• To commence operations of the PK crushing facility |

Further, we are in the midst of identifying potential customers for our CPKO, which are downstream refineries involved in the refinery and clarification of CPKO in Indonesia.

Upon commencing the production of CPKO using the PK extracted in-house, we will gradually decrease our sale of PK to external customers. With this, we expect improved financial performance as we will have an additional revenue stream. Further, our Group expects to generate better margin from processing and selling CPKO as compared to selling PK as we can leverage on existing resources for our PK crushing activities to minimise our operating cost while selling CPKO at higher prices as CPKO is generally a higher-value product as compared to PK.

### 7.15.4 We plan to construct new staff quarters and refurbish our existing staff quarters to house additional workers and improve the living conditions of our workers and their family members

We have existing staff quarters constructed in our plantation estates to house our workers (including harvesters, plantation workers and support personnel) and their family members. The existing staff quarters are houses constructed fully by wood. We intend to refurbish our existing staff quarters to enhance the living conditions of our workers and their family members as part of continuous accommodation upgrading initiative.

As at LPD, our existing staff quarters comprise 399 blocks (2,727 units) of wooden houses and are fully occupied. We plan to progressively construct 59 blocks (289 units) of new houses using a combination of bricks, concrete and wood which are safer and less exposed to hazards.

We intend to utilise a total of RM[●] million from the proceeds to be raised from our Public Issue to fund the construction of new staff quarters and refurbishment of our existing staff quarters. Any outstanding cost will be funded through bank borrowings and/or internally generated funds. Please refer to Section 4.9.1(e) for further details on the utilisation of proceeds.

### 7.15.5 We plan to expand the coverage of electricity supply generated through the turbines at our palm oil mill to other regions of our plantation estates

As at LPD, we use some of our by-products from palm oil milling, namely PK shells and mesocarp fibre, as fuel for the boilers at our palm oil mill to produce steam for electricity generation by turbines. The electricity generated is currently used to power our palm oil mill, as well as for some domestic consumption in the central region of our plantation estates which includes staff quarters, offices, school, clinic and street lightings. However, our turbines have the capacity to generate more electricity than what is current used.

Notwithstanding our capability to generate more electricity from our turbines to other regions of our plantation estates, all our facilities in other regions of our plantation estates are currently powered by electricity generated through diesel generators, in which we incur diesel fuel cost and which produces harmful emissions into the environment. As at LPD, we do not have the required infrastructure to transmit the electricity generated by our turbines to these regions of our plantation estates.

In an effort to reduce our diesel fuel cost as well as part of our effort for environmental conservation, we plan to expand the coverage of the electricity generated by our turbines to other regions of our plantation estates which are electrified through diesel generators. To facilitate this, we intend to build the required infrastructure for transmission of electricity from our turbines in the central region to our facilities in other regions of our plantation estates. This will involve the construction of 8 mini electrical substations, as well as the purchase and installation of electrical components such as power cables, step-up and step-down transformers, and other electrical accessories. We intend to engage a third party solution provider to carry out these works.

The total cost of this plan is estimated to be RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue. Please refer to Section 4.9.1(f) for further details on the utilisation of proceeds. The electricity supply system is expected to complete and be commissioned within 24 months from our Listing.

With our expanded electricity supply system in place, we expect to reduce the diesel fuel cost used by the generators in other regions of our plantation estates of approximately RM3.8 million, RM4.6 million and RM8.6 million in FYE 2020 to 2022, which represented 2.1%, 2.8% and 4.6% of our total cost of sales, respectively. This will promote self-sustainability and enhance our reputation as we place emphasis on environmental governance and responsibility.

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SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 27 March 2023

The Board of Directors

**MKH Oil Palm (East Kalimantan) Berhad**
G-02 & G-03, Ground Floor
Wisma MKH
Jalan Semenyih
43000 Kajang
Selangor

Dear Sir / Madam,

**Independent Market Research Report on the Oil Palm Industry in Indonesia ("IMR Report")**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("**SMITH ZANDER**") for inclusion in the draft Prospectus in conjunction with the proposed listing of MKH Oil Palm (East Kalimantan) Berhad on the Main Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which MKH Oil Palm (East Kalimantan) Berhad and its proposed subsidiaries ("**MKHOP Group**") operate and to offer a clear understanding of the industry and market dynamics. MKHOP Group is an upstream oil palm plantation group and its operations are based in East Kalimantan, Indonesia. Through its subsidiaries, it is principally involved in the cultivation of oil palm plantation and the production and sale of crude palm oil and palm kernel. Hence, the scope of work for this IMR Report will address the following areas:

(i) The oil palm industry in Indonesia;

(ii) Industry performance, size and growth;

(iii) Key industry drivers, risk and challenges;

(iv) Competitive overview; and

(v) Outlook and prospects.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

DENNIS TAN TZE WEN
MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 7 March 2023.

For further information, please contact:

**SMITH ZANDER INTERNATIONAL SDN BHD**
15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Malaysia
Tel: + 603 2732 7537

www.smith-zander.com

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***About SMITH ZANDER INTERNATIONAL SDN BHD***

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

***Profile of the signing partner, Dennis Tan Tze Wen***

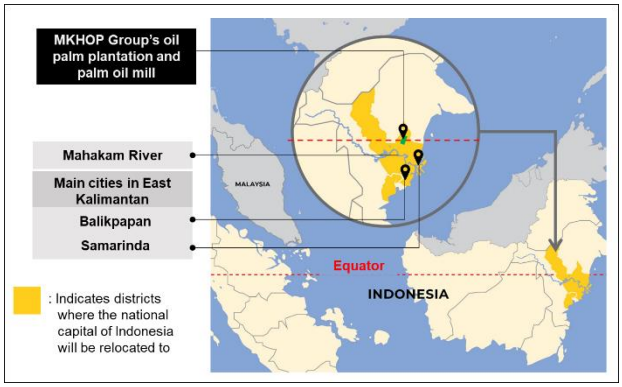
*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*

# 1 THE OIL PALM INDUSTRY IN INDONESIA

## Economic and geographical overview of Indonesia

Indonesia is the largest economy in Southeast Asia with a total Growth Domestic Product ("**GDP**") of IDR11.71 quadrillion (RM3.47 trillion)[1], and the world's fourth most populous nation with a population size of 275.77 million, in 2022.[2] In 2022, the economy of Indonesia was mainly supported by the manufacturing sector which was the largest contributor to the nation's GDP at IDR2.40 quadrillion (RM710.40 billion), followed by wholesale and retail trade as well as repair of motor vehicles and motorcycles sector at IDR1.53 quadrillion (RM452.88 billion), and agricultural, forestry and fishing sector at IDR1.44 quadrillion (RM426.24 billion). Within the agricultural, forestry and fishing sector, plantation crops, which include oil palm, was the largest contributor to the sectoral GDP at IDR432.01 trillion (RM127.87 billion).[3]

Kalimantan is a territory of Indonesia located in Borneo Island. East Kalimantan, one of the five provinces in Kalimantan, has its capital Samarinda, which lies on the banks of the Mahakam River. East Kalimatan has a seaport city named Balikpapan, which is also the financial centre of Kalimantan and will be the main gateway to the new national capital of Indonesia. The economy of East Kalimantan is mainly driven by natural resources such as oil, natural gas, coal and gold. In 2019, Joko Widodo, the President of Indonesia, announced that the national capital of Indonesia will be relocated from Jakarta to East Kalimantan, whereby the new national capital will be located across 2 districts in East Kalimantan, namely North Penajam Paser and Kutai Kartanegara, both of which are located close to Samarinda and Balikpapan.




*Source: SMITH ZANDER*

## Overview of the oil palm industry in Indonesia

The value chain of the oil palm industry can be categorised into 4 segments, comprising upstream, midstream, downstream processing, and consumer and industrial products manufacturing as follows:

**Value chain of the oil palm industry**

| | Upstream | Midstream | Downstream processing | Consumer and industrial products manufacturing |
|---|---|---|---|---|
| **Activities** | ▪ Seed production<br>▪ Nursery<br>▪ Cultivation<br>▪ Harvesting<br>▪ Palm oil milling<br>▪ PK crushing | ▪ Trading<br>▪ Bulking | ▪ Refining<br>▪ Fractionation<br>▪ Esterification | ▪ Blending<br>▪ Packing<br>▪ Marketing and branding |
| **Products/ output** | ▪ Oil palm seedling<br>▪ Fresh fruit bunches ("FFB")<br>▪ Crude palm oil ("CPO")<br>▪ Palm kernel ("PK")<br>▪ Crude palm kernel oil ("CPKO")<br>▪ By-products (empty fruit bunch (EFB), decanter cake, mesocarp fibre, PK shell and palm oil mill effluent) | ▪ CPO<br>▪ PK<br>▪ CPKO | ▪ Refined, bleached and deodorised ("RBD") palm oil<br>▪ RBD palm kernel oil<br>▪ Palm fatty acid distillate<br>▪ RBD palm olein<br>▪ RBD palm stearin<br>▪ Cocoa butter substitute<br>▪ Fatty acid, alcohols, amines, amides<br>▪ Glycerines<br>▪ Biodiesel | ▪ Cooking and salad oils<br>▪ Margarines and spreads<br>▪ Bakery shortening<br>▪ Emulsifiers<br>▪ Confectionery fats<br>▪ Cosmetics<br>▪ Soaps<br>▪ Sanitisers<br>▪ Detergents |

*Notes:*

- *The list is not exhaustive*
- *Indicates the segment that MKHOP Group is involved in and key products sold to its customers.*

*Source: SMITH ZANDER*

[1] *Exchange rate for IDR to RM for 2022 is converted based on the average annual exchange rate in 2022, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0296.*
[2] *Sources: World Bank, Badan Pusat Statistik ("**BPS**")*
[3] *Source: BPS*

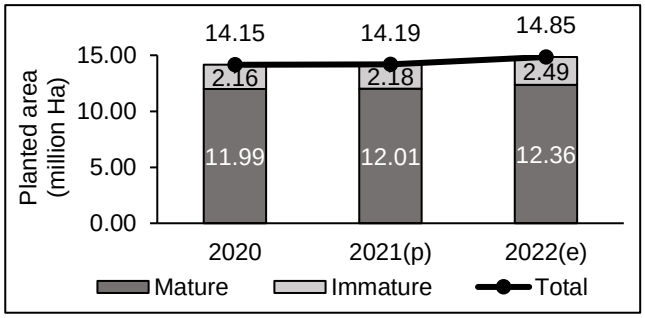
# 2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

## Supply analysis of the oil palm industry in Indonesia

From 2020 to 2022, total mature and immature oil palm planted area in Indonesia rose from 14.15 million hectares ("**Ha**") to 14.85 million Ha at a compound annual growth rate ("**CAGR**") of 2.44%. Over the same period, immature oil palm planted area in Indonesia increased at a CAGR of 7.37%, higher than mature oil palm planted area at 1.53%.

East Kalimantan, in which MKHOP Group's plantation estates are located, recorded an increase in total mature and immature oil palm planted area at a CAGR of 3.75%, from 1.31 million Ha in 2020 to 1.41 million Ha in 2022.

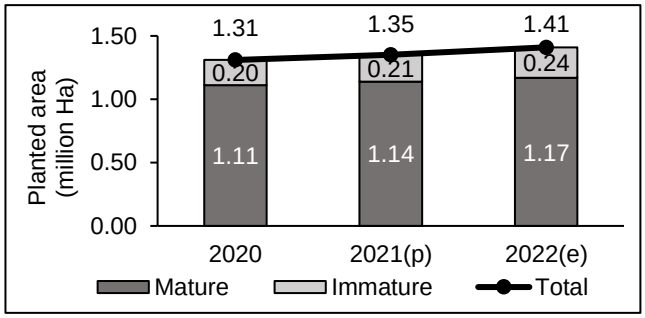
**Oil palm planted area (Indonesia), 2020 - 2022(e)**




*Notes: (p) – preliminary; (e) - estimate*

*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

**Oil palm planted area (East Kalimantan), 2020 - 2022(e)**

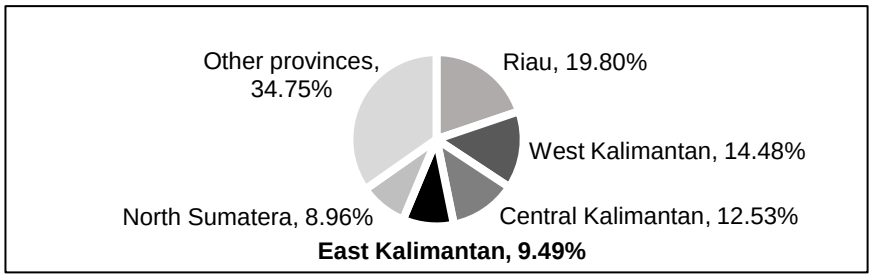



*Notes: (p) – preliminary; (e) - estimate*

*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

Oil palm plantations in Indonesia are mainly centred in several provinces, namely Riau, West Kalimantan, Central Kalimantan, East Kalimantan and North Sumatera, whereby total mature and immature oil palm planted area in these provinces accounted for 19.80%, 14.48%, 12.53%, 9.49% and 8.96% respectively of the total mature and immature oil palm planted area in Indonesia in 2022.

**Contribution of oil palm planted area by province (Indonesia), 2022(e)**



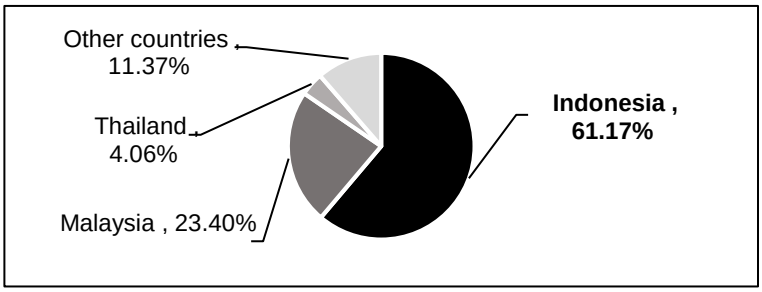

*Note: (e) - estimate*

*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

Indonesia is the world's largest producer of CPO. In 2022, Indonesia's CPO production, which stood at 48.24 million metric tons ("**MT**"), accounted for 61.17% of global CPO production of 78.86 million MT.

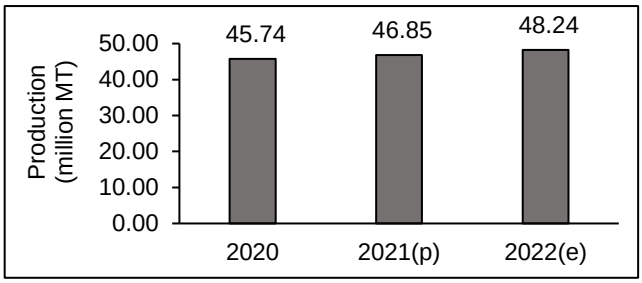
From 2020 to 2022, production of CPO in Indonesia increased from 45.74 million MT to 48.24 million MT at a CAGR of 2.70%. In East Kalimantan, production of CPO increased from 3.72 million MT in 2020 to 3.98 million MT in 2022 at a CAGR of 3.44%.

**Composition of global CPO producers, 2022**




*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

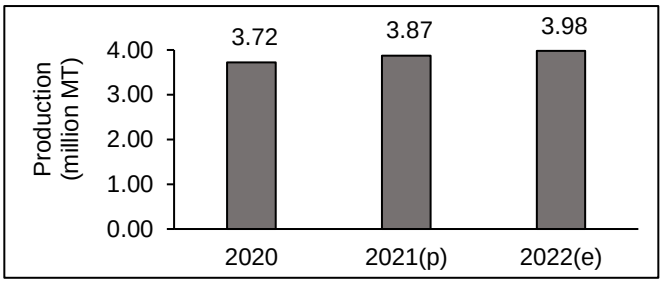
**Production of CPO (Indonesia), 2020 - 2022(e)**




*Notes: (p) – preliminary; (e) - estimate*

*Source: Ministry of Agriculture Indonesia*

**Production of CPO (East Kalimantan), 2020 - 2022(e)**

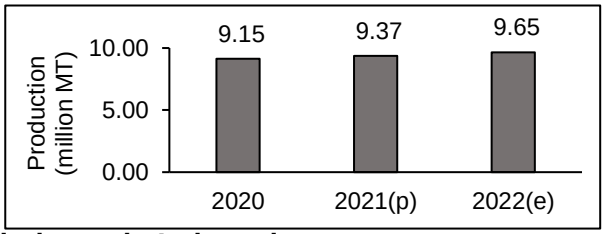



*Notes: (p) – preliminary; (e) – estimate*

*Source: Ministry of Agriculture Indonesia*

In line with the increasing production of CPO in Indonesia, from 2020 to 2022, production of CPKO in Indonesia also increased from 9.15 million MT to 9.65 million MT at a CAGR of 2.70%. Production of CPKO in East Kalimantan is not publicly available.

**Production of CPKO (Indonesia), 2020 - 2022(e)**

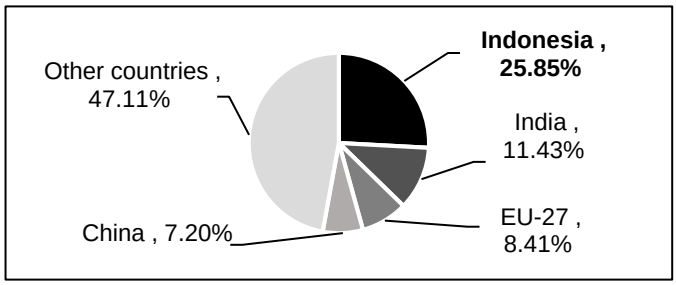



*Notes:*
*(p) – preliminary;*
*(e) – estimate.*
*Source: Ministry of Agriculture Indonesia*

## Demand analysis of the oil palm industry in Indonesia

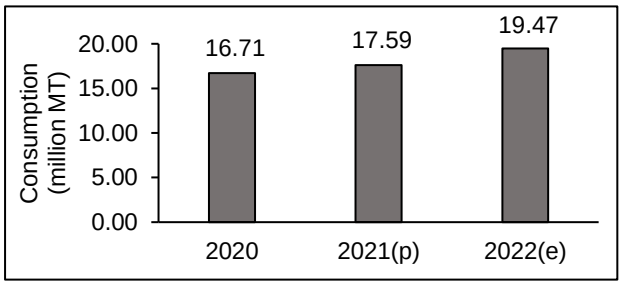
Indonesia is the world's largest consumer market for CPO. In 2022, CPO consumption in Indonesia amounted to 19.47 million MT, accounting for 25.85% of global CPO consumption of 75.31 million MT. This is followed by India (11.43%), European Union ("**EU-27**") (8.41%) and China (7.20%). From 2020 to 2022, consumption of CPO in Indonesia increased from 16.71 million MT to 19.47 million MT at a CAGR of 7.94%.

**Composition of global CPO consumer markets, 2022**




*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

**Consumption of CPO (Indonesia), 2020 - 2022(e)**

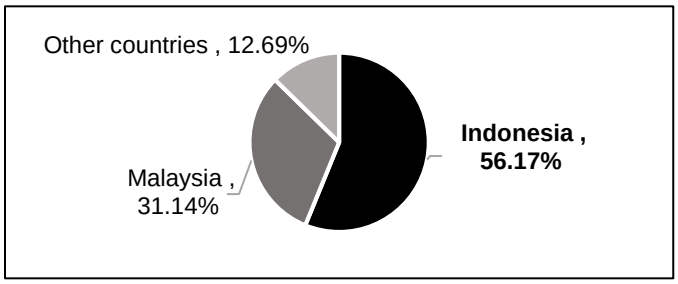



*Notes: (p) – preliminary; (e) - estimate*

*Source: SMITH ZANDER*

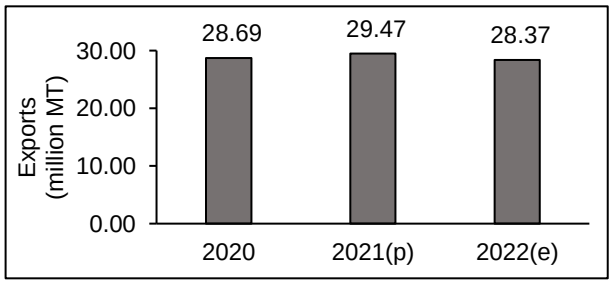
In tandem with its position as the world's largest producer of CPO, Indonesia is also the world's largest exporter of CPO, and hence it plays a significant role in supporting the global demand for palm oil. In 2022, Indonesia's CPO exports which stood at 28.37 million MT, accounted for 56.17% of global CPO exports of 50.51 million MT.

**Composition of global CPO exports, 2022**




*Sources: Ministry of Agriculture Indonesia, SMITH ZANDER*

**Exports of CPO (Indonesia), 2020 - 2022(e)**




*Notes: (p) – preliminary; (e) - estimate*

*Source: SMITH ZANDER*

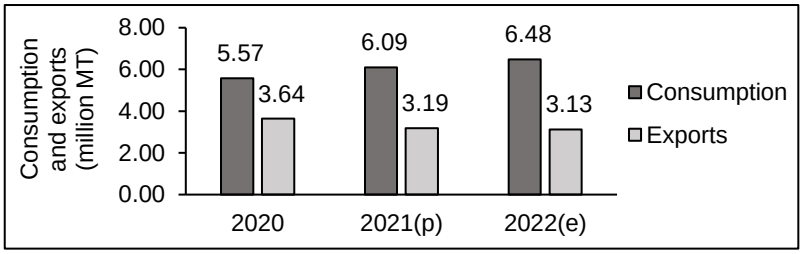
However, from 2020 to 2022, Indonesia's exports of CPO decreased from 28.69 million MT to 28.37 million MT at a negative CAGR of 0.56%. This was mainly due to the export ban on CPO, RBD palm oil, RBD palm olein and used cooking oil imposed by the Government of Indonesia from 28 April 2022 to 23 May 2022 in an effort to curb the rise in domestic cooking oil prices.

As Indonesia is the largest exporter of palm oil globally, the export ban adversely impacted global CPO supply. Conversely, Indonesia experienced a domestic oversupply of CPO during the same period, which successfully stabilised domestic cooking oil prices and subsequently drove the consumption of CPO in Indonesia. Following the upliftment of the export ban, the Government of Indonesia reinstated the domestic market obligation in which CPO exporters are required to fulfil a local CPO sales quota in order to export CPO, which also contributed to the overall decrease in CPO exports in 2022.

In line with the increase in consumption of CPO, consumption of CPKO in Indonesia also increased from 5.57 million MT in 2020 to 6.48 million MT in 2022 at a CAGR of 7.86%.

However, over the same period, exports of CPKO decreased from 3.64 million MT to 3.13 million MT at a negative CAGR of 7.27%, which is in line with the decline in Indonesia's CPO exports over the same period.

**Consumption and exports of CPKO (Indonesia), 2020 - 2022(e)**



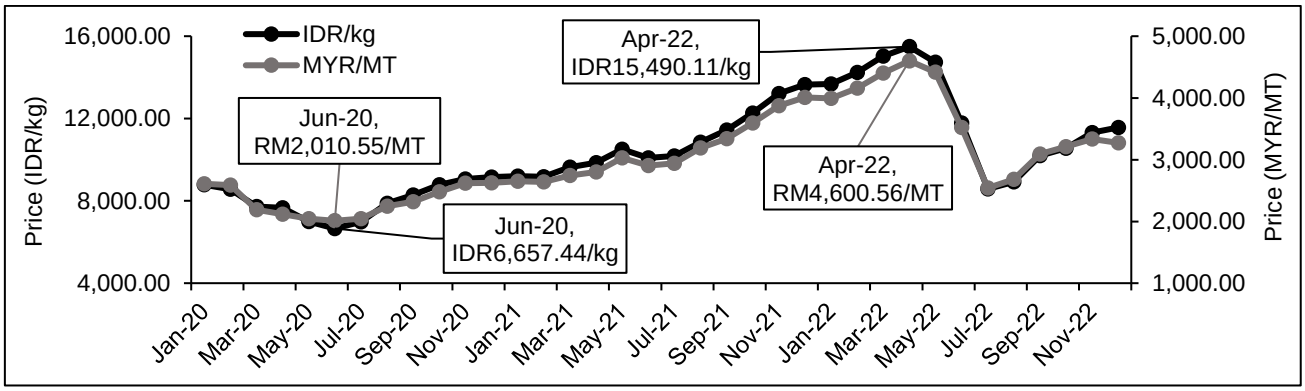

*Notes: (p) – preliminary; (e) - estimate*

*Source: SMITH ZANDER*

## Price trend analysis of CPO and palm kernel ("PK")

Between 2020 and 2022, prices of CPO in East Kalimantan fluctuated, with the lowest price at IDR6,657.44/kilograms ("**kg**") (RM2,010.55/MT)[4] in June 2020 and the highest price at IDR15,490.11/kg (RM4,600.56/MT)[5] in April 2022.

**CPO prices (East Kalimantan), 2020 - 2022**




*Source: Dinas Perkebunan Provinsi Kalimantan Timur (Plantation Office of East Kalimantan)*

Local prices of CPO in East Kalimantan mirror the global prices of CPO, which are influenced by supply and demand conditions of CPO in the global market. The trend of global CPO prices between 2020 and 2022 is described as follows:

- Between January 2020 and June 2020, CPO prices were at a decreasing trend due to dampened demand for CPO as a result of the COVID-19 pandemic and the imposition of movement restrictions in a bid to curb the spread of COVID-19. Subsequently, CPO consumption had reduced due to lower import demand from India and China, which are the two largest import countries for CPO. Coupled with dry weather conditions and labour shortages, global prices of CPO decreased, which weighed down the local CPO prices in East

[4] *Exchange rate for IDR to RM for June 2020 is converted based on the average exchange rate in June 2020, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0302.*

[5] *Exchange rate for IDR to RM for April 2022 is converted based on the average exchange rate in April 2022, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0297.*

Kalimantan to its lowest during the period of 2020 to 2022, at IDR6,657.44/kg (RM2,010.55/MT) in June 2020.

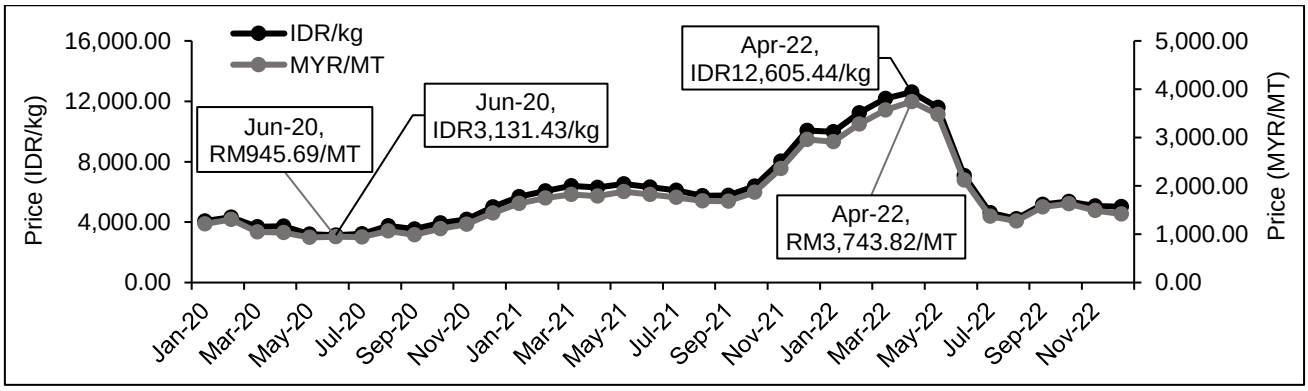
- Between July 2020 and April 2022, CPO prices were at an increasing trend mainly as a result of the continuous low CPO supply due to the earlier imposition of movement restrictions which had restricted or placed limitations on CPO production. Furthermore, shortages in foreign labour and temporary closure of operations of oil palm plantations particularly in Malaysia had further suppressed CPO production. In addition, heavy rainfall in early 2021 had disrupted oil palm harvesting activities as well as logistics on oil palm plantations, which led to lower FFB yield and subsequently lower CPO supply. The increase in CPO prices beginning 2021 was also contributed by the increasing demand for CPO due to the easing of movement restrictions globally, particularly in Europe and North America.

  In addition, the outbreak of the Russia-Ukraine conflict in February 2022 had disrupted the supply of sunflower oil from Ukraine which subsequently drove demand for CPO as a substitute, leading to the rise in global CPO prices. As CIF Rotterdam prices continued to rise due to the Russia-Ukraine conflict, local CPO prices in East Kalimantan reached its highest since 2020 at IDR15,490.11/kg (RM4,600.56/MT) in April 2022. Consequently, the Government of Indonesia had imposed a palm oil export ban from 28 April 2022 to 23 May 2022 in a bid to lower domestic cooking oil prices, whereby the ban on exports was intended to increase the supply of domestic palm oil, which would subsequently lead to an increase in the supply of domestic cooking oil, resulting in a decrease in domestic cooking oil prices. Due to its palm oil export ban, Indonesia's exports of CPO and global CPO imports declined, which further drove global CPO prices as well as led to the drop in global CPO consumption.

- From May 2022 to December 2022, in particular from May 2022 to July 2022, CPO prices were at a decreasing trend, which was mainly due to excessive stock of CPO in Indonesia accumulated during the export ban and increase in CPO exports by Indonesia.

Between 2020 and 2022, prices of PK in East Kalimantan fluctuated, with the lowest price at IDR3,131.43/kg (RM945.69/MT)[6] in June 2020 and the highest price at IDR12,605.44/kg (RM3,743.82/MT)[7] in April 2022.

**PK prices (East Kalimantan), 2020 – 2022**




*Source: Dinas Perkebunan Provinsi Kalimantan Timur (Plantation Office of East Kalimantan)*

Generally, PK prices have similar trends with CPO prices as the production of PK is closely tied to the production of CPO given that PK is a by-product of CPO. As such, the factors which affect the production of CPO also applies to the production of PK. Local prices of PK in East Kalimantan mirror the global prices of PK, which are influenced by supply and demand conditions of PK in the global market.

[6] *Exchange rate for IDR to RM for June 2020 is converted based on the average exchange rate in June 2020, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0302.*

[7] *Exchange rate for IDR to RM for April 2022 is converted based on the average exchange rate in April 2022, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0297.*

# 3 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES

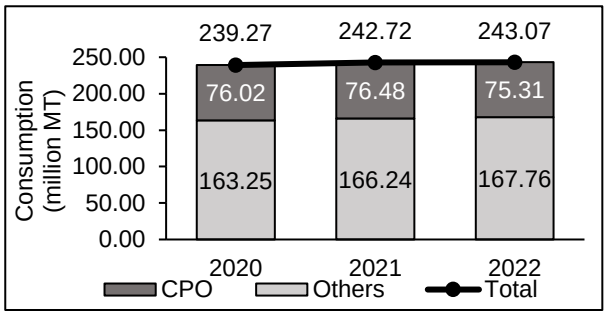
## Key Industry Drivers

► **Growing demand for food drives the demand for edible oils and fats which subsequently drives the growth of the oil palm industry**

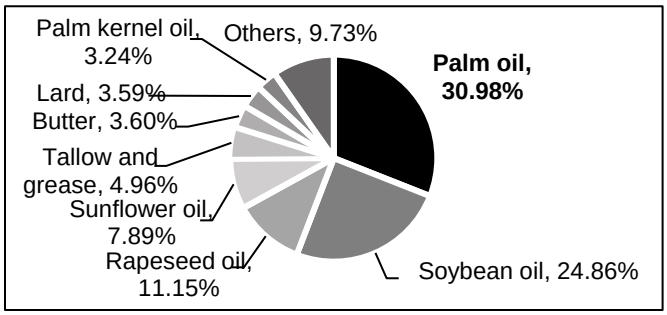
The demand for edible oils and fats such as palm oil is directly driven by the growing demand for food as a result of growing global population. According to The World Bank, world population in 2022 stood at approximately 7.95 billion and is expected to increase by 21.64% to 9.67 billion in 2050. Higher population growth rates in developing countries pressure the agricultural industry to produce sufficient food and fibre to feed and clothe the increasing world population.

In line with economic growth post COVID-19 pandemic, world urban population as a percentage of total population is expected to increase from 56.89% in 2021 to 67.96% in 2050[8] as individuals migrate from rural to urban areas to seek higher standards of living, which increases consumer spending power and thus drives the demand for food.

**Consumption of CPO and other major edible oils and fats (Global), 2020 - 2022**




**Comparative consumption of CPO and other major edible oils and fats (Global), 2022**




*Note:*

- *Others comprise soybean oil, rapeseed oil, sunflower oil, cotton oil, corn oil, groundnut oil, olive oil, palm kernel oil, coconut oil, fish oil, sesame oil, castor oil, linseed oil, butter, lard and tallow and grease.*

*Source: SMITH ZANDER*

Edible oils and fats are primarily utilised for food applications, and largely in the manufacturing of cooking and salad oils, margarines and spreads, food ingredients such as emulsifiers and shortenings, and substitutes for hard butter and cocoa butter.

The total global consumption of major edible oils and fats increased from 239.27 million MT in 2020 to 243.07 million MT in 2022 at a CAGR of 0.79%. Palm oil is the highest consumed edible oil, outstripping the consumption of other major edible oils and fats. In 2022, CPO accounted for 30.98% of total global consumption of major edible oils and fats. Palm kernel oil was the eighth most consumed edible oil globally in 2022, accounting for 3.24% of total global edible oils and fats consumption in 2022.

► **Wide range of applications of palm oil and its derivatives drives the demand for palm oil**

The versatility and fat content in palm oil which extends shelf life, shortens cooking time, and contributes to texture as well as flavor makes it a popular base ingredient that is utilised in a wide range of food and non-food applications. Palm oil can be used for a multitude of food applications, including the production of cooking oil, margarine, bakery shortening and confectionery fats; as well as non-food applications including the manufacturing of personal and hygiene care products such as soaps, cosmetics, sanitisers and detergents, which are produced using ingredients from oleochemical products derived from palm oil. These food and non-food products are commonly and widely used in consumers' daily lives.

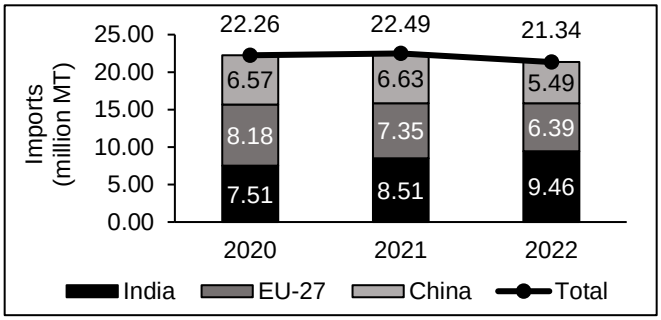
Palm oil is also used in the production of polyols, which is used to make polyurethane, a plastic material with multiple applications in various industries such as building and construction, automotive, furniture and electrical and electronics.

[8] *Source: The World Bank*

► **Demand from India, EU-27 and China as three of the largest CPO import/consumer markets**

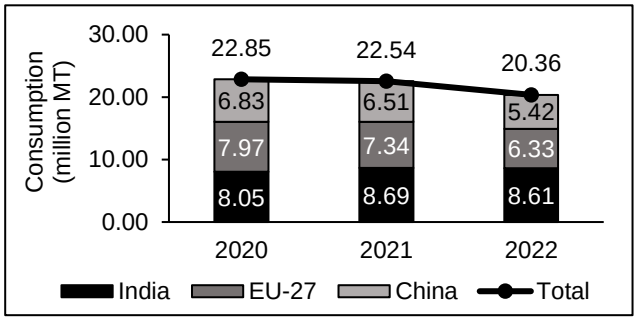
The demand for CPO from India, EU-27 and China, in terms of imports and consumption, are key factors in sustaining the oil palm industry. In 2022, India was the largest importer of CPO globally with a market share of 19.13% to global CPO imports, followed by EU-27 (12.92%) and China (11.10%). In the same year, after Indonesia, which was the largest consumer market for CPO with a market share of 25.85% to global CPO consumption, India was the second largest consumer market for CPO with a market share 11.43%, followed by EU-27 (8.41%) and China (7.20%).

**Imports of CPO (India, EU-27 and China), 2020 - 2022**




*Source: SMITH ZANDER*

**Consumption of CPO (India, EU-27 and China), 2020 - 2022**




*Source: SMITH ZANDER*

From 2020 to 2022, total imports and total consumption of CPO in India, EU-27 and China decreased at a CAGR of -2.09% and -5.61% respectively. The overall decrease in CPO imports and consumption in these three markets was weighed down by the decrease in EU-27 and China, which was mainly due to lower CPO supply and the rise in CPO prices resulting from economic factors such as foreign labour shortages due to temporary closure of operations of oil palm plantations particularly in Malaysia following the outbreak of COVID-19, as well as geopolitical factors such as the Russia-Ukraine conflict that escalated in February 2022 which disrupted the supply of sunflower oil from Ukraine and subsequently drove the demand for CPO as a substitute by importers, as well as Indonesia's export ban on palm oil from 28 April 2022 to 23 May 2022.

Moving forward, as global economic and geopolitical conditions gradually return to normal and as CPO prices decrease, the consumption and imports of CPO in EU-27 and China are expected to gradually recover while the growth in consumption and imports of CPO in India is expected to continue to be driven by consumption in the food sector and oleochemical applications.

► **Strong government support to strengthen the oil palm industry**

In 2011, the Government of Indonesia introduced the Indonesian Sustainable Palm Oil ("**ISPO**") standard, which is based on Indonesian laws and regulations, to enhance the competitiveness and sustainability of the Indonesian palm oil industry. Palm oil producers that hold the ISPO certification are required to conform to ISPO principles with regards to licensing and plantation management, technical guidelines for the processing and cultivation of palm oil and environmental management, amongst others. The ISPO certification is mandatory for all Indonesian palm oil producers, from large scale producers to independent smallholders, to strengthen Indonesia's position in the global palm oil market as a palm oil producer and exporter.

In 2015, the Government of Indonesia established the Badan Pengelola Dana Perkebunan Kelapa Sawit ("**BPDPKS**") which is a fund management agency under the Ministry of Finance of Indonesia to manage funds allocated for the development of the Indonesian palm oil industry. The BPDPKS provides funding for replanting programs for smallholders through the PSR to improve palm oil productivity, provides biodiesel incentive to encourage the use of biodiesel by the public and research and development in the palm oil sector, amongst others. During the period of 2016 to 2020, the BPDPKS distributed a total replanting fund of IDR4.50 trillion

(RM1.35 billion)[9]. In 2021, the BPDPKS allocated IDR5.57 trillion (RM1.62 billion)[10] for the year to support the PSR which will cover the replanting of 0.18 million Ha of oil palm trees.[11]

## Key Industry Risks and Challenges

► **Dependent on weather conditions and other factors affecting crop productivity and yield**

Productivity levels may be influenced by various factors such as weather conditions, pest attacks and crop diseases, labour availability, efficient management of plantations by sourcing and utilising quality planting materials, ensuring sufficient land area for oil palm crops, maintaining plantations by weeding, pruning, soil fertilisation and harvesting during optimum seasons, age profile of the oil palm trees as well as utilising efficient production techniques in the process of oil extraction.

The annual yield of mature crops does not remain constant and varies annually arising from external factors such as soil fertility and climate as well as biological factors such as frond production, floral abortion, sex ratio, bunch survival and average bunch weight which, when affected, can possibly lead to tree stress, thus adversely impacting FFB yield. Tree stress is a biological production pattern where crops experience lower yield performance after a period of high yields. Crops that are in the latter stages of maturity are more likely to face prolonged biological stress after a period of bumper harvest.

► **Fluctuations in edible oils prices which may affect demand for palm oil**

As with any other commodity, global CPO prices have been seen to fluctuate during periods of economic growth and contractions. Global CPO prices have also been seen to be closely tied to the market price of crude oil, due to their use as feedstock in the production of biodiesel and hence, serving as a substitute for crude oil.

Other factors that have significant impact on the price movement of CPO include supply and demand forces, demand from food and oleochemicals industries, weather conditions and performance of other edible oils and fats. If both supply and demand are strong but market prices remain high, consumption levels are likely to be affected, thereby restraining the growth of the industry.

► **Product substitution with other edible oils and fats**

Edible oils and fats are typically versatile in terms of their purposes such as for cooking, baking and salad dressings. Most edible oils and fats can be used for similar purposes and thus, making them substitutable with one another. The substitutability of palm oil with other edible oils and fats, and vice versa, is mainly driven by global CPO prices as well as prices of other edible oils and fats. Global CPO prices and prices of other edible oils and fats correlate with factors such as weather conditions, labour availability, changes in government policies and geopolitical conflicts, which affect the supply and demand of palm oil and other edible oils and fats. Any changes to these factors may affect the substitutability of palm oil with other edible oils and fats and subsequently affect the growth of the oil palm industry.

► **Environmental concerns surrounding the oil palm industry**

Typically, vast areas of tropical rainforests are cleared out in order to make way for oil palm plantations. This has resulted in concerns in the rise of deforestation, biodiversity destruction and greenhouse gas emissions in countries such as Indonesia and Malaysia which are the two largest palm oil producers globally.

On 1 July 2021, through the Renewable Energy Directive II, the EU enforced a regulation on its member states in which palm oil-based biofuel is no longer considered as a renewable energy in its renewable energy targets in order to phase out the use of palm oil-based biofuel by 2030. In the long run, the EU's phasing out of use of palm oil-based biofuel may have adverse impact on the demand for palm oil from the EU. Further, there is no assurance that other countries may not adopt similar policies that phase out the use of palm oil-based biofuel due to environmental concerns, which may adversely impact the global demand for palm oil and thus affect the growth of the oil palm industry.

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[9] *Exchange rate for IDR to RM for 2016 to 2020 is converted based on the average annual exchange rate from 1 January 2016 to 31 December 2020, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0300.*

[10] *Exchange rate for IDR to RM for 2021 is converted based on the average annual exchange rate in 2021, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0290.*

[11] *Source: BPDPKS*

# 4 COMPETITIVE OVERVIEW

The oil palm industry in Indonesia is a vibrant and thriving industry owing to its strategic geographical location along the tropical belt of the equator. The oil palm industry in Indonesia, in particular the upstream segment of the oil palm industry, comprises many industry players which include private estates, small-holders and government estates, whereby private estates accounted for 54.62% of total oil palm planted area, followed by small-holders (41.48%) and government estates (3.90%).

The barriers to entry in the oil palm industry is high as it requires high initial capital to establish a sizable plantation estate and palm oil milling facilities, which includes acquisition of agricultural land, construction of palm oil mill(s), purchasing of machinery and storage facility(s), as well as operating expenses and working capital for on-going cultivation and milling activities.

## Closest competitors to MKHOP Group

MKHOP Group owns two plantation estates with a total planted area of 17,008.80 Ha in East Kalimantan. The basis for selection of the closest competitors to MKHOP Group is as follows:

- public listed companies involved in the upstream segment of the oil palm industry in Indonesia, in particular the cultivation of oil palm and production of CPO and PK in Indonesia, including foreign listed companies based outside Indonesia but with oil palm plantations in Indonesia; and
- companies with total planted area between 10,000 Ha and 100,000 Ha in Indonesia.

Companies with total planted area which exceed 100,000 Ha are excluded as these companies are not deemed to be the closest competitors to MKHOP Group as their scale of operations are significantly larger. Further, some of these companies are vertically integrated companies with both upstream (i.e. cultivation of oil palm and production of CPO and PK/CPKO) and downstream (i.e. palm oil refineries and/or manufacturing) operations. Some examples of these companies with total planted areas exceeding 100,000 Ha are public listed companies such as PT Astra Agro Lestari Tbk (287,044 Ha) and PT Salim Ivomas Pratama Tbk (250,615 Ha) which are headquartered in Indonesia; Kuala Lumpur Kepong Berhad (289,044 Ha), Sime Darby Plantation Berhad (579,708 Ha), IOI Corporation Berhad (176,980 Ha) and Genting Plantations Berhad (159,318 Ha) which are headquartered in Malaysia and have oil palm plantations in Indonesia; as well as Wilmar International Limited(238,003 Ha)[12], Golden Agri-Resources Ltd (536,013 Ha) and First Resources Limited (212,208 Ha) which are headquartered in Singapore and have oil palm plantations in Indonesia. The identified key industry players include major industry players in Indonesia that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

Private companies are not included as key industry players as audited financial statements for private companies in Indonesia are not publicly available.

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[12] *Includes sugar cane plantations.*

## Profiles of key industry players

| Industry player | Country of incorporation | Stock exchange in which the industry player is listed | Location of plantations | Latest available financial year | Total planted area (Ha)[e] | Mature planted area (%) | Immature planted area (%) | FFB yield (MT/Ha) | CPO production volume (MT) | PK production volume (MT) | Oil extraction rate (OER) (%) | Kernel extraction rate (KER) (%) | Total revenue[b] | Total revenue (RM) | Gross profit margin (%) | Profit after tax margin (%) | Price-to-earnings (P/E) ratio[c] | Market capitalisation (RM)[c] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anglo-Eastern Plantations Plc | United Kingdom | London Stock Exchange | Indonesia (Sumatra (North Sumatra, Bengkulu, Riau, Bangka), and Kalimantan (Central Kalimantan) and Malaysia | 31 Dec 2021 | 67,239[d] | 87.65[d] | 12.35[d] | 19.80[e] | 473,200 | 114,000 | 20.50 | N/A[f] | USD433.42 million[d] | 1.80 billion[d],[g] | 31.70[d] | 25.69[d] | 4.87 | 1.86 billion |
| PT Austindo Nusantara Jaya Tbk | Indonesia | Indonesia Stock Exchange | Indonesia (Kalimantan (West Kalimantan), Sumatra (North Sumatra and South Sumatra) and Papua (West Papua)) | 31 Dec 2021 | 54,630 | 80.47 | 19.53 | 20.40 | 262,683 | 51,531 | 20.60 | 4.40 | USD266.79 million | 1.11 billion[g] | 37.76 | 14.87 | 23.14 | 708.83 million |
| PT Teladan Prima Agro Tbk | Indonesia | Indonesia Stock Exchange | Indonesia (Kalimantan (East Kalimantan)) | 31 Dec 2021 | 60,500 | 99.00 | 1.00 | N/A[f] | 277,741 | 42,915 | 23.00 | 3.60 | IDR2.94 trillion | 882.00 million[h] | 40.03 | 18.08 | 10.62 | 1.88 billion |
| R.E.A. Holdings plc | United Kingdom | London Stock Exchange | Indonesia (Kalimantan (East Kalimantan)) | 31 Dec 2021 | 36,016 | 99.03 | 0.97 | 20.70 | 209,006 | 44,735 | 22.40 | 4.80 | USD191.91 million | 795.54 million[g] | 32.39 | 4.83 | 2.96 | 249.66 million |
| Kencana Agri Limited | Singapore | Singapore Stock Exchange | Indonesia (Sumatra (South Sumatra), Kalimantan (East Kalimantan and South Kalimantan) and Sulawesi (Central Sulawesi and North Sulawesi)) | 31 Dec 2021 | 68,150 | 90.42 | 9.58 | N/A[f] | 149,646 | N/A[f] | 21.10 | N/A[f] | USD128.45 million | 532.48 million[g] | 32.05 | 13.08 | 13.93 | 163.15 million |
| NPC Resources Berhad | Malaysia | Bursa Malaysia | Indonesia (Kalimantan (East Kalimantan)) and Malaysia | 31 Dec 2022 | 23,838 | 77.00 | 23.00 | 11.59 | 82,326 | 16,147 | 20.51 | 4.02 | RM413.29 million | 413.29 million | 9.25 | 0.27 | -[i] | 204.71 million |
| MKHOP Group | Malaysia | - (to be listed on Bursa Malaysia) | Indonesia (Kalimantan (East Kalimantan)) | 30 Sept 2021 / 30 Sept 2022 | 17,174.54 / 17,008.80 | 100.00 | - | 26.70 / 23.30 | 89,438 / 74,942 | 17,963 / 16,245 | 19.40 / 18.50 | 3.90 / 4.00 | RM306.61 million / RM315.82 million | 306.61 million/ 315.82 million | 45.80 / 41.10 | 25.30 / 19.00 | [●][j] | [●] million |
| PT Jaya Agra Wattie Tbk | Indonesia | Indonesia Stock Exchange | Indonesia (Kalimantan (South Kalimantan)) | 31 Dec 2021 | 27,919 | N/A[f] | N/A[f] | 5.50 | 38,996 | 6,866 | 20.53 | 3.62 | IDR843.20 billion | 252.96 million[h] | 9.75 | -21.14 | -[i] | 88.39 million |
| PT Gozco Plantations Tbk | Indonesia | Indonesia Stock Exchange | Indonesia (Sumatra (South Sumatra) and Kalimantan (Central Kalimantan)) | 31 Dec 2021 | 12,915 | 97.71 | 2.29 | 14.52 | 50,833 | 10,594 | 22.25 | 4.64 | IDR707.10 billion | 212.13 million[h] | 9.55 | 2.02 | 7.63 | 171.50 million |
| Global Palm Resources Holdings Limited | Singapore | Singapore Stock Exchange | Indonesia (Kalimantan (West Kalimantan and East Kalimantan) and Sulawesi (Central Sulawesi)) | 31 Dec 2021 | 16,077 | 88.19 | 11.81 | 14.60 | 35,320 | 6,047 | 21.80 | 3.70 | IDR535.46 billion | 160.64 million[h] | 33.78 | 14.57 | 9.32 | 204.19 million |
| PT Andira Agro Tbk | Indonesia | Indonesia Stock Exchange | Indonesia (Sumatra (South Sumatra)) | 31 Dec 2021 | 10,006 | N/A[f] | N/A[f] | N/A[f] | 27,000 | 7.07 | N/A[f] | N/A[f] | IDR346.36 billion | 103.91 million[h] | 11.02 | -0.90 | -[i] | 142.15 million |

*Notes:*

- *Latest available as at 7 March 2023*

(a) *May include planted area under the Plasma Programme. In Indonesia, the Government of Indonesia requires oil palm plantation companies to develop and manage new plantations under the Plasma Programme for local cooperatives which comprise local farmers. Under the Plasma Programme, oil palm plantation companies are required to provide certain area of plantation land for plantation development and management for the local cooperatives, as well as assist local cooperatives in the development and preparation of plantation land, supplying oil palm seedlings to local cooperatives as well as training and educating the farmers under the local cooperatives in oil palm cultivation and management. Oil palm plantation companies are obliged to purchase FFB harvested by local cooperatives under their Plasma Programme at prices determined by the Government of Indonesia which fluctuate in line with the prevailing CPO prices.*

(b) *May include revenue derived from other businesses that are not related to the cultivation of oil palm and production of CPO and PK in Indonesia.*

(c) *Extracted from Bloomberg as at 1 May 2023.*

(d) *This information excludes the company's entire operations in South Sumatra which was classified as held for sale in the consolidated statement of financial position for the FYE 31 December 2021.*

(e) *Comprises FFB yield for plantations in Indonesia only. The FFB yield that includes the plantation in Malaysia is not available in the latest available annual report.*

(f) *N/A – Not available.*

(g) *Revenue from USD to RM for the FYE 31 December 2021 was converted based on the average annual exchange rate in 2021, extracted from published information from Bank Negara Malaysia at USD1.00 = RM4.1454.*

(h) *Revenue from IDR to RM for the financial year ended ("**FYE**") 31 December 2021 was converted based on the average annual exchange rate in 2021, extracted from published information from Bank Negara Malaysia at IDR100 = RM0.0290.*

(i) *This industry player recorded a negative earnings per share for the latest available financial year.*

(j) *Based on MKHOP Group's earnings per share of approximately 5.88 sen for FYE 2022, calculated based on MKHOP Group's profit after tax of RM60.10 million for FYE 2022 and enlarged share capital of 1,023,590,845 shares upon listing.*

*Sources: MKHOP Group, various companies' annual reports and websites, Bloomberg, SMITH ZANDER*

## Market Share

The market share of MKHOP Group in the oil palm industry in Indonesia and East Kalimantan is represented by its share of total planted area and CPO production in Indonesia and East Kalimantan respectively. MKHOP Group captured a market share based on total planted area of 0.11% in Indonesia and 1.21% in East Kalimantan; and a market share based on CPO production of 0.16% in Indonesia and 1.88% in East Kalimantan.

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# 9. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN addition TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.**

## 9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

### 9.1.1 Our business growth may be adversely affected if we fail to continuously improve our FFB yields which could result in stagnant or lower production of CPO and PK

FFB harvested from our plantation estates is the main input to our palm oil mill for the production of CPO and extraction of PK, which are then sold to our customers, thus generating revenue for our Group. Therefore, it is crucial to harvest sufficient FFB for the production of CPO and extraction of PK to generate revenue for our Group. FFB yields are generally dependent on the land profile of our plantation estates, age profile and quality of our oil palms, as well as adoption of efficient plantation practices to ensure high FFB yields including field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment. Further, FFB yields are also dependent on the availability of labour to carry out the daily operations in our plantation estates with further details set out in Section 9.2.3.

Our oil palm planted areas are generally flat to gently undulating with the whole of the plantation land below 50 metre AMSL which eases the operations of our plantation activities, and the majority of our oil palms (i.e. 92.7% as at LPD) are at prime mature stage which is ideal for high FFB yields. However, there can be no assurance that we will continue to achieve high FFB yields if we fail to continuously adopt or improve our plantation practices. Any failure in adopting our plantation practices by our workers, such as failure in maintaining soil fertility due to inefficient application of fertilisers as well as failure in combating pest due to inefficiency in applying chemicals (e.g. pesticides) and in the planting of biological plant for pest control, may result in low yield or poor quality of FFB. Further, failure in continuously improving our plantation practices through mechanisation along with technological advancement may also result in stagnant or lower yield of FFB. Additionally, as our oil palms will eventually enter the old age with lower FFB yields, we may face decreasing FFB yields if we are unable to implement replanting programmes on a timely manner and in the right phases, which can be caused by factors such as prolonged adverse weather conditions, shortage of suitable oil palm seedlings and fertiliser, as well as labour, at the time when our Group plans to commence replanting activities to replace old oil palms.

Any decrease in FFB yields will result in stagnant or lower production of CPO and PK, which may eventually negatively affect our financial performance and our future growth. Even if we purchase FFB from third party plantation estates for the production of CPO and PK in our palm oil mill in the event of low FFB yields in our plantation estates, we are required to incur additional costs for the purchase of FFB and there can be no assurance on the quality of FFB purchased. All of these may have a negative impact on our cost of sales and may consequently impact our financial performance.

### 9.1.2 Our financial performance is subject to our ability to continuously deliver CPO and PK based on industry guidelines

The quality of our CPO is mainly measured by the FFA content, of which they are mainly dependent on the quality of FFB and the duration of CPO storage prior to delivery. According to the Indonesian National Standard's quality guidelines published by the National Standardisation Agency of Indonesia, the content of FFA in CPO produced by palm oil mills in Indonesia should not be more than 5.0% at the point of loading for delivery to customers. Nevertheless, CPO with FFA content above 5.0% can still be sold to refineries for processing into non-edible oils and edible oils but the CPO must undergo additional treatment prior to further processing.

On the other hand, the quality of our PK is measured by the moisture and impurity levels as well as FFA content, of which they are dependent on, amongst others, weather conditions along with the transportation which may affect the moisture content, efficiency of our PK recovery process which involves the removal of dirt, stones and moisture content, as well as the quality of FFB and the duration of PK storage which may affect the FFA content. Based on the pre-agreed quality range with our customers, the FFA content of our PK should not be more than 5.0% and the moisture and impurity levels of our PK should not be more than 8.0% at the point of product receipt by our customers. PK with high moisture and impurity levels as well as FFA content can still be sold to customers for processing but the PK must undergo additional treatment prior to further processing.

Notwithstanding that we have quality control procedures in place to ensure the quality of FFB harvested in order to produce CPO with FFA content of below 5.0% to our customers, there is no guarantee that we will be able to continue to maintain the FFA content of our CPO. If we deliver CPO with FFA content above 5.0%, our customer can claim for a reduction in sales price based on a pre-agreed range. As for PK, if we deliver PK with impurity and moisture levels as well as FFA content that do not meet our customers' requirement, or if the delivered amount is lower than the pre-agreed amount due to adverse weather and bad road conditions that cause PK to fall off from the trucks during transportation, our customer can claim for a reduction in sales price based on a pre-agreed range.

During FYE 2020 to 2022, there were claims from our customers on sales of CPO and PK amounting to approximately RM0.1 million, RM0.2 million and RM1.7 million respectively, which accounted for approximately 0.1%, 0.1% and 0.5% of our Group's total revenue from plantation business segment respectively. Nevertheless, as the amount of claims was not substantial, it did not result in any material adverse impact to our Group's financial performance. Please refer to Section 12.2.2(e) for further details on the quality claims from our customers for FYE 2020 to 2022.

If we fail to continuously maintain the quality of our CPO and PK, our financial performance will be negatively impacted as a result of claims from our customers. It may also negatively impact our reputation in the industry as a reliable provider of quality CPO and PK, which may result in a potential loss of confidence and sales of our CPO and PK from our existing and potential customers, and may consequently negatively impact our business growth.

### 9.1.3 We are dependent on our Executive Directors and key senior management for continued success and growth of our business

The continued success and growth of our Group is, to a significant extent, dependent on the abilities, skills, experience, competency and continuous efforts of our Executive Directors and key senior management. The presence of our Executive Directors and key senior management is crucial to our business continuity as they play a pivotal role in our day-to-day operations as well as charting, formulating and implementing strategies to drive the future growth of our Group.

Any significant or sudden loss of the services of our Executive Directors and/or key senior management without suitable replacement in a timely manner may have an adverse and material impact on our Group's business operations, and may eventually affect our ability to maintain and/or improve our business performance. This may in turn adversely affect our financial performance.

### 9.1.4 Our business may be adversely affected if we are not able to renew or maintain the licences, approvals and permits required to operate our business

We require various licences, approvals and permits such as IUP for oil palm cultivation and plantation business licence for oil palm cultivation that is integrated with licence for production of CPO and extraction of PK to operate our business. We may be required to renew these approvals, licences, permits and certificates or to obtain new licences, approvals and permits following the changes of any related regulatory requirements in Indonesia. Please refer to Section 6.7 for the licences, approvals and permits required for our business operations.

Save for the respective B3 licences of PT MKH and PT SPS that are pending renewal due to change in the regulatory regime as disclosed in Section 6.7, we have not experienced any difficulty in renewing and maintaining our licences, approvals and permits. As at LPD, PT MKH and PT SPS have not received any notice of non-compliance from the relevant authorities in relation to their B3 licences.

We cannot assure that the relevant authorities will issue or renew any required licences, approvals and/or permits in a timely manner or at all in the future. Failure by us to renew, maintain or obtain the required licences, approvals and permits may lead to interruptions to our on-going operations, affect the implementation of any planned capacity expansion and/or affect the demand for our products, which may have a material adverse effect on our business, financial performance and prospects.

In addition to the licences, approvals and permits required for our business operations, as at LPD, we have obtained ISPO certification for the plantation estates managed by PT MKH and PT SPS as a testament to our sustainable plantation practices and ability to produce sustainable palm oil. With the aim to strengthen Indonesia's position in the global palm oil market as a palm oil producer and exporter, the Indonesian Government has implemented the requirement for ISPO certification for all Indonesian oil palm plantation businesses that hold the abovementioned plantation business licences. Please refer to Section 7.1.1 for further details on our ISPO certification. In the event that our Group fails to maintain our ISPO certifications, our Group may lose our customers which may have a material adverse effect on our business, financial performance and prospects.

### 9.1.5 Our business and financial performance may be adversely affected if we lose significant sales from our major customers

For FYE 2020 to 2022, sales contributed by our top 5 major customers accounted for 88.2%, 95.9% and 99.9% of our total revenue respectively, indicating a concentration of our revenue amongst these customers, and a risk of dependency on them. There is no assurance that we will be able to continue retaining these customers, or that the volume of purchases from our major customers will not vary significantly in the future. In the event that there are significant reductions in purchases from our major customers or a complete loss of any of our major customers, our financial performance and results of our operations may be adversely affected.

Further, amongst our top 5 major customers, our Group has entered into annual sale and purchase agreements with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO and PK, and PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) for sale of PK, as at LPD. Both Apical Group of Companies and Golden Agri-Resources Group of Companies contributed significantly to our total revenue with a collective contribution of 55.4%, 78.7% and 92.6% for FYE 2020 to 2022 respectively. Our financial performance and results of our operations will be adversely affected if the annual sale and purchase agreements with these customers are not renewed and these customers cease to purchase from us.

Notwithstanding that we can sell our products to other customers through the e-bidding tendering process in the event of termination of these annual sale and purchase agreements and/or reduction of purchases from our major customers, we may experience prolonged disruptions to our business and financial performance if we are unable to replace the loss of sales with alternative customers in a timely manner. Further, we may be subject to increased price fluctuations if all sales are carried out through the e-bidding tendering process as the sales are exercised at auction prices from tenders which are generally subject to higher discounts requested by customers to compensate for freight costs, as opposed to the fixed quantum of discounts pre-agreed in the annual sale and purchase agreements. Please refer to Section 7.10 for further details on our Group's major customers.

### 9.1.6 We are exposed to costs arising from compliance with environmental, health and safety requirements in oil palm industry, and may be exposed to liabilities if we fail to comply with these requirements

We are subject to various environmental, health and safety requirements in Indonesia, whereby we are required to comply with certain requirements such as proper storage of diesel and petrol, discharge of waste (i.e. POME and used engine oil) into the environment and installation of water meter at borehole outlets. In compliance with these requirements, we have obtained the B3 Waste Storage and Management-related Licenses for the storage of waste in the oil palm plantation. The potential maximum penalties which may be imposed for not possessing the B3 Waste Storage and Management-related Licences are imprisonment for a maximum of 3 years and a maximum fine of IDR3.0 billion (equivalent to approximately RM0.9 million). As at LPD, our Group does not historically have any non-compliances relating to environmental, health and safety requirements. For FYE 2020 to 2022, we incurred RM0.7 million, RM0.7 million and RM0.8 million respectively, representing approximately 0.4% of our Group's cost of sales for each of the FYE 2020 to 2022, to comply with the environmental, health and safety requirements, which are a negligible portion of our total costs.

Further, as these requirements may be changed from time to time and may become more stringent, we may be required to put in additional measures such as purchase and installation of new or additional pollution control equipment or to make necessary operational changes in order to comply with the requirements. Any additional measures in place may result in additional costs incurred and may consequently increase our operational cost.

In addition, any claims on our failure to comply with any present or future environmental, health and safety requirements could result in assessment of damages and imposition of fines; or if worsen, may result in suspension or cessation of our operations.

### 9.1.7 Our business and operations are exposed to sudden disruptions caused by serious pandemic and epidemic outbreaks

The COVID-19 pandemic and any other possible future outbreaks/pandemics may significantly and adversely affect our business operations and financial performance. In the event of a spread of viruses among our workers, our workers will be subjected to quarantines. This may delay our plantation and milling operations due to a shortage of workers and mandatory suspension of our business operations if there is a large-scale virus spread in our plantation estates. The quality of our FFB may also be impacted if there is insufficient inventory of fertilisers and chemicals for application and a significant delay in the supply of these items from our suppliers. Further, the COVID-19 pandemic or any other possible future outbreaks/ pandemics may also lead to disruptions to the logistics and transportation ecosystem in East Kalimantan, which may consequently lead to a delay in products delivery to our customers.
As at LPD, we have imposed strict control at the entry points of our plantation estates to prohibit unauthorised personnel from entering our plantation estates, and there has been no COVID-19 cases detected. Save for some delays in the supply of certain fertilisers and chemicals from our suppliers during the pandemic due to global supply chain disruptions as a result of lockdown measures imposed in many countries as well as some delays in product collection by our customers, we have not experienced any other interruptions to our business operations. Please refer to Section 7.8 for further details on the interruptions to our business operations pursuant to the COVID-19 pandemic.

However, there is no assurance that our Group will be able to maintain zero-cases in our plantation estates, and be able to ensure that our operations will not be affected if the COVID-19 situation escalates with the emergence of new COVID-19 variants. Further, we cannot assure that we will be able to manage the risks efficiently in the event of any such pandemic outbreaks and/or epidemic outbreaks in the future that may affect a significantly large but more localised population.

**9.1.8 Our business and operations are exposed to unexpected interruptions or delays caused by machinery and/or equipment failures**

We rely on a series of machinery and equipment such as sterilisers, threshers and oil press machines to produce CPO and extract PK as part of our palm oil milling process. These machinery and equipment may, on occasion, be out of service due to unanticipated failures caused by disruptions in the supply of electricity or water; or damages caused by fire to our palm oil mill, including fires that may spread to our palm oil mill from the neighbouring areas of our plantation estates, with further details set out in Section 9.2.1(c).

The occurrence of these unexpected events that are beyond our control may cause damage or destruction to all or part of our palm oil mill and machinery, which may result in maintenance and repair works required to our palm oil mill or the affected machinery. All of these may consequently result in interruptions to or prolonged suspension of our production activities. Any prolonged interruptions to our production activities will affect our ability in fulfilling our sales orders, thus causing delivery delays to our customers. This could adversely impact our relationships with customers, financial performance and reputation in the industry.

For FYE 2020 to 2022 and up to LPD, we have not experienced any incidents of unanticipated machinery and equipment failures which led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future. In the event that these incidences occur, it may result in interruptions to our operations and thus adversely affect our business operations and financial performance.

**9.1.9 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations**

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities, such as property all risk, motor vehicle and automobile liability, fidelity guarantee and machinery breakdown. However, in the event of claims, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations as a result of any unforeseen circumstances. For example, while we are insured against losses resulting from the liabilities as mentioned above, we do not maintain insurance against losses at our oil palm plantations as a result of natural disasters (save and except for Standard Indonesian Earthquake insurance), wars and acts of terrorism as the premiums for these insurances are generally not commercially viable.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition and results of operations.

For FYE 2020 to 2022 and up to LPD, there were insurance claims for property all risk, motor vehicle and automobile liability, fidelity guarantee, business interruptions due to flood, staff medical and loss of biological asset, which amounted to approximately RM0.55 million. During the same period, we have not experienced any incidences of material losses, damages or liabilities incurred by us due to insufficient insurance coverage.

**9.1.10 We may not be able to successfully implement our business strategies**

Our business strategies and future plans are as follows:

(a) to expand our oil palm plantation business through the expansion of plantation estates;

(b) to enhance our operational efficiency by acquiring new machinery and equipment to be used in FFB harvesting and palm oil milling;

(c) to expand our processing capabilities and product offerings by producing and selling CPKO;

(d) to refurbish our staff quarters to improve the living conditions of our workers and their family members; and

(e) to expand the coverage of electricity supply generated through the turbines at our palm oil mill to other regions of our plantation estates.

Please refer to Section 7.15 for further details of our business strategies and future plans.

The execution of these business strategies involves capital expenditures for amongst others, acquisition costs for plantation land banks, machinery and equipment; as well as other operating expenses such as depreciation charges, machinery and equipment maintenance costs, staff costs and other working capital requirements. Some of these additional expenditures will increase our Group's operational cost including our overhead costs, and may adversely affect our profit margin if we are unable to gain sufficient revenue by securing more sales from customers.
Furthermore, the implementation of these business strategies may be influenced by factors beyond our control, such as changes in general market conditions, economic climate, regulatory guidelines and political environment in Indonesia; as well as availability of companies with suitable plantation land for acquisition and ability to achieve favourable acquisition terms, all of which may affect the commercial viability of our business strategies. We also cannot be assured that any required additional financing, in addition to the IPO proceeds raised, will be made available to us on terms that are satisfactory to us or at all. If adequate funding is not available when needed, or is available only on unfavourable terms, we may not be able to meet the capital needs, or may need to inject additional capital from internally generated funds for the implementation of our business strategies, which may consequently delay the target timeframe for our business strategies.

As such, there is no assurance that the execution of our business strategies will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the execution of these business strategies, which may materially affect the business operations and financial performance of our Group.

Further, we will also continue to be exposed to risks arising from operating on leased plantation land. As at LPD, both our plantation estates under PT MKH and PT SPS are granted by the National Land Office based on the HGU Certificate with the terms of 35 years and will be expiring in 2042 and 2045 respectively, with options to extend for a further period of 25 years, and subsequently be renewed a further period of 35 years upon fulfilment of conditions pursuant to the laws and regulations of the Republic of Indonesia. Likewise, when we establish a new plantation estate on the HGU, we are required to renew the term upon expiry to ensure continuity of our business operations. Failure to renew the terms of our existing plantation land and the plantation land to be acquired in the future may lead to major disruptions to our business and expose us to business continuity risk.

### 9.1.11 We may be adversely affected by fluctuations in prices of supplies purchased by our Group

Our Group's GP margin is also susceptible to fluctuations in the prices of some supplies, such as fertilisers, FFB from the Plasma Programme, CPO from neighbouring third-party palm oil mills, diesel and petrol as well as chemicals. The prices of these supplies are dependent on, amongst others, the prevailing global crude oil prices and CPO prices, and/or the demand and supply conditions of these supplies. Please refer to Sections 7.11 and 9.2.2 for further details on the price fluctuation of these supplies and the price volatility of CPO, respectively.

Any significant fluctuation in the prices of these supplies may significantly increase our cost of sales, which may adversely affect our business, financial condition, results of operations and prospects should we fail to pass the increase in cost to our customers.

In FYE 2022, there was an increase in the price of fertilisers resulting from shortage of supply due to the Russia-Ukraine conflict; and an increase in the price of diesel for use in our generation sets and vehicles due to the increase in global crude oil prices arising from the increase in global demand for crude oil due to fears in the market on any disruptions in supply as a result of the Russia-Ukraine conflict and sanctions implemented by the United States against Russia, which subsequently led to a reduction in subsidies on diesel as announced by the Government of Indonesia in September 2022. The increase in the prices of fertilisers and diesel led to an increase in our cost of sales of approximately RM8.6 million, which led to a decline in our GP in FYE 2022 despite being cushioned by higher revenue contributed by higher average selling prices of CPO and PK. Save for the aforementioned, there was no increase in the price of our other supplies which are subject to price fluctuations and impacted our financial performance for FYE 2020 to 2022.

Moving forward, our financial performance subsequent to FYE 2022 may be adversely affected by an increase in prices of our supplies including fertiliser and diesel as the impact arising from the Russia-Ukraine conflict and sanctions implemented by the United States against Russia may continue to persist, and such impact may not be mitigated by our revenue due to potential decline in our selling prices of CPO and PK as the domestic market obligation implemented by the Government of Indonesia persists.

### 9.1.12 We are exposed to foreign exchange transaction risks

Our Group is an oil palm plantation group principally involved in the cultivation of oil palm and production and sale of CPO and PK in Indonesia. Our sales are all made to local customers in Indonesia whereby the sales are denominated in IDR. Further, during the FYE 2020 to 2022, we also purchased spare parts from overseas suppliers to support our business operations, which were denominated in RM and/or USD. However, the purchases of spare parts from overseas suppliers were minimal. Please refer to Section 12.13(a) for the breakdown of our sales and purchases in local and foreign currencies.

Additionally, our Group has USD-denominated outstanding borrowings of approximately RM2.3 million as at 30 September 2022, and RM-denominated loans from related companies of approximately RM110.3 million as at 30 September 2022, with further details set out in Section 12.13(a). Our Group utilises IDR to repay the USD-denominated borrowings and RM-denominated loans from related companies.

As at LPD, our Group does not hedge our exposure against fluctuations in foreign currency exchange rates as currency positions in IDR are considered to be long-term in nature. As such, we are subject to foreign exchange fluctuation risk for our USD-denominated borrowings and RM-denominated loans from related companies. In particular, for FYE 2020, we recorded unrealised and realised loss on foreign exchange by RM13.9 million and RM3.4 million, respectively, in respect of our borrowings and loans denominated in USD and RM against IDR. Further, for FYE 2022, we recorded realised loss on foreign exchange by RM0.6 million. Please refer to Section 12.13(a) for further details on our foreign exchange gains and losses for FYE 2020 to 2022.

Further, as our operations are based in Indonesia, save for sales to overseas countries and some purchases from overseas suppliers which are denominated in USD, all our business transactions are denominated in IDR. However, for the purposes of financial reporting in Malaysia, all financials will be converted to RM for disclosure in financial statement. As such, our financial statement reported in RM may not be reflective of our results of operations due to the fluctuations in foreign exchange rates, mainly between IDR and RM. This has given rise to foreign exchange translation reserve amount disclosed under 'other comprehensive income' as 'foreign exchange translation differences'.

### 9.1.13 We are exposed to credit risk and default payment by customers

For the sale of CPO and PK, our customers are required to place an upfront payment of 90.0% of the total contract value, with the remaining 10.0% to be fulfilled upon the issuance of necessary delivery documents such as bill of lading and manifest to our customers after the product delivery, whereby our Group typically receives the payment within our credit terms which range from 30 to 60 days. The dates in which our customers are required to fulfil the upfront payment are stipulated in the contracts. In the event of delay or default in payment by our customers, our operating cash flows or financial results of operations may be affected.

While we have not impaired for any credit loss or experienced any material delay or default in payment by our customers for FYE 2020 to 2022 and up to LPD, there can be no guarantee that our customers will be able to fulfil their payment obligations within our credit terms and that we will not encounter any collection problems in the future. In the event that there is any default or delay in the collection of payment, it will lead to impairment losses on trade receivables or bad debts which may impact our financial performance.

## 9.2 RISKS RELATING TO OUR INDUSTRY

### 9.2.1 We are subject to various inherent risks in the oil palm industry

As we are involved in the cultivation of oil palm for the production and sale of CPO and PK, we are subject to risks inherent to the oil palm industry. These include, but are not limited, to:

(a) Adverse weather conditions

Overly dry or wet weather conditions can potentially induce tree-stress, leading to lower supplies of FFB. Insufficient rainfall causes oil palm trees to produce fewer flowers which develop into FFB and may delay fertilising schedules. In view of the potential onset of El Nino beginning June 2023 which may result in dry seasons in East Kalimantan, we do not expect major impact to our FFB yield, OER and KER as well as earning prospects as our integrated drainage system is equipped with stoppers to retain rainwater to help maintaining the moisture level of soil. Our plantation estates experienced dry seasons in FYE 2018, 2019 and 2020, whereby the average monthly rainfall was recorded at 179mm, 156mm and 140mm respectively. Nevertheless, our FFB yield, OER and KER during this period were not materially and adversely impacted. However, our FFB yield, OER and KER as well as earning prospects may face adverse impact in the event of any prolonged dry weather conditions where our retained rainwater is insufficient to maintain soil moisture.

On the other hand, heavy rainfall may cause the condition of the terrain on our plantation estates to be slippery or soft, thereby making it difficult for our workers to access our plantation estates and harvest our FFB. As our plantation estates generally experience high rainfall during monsoon seasons, our plantation estates may be subject to the risk of flooding if rainfalls during the monsoon seasons are beyond normal levels. Notwithstanding that we have an integrated drainage and irrigation system for water management in our plantation estates, there can be no assurance that we will not face flooding issues and our FFB yields will not be impacted by adverse weather conditions.

In FYE 2021 and FYE 2022, we recorded a lower FFB yield mainly due to heavy rainfall from La Nina phenomenon, which resulted in lower CPO and PK produced for sale. The average monthly rainfall recorded in our plantation estates increased from 140mm in FYE 2020 to 198mm in FYE 2021, and to 240mm in FYE 2022.

(b) Outbreak of diseases or crop pests

Diseases and pests can cause losses in FFB yields, and in extreme cases, these attacks could destroy large areas of oil palm crops. Fungal diseases such as 'fusarium' and bacteria-related diseases such as 'endophytic bacteria' are examples of diseases that typically infect oil palm crops while pests that attack oil palm crops include rats, squirrels and 'rhinoceros beetles'.

For FYE 2020 to 2022 and up to LPD, there has not been any major outbreaks of diseases or crop pests that has led to negative impact to our crops.

(c) Fires

Fires can occur naturally during drought seasons, and the situation can be worsened if accompanied by strong wind which will spread the fire quickly. We generally do not experience extreme drought seasons as our plantation estates are situated along the equator. However, we are exposed to the risk of human and nature-caused fires, which may lead to significant damage to our oil palms. Further, as part of our oil palm planted areas are on peat soil (i.e. 49.0% as at LPD), there is a higher probability for these planted areas to catch fire as drained peatlands caused by drought and land clearance through logging and burning activities are relatively flammable during drought seasons. Smoke and haze caused by fires may also set back the ripening of oil palm fruit and disrupt our plantation activities, which may potentially reduce our FFB yields. In the event that the fire spreads to our palm oil mill, all or part of our palm oil mill may be damaged and our operations will be severely affected.

While we adopt a zero-burning policy in our plantation estates and include the usage of drones to determine any occurrence of fire at the surrounding areas of our plantation estates, there can be no assurance that no fire will be spread to our plantation estates and we are able to put out the fire on a timely manner to avoid any damage to our plantation estates and mill during the occurrence of fire in our plantation estates. In such circumstances, our business operations may be materially affected as set out in Section 9.1.7.

For FYE 2020 to 2022 and up to LPD, there has not been any occurrence of fire in our plantation estates that has led to material impact to our business operations.

All the external factors above may cause disruption to our plantation activities and/or reduction in our FFB yields, which may in turn adversely affect our production and sale of CPO and PK. Further, occurrence of fires involving our palm oil mill may cause damage to all or part of our palm oil mill, which may lead to disruptions in our palm oil milling activities, thereby impacting the production and sale of our CPO and PK. Any prolonged interruptions to our FFB yields as well as plantation and palm oil milling activities will affect our ability in fulfilling our sales orders, thus causing delivery delays to our customers. This could adversely impact our relationships with customers, our financial performance and reputation in the industry.

### 9.2.2 Our financial performance is subject to the fluctuation in the market prices of CPO and PK

As with other commodities, the market prices of CPO and PK fluctuate along with international demand and supply conditions. The highest and lowest market prices for CPO and PK published by the Plantation Office of East Kalimantan for 2020, 2021 and 2022 are as follows:

| | CPO price (IDR/kg) | | PK price (IDR/kg) | |
|---|---|---|---|---|
| **Year** | **High** | **Low** | **High** | **Low** |
| 2020 (January to December) | 9,148.0 | 6,657.4 | 5,013.6 | 3,131.4 |
| 2021 (January to December) | 13,641.2 | 9,170.4 | 10,075.5 | 5,691.3 |
| 2022 (January to December) | 15,490.1 | 8,467.1 | 12,605.4 | 4,420.4 |

Please refer to Section 12.2.2(a) for the average selling price of our CPO and PK for FYE 2020 to 2022.

Local and international market prices for CPO and PK are affected by a number of factors, including the following:

(a) the supply and demand levels for CPO, PK and other edible or non-edible fats and oils (such as soybean oil, rapeseed oil, sunflower oil, non-edible vegetable oils and non-edible animal fats);

(b) global production levels and physical stocks (i.e. the supply level) of CPO, PK and other edible or non-edible fats and oils, which tend to be affected principally by global weather conditions and the area of land under cultivation;

(c) global consumption levels (i.e. the demand level) of CPO, PK and other edible oils;

(d) the price of crude oil, which impacts the prices of biofuels and in turn impact the price of CPO and PK as palm oil can be used in the production of biofuels;

(e) developments in the Indonesian, regional and global economic and political situations which may affect the supply and demand conditions of CPO and PK in the global market;

(f) foreign exchange rates as any major fluctuations in the currencies in which CPO and PK are transacted may affect the favourability of CPO and PK exported from a particular country, thereby affecting demand;

(g) import and export duties and other taxes in major CPO import/ consumption/ production/ export countries which may affect the imports and/or exports of CPO and PK in the respective countries; and

(h) changes in government regulations such as implementation of any export bans and domestic regulations that may limit the export of CPO and PK.

The key underlying reason that affects the local and international market prices of CPO and PK is the supply and demand levels for CPO and PK. Any increase in demand for CPO and PK and/or shortage in supply of CPO and PK tends to result in an increase in the market price of CPO and PK, and vice versa.

In the second half of FYE 2022, our Group's financial performance was adversely affected by the decline in our average selling prices of CPO and PK, where the decline was in tandem with market prices of CPO and PK. The decline in market prices of CPO and PK from May 2022 was due to excessive stock of CPO in Indonesia accumulated during the export ban on CPO, RBD palm oil, RBD palm olein and used cooking oil implemented by the Government of Indonesia from 28 April 2022 to 23 May 2022 which subsequently led to an increase in CPO export after the export ban was lifted. Please refer to Section 12.2.2(b) for further details of our revenue performance in this respect.

Moving forward, a significant and prolonged reduction in the prices of CPO and palm oil-based products would have a material adverse effect on our results of operations, profitability and cash flows.

### 9.2.3 We are dependent on manual labour for our oil palm plantation activities

The oil palm industry is labour intensive. Oil palm plantations require extensive manpower in the nurturing of seedlings, tree planting, application of fertilisers, harvesting as well as other routine maintenance work to ensure optimal FFB yield. It is crucial to have sufficient manpower in nurturing seedlings and planting to ensure infilling activities can be carried out as and when required to replace unhealthy oil palms. Further, it is also crucial to have sufficient manpower to apply fertilisers regularly, harvest FFB upon reaching its peak ripeness as well as carry out routine maintenance work. Timely and efficient undertaking of these activities are crucial in achieving optimal FFB yield. Notwithstanding that our Group has introduced and incorporated a series of mechanisation process such as the usage of powered wheelbarrow, farm ATV, UTV and monitoring facilities as part of our plantation practices, these equipment and facilities require human assistance to operate. Additionally, our Group also requires skilled labour workforce in our plantation activities to ensure maximised output, such as ability to identify FFB that are at peak ripeness for harvesting.

A shortage of labour supply, including skilled labour, will cause interruption to our plantation activities, including delays in nurturing seedlings and planting for infilling activities, irregular application of fertilisers and/or harvesting overripen FFB due to delays in harvesting activities. All of these are expected to negatively impact our FFB yield, which could consequently reduce our CPO and PK productions.

**9.2.4 We face competition from other industry players in the oil palm industry as well as competition from other edible oils and fats as substitute products to palm oil**

The oil palm industry in Indonesia includes a large number of industry players involving in the cultivation of oil palm and production of CPO and PK. To maintain and improve our competitive edge over our competitors, we are required to continuously improve our cost and production efficiencies as well as our product quality. In the event that we fail to remain competitive in the market, we may face decreasing demand for our products and our financial performance may be adversely affected.

We also face competition from other edible oils and fats, such as soybean oil, rapeseed oil, sunflower oil, PK oil and peanut oil. These edible oils and fats can be used for similar purposes as palm oil, such as for cooking, baking, or salad dressings. Consumers are able to choose from a wide range of edible oils and fats due to easy access to more variety of consumer products. Any increasing shift of oil consumption from palm oil to other edible oils and fats may lead to a decrease in the demand for palm oil, thereby could have a material adverse impact on our business and financial performance. Further, some edible oils such as palm oil, soybean oil and rapeseed oil can also be used in the production of biofuels. Any significant decrease in the prices of these edible oils as compared to palm oil could lead to increasing usage of these oils in biofuel production, thereby reducing the demand for palm oil.

**9.2.5 Our industry is subject to negative perceptions arising from environmental concerns and labour rights issues surrounding the oil palm industry**

Demand for CPO and other palm oil-based products has, in the past, and may, in the future, be affected by campaign and online articles published by environmental groups, such as Rainforest Rescue, Greenpeace International and the World Wide Fund for Nature (formerly known as the World Wildlife Fund). These environmental groups have raised concerns that oil palm plantations result in the destruction of large areas of tropical forests and wildlife habitats and have campaigned to promote sustainable oil palm cultivation and environmentally friendly practices in oil palm plantations, as well as ways to reduce purchasing products that contain palm oil.

In addition to environmental concerns, there are also concerns surrounding labour rights issues in the oil palm industry. Several labour rights groups such as International Labour Organization, Transnational Palm Oil Labour Solidarity and Verité and Liberty Shared have raised concerns related to labour abuses such as exposure to hazardous chemicals, payments below minimum-wage, suppression of independent unions and child labour, amongst others. These general negative perception on labour rights towards the oil palm industry may negatively impact the overall demand for palm oil, thereby affecting the sales of palm oil produced by our Group.

Should concerns over the environment and labour right issues surrounding the oil palm industry elevate and lead to a decrease in demand for CPO and other palm oil-based products, our business, financial condition and results of operations may be materially and adversely affected.

### 9.2.6 We are exposed to risks relating to the legal, regulatory, economic and political environments in Malaysia and Indonesia

Our Company was incorporated in Malaysia while our operations, through our subsidiaries, are based in East Kalimantan, Indonesia. Having a holding company incorporated in Malaysia requires us to comply with local corporate laws and regulations; and operating in Indonesia requires us to comply with local laws and regulations covering many aspects of our operations including company laws, industrial laws, plantation laws, trade laws (import and export), investment laws, laws relating to manpower (including occupational health and safety requirements), laws relating to foreign exchange controls and offshore loans, security laws, agrarian laws, laws protecting intellectual property rights, laws relating to price controls and government subsidies, environmental laws, forestry laws, anti-corruption and anti-money laundering laws, taxation and customs laws and antitrust laws. In addition, the presence of our holding company in Malaysia and our business operations in Indonesia exposes us to risks relating to economic and political environments in both Malaysia and Indonesia.

Among these risks include unfavourable changes in laws and regulations, government policies, political conditions, economic conditions, inflation rates, expropriations, interest rates, import and export restrictions, duties and tariffs, civil unrests, methods of taxation, inflation and foreign exchange controls in Malaysia and Indonesia. In particular, our subsidiaries namely PT MKH and PT SPS were not able to renew their B3 licences due to the change in regulatory regime. As at LPD, PT MKH and PT SPS have not received any notice of non-compliance from the relevant authorities in relation to their B3 licences. Further, there was no mandatory timeframe imposed by the relevant authorities for PT MKH and PT SPS to comply with the new licensing regime. Please refer section 6.7 for further details on the B3 licences. Notwithstanding that our Group has not been imposed with any administrative sanctions, penalties or fines pertaining to our major licences, permits and approvals, any unfavourable changes in applicable laws and regulations in the future could adversely impact our business operations as we may not be able to renew such licences, permits or approvals with the authorities, particularly if the authorities choose to impose new terms or conditions which we may be unable to fulfil in future. If we are unable to adhere to or successfully implement processes in response to changing regulatory requirements, our business operations may be adversely affected. We cannot predict with certainty the outcome or the impact that pending or future legislative and regulatory changes may have on our business in the future.

All of these legal, regulatory, economic and/or political changes as well as the occurrence of force majeure events, such as terrorism acts, war, riots, epidemics (such as COVID-19 pandemic) and natural disasters whether globally or in Malaysia or Indonesia, are beyond our control, and may have a material adverse effect on our business, prospects and financial performance and condition.

We understand that all operating companies in Indonesia are directly owned by foreign entities or individuals which consequently are subject to investment law and all its implementing regulations including but not limited to regulation on limitation/restriction of foreign ownership and a minimum capital of foreign investment company, which may be changed from time to time. In most cases, to protect the interest of the foreign investors, the provisions under newly enacted regulations limit its application to new foreign investment companies while those already in the system are exempt from those provisions and may continue their operation and do not need to comply with the new regulations (the so called 'grandfather rule'). Notwithstanding the above, the government can issue new regulations that may apply to all foreign investment company including the existing ones.

## 9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

### 9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the Main Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the Main Market.

### 9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

(a) The selected investors fail to subscribe for their portion of our IPO Shares;

(b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply, whereby in addition to our liability, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10.0% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

### 9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance. These factors may include variations in our financial performance, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

## 9. RISK FACTORS *(Cont'd)*

### 9.4 OTHER RISKS

#### 9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters together with Metro Kajang (Oversea) and MKH Plantation will collectively hold approximately 63.1% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will be able to control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, dividend policy, approval of business ventures and having voting control over our Group. As such, our Promoters will have significant influence on the outcome of any ordinary resolution (which requires a simple majority of 50.0% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law and/or as required by the relevant authorities (i.e. Bursa Securities).

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of PT MKH and Acquisition of PT SPS as set out in Sections 6.2.2 and 6.2.3, respectively and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2020 to 2022 and up to LPD:

| No. | Related party/ Transacting company in MKHOP Group | Interest person/ Nature of relationship | Nature of transaction | Transaction value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FYE 2020 | | FYE 2021 | | FYE 2022 | | (1)1 October 2022 up to LPD | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| (a) | Metro Kajang (Oversea)/ MKHOP | MKH and Metro Kajang (Oversea)/<br>• MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH<br>• Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing | Interest expenses charged by Metro Kajang (Oversea) to MKHOP arising from the advances made by Metro Kajang (Oversea) to MKHOP(17) | 126 | (2)1.0 | 130 | (2)1.7 | 365 | (2)6.3 | 115 | N/A |
| (b) | Metro Kajang (Oversea)/ PT MKH | MKH/<br>PT MKH and Metro Kajang (Oversea) are both subsidiaries of MKH | Interest expenses charged by Metro Kajang (Oversea) to PT MKH arising from the loan made by Metro Kajang (Oversea) to PT MKH(7) | 5,278 | (2)41.9 | 4,538 | (2)57.7 | 4,232 | (2)72.5 | 1,404 | N/A |
| (c) | MKH Plantation/ PT SPS | MKH/<br>PT SPS and MKH Plantation are both subsidiaries of MKH | Loan made by MKH Plantation to PT SPS, which was used for the development of PT SPS's oil palm plantation located in East Kalimantan(8) | 5,350 | (3)1.6 | 2,432 | (3)0.9 | - | - | - | - |

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

| No. | Related party/ Transacting company in MKHOP Group | Interest person/ Nature of relationship | Nature of transaction | Transaction value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FYE 2020 | | FYE 2021 | | FYE 2022 | | [1]1 October 2022 up to LPD | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| (d) | Laju Jaya Sdn Bhd ("**Laju Jaya**")/ MKHOP | Laju Jaya/ MKHOP and Laju Jaya are both subsidiaries of MKH | Laju Jaya is the landlord and MKHOP is the tenant of MKHOP's headquarters located at G-02 & G-03, Ground Floor, Wisma MKH together with the parking lot[14] | - | - | - | - | [15]125 | [4]0.3 | [15]126 | N/A |
| (e) | MKH Resources/ MKHOP | MKH/ MKHOP and MKH Resources are both subsidiaries of MKH | Management fees charged by MKH Resources to MKHOP[9] | 24 | [4]0.1 | 24 | [4]0.1 | - | - | - | - |
| (f) | MKH Building Materials/ MKHOP | MKH Building Materials/ MKHOP and MKH Building Materials are both subsidiaries of MKH | Sales of building materials by MKH Building Materials to MKHOP[10] | 1,372 | [5]0.8 | 50 | [5]<0.1 | - | - | - | - |
| (g) | MKH Resources/ PT MKH | MKH/ PT MKH and MKH Resources are both subsidiaries of MKH | Provision of management services by MKH Resources to PT MKH[9] | 8,449 | [4]24.8 | 8,320 | [4]22.4 | - | - | - | - |
| (h) | MKH Resources/ PT SPS | MKH/ PT SPS and MKH Resources are both subsidiaries of MKH | Provision of management services by MKH Resources to PT SPS[9] | 280 | [4]0.8 | 181 | [4]0.5 | - | - | - | - |

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

| No. | Related party/ Transacting company in MKHOP Group | Interest person/ Nature of relationship | Nature of transaction | Transaction value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FYE 2020 | | FYE 2021 | | FYE 2022 | | [1]1 October 2022 up to LPD | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| (i) | PT Agro Raya Malindo ("**PT ARM**")/ PT MKH | Ong Khek Gee/<br>• Ong Khek Gee is the President Director of PT ARM and a Commissioner of PT SPS<br>• PT MKH and PT SPS are subsidiaries of MKHOP | • Advances made by PT MKH to PT ARM which was used for sourcing of new land bank for oil palm cultivation[11] | 347 | [6]0.1 | - | - | - | - | - | - |
| | | | • Repayment from PT ARM to PT MKH in respect of the above advances[11] | - | - | 663 | [6]0.1 | - | - | - | - |
| (j) | MKH Resources/ MKHOP | MKH/<br>MKHOP and MKH Resources are subsidiaries of MKH | Management fees charged by MKH Resources to MKHOP[16] | - | - | - | - | 6,372 | [4]16.2 | 819 | N/A |
| (k) | Metro Kajang (Oversea)/ MKHOP | MKH and Metro Kajang (Oversea)/<br>• MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH<br>• Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing | Disposal of the entire equity interest in Restu Mesra by MKHOP ("**Disposal of Restu Mesra**")[12]<br>(This is a one-off transaction pursuant to our internal reorganisation for our Listing) | - | - | - | - | - | - | 50 | N/A |

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

| No. | Related party/ Transacting company in MKHOP Group | Interest person/ Nature of relationship | Nature of transaction | Transaction value | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FYE 2020 | | FYE 2021 | | FYE 2022 | | [1]1 October 2022 up to LPD | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| (l) | Metro Kajang (Oversea)/ MKHOP | MKH and Metro Kajang (Oversea)/<br>• MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH<br>• Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing | Disposal of 99.92% equity interest in PT NMJ by MKHOP ("**Disposal of PT NMJ**"). The remaining 0.08% equity in PT NMJ is held by Restu Mesra[13]<br><br>(This is a one-off transaction pursuant to our internal reorganisation for our Listing) | - | - | - | - | - | - | 2,854 | N/A |

**Notes:**

(1) The percentage of the related party transaction is not calculated as the financial statements up to LPD is not prepared.

(2) Calculated based on our Group's finance costs for each of the respective years.

(3) Calculated based on our Group's total liabilities for each of the respective years.

(4) Calculated based on our Group's administrative expenses for each of the respective years.

(5) Calculated based on our Group's cost of sales for each of the respective years.

(6) Calculated based on our Group's total assets for each of the respective years.

(7) The loan in the amount of USD40.0 million (then equivalent to RM119.5 million) was originally advanced by SJL Utama Pte Ltd (then holding company of PT MKH) in 2008. In 2009, the loan was novated to our Company and subsequently to Metro Kajang (Oversea) in 2010. The loan was used as working capital for the development of PT MKH's oil palm plantation together with the palm oil mill located in Puancepak dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(8) The loan received by PT SPS from MKH Plantation (who is the existing holding company of PT SPS) was used for the development of PT SPS' oil palm plantation. No interest was charged by MKH Plantation as PT SPS was not generating profit at initial stage given the longer gestation period of the oil palm plantation business, which generally will start generating profit when the trees have reached the optimum age of 6 to 7 years onwards. As part of the Capitalisation, our Company has capitalised RM[●] million, being part of the amount owing by our Company to MKH Plantation into new MKHOP Shares (after PT SPS Debt Novation). The remaining RM[●] million will be settled through the proceeds to be raised from our Public Issue as disclosed in Section 4.9.1(g). Please refer to Section 6.2.4 for further details on the Capitalisation.

(9) This transaction will be recurrent based on automatic renewal so long as neither party wishes to terminate the agreement. The agreement has been terminated on 30 June 2021.

(10) The sales of building material by MKH Building Materials to our Company were undertaken in view of our building materials trading business being newly set up, and we were unable to procure building materials at favourable credit terms. MKH Building Materials, being more established, procured the building materials and sold them to our Company at cost to facilitate such procurement for us.

(11) The advances made by PT MKH to PT ARM was used to source new land bank for oil palm cultivation. No interest was charged in consideration of an option granted by the shareholders of PT ARM to PT MKH to acquire their shares in PT ARM.

(12) Our Company had on 9 January 2023 entered into a share sale agreement with Metro Kajang (Oversea) for a disposal consideration of RM0.05 million, being our Company's original cost of investment, in respect of the Disposal of Restu Mesra. The Disposal of Restu Mesra was completed on 16 January 2023 and Restu Mesra has ceased to be a subsidiary of our Company.

(13) Our Company had on 9 January 2023 entered into a share sale agreement with Metro Kajang (Oversea) for a disposal consideration of RM2.85 million, which was arrived based on "willing-buyer willing-seller" basis after taking into consideration of the revalued NA of PT NMJ of RM2.85 million as at 30 November 2022, in respect of the Disposal of PT NMJ. The Disposal of PT NMJ was completed on 19 January 2023 and PT NMJ has ceased to be a subsidiary of our Company.

(14) The salient terms of the tenancy agreement dated 1 September 2022 between Laju Jaya and MKHOP is set out below:

(a) The tenancy is for a term of 12 months, commencing from 1 October 2022 and expiring on 30 September 2023.

(b) The tenant shall not assign the tenancy or sublet or part with the possession or the occupation or the use of the demised premises or any part thereof unless prior written consent is obtained from the landlord. The breach of the prohibition by the tenant shall entitle the landlord (without prejudice to the landlord's other legal rights) to forceably re-enter the demised premises and physically evict the tenant and/or other persons and/or their goods using force as is necessary without any liability as to damages or otherwise and all losses, costs and expenses in connection therewith shall be borne and paid for by the tenant.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) The tenant or the landlord may during the term of the tenancy determine it by giving the other party three (3) calendar months' written notice. In the event the tenant fails to give the requisite notice, the landlord has the right to forfeit the rental deposit.

(d) Upon the written request of the tenant to the landlord made not less than three (3) months prior to the expiry of the first term, the Landlord shall grant to the tenant a further term of twelve (12) months ("**Second Term**") at a rental to be based on the prevailing market rate but otherwise containing the like covenants and provision as in the tenancy agreement.

(e) Upon the written request of the tenant to the landlord made not less than three (3) months prior to the expiry of the Second Term, the landlord shall grant to the tenant a further term of twelve (12) months at a rental to be based on the prevailing market rate but otherwise containing the like covenants and provision as in the tenancy agreement.

The transaction value set out in the table above includes the rental for the parking lot located outside the business premise by way of monthly subscription as set out in Note 15 below.

(15) Including the following rental amount:

(a) business premise of RM123,731 (with rent free period of 3 months due to renovation) and parking lot of RM1,749 for FYE 2022 (i.e. February 2022 to September 2022); and

(b) business premise of RM123,731 and parking lot of RM2,067 from October 2022 to February 2023.

(16) The management services agreements provide that MKH Resources shall (i) provide internal audit, human resources and administration, IT and other general advice in relation to corporate communication to MKHOP; and (ii) provide general management / administration services and other general advice in relation to the business of MKHOP, including but not limited to finance, treasury legal and accounting. This transaction was terminated on 31 March 2023. The management fees charged by MKH Resources to our Group is based on similar rates charged to its other subsidiaries of MKH.

(17) The interest expenses charged were based on prevailing market rate arising from the advances made by Metro Kajang (Oversea) to MKHOP.

Other than items (c), (f) and (i) in the table above, all the above related party transactions were carried out on arm's length basis, as the prices, rates or charges of these transactions are determined based on competitive commercial terms not more favourable to the related parties than those generally available to third parties which were not detrimental to our non-interested shareholders. The loans as set out in items (c) and (i) are not on arm's length as they do not carry interest, while the sales of building materials as set out in item (f) were transacted at cost. Moving forward, we do not expect such transactions to recur.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

There were no transactions between our Group with the Directors and substantial shareholders of MKH and/or persons connected with them for FYE 2020 to 2022 other than payment of remuneration and benefits-in-kind to the common Directors of MKH and our Group in relation to their services rendered to our Group.

The Board of Directors of MKH confirms that MKH Group, including our Group had adhered to the Listing Requirements in relation to related party transactions, including making the necessary announcements to Bursa Securities or obtaining its shareholders' approval, where necessary. Further, the interested persons had abstained from deliberation of the Board of Directors of the respective companies and voting on the resolutions pertaining to the respective transactions (where applicable).

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

### (a) Recurrent related party transactions

(i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

(ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

### (b) Other related party transactions

(i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

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## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

### 10.2 OTHER TRANSACTIONS

#### 10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2020 to 2022 and up to LPD.

#### 10.2.2 Outstanding loans (including guarantees of any kind)

**(a) Outstanding loans and/or balances**

Save as disclosed below, there are no outstanding loans and/or balances made by our Group to/for the benefit of any related parties or granted by any related parties to/for the benefit of our Group, whose balances remain outstanding as at 30 September 2022 and LPD:

**(i) Amount owing by our Group to related parties**

| | | | Outstanding balance | |
|---|---|---|---|---|
| **Transacting company in our Group** | **Related party/ Nature of relationship** | **Purpose of the loan and/or financial assistance** | **As at 30 September 2022** | **As at LPD** |
| | | | **RM'000** | **RM'000** |
| MKHOP | Metro Kajang (Oversea)/ Metro Kajang (Oversea) is a shareholder of our Company with 43.3% equity interest after our Listing | Advances made by Metro Kajang (Oversea) to our Company, which was used for our working capital[3] | [4]8,514 | 8,514 |
| PT MKH | Metro Kajang (Oversea)/ Metro Kajang (Oversea) is a shareholder of our Company with 43.3% equity interest after our Listing | Loan made by Metro Kajang (Oversea) to PT MKH, which was used for the development of PT MKH's oil palm plantation together with the palm oil mill located in East Kalimantan[1][3] | [5]54,966 | [6]56,251 |

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

| Transacting company in our Group | Related party/ Nature of relationship | Purpose of the loan and/or financial assistance | Outstanding balance | |
|---|---|---|---|---|
| | | | As at 30 September 2022 | As at LPD |
| | | | RM'000 | RM'000 |
| PT SPS | MKH Plantation/ MKH Plantation is a shareholder of our Company with 3.7% equity interest after our Listing | Loan made by MKH Plantation to PT SPS, which was used for the development of PT SPS' oil palm plantation located in East Kalimantan(2)(3) | 55,487 | 55,487 |

**Notes:**

(1) The loan in the amount of RM119.4 million was originally advanced by SJL Utama Pte Ltd (then holding company of PT MKH) in 2008. In 2009, the loan was novated to our Company and subsequently to Metro Kajang (Oversea) in 2010.

(2) The loan in the amount of RM55.5 million was advanced progressively by MKH Plantation since 2016.

(3) Pursuant to the Capitalisation, RM[●] million owing by our Company to Metro Kajang (Oversea) and MKH Plantation, have been capitalised into new MKHOP Shares and RM[●] million will be settled through the proceeds to be raised from our Public Issue.

(4) Comprising RM8.4 million and RM0.1 million, being the advances made by Metro Kajang (Oversea) to our Company and the interest payable respectively.

(5) Net amount owing by our Company to Metro Kajang (Oversea) includes the following:

| | RM'000 |
|---|---|
| **Amount owing to Metro Kajang (Oversea)** | |
| Loan made by Metro Kajang (Oversea) to PT MKH | 59,357 |
| Interest payable | 715 |
| Foreign exchange translation differences | 35 |
| | **60,107** |
| **Amount owing by Metro Kajang (Oversea)** | |
| Deduction of value added tax paid on behalf of Metro Kajang (Oversea) | (5,141) |
| | **54,966** |

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(6) As at LPD, the outstanding balance of RM56.3 million includes the principal amount of RM55.0 million and interest payable of RM1.3 million, of which the interest payable will be repaid by our Group using internally generated fund upon completion of the PT MKH Debt Novation.

The advances and loans provided above (save for loan by MKH Plantation which are non-interest bearing) are on arm's length basis and the provision of such advances and loans will not recur after our Listing.

Save as disclosed above, for FYE 2020 to 2022 and up to LPD, there are no other advances and/or loans made from the benefit of our Promoters, substantial shareholders and Directors.

**(ii) Amount owing by related parties to our Group**

There were no outstanding amount owing by related parties to our Group for FYE 2020 to 2022 and up to LPD.

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## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

### (b) Guarantees

MKH has provided corporate guarantees for the following facilities extended by financial institution to our Group:

| Financial institution | Type of facility | Facility limit | Amount outstanding as at LPD |
|---|---|---|---|
| | | USD'000 | USD'000 |
| OCBC Al-Amin Bank Berhad | Foreign Currency Term Financing-i (FC Term-i) | 50,000 | (1)- |
| | Foreign Currency Revolving Credit Facility-i (FCRC-i) | 7,500 | - |
| | Foreign Currency Term Financing Facility-i 2 (FC Term-i 2) | 5,000 | (1)- |
| | Foreign Currency Term Financing Facility-i 3 (FC Term-i 3) | 10,000 | 500 |

**Note:**

(1) The amount outstanding has been fully settled and no further drawdown is allowed.

OCBC Al-Amin Bank Berhad has no objection to release or discharge the above corporate guarantees, subject to amongst others the success of our Listing and substitution of the above corporate guarantees with corporate guarantees from our Company. Until such release or discharge are obtained, MKH will continue to provide the corporate guarantees to our Group. As at 9 June 2023, a request has been submitted for the discharge of the corporate guarantees, and the approval from OCBC Al-Amin Bank Berhad is expected to be obtained by July 2023.

### 10.2.3 Financial assistance provided for the benefit of a related party

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

### 10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Placement Agent and Underwriter for our Listing:

(a) Agreement dated 26 April 2022 between MKHOP and M&A Securities for the appointment of M&A Securities as Adviser and Placement Agent for our Listing; and

(b) Underwriting Agreement dated [•] entered into between our Company and M&A Securities for the underwriting of 51,209,800 Issue Shares.

# 11. CONFLICT OF INTEREST

## 11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

### 11.1.1 Interest in similar business of our Group

Save as disclosed below, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as our Group as at LPD:

(a) Tan Hoe Hing, our Independent Non-Executive Director, jointly owns 3 pieces of oil palm lands (approximately 4 to 5 acres) in Teluk Intan, Perak with his brother. The FFB are sold to a local collector who supplies to mills. He does not have any business transaction with our Group; and

(b) Yeo Kiat Seng, our Non-Independent Non-Executive Director, jointly owns a piece of oil palm land (approximately 35 acres) in Kuala Krai, Kelantan with his brother. The FFB are sold to local collector(s) who supplies to the mills. He does not have business transaction with our Group.

Our Board is of the view that ownerships of the abovementioned Directors in the abovementioned plantation land(s) does not give rise to a conflict of interest situation as (i) the abovementioned Directors do not have business transactions with our Group; and (ii) the abovementioned Directors are not actively involved in the day-to-day running of the business of the abovementioned plantation land(s); and (iii) the scale of the plantation lands owned by the abovementioned Directors amounting to an aggregate of 40 acres is relatively small when compared to the size of our Group's plantation estates have a total land area of 18,205.3 Ha (approximately 44,986 acres). Each of the abovementioned plantation lands have their own separate management teams and are operated and managed independently on a day-to-day basis by their respective management teams.

The business activities of the abovementioned plantation land(s) also do not compete with our Group taking into consideration the size, scale and/or nature of the oil palm cultivation and trading activities of the plantation land(s) as compared to the size, scale and/or nature of the activities of oil palm cultivation and production and sale of CPO and PK of our Group. Further, the abovementioned plantation land(s) are located in Malaysia and their business activities are carried out locally, i.e. harvested and sold to local collectors who supply to mills, as opposed to our Group's business model which encompasses the cultivation of oil palm, harvesting of FFB, and production of CPO and PK, with our principal markets being in Indonesia and our principal products being mainly sold to customers in Indonesia.

Further, there were no transactions between the abovementioned plantation land(s) and our Group during FYE 2020 to 2022 and up to LPD.

Taking into consideration the above and the abovementioned Directors' non-executive role in the abovementioned plantation land(s) as well as our Group, our Board is of the opinion that involvement of the abovementioned Directors in the abovementioned plantation land(s) does not give rise to any conflict of interest situation and will not affect their contribution to our Group or negatively impact their abilities to act as an Independent Non-Executive Director or Non-Independent Non-Executive Director of our Group.

### 11.1.2 Interest in the business of our customers and suppliers

As at LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are customers and/or suppliers of our Group.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

(a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;

(b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:

    (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

    (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

### 11.1.3 Business independence

The principal business of our Group is in the upstream oil palm plantation industry. On the other hand, the businesses of MKH and the other companies within its group (excluding our Group) ("**Pro forma MKH Group**") comprises:

(a) property development and construction;
(b) hotel and property investment;
(c) manufacturing of furniture; and
(d) trading of building materials and other household related products.

Upon completion of our Listing, the Pro forma MKH Group will not be carrying on a similar trade as our Group or will be our customers or suppliers. The businesses of Pro forma MKH Group and our Group would be able to operate independently from each other.

Premised on the foregoing, the diversified businesses of the Pro forma MKH Group do not give rise to intra-group competition or conflict-of-interest situations with our Group, as the Pro forma MKH Group is not involved in the oil palm plantation business nor does it have customers or suppliers who are in the oil palm plantation business.

### 11.1.4 Operational independence

The operations of our Group are carried out independently from the Pro forma MKH Group based on the following:

(a) Dato' Lee Khee Meng, our Executive Director, is responsible for overseeing and managing our Group's overall plantation operations. He is supported by the other key senior management who have extensive knowledge and experience in our Group's business and play a significant role in the day-to-day operations as well as the implementation of our Group's business strategies.

(b) we have our own IT, human resource and administration functions, which were set up in April 2023, headed by Chen Wei Chyong, our Executive Director, where she is supported by 55 personnel with respective functional expertise as at LPD. Our Group had on 31 March 2023 terminated the management services agreement entered into with MKH Resources for the provision of internal audit, human resources and administration and IT to our Group. Please refer to Section 10.1 for further details on the said management services agreement;

(c) we have our own finance and accounting team headed by Tan Soo Hoon, our Group Financial Controller, where she is supported by 42 personnel with finance and accounting expertise as at LPD;

(d) we are not dependent on the sales and purchases to/from the Pro forma MKH Group as we have our own customer/supplier base. As at LPD, there is no common customer and supplier between our Group and the Pro forma MKH Group;

(e) we intend to set up an internal audit function to plan and execute the annual audit plans as well as to provide assurance that our business and operations are carried out in accordance with our Group's relevant policies and procedures. The establishment of our internal audit system is expected to be completed by 4$^{th}$ quarter of 2023 as set out in Section 6.12.

## 11. CONFLICT OF INTEREST *(Cont'd)*

Premised on the above, there is no overlap in terms of operations, including purchases and sales of goods, management, management policies and finance, and our Group is able to continue to operate our business independently of the Pro forma MKH Group after our Listing.

### 11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Underwriter and Placement Agent for our Listing;

(b) Cheang & Ariff has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing in respect of Malaysian law;

(c) Ali Budiardjo, Nugroho, Reksodiputro has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing in respect of Indonesian law;

(d) Deloitte PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing;

(e) Smith Zander has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing; and

(f) C H Williams Talhar & Wong (Sabah) Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Independent Valuer for our Listing.

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## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated on 10 August 2004 as an investment holding company, and we entered into the conditional share sale agreements pursuant to the Acquisition of PT MKH and Acquisition of PT SPS on [●]. PT MKH and PT SPS have been under the common control of our Promoters throughout FYE 2020 to 2022 and are regarded as continuing entities. As such, the historical financial information of our Group for FYE 2020 to 2022 is presented based on the audited combined financial statements of our Group. Our historical financial information for FYE 2020 to 2022 has been prepared in accordance with MFRS and IFRS.

#### 12.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2020 to 2022, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13, respectively.

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 282,324 | 306,611 | 315,817 |
| Cost of sales | (182,791) | (166,237) | (185,948) |
| **GP** | **99,533** | **140,374** | **129,869** |
| Other income | 9,355 | 18,082 | 6,490 |
| Administrative expenses | (34,042) | (37,175) | (39,243) |
| Sales and marketing expenses | (11,871) | (9,263) | (10,844) |
| Other expenses | (22,764) | (2,122) | (6,948) |
| **Profit from operations** | **40,211** | **109,896** | **79,324** |
| Finance costs | (12,605) | (7,869) | (5,840) |
| **PBT** | **27,606** | **102,027** | **73,484** |
| Tax expense | (8,916) | (24,575) | (13,346) |
| **PAT** | **18,690** | **77,452** | **60,138** |
| **Other comprehensive income for the year** | | | |
| *Items that will not be reclassified to profit or loss subsequently:* | | | |
| Remeasurement gains/(losses) on defined benefit plans | (145) | 3,189 | 1,357 |
| Income tax relating to components of other comprehensive (losses)/income | 394 | (958) | (512) |
| Revaluation surplus of building | 2,838 | - | - |
| Income tax relating to surplus arising from revaluation of buildings | (448) | - | - |
| *Item that may be reclassified to profit or loss subsequently:* | | | |
| Foreign currency translation differences | (5,231) | 6,914 | 8,594 |
| **Total comprehensive income for the financial year** | **16,098** | **86,597** | **69,577** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| **PAT for the financial year attributable to:** | | | |
| Owner of the parent | 17,797 | 72,217 | 55,547 |
| Non-controlling interests[1] | 893 | 5,235 | 4,591 |
| | **18,690** | **77,452** | **60,138** |
| **Total comprehensive income for the financial year attributable to:** | | | |
| Owner of the parent | 15,126 | 81,024 | 64,547 |
| Non-controlling interests[1] | 972 | 5,573 | 5,030 |
| | **16,098** | **86,597** | **69,577** |
| EBIT[2] | 39,668 | 109,220 | 78,669 |
| EBITDA[2] | 69,996 | 140,292 | 109,666 |
| GP margin (%)[3] | 35.3 | 45.8 | 41.1 |
| PBT margin (%)[4] | 9.8 | 33.3 | 23.3 |
| PAT margin (%)[4] | 6.6 | 25.3 | 19.0 |
| Effective tax rate (%)[5] | 32.3 | 24.1 | 18.2 |
| Basic EPS (sen)[6] | 2.3 | 9.6 | 7.5 |
| Diluted EPS (sen)[7] | 1.8 | 7.6 | 5.9 |

**Notes:**

(1) The non-controlling interests comprise (i) 25.0% of the equity interests in PT SPS, and (ii) 5.7% of the equity interests in PT MKH, which are computed based on the existing group structure of MKHOP as the acquisition of 100.0% equity interests in PT SPS and 5.7% equity interests in PT MKH will be completed subsequently to FYE 2022.

(2) EBIT and EBITDA are computed as follows:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| PAT | 18,690 | 77,452 | 60,138 |
| Less: | | | |
| Interest income | (543) | (676) | (655) |
| Add: | | | |
| Finance costs | 12,605 | 7,869 | 5,840 |
| Tax expense | 8,916 | 24,575 | 13,346 |
| **EBIT** | **39,668** | **109,220** | **78,669** |
| Add: | | | |
| Depreciation and amortisation | 30,328 | 31,072 | 30,997 |
| **EBITDA** | **69,996** | **140,292** | **109,666** |

(3) GP margin is computed based on GP over revenue.

(4) PBT and PAT margin is computed based on PBT and PAT divided by revenue, respectively.

(5) Effective tax rate is computed based on tax expenses divided by PBT.

(6) Basic EPS is computed based on PAT divided by share capital of 803,590,845 Shares after Pre-IPO Reorganisation and before our IPO.

(7) The diluted EPS is computed based on the PAT divided by enlarged share capital of 1,023,590,845 Shares in issue after our IPO.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### 12.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 30 September 2020, 2021 and 2022, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13, respectively.

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | 2020 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 325,380 | 320,711 | 317,111 |
| Prepaid lease payments | 20,878 | 20,342 | 19,933 |
| Goodwill on consolidation | 4,901 | 5,147 | 5,340 |
| Receivables, deposits and prepayments[(1)] | 1,999 | 2,187 | 1,391 |
| Investment in former subsidiaries | * | * | 50 |
| **Total non-current assets** | **353,158** | **348,387** | **343,825** |
| | | | |
| **Current assets** | | | |
| Inventories | 30,062 | 44,975 | 67,714 |
| Biological assets[(2)] | 4,233 | 6,177 | 5,917 |
| Receivables, deposits and prepayment | 36,173 | 22,898 | 15,395 |
| Current tax assets | 6,353 | - | 3,910 |
| Cash and bank balances | 36,250 | 57,465 | 42,014 |
| **Total current assets** | **113,071** | **131,515** | **134,950** |
| **TOTAL ASSETS** | **466,229** | **479,902** | **478,775** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 112,595 | 112,595 | 112,595 |
| Reserves | 9,514 | 90,538 | 155,085 |
| Equity attributable to the owner of the parent | 122,109 | 203,133 | 267,680 |
| Non-controlling interests | 2,667 | 8,239 | 13,269 |
| **Total equity** | **124,776** | **211,372** | **280,949** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions[(3)] | 16,655 | 15,211 | 15,706 |
| Payables and accruals | 62,457 | 59,517 | 31,327 |
| Loan and borrowings | 54,451 | 22,269 | 2,317 |
| Deferred tax liabilities | 7,235 | 9,726 | 5,802 |
| **Total non-current liabilities** | **140,798** | **106,723** | **55,152** |
| | | | |
| **Current liabilities** | | | |
| Payables and accruals | 123,777 | 98,936 | 142,664 |
| Loan and borrowings | 76,769 | 46,499 | - |
| Current tax liabilities | 109 | 16,372 | 10 |
| **Total current liabilities** | **200,655** | **161,807** | **142,674** |
| | | | |
| **Total liabilities** | **341,453** | **268,530** | **197,826** |
| **TOTAL EQUITY AND LIABILITIES** | **466,229** | **479,902** | **478,775** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Notes:**

* Representing less than RM1,000.

(1) The breakdown of receivables, deposits and prepayments classified as non-current assets are as follows:

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | 2020 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 |
| Other receivable[(a)] | 1,035 | 1,087 | 12 |
| Prepayment[(b)] | 964 | 1,100 | 1,379 |
| | **1,999** | **2,187** | **1,391** |

(a) Other receivable represents amounts due from the Plasma Farmers from Indonesia arising from the costs of development of the plantations for small landholders. In accordance with the Indonesian Government policy, our subsidiaries, PT MKH and PT SPS, assume the responsibilities for developing plantations for Plasma Farmers in addition to their own plantation. The said subsidiaries are also required to provide training and supervise the Plasma Farmers and purchase the FFB from the Plasma Farmers at the prices determined by the Indonesian Government. The amounts are unsecured, interest-free, have no fixed term in repayment and are to be settled not within one year. The amounts owing will be repaid progressively via offset partially against the purchase of FFB from the Plasma Farmers.

(b) Comprise prepayment for seedlings cultivation in the nursery located in the plantation estates for about 9 to 12 months before they are ready to be transplanted to our plantation estates or sold to small local planters under the Plasma Programme. It will be charged to the profit or loss when plantation estates allocate the seedlings to the fields.

(2) The biological assets of our Group comprise FFB prior to harvest. Management has considered FFB less than 15 days before harvesting in calculating fair value. FFB more than 15 days before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value measurement of the biological assets is valued using the present value of net cash flows expected to be generated from the sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell.

(3) Provisions comprise post-employment benefit obligations. Our Indonesia subsidiaries operate unfunded defined benefit schemes, as required under the Labour Law of the Republic of Indonesia. The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method.

### 12.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2020 to 2022, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13, respectively.

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| **Cash flow from operating activities** | | | |
| PBT | 27,606 | 102,027 | 73,484 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 29,605 | 30,345 | 30,440 |
| Interest expenses on: | | | |
| - loans and borrowings | 7,201 | 3,201 | 1,243 |
| - amount due to a related company | 5,404 | 4,668 | 4,597 |
| Impairment loss on investment in subsidiary | 1,222 | - | 3,191 |
| Provision for post-employment benefit obligations | 3,711 | 2,064 | 3,163 |
| Property, plant and equipment written off | 306 | 234 | 580 |
| Changes in fair values of biological assets | 913 | (1,637) | 577 |
| Amortisation of prepaid lease payments | 723 | 727 | 557 |
| Inventories written off | 4 | 1 | 1 |
| Unrealised loss/(gain) on foreign exchange - net | 13,879 | (7,785) | (4,491) |
| Interest income | (543) | (676) | (655) |
| Bad debts written off | 251 | 94 | - |
| **Operating profit before changes in working capital** | **90,282** | **133,263** | **112,687** |
| Increase in inventories | (7,944) | (14,913) | (22,740) |
| (Decrease)/increase in receivables, deposits and prepayments | (3,740) | 13,254 | 5,501 |
| Increase/(decrease) in payables and accruals | 12,293 | (23,844) | 16,906 |
| Cash generated from operations | 90,891 | 107,760 | 112,354 |
| Interests received | 543 | 676 | 655 |
| Interests paid | (12,773) | (7,902) | (5,840) |
| Tax paid | (5,894) | (9,347) | (39,547) |
| Tax refunded | 5,222 | 8,712 | - |
| Retirement benefit obligation paid | (746) | (1,515) | (1,979) |
| **Net cash from operating activities** | **77,243** | **98,384** | **65,643** |
| **Cash flow used in investing activities** | | | |
| Acquisition of property, plant and equipment | (9,239) | (10,048) | (16,112) |
| Repayment from/(advance to) a subsidiary | 44 | (264) | 2,800 |
| Acquisition of a subsidiary | - | - | * |
| Subscription of shares in subsidiaries | - | - | (3,241) |
| **Net cash used in investing activities** | **(9,195)** | **(10,312)** | **(16,553)** |
| **Cash flow used in financing activities** | | | |
| Repayment of term loans | (82,273) | (58,602) | (36,526) |
| Drawdown of term loans | 28,354 | 14,359 | 2,259 |
| Repayment of revolving credits | (13,402) | (21,523) | (32,784) |
| Advances from/(repayment to) related companies | 2,436 | (1,907) | 1,115 |
| Deposits and bank balances released/(pledged) as securities | (313) | 2,405 | 10,260 |
| Drawdown of revolving credits | 6,261 | - | - |
| **Net cash used in financing activities** | **(58,937)** | **(65,268)** | **(55,676)** |

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| **Net increase/(decrease) in cash and cash equivalents** | **9,111** | **22,804** | **(6,586)** |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (4,012) | 815 | 1,395 |
| **Cash and cash equivalents at beginning of financial year** | **18,487** | **23,586** | **47,205** |
| **Cash and cash equivalents at end of financial year[(1)]** | **23,586** | **47,205** | **42,014** |

**Note:**

* Representing less than RM1,000.

(1) Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Cash and bank balances | 36,250 | 57,465 | 42,014 |
| Less: Deposits pledged for credit facilities | (12,664) | (10,260) | - |
| | **23,586** | **47,205** | **42,014** |

## 12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and segmental analysis of our combined financial statements for FYE 2020 to 2022 should be read with the Accountants' Report included in Section 13.

### 12.2.1 Overview of our operations

#### (a) Principal activities

We are an upstream oil palm plantation group and our operations are based in East Kalimantan, Indonesia. Through our subsidiaries, we are principally involved in:

(i) cultivation of oil palm; and

(ii) production and sale of CPO and PK.

As at LPD, our Group owns 2 oil palm plantation estates, 1 palm oil mill and 1 jetty located in East Kalimantan, Indonesia. The harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK for onward sales to our customers.

For further details, please refer to Section 7.2 for our Group's detailed business overview.

During FYE 2020 and FYE 2021, our Group was carrying out the business of building materials trading in Malaysia together with another subsidiary under MKH, namely MKH Building Materials Sdn Bhd. Subsequently, in FYE 2021, our Group ceased carrying out the building materials trading business since 1 January 2021 for the preparation of our Listing.

Since the cessation of trading of building materials business of our Group effective from 1 January 2021, our Group has been solely focusing on the cultivation of oil palms and production of CPO and PK in Indonesia.

**(b) Revenue**

Our revenue comprises the sale of CPO and PK under the plantation segment and the trading of building materials.

Revenue from the sale of CPO and PK and the trading of building materials is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Our Group entered into contracts with customers to supply goods. Revenue is recognised upon delivery and issuance of invoices to customers.

Revenue is recognised at a point in time when control of the goods underlying the performance obligation is transferred to the buyers. No allocation of the transaction price is required to performance obligation as each contract consists of one performance obligation only.

**(c) Cost of sales**

Our Group's cost of sales comprises 4 components, i.e. cultivation costs, harvesting costs, mill and production costs and costs for trading.

**(i) Cultivation costs**

Cultivation costs comprise mainly manuring, depreciation, labour-related costs and repair and maintenance.

**(ii) Harvesting costs**

Harvesting costs comprise mainly labour-related costs and transportation costs.

**(iii) Mill and production costs**

Mill and production costs comprise mainly raw materials costs, movements in inventories, depreciation, labour-related costs and repair and maintenance costs.

**(iv) Costs for trading**

Costs for trading represent the cost of goods sold for CPO and PK trading and building materials trading.

**(d) Other income**

Other income comprises mainly unrealised and realised gain on foreign exchange, the income from the sale of FFB during maintenance of our palm oil mill, sale of sludge oil, and the gain on changes in the fair value of biological assets.

**(e) Administrative expenses**

Administrative expenses comprise mainly staff costs, management fees, CSR expenses, depreciation for property, plant and equipment, professional fees, medical expenses and employees' benefit obligations.

**(f) Sales and marketing expenses**

Sales and marketing expenses comprise mainly transportation costs and jetty costs.

**(g) Other expenses**

Other expenses comprise mainly unrealised and realised loss on foreign exchange, value-added tax expenses, the loss on changes in the fair value of biological assets and amortisation of prepaid lease payments.

**(h) Finance costs**

Finance costs comprise interests on term loans, revolving credits and the amount due to a related company.

**(i) Recent developments**

Save as disclosed below, there were no other significant events subsequent to our audited combined financial statements for FYE 2022:

(i) the Share Split as detailed in Section 6.2.1 was completed on [•];

(ii) the Acquisition of PT MKH as detailed in Section 6.2.2 was completed on [•];

(iii) the Acquisition of PT SPS as detailed in Section 6.2.3 was completed on [•];

(iv) the Capitalisation as detailed in Section 6.2.4 was completed on [•];

(v) impact of conflict between Russia and Ukraine on the supply chain disruptions to fuel and fertiliser, which resulted in a surge in fuel and fertiliser prices and had an impact on the performance of our Group as detailed in Note 28(a) of the Accountants' Report;

(vi) disposal of the entire equity interest in Restu Mesra by our Company to Metro Kajang (Oversea), a related party to our Group for a disposal consideration of RM0.05 million, being our Company's original cost of investment, which was completed on 16 January 2023. This is a one-off transaction pursuant to our internal reorganisation for our Listing; and

(vii) disposal of 99.92% equity interest in PT NMJ by our Company to Metro Kajang (Oversea), a related party to our Group for a disposal consideration of RM2.85 million, which was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration of the revalued NA of PT NMJ of RM2.85 million as at 30 November 2022, which was completed on 19 January 2023. The remaining 0.08% equity in PT NMJ is held by Restu Mesra. This is a one-off transaction pursuant to our internal reorganisation for our Listing.

**(j) Exceptional and extraordinary items**

There were no exceptional or extraordinary items for FYE 2020 to 2022. In addition, our audited combined financial statements for FYE 2020 to 2022 were not subject to any audit qualifications.

### 12.2.2 Review of our results of operations

#### (a) Revenue

**Analysis of revenue by business segment**

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| **Plantation** | | | | | | |
| CPO | 225,584 | 79.9 | 263,571 | 85.9 | 275,612 | 87.3 |
| PK | 24,870 | 8.8 | 30,887 | 10.1 | 40,205 | 12.7 |
| | 250,454 | 88.7 | 294,458 | 96.0 | 315,817 | 100.0 |
| **Trading**[1] | 31,870 | 11.3 | 12,153 | 4.0 | - | - |
| | **282,324** | **100.0** | **306,611** | **100.0** | **315,817** | **100.0** |

**Note:**

(1) Relates to trading of building materials in Malaysia which was carried out by our Group. Subsequently, our Group had ceased carrying out the building materials trading business from 1 January 2021 for the preparation of our Listing.

**Analysis of revenue by geographical location**[1]

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Indonesia | 250,454 | 88.7 | 294,458 | 96.0 | 315,817 | 100.0 |
| Malaysia[2] | 31,870 | 11.3 | 12,153 | 4.0 | - | 0.0 |
| | **282,324** | **100.0** | **306,611** | **100.0** | **315,817** | **100.0** |

**Notes:**

(1) The classification of our revenue by geographical market is based on the locations of our customers.

(2) All revenue from Malaysia derived solely from the trading of buildings materials segment.

Our revenue from the sale of CPO and PK is a direct result of the selling prices and volume of CPO and PK. The selling price of our CPO is determined based on market prices, which are primarily influenced by supply and demand, environmental factors, as well as the prices of substitutes such as other edible oils and crude petroleum oil. Our sales volume is directly determined based on the output of CPO and PK from our mill and CPO purchased. This output is measured by the CPO or PK produced from the processing of FFB produced from our mature plantation area together with FFB purchased. The aforementioned measurements are set out in the following table:

| | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|
| **Selling prices** | | | |
| Average CPO selling price (RM/MT)(7) | 2,227 | 2,945 | 3,847 |
| Average PK selling price (RM/MT)(7) | 1,141 | 1,681 | 2,627 |
| **Volume produced** | | | |
| Mature plantation area (Ha) | 16,507 | 16,507 | (5)17,009 |
| FFB produced (MT)(1) | 477,157 | (2)441,016 | (2)382,752 |
| - FFB yield per Ha (MT/Ha) | 29.3 | 26.7 | 23.2 |
| FFB processed (MT) | 482,889 | 459,940 | 404,901 |
| FFB purchased (MT) | 20,599 | 20,175 | 22,210 |
| Cost of FFB purchased (RM'000) | 8,976 | 11,819 | 17,947 |
| Average FFB purchased costs per MT (RM) | 436 | 586 | 808 |
| CPO produced (MT) | 100,010 | 89,438 | 74,942 |
| - OER (%) | 20.7 | (3)19.5 | (3)18.5 |
| PK produced (MT) | 20,331 | 17,963 | 16,245 |
| - KER (%) | 4.2 | (4)3.9 | (4)4.0 |
| **Volume sold** | | | |
| Sales of CPO (MT) | | | |
| - Own production(8) | 99,803 | 86,797 | 71,636 |
| - Trading of CPO(6) | 1,503 | 2,709 | - |
| Sales of PK (MT)(8) | 21,800 | 18,378 | 15,305 |

**Notes:**

(1) FFB produced will be sent to the mill for production and selling of FFB during maintenance of our palm oil mill.

(2) Lower FFB processed in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and FYE 2022.

(3) Lower OER in FYE 2021 and FYE 2022 were due to higher moisture content in FFB harvested as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and FYE 2022.

(4) Lower KER in FYE 2021 was due to the shrinking of fruitlet size as a result of heavy rainfall from La Nina phenomenon during FYE 2021.

(5) Our mature plantation area increased to 17,009 Ha for FYE 2022, mainly attributable to the reclassification of immature area to mature plantation area of 589.0 Ha after net off transfer of mature plantation land earmarked for transfer in the form of HGU to Sawit Seguntung Jaya Plantation Cooperative, Puan Cepak Village during FYE 2022. The transfer of the plantation land area was part of the Plasma Programme whereby our Group is obligated to, amongst others, provide the plantation facilities and assist in the management of the plantation land.

(6) We purchase CPO with FFA content of above or close to 5.0% from neighbouring palm oil mills to mix with our CPO in order to achieve CPO with higher FFA content but still below 5.0% for sale to customers. This enables us to increase the production of our CPO at a lower cost as CPO with higher FFA content is generally purchased at a discounted rate from our neighbouring palm oil mills, thereby increasing our sales and profitability at a cost-effective manner. There was no trading of CPO for FYE 2022, mainly attributable to no CPO purchased for FYE 2022, primarily due to lesser discounts offered by the external party was not feasible for purchase to yield a better margin. In addition, we did not purchase CPO from neighbouring palm oil mills for mixing with our CPO for FYE 2022 due to the relatively high FFA content (at an average of approximately 6.5%) in the CPO offered for sale to our Group by our neighbouring palm oil mills.

(7) The increasing demand for CPO and PK and the low supply of CPO and PK lead to increasing prices for CPO and PK. Generally, the movement of PK prices is correlative with the CPO prices.

(8) The volume sold for CPO and PK from own production includes the total volume produced during the year plus the unsold CPO and PK brought forward from the previous year, less the unsold CPO and PK volume carried forward at year-end. CPO and PK comprised solely CPO and PK produced by our palm oil mill.

**Comparison between FYE 2020 and FYE 2021**

Our revenue improved by RM24.3 million or 8.6% to RM306.6 million for FYE 2021 (FYE 2020: RM282.3 million), primarily contributed by revenue growth from the sale of CPO, which contributed RM263.6 million or 85.9% of our total revenue for FYE 2021 (FYE 2020: RM225.6 million or 79.9%).

**Plantation**

Our revenue from the plantation segment grew by RM44.0 million or 17.6% to RM294.5 million for FYE 2021 (FYE 2020: RM250.5 million) comprising CPO sales which grew by RM38.0 million or 16.8% and PK sales which grew by RM6.0 million or 24.1%, both of which were mainly attributable to the increase in our average selling prices for CPO and PK.

Our average selling prices for CPO and PK grew by RM718 per MT or 32.2% to RM2,945 per MT for FYE 2021 (FYE 2020: RM2,227 per MT) and RM540 per MT or 47.3% to RM1,681 per MT for FYE 2021 (FYE 2020: RM1,141 per MT), respectively, which moved in tandem with the global prices of CPO and PK. The said increase in global prices primarily resulted from the following factors, which caused higher demand for CPO but a lower supply of CPO:

(i) global relaxation of movement control measures and increased refining activities, which spurred the demand for CPO;

(ii) a shortage of CPO supply caused by heavy rainfall from the La Nina phenomenon in early 2021 (average monthly rainfall: FYE 2021: 198mm; FYE 2020: 140mm), which disrupted oil palm harvesting activities as well as logistics on oil palm plantations, and thus led to our FFB yield per Ha decreasing by 8.9% to 26.7MT/Ha for FYE 2021 (FYE 2020: 29.3MT/Ha) and thus lower supply of CPO. The La Nina phenomenon started in September 2020 and continued through mid-May 2022 blown by strong winds westwards from South America to Indonesia across the Pacific Ocean; and

(iii) a lower supply of CPO caused by labour shortage exacerbated by the COVID-19 pandemic which disrupted CPO supply globally. For avoidance of doubt, our Group was not affected by the labour shortage exacerbated by the COVID-19 pandemic, mainly attributable to the establishment of a standard safety protocol in accordance with the guidelines and SOPs on COVID-19 prevention to protect our employees against potential COVID-19 infection as detailed in Section 7.8.

The above incremental effects on our revenue were partially offset by lower sales volume for CPO, which decreased by 11,800MT or 11.6% to 89,506MT for FYE 2021 (FYE 2020: 101,306MT), and lower sales volume for PK by 3,422MT or 15.7% to 18,378MT for FYE 2021 (FYE 2020: 21,800MT). Such decrease in volume was mainly attributable to our Group recording a lower OER and KER of 19.5% and 3.9% for FYE 2021, respectively (FYE 2020: 20.7% and 4.2%, respectively), due to higher moisture content in FFB harvested as a result of heavy rainfall from La Nina phenomenon in FYE 2021.

**Trading**

Revenue from the trading segment decreased by RM19.7 million or 61.9% to RM12.2 million for FYE 2021 (FYE 2020: RM31.9 million). The said decrease was due to cessation of trading of building materials business of our Group since 1 January 2021 for the preparation of our Listing.

**Comparison between FYE 2021 and FYE 2022**

Our revenue has continued to grow by RM9.2 million or 3.0% to RM315.8 million for FYE 2022 (FYE 2021: RM306.6 million), primarily contributed by the revenue from our plantation segment, which increased by RM21.3 million or 7.2% to RM315.8 million for FYE 2022 (FYE 2021: RM294.5 million).

Since the cessation of trading of building materials of our Group since 1 January 2021, our Group has been solely focusing on the cultivation of oil palms and production of CPO and PK in Indonesia, whereby our customers from this business segment are solely customers from Indonesia. Thus, in FYE 2022, our Group solely generated revenue from the plantation segment and Indonesia.

**Plantation**

Our plantation segment revenue grew further by RM21.3 million or 7.2% to RM315.8 million for FYE 2022 (FYE 2021: RM294.5 million), contributed by higher revenue from the sale of CPO and PK, which grew by RM12.0 million or 4.6% to RM275.6 million for FYE 2022 (FYE 2021: RM263.6 million) and RM9.3 million or 30.1% to RM40.2 million for FYE 2022 (FYE 2021: RM30.9 million) respectively, mainly attributable to the increase in our average selling prices for CPO and PK.

Our average selling prices for CPO and PK grew by RM902 per MT or 30.6% to RM3,847 per MT for FYE 2022 (FYE 2021: RM2,945 per MT), and RM946 per MT or 56.3% to RM2,627 per MT for FYE 2022 (FYE 2021: RM1,681 per MT) respectively, which moved in tandem with the global prices of CPO and PK. The said increase in global prices primarily resulted from higher demand for CPO but a lower supply of CPO due to further global relaxation of movement control measures and increasing refining activities, which subsequently caused the demand for CPO to increase. Additionally, this was coupled with a shortage of CPO supply caused by the La Nina phenomenon during FYE 2021 and FYE 2022, which started in September 2020 and continued through mid-May 2022 across the tropical Pacific and brought about extreme and prolonged heavy rainfall (average monthly rainfall: FYE 2022: 240mm; FYE 2021: 198mm), had disrupted oil palm harvesting activities as well as logistics on oil palm plantations, which led to lower FFB yield per Ha recorded by our Group for FYE 2021 and FYE 2022, decreased by 13.1% to 23.2MT/Ha for FYE 2022 (FYE 2021: 26.7MT/Ha). In addition, there was lower supply of CPO caused by the labour shortage exacerbated by the COVID-19 pandemic across major palm-producing countries that disrupted CPO supply globally.

Further, there was higher demand for CPO as a substitute, due to:

(i) sunflower oil supply disruption caused by the conflict between Russia and Ukraine which started in February 2022, subsequently drove demand for CPO as a substitute, leading to the rise in global CPO prices;

(ii) dry weather that hit South America which affected soybean production, resulting in limited soy oil supply, and hence drove demand for CPO as a substitute, leading to the rise in global CPO prices; and

(iii) increased biodiesel production in Europe as biodiesel is considered as environmentally friendly renewable energy and a sustainable alternative to fossil fuels. CPO is one of the primary raw materials for producing biodiesel, and hence drove demand for CPO and led to the rise in global CPO prices.

The improved revenue contributed by the higher selling prices of CPO and PK for FYE 2022 was partially offset by lower sales volume for CPO and PK, which decreased by 17,870MT or 20.0% to 71,636MT for FYE 2022 (FYE 2021: 89,506MT), and 3,073MT or 16.7% to 15,305MT for FYE 2022 (FYE 2021: 18,378MT) respectively. Such decrease was mainly attributable to our Group recording a lower OER of 18.5% for FYE 2022 (FYE 2021: 19.5%) due to the La Nina phenomenon in FYE 2022, which brought about extreme and prolonged heavy rainfall across palm-producing countries, which disrupted the FFB production and causing higher moisture content in FFB harvested. Hence, our Group has lower production of CPO and PK.

**Trading**

There was no revenue from the trading segment for FYE 2022 as our Group had ceased the building materials trading business effective from 1 January 2021 (FYE 2021: RM12.2 million).

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (b) Cost of sales, GP and GP margin

**Analysis of cost of sales by cost component**

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| **Cultivation costs** | | | | | | |
| - Depreciation | 23,986 | 13.1 | 23,656 | 14.2 | 24,264 | 13.0 |
| - Labour-related costs | 22,288 | 12.2 | 27,259 | 16.4 | 34,337 | 18.5 |
| - Manuring | 28,762 | 15.7 | 26,836 | 16.1 | 32,202 | 17.3 |
| - Utilities | 4,362 | 2.4 | 4,561 | 2.7 | 7,811 | 4.2 |
| - Estate maintenance costs | 7,358 | 4.0 | 8,084 | 4.9 | 13,458 | 7.2 |
| - Security costs | 2,700 | 1.5 | 2,849 | 1.7 | 3,371 | 1.8 |
| - Others[(1)] | 4,963 | 2.8 | 5,610 | 3.5 | 8,066 | 4.4 |
| | **94,419** | **51.7** | **98,855** | **59.5** | **123,509** | **66.4** |
| **Harvesting costs** | | | | | | |
| - Labour-related cost | 16,248 | 8.9 | 15,769 | 9.5 | 17,544 | 9.5 |
| - Transportation | 12,821 | 7.0 | 13,896 | 8.4 | 18,235 | 9.8 |
| - Others[(2)] | 100 | 0.1 | 81 | * | 179 | 0.1 |
| | **29,169** | **16.0** | **29,746** | **17.9** | **35,958** | **19.4** |
| **Mill and production costs** | | | | | | |
| - Depreciation | 3,931 | 2.2 | 4,093 | 2.5 | 4,522 | 2.4 |
| - Labour-related cost | 5,719 | 3.1 | 5,734 | 3.4 | 6,138 | 3.3 |
| - Repair and maintenance | 4,901 | 2.7 | 4,196 | 2.5 | 5,009 | 2.7 |
| - Purchase of FFB | 8,976 | 4.9 | 11,819 | 7.1 | 17,947 | 9.7 |
| - Others[(3)] | 3,179 | 1.7 | 3,593 | 2.2 | 5,247 | 2.8 |
| | **26,706** | **14.6** | **29,435** | **17.7** | **38,863** | **20.9** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| **Movements in CPO and PK inventories[4]** | | | | | | |
| Opening inventories | 4,778 | 2.6 | 6,570 | 4.0 | 17,714 | 9.5 |
| Closing inventories | (6,570) | (3.6) | (17,714) | (10.7) | (30,096) | (16.2) |
| | **(1,792)** | **(1.0)** | **(11,144)** | **(6.7)** | **(12,382)** | **(6.7)** |
| **Costs for trading** | | | | | | |
| CPO and PK | 3,548 | 1.9 | 7,969 | 4.8 | - | - |
| Building materials | 30,741 | 16.8 | 11,376 | 6.8 | - | - |
| | **34,289** | **18.7** | **19,345** | **11.6** | **-** | **-** |
| | **182,791** | **100.0** | **166,237** | **100.0** | **185,948** | **100.0** |

**Notes:**

* Representing less than 0.1%.

(1) Comprise mainly assessment, security expenses and sundry expenses.

(2) Comprise mainly harvesting tools.

(3) Comprise mainly fuel and lubricants costs.

(4) Comprise of inventory movements for CPO and PK. The inventories cost of CPO and PK includes direct labour, an appropriate share of production overheads and the fair value attributed to agricultural produce at year-end in accordance with MFRS 141.

**(i) Cultivation costs**

Our cultivation costs increased by RM4.5 million or 4.8% to RM98.9 million for FYE 2021 (FYE 2020: RM94.4 million), mainly attributable to the following:

(aa) increase in labour-related costs by RM5.0 million to RM27.3 million for FYE 2021 (FYE 2020: RM22.3 million) and increased estate maintenance costs by RM0.7 million to RM8.1 million for FYE 2021 (FYE 2020: RM7.4 million), both being mainly for additional road maintenance during the relatively wetter season since the beginning of the year 2021; and

(bb) other expenses increased by RM0.6 million to RM5.6 million for FYE 2021 (FYE 2020: RM5.0 million), mainly due to calibration costs incurred for 3 weighbridges, refurbishment of existing notice boards and installation of new notice boards in FYE 2021 for Environment, Social and Governance awareness among the workforce.

The abovementioned increases were partially offset by a decrease in manuring by RM2.0 million to RM26.8 million for FYE 2021 (FYE 2020: RM28.8 million), mainly due to the deferred application of fertilisers during the relatively wetter season.

Our cultivation costs increased by RM24.6 million or 24.9% to RM123.5 million for FYE 2022 (FYE 2021: RM98.9 million), mainly attributable to the following:

(aa) higher labour-related costs for FYE 2022, which rose by RM7.0 million to RM34.3 million for FYE 2022 (FYE 2021: RM27.3 million) and estate maintenance costs which increased by RM5.4 million to RM13.5 million for FYE 2022 (FYE 2021: RM8.1 million), mainly due to additional labour and materials required for road maintenance during the relatively wetter season. In addition, for the second half of FYE 2022, there was additional labour for fertiliser application and for drains maintenance, such as deepening and widening of drains for better discharge of water for post-monsoon effects;

(bb) increase in manuring costs of RM5.4 million to RM32.2 million for FYE 2022 (FYE 2021: RM26.8 million), mainly due to the increase in fertiliser price resulting from shortage of supply due to conflict between Russia and Ukraine. Additionally, more fertiliser was applied for the second half of FYE 2022 as compared to the first half of FYE 2022 as the heavy rainfall from the La Nina phenomenon in the first half of FYE 2022 made it less suitable to apply fertiliser which resulted in the postponement of fertilisers application to post-monsoon in the second half of FYE 2022;

(cc) increase in utilities by RM3.2 million to RM7.8 million for FYE 2022 (FYE 2021: RM4.6 million), mainly due to higher diesel costs resulting from the rise in diesel prices during FYE 2022 for diesel used for our generation sets and vehicles arising from the increase in global crude oil prices following an increase in global demand for crude oil due to fears in the market on any disruptions in the supply as a result of the Russia-Ukraine conflict and sanctions implemented by the United States against Russia, which subsequently led to a reduction in subsidies on diesel as announced by the Government of Indonesia in September 2022; and

(dd) increase in other cultivation costs such as pruning and sundry expenses by RM2.4 million to RM8.0 million for FYE 2022 (FYE 2021: RM5.6 million), mainly due to (i) additional pruning works resulting from the relatively wetter season; (ii) and higher ISPO certification costs mainly due to the acquisition of new machines by PT MKH and the new signup of the ISPO certification programme for PT SPS, which costs are mainly for document analysis and tests conducted by a competent third party to maintain and improve safety and environmental compliance standards, i.e. water and air quality tests, noise tests on power generators and other mill equipment, ISPO on material and equipment, and ISPO on handling and logistic expenditure by a third party on B3 waste (hazardous and toxic materials).

**(ii) Harvesting costs**

Our harvesting costs increased by RM0.5 million or 1.7% to RM29.7 million for FYE 2021 (FYE 2020: RM29.2 million), despite lower FFB produced for FYE 2021, mainly attributable to our transportation costs rose by RM1.1 million to RM13.9 million for FYE 2021 (FYE 2020: RM12.8 million), primarily in relation to the replacement of loading truck nets and higher handling costs to manage the evacuation of FFBs as the condition of the roads were affected by the relatively wetter season.

The abovementioned increases were partially offset by labour-related costs, which dropped by RM0.4 million to RM15.8 million for FYE 2021 (FYE 2020: RM16.2 million) as a result of the lower labour costs as we recruited fewer workers to collect loose fruits as we focused more on collecting FFB due to wet weather.

Our harvesting costs increased by RM6.3 million or 21.2% to RM36.0 million for FYE 2022 (FYE 2021: RM29.7 million), mainly attributable to the increase in transportation by RM4.3 million to RM18.2 million for FYE 2022 (FYE 2021: RM13.9 million) and the increase in labour-related costs by RM1.7 million to RM17.5 million for FYE 2022 (FYE 2021: RM15.8 million), primarily attributable to the higher handling costs to manage the evacuation of FFBs as the condition of the roads were affected by the relatively wetter season. In addition, higher transportation and labour-related costs were incurred in the second half of FYE 2022, resulting from the repair and maintenance costs for powered wheelbarrows and farm ATVs incurred in the second half of FYE 2022 as well as more trips due to higher FFB produced compared to the first half of FYE 2022.

**(iii) Mill and production costs**

Our mill and production costs increased by RM2.7 million or 10.1% to RM29.4 million for FYE 2021 (FYE 2020: RM26.7 million), mainly attributable to the increase in FFB purchase costs of RM2.8 million to RM11.8 million for FYE 2021 (FYE 2020: RM9.0 million). The average FFB purchase costs grew by RM150 per MT to RM586 per MT for FYE 2021 (FYE 2020: RM436 per MT), which increased in tandem with the global prices for CPO as the determination of the FFB price under the provisions contained in the Regulation of the Minister of Agriculture regarding the Guidelines for Determining the Purchase Price for FFB for Plantation Production issued by the Plantation Office of East Kalimantan Province will fluctuate in line with the prevailing CPO prices, hence, the FFB price consistently correlates with the CPO price.

Our mill and production costs increased by RM9.5 million or 32.3% to RM38.9 million for FYE 2022 (FYE 2021: RM29.4 million), mainly attributable to higher FFB purchase costs for FYE 2022, which increased by RM6.1 million to RM17.9 million for FYE 2022 (FYE 2021: RM11.8 million). The average FFB purchase costs grew by RM222 per MT to RM808 per MT for FYE 2022 (FYE 2021: RM586 per MT), which increased in tandem with global prices for CPO as the basis in determining the FFB does refer to the CPO price, hence, the FFB price consistently correlates with the CPO price. In addition, other mill and production costs rose by RM1.6 million to RM5.2 million for FYE 2022 (FYE 2021: RM3.6 million), mainly comprising fuel and lubricant costs by RM1.3 million or 92.9% to RM2.7 million for FYE 2022 (FYE 2021: RM1.4 million), primarily attributable to the rise in fuel prices resulting from the conflict between Russia and Ukraine, which led to the shortage of fuel supply.

**(iv) Costs for trading**

Costs for trading are the cost of goods sold for CPO and PK trading and building materials trading.

**CPO and PK**

Our purchase costs for CPO and PK increased by RM4.5 million to RM8.0 million for FYE 2021 (FYE 2020: RM3.5 million), mainly attributable to the rise in the total purchase volume of CPO from the external party by 1,206MT to 2,709MT for FYE 2021 (FYE 2020: 1,503MT) mainly due to the CPO purchase prices with better discounts offered by the external party were feasible for purchase to yield a better margin. The offered CPO prices rose from RM2,043 per MT for FYE 2020 to RM2,769 per MT for FYE 2021, which moved in tandem with the global prices of CPO.

There were no CPO and PK purchased during FYE 2022 (FYE 2021: RM8.0 million), mainly attributable to less discounts offered by the external party, which were not feasible for purchase to yield a better margin. In addition, we did not purchase CPO from neighbouring palm oil mills for mixing with our CPO in the FYE 2022 due to the relatively high FFA content (at an average of approximately 6.5%) in the CPO offered for sale to our Group by our neighbouring palm oil mills.

**Building materials**

Our cost for trading decreased by RM19.3 million or 62.9% to RM11.4 million for FYE 2021 (FYE 2020: RM30.7 million), and thereafter contributed no revenue for FYE 2022, following the cessation of our building materials trading business since 1 January 2021 onwards.

**Analysis of cost of sales by business segment**

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Plantation | 152,050 | 83.2 | 154,861 | 93.2 | 185,948 | 100.0 |
| Trading | 30,741 | 16.8 | 11,376 | 6.8 | - | - |
| | **182,791** | **100.0** | **166,237** | **100.0** | **185,948** | **100.0** |

**Analysis of GP and GP margin by business segment**

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | GP | GP margin | GP | GP margin | GP | GP margin |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Plantation | 98,404 | 39.3 | 139,597 | 47.4 | 129,869 | 41.1 |
| Trading | 1,129 | 3.5 | 777 | 6.4 | - | - |
| | **99,533** | **35.3** | **140,374** | **45.8** | **129,869** | **41.1** |

**Comparison between FYE 2020 and FYE 2021**

Our Group's cost of sales decreased by RM16.6 million or 9.1% to RM166.2 million for FYE 2021 (FYE 2020: RM182.8 million), mainly attributable to the trading of building materials costs which decreased by RM19.3 million or 62.9% to RM11.4 million for FYE 2021 (FYE 2020: RM30.7 million), which is in tandem with the decrease in revenue from the trading segment following the cessation of our building materials trading business since 1 January 2021 onwards.

The above decrease was offset by increased costs of sales for the plantation segment by RM2.8 million or 1.8% to RM154.9 million for FYE 2021 (FYE 2020: RM152.1 million), due to the following:

(i) cultivation costs which increased by RM4.5 million or 4.8% to RM98.9 million for FYE 2021 (FYE 2020: RM94.4 million);

(ii) mill and production costs which increased by RM2.7 million or 10.1% to RM29.4 million for FYE 2021 (FYE 2020: RM26.7 million); and

(iii) purchase costs for CPO and PK which increased by RM4.5 million to RM8.0 million for FYE 2021 (FYE 2020: RM3.5 million),

all of which are explained in earlier sections above for each cost component.

Additionally, higher closing inventories for CPO and PK for FYE 2021, which increased by RM11.1 million to RM17.7 million for FYE 2021 (FYE 2020: RM6.6 million) mainly due to the higher fair value of CPO and closing inventory which increased by 2,808MT also contributed to the lower cost of sales for FYE 2021.

Our Group recorded an increase in GP by RM40.9 million or 41.1% to RM140.4 million for FYE 2021 (FYE 2020: RM99.5 million), and our GP margin improved to 45.8% for FYE 2021 (FYE 2020: 35.3%), mainly attributable to the increased GP and improved GP margin from our plantation segment.

Our GP for the plantation segment increased by RM41.2 million or 41.9% to RM139.6 million for FYE 2021 (FYE 2020: RM98.4 million), which was in tandem with its revenue growth. Our GP margin for the plantation segment improved to 47.4% for FYE 2021 (FYE 2020: 39.3%), mainly attributable to our revenue from the plantation segment grew by 17.6% for FYE 2021, primarily resulting from the increase in our average selling prices of CPO and PK by 32.2% and 47.3% respectively for FYE 2021, which rose in tandem with the global prices of CPO and PK due to higher demand for CPO and PK but a lower supply of CPO and PK, as explained in Section 12.2.2(a) above. In addition, our cost of sales for the plantation segment increased by 1.8% in FYE 2021, which grew at a rate lower than our revenue growth rate of 17.6%, primarily due to our relatively fixed in-nature depreciation and labour-related costs rising at a rate lower than our revenue growth rate.

Our GP for the trading segment decreased by RM0.3 million or 27.3% to RM0.8 million for FYE 2021 (FYE 2020: RM1.1 million) as a result of the cessation of our building materials trading business effective from 1 January 2021 onwards. Despite the decrease in GP, our GP margin for the trading segment increased to 6.4% for FYE 2021 (FYE 2020: 3.5%), mainly attributable to higher sales of building materials, such as ready mixed concrete, tiles and doors, which yielded a better GP margin as compared with other products.

**Comparison between FYE 2021 and FYE 2022**

Our Group's cost of sales increased by RM19.7 million or 11.9% to RM185.9 million for FYE 2022 (FYE 2021: RM166.2 million), mainly attributable to the costs of sales for the plantation segment increased by RM31.0 million or 20.0% to RM185.9 million for FYE 2022 (FYE 2021: RM154.9 million), due to the following:

(i) the cultivation costs increased by RM24.6 million or 24.9% to RM123.5 million for FYE 2022 (FYE 2021: RM98.9 million);

(ii) the harvesting costs increased by RM6.3 million or 21.2% to RM36.0 million for FYE 2022 (FYE 2021: RM29.7 million); and

(iii) the mill and production cost increased by RM9.5 million or 32.3% to RM38.9 million for FYE 2022 (FYE 2021: RM29.4 million);

all of which are explained in earlier sections above for each cost component.

The above increases were partially offset as no CPO and PK were purchased during FYE 2022 (FYE 2021: RM8.0 million), mainly attributable to the shortage of CPO supply and CPO prices being not feasible for purchase.

There were no trading of building materials costs for FYE 2022 as we ceased the building materials trading business since 1 January 2021.

Our Group recorded a decrease in GP by RM10.5 million or 7.5% to RM129.9 million for FYE 2022 (FYE 2021: RM140.4 million), while our GP margin decreased to 41.1% for FYE 2022 (FYE 2021: 45.8%), mainly attributable to the plantation segment. Our GP for the plantation segment decreased by RM9.7 million or 6.9% to RM129.9 million for FYE 2022 (FYE 2021: RM139.6 million), and its GP margin decreased to 41.1% for FYE 2022 (FYE 2021: 47.4%), mainly due to the increase in our cost of sales from our plantation segment increased by 20.1%, which grew at a rate higher than our revenue growth rate for the plantation segment of 7.2%, primarily due to higher cultivation costs, harvesting costs and mill and production costs incurred during FYE 2022, mainly due to the reasons as explained above.

Our Group recorded lower GP for the second half of FYE 2022, which decreased by RM54.4 million to RM37.7 million as compared to the first half of FYE 2022 of RM92.1 million, primarily due to the following:

(i) lower revenue recorded in the second half of FYE 2022, which decreased by RM21.5 million to RM147.2 million (first half of FYE 2022: RM168.7 million), resulted mainly from our average selling prices of CPO and PK declined by RM570 per MT or 13.8% to RM3,563 per MT for the second half of FYE 2022 (first half of FYE 2022: RM4,133 per MT) and RM468 per MT or 16.3% to RM2,404 per MT between second half of FYE 2022 (i.e. 1 April 2022 to 30 September 2022) (first half of FYE 2022: RM2,872 per MT), respectively, which moved in tandem with the global prices of CPO and PK. The decline in global prices of CPO and PK from May 2022 was due to excessive stock of CPO in Indonesia accumulated during the export ban on CPO, RBD palm oil, RBD palm olein and used cooking oil implemented by the Government of Indonesia from 28 April 2022 to 23 May 2022 which subsequently led to an increase in CPO export after the export ban was lifted;

(ii) higher cultivation costs incurred for the second half of FYE 2022, which increased by RM15.1 million to RM69.3 million (first half of FYE 2022: RM54.2 million), mainly due to additional labour for fertiliser application and for drains maintenance, such as deepening and widening of drains for better discharge of water for post-monsoon effects in the second half of FYE 2022. Additionally, higher manuring costs as more fertiliser was applied for the second half of FYE 2022 as compared to the first half of FYE 2022 due to the heavy rainfall from the La Nina phenomenon in the first half of FYE 2022 made it less suitable to apply fertiliser which resulted in the postponement of fertilisers application to post-monsoon in the second half of FYE 2022;

(iii) higher harvesting costs incurred for the second half of FYE 2022, which increased by RM6.7 million to RM21.3 million (first half of FYE 2022: RM14.6 million), mainly due to higher transportation and labour-related costs which were incurred in the second half of FYE 2022, resulting from the repair and maintenance costs for powered wheelbarrows and farm ATVs incurred in the second half of FYE 2022 as well as more trips due to higher FFB produced compared to the first half of FYE 2022; and

(iv) the movements in CPO and PK inventories for the first half of FYE 2022 amounted to RM11.1 million was higher as compared to the second half of FYE 2022 of RM1.3 million, mainly attributable to the higher closing inventories volume for CPO and PK and higher fair value of CPO and PK as at 31 March 2022 as compared to 30 September 2021.

Thus, our Group's GP margin decreased from 54.6% for the first half of FYE 2022 to 25.6% for the second half of FYE 2022.

### (c) Other income

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Realised gain on foreign exchange | - | - | 3,079 | 17.0 | - | - |
| Unrealised gain on foreign exchange | - | - | 7,785 | 43.1 | 4,491 | 69.2 |
| Sales of sludge oil[(1)] | 1,742 | 18.6 | 3,374 | 18.7 | 367 | 5.7 |
| Sales of FFB[(2)] | 5,959 | 63.7 | 646 | 3.6 | - | - |
| Sales of PK shell | 248 | 2.7 | 109 | 0.6 | - | - |
| Gain on fair value of biological assets[(3)] | - | - | 1,637 | 9.1 | - | - |
| Interest income on fixed deposits | 543 | 5.8 | 676 | 3.7 | 655 | 10.1 |
| Management fee[(4)] | 232 | 2.5 | 270 | 1.5 | 340 | 5.2 |
| Miscellaneous[(5)] | 631 | 6.7 | 506 | 2.7 | 637 | 9.8 |
| | **9,355** | **100.0** | **18,082** | **100.0** | **6,490** | **100.0** |

**Notes:**

(1) We sell sludge oil to external customers and the proceeds was contributed to the community of the Plasma Farmers in our estates as part of our CSR under the Plasma Programme.

(2) Our Group sells FFB during the major maintenance works of our palm oil mill during FYE 2020 and FYE 2021. No sales of FFB for FYE 2022 as our major maintenance works carried out during FYE 2022 did not involve the shutdown of our production facilities. Thus, our Group did not sell any FFB to other mills during the maintenance period in FYE 2022. Routine maintenance is carried out daily at different stations or sub-points based on Preventive Maintenance Program which is consistent with the wear and tear by industry practice and OEM recommendation, such that the production line is not affected by the routine maintenance. Major maintenance is carried out based on our observations while carrying out the Preventive Maintenance Program on the machinery, whereby part of the production lines is affected, therefore excess FFB will be sold as the capacity of the processing of FFB is affected.

(3) Fair value of biological assets is determined based on the present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flow are estimated using expected output method and the estimated market price of the produce growing on bearer plants. Any gains arising from changes in the fair value of biological assets less cost of sales are recognised in other income.

(4) Management fee is received from the Plasma Farmers for the services we rendered to them, such as planting consultation and management services. The management fee is charged based on 5.0% of the total operational costs of Sawit Sendowan Plantation Cooperative, Sedulang Jaya.

(5) Comprises mainly insurance claims for property all risk, motor vehicle and automobile liability, fidelity guarantee, business interruptions due to flood and staff medical and sales of scrap such as spoiled machines at recycle value.

**Comparison between FYE 2020 and FYE 2021**

Our other income increased by RM8.7 million or 92.6% to RM18.1 million for FYE 2021 (FYE 2020: RM9.4 million), mainly attributable to the following:

(i) there was unrealised gain on foreign exchange of RM7.8 million for FYE 2021 (FYE 2020: RM Nil) in relation to our USD-denominated borrowings and RM-denominated loans from Metro Kajang (Oversea) and MKH Plantation against IDR resulting from the strengthening of IDR against USD and RM at the end of FYE 2021 compared to FYE 2020 (as at 30 September 2021: USD1: IDR14,307 and RM1: IDR3,419; as at 30 September 2020: USD1: IDR14,918 and RM1: IDR3,590);

(ii) there was realised gain on foreign exchange of RM3.1 million for FYE 2021 (FYE 2020: RM Nil) in relation to repayments of our USD-denominated borrowings and RM-denominated loans from Metro Kajang (Oversea) and MKH Plantation against IDR, resulting from the overall strengthening of IDR against USD and RM during the FYE 2021 compared to FYE 2020 (FYE 2021: USD1: IDR14,296 and RM1: IDR3,505; FYE 2020: USD1: IDR14,982 and RM1: IDR3,624);

(iii) there was a gain on changes in fair value of biological assets of RM1.6 million for FYE 2021 (FYE 2020: RM Nil). The fair value measurement of biological assets is valued using the present value of net cash flow expected to be generated from sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell. The said gain on changes in fair value of biological assets of RM1.6 million was mainly due to the higher estimated FFB price being used in the measurement of biological assets at the end of FYE 2021 as compared to FYE 2020, in which the increase in estimated FFB price was in tandem with the rise in the global prices of CPO; and

(iv) income from sales of sludge oil increased by RM1.7 million to RM3.4 million for FYE 2021 (FYE 2020: RM1.7 million), mainly due to a higher selling price of RM2,109 per MT for 1,600MT for FYE 2021, as compared to RM968 per MT for 1,800MT for FYE 2020, as the selling price for sludge oil was correlated to the CPO prices, which increase in tandem with the rise in global prices of CPO.

The abovementioned increases were partially offset by lower sales of FFB which decreased by RM5.4 million to RM0.6 million for FYE 2021 (FYE 2020: RM6.0 million), mainly attributable to a shorter maintenance period carried out during FYE 2021, which disrupted our CPO production, i.e. 3 days major maintenance work for FYE 2021 as compared to 6 weeks scheduled major maintenance works undertook during FYE 2020. During maintenance, less FFB is processed, which results in excess FFB, which we will sell. Thus, less maintenance resulted in less excess FFB sold during FYE 2021. During the 6 weeks scheduled major maintenance period, the mill was still running albeit at a lower capacity, which resulted in more excess FFB sold to other mills during FYE 2020.

**Comparison between FYE 2021 and FYE 2022**

Our other income decreased by RM11.6 million or 64.1% to RM6.5 million for FYE 2022 (FYE 2021: RM18.1 million), mainly attributable to the following:

(i) we recorded lower unrealised gain on foreign exchange, which decreased by RM3.3 million to RM4.5 million for FYE 2022 (FYE 2021: RM7.8 million). Such a decrease was primarily due to the unrealised gain on foreign exchange for FYE 2021 in relation to our USD-denominated borrowings of RM68.8 million as of 30 September 2021 which were fully settled during FYE 2022. The unrealised gain on foreign exchange for FYE 2022 were mainly in relation to loans from Metro Kajang (Oversea) and MKH Plantation of RM110.3 million as of 30 September 2022 as a result of the strengthening of IDR against RM at the end of FYE 2022 as compared to FYE 2021;

(ii) our Group recorded a realised loss on foreign exchange which was recognised under other expenses for FYE 2022 (FYE 2021: realised gain on foreign exchange of RM3.1 million), in relation to the repayments of our USD-denominated borrowings against IDR, resulting from the weakening of IDR against USD during the FYE 2022 as compared to FYE 2021 (FYE 2022: USD1: IDR14,479, FYE 2021: USD1: IDR14,296);

(iii) the decrease in income from the sale of sludge oil of RM3.0 million to RM0.4 million for FYE 2022 (FYE 2021: RM3.4 million), which declined in tandem with lower CPO produced for FYE 2022 mainly due to continuing effects of the La Nina phenomenon up to mid-May 2022, which brought about extreme and prolonged heavy rainfall across palm-producing countries, which disrupted the FFB production and causing higher moisture content in FFB harvested and a lower OER of 18.5% recorded for FYE 2022; and

(iv) our Group recorded a loss on fair value of biological assets which was recognised under other expenses for FYE 2022 (FYE 2021: gain on fair value of biological assets of RM1.6 million). The said loss on changes in fair value of biological assets was mainly due to the lower FFB price at the end of FYE 2022 compared to FYE 2021, which decreased in tandem with the global prices of CPO.

### (d) Administrative expenses

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Staff costs[1] | 10,444 | 30.7 | 10,275 | 27.6 | 11,660 | 29.7 |
| Management fee[2] | 8,753 | 25.7 | 8,525 | 22.9 | 6,372 | 16.2 |
| CSR[3] | 2,015 | 5.9 | 3,394 | 9.1 | 567 | 1.4 |
| Depreciation | 1,178 | 3.5 | 2,277 | 6.1 | 1,579 | 4.0 |
| Medical expenses | 298 | 0.9 | 2,071 | 5.6 | 1,098 | 2.8 |
| Employment benefit obligations[4] | 3,711 | 10.9 | 2,064 | 5.6 | 3,163 | 8.1 |
| Travelling and transportation | 1,697 | 5.0 | 1,971 | 5.3 | 2,252 | 5.8 |
| Professional fees[5] | 1,201 | 3.5 | 2,135 | 5.7 | 4,995 | 12.7 |
| Accommodation | 1,014 | 3.0 | 941 | 2.5 | 1,421 | 3.6 |
| Entertainment expenses[6] | 706 | 2.1 | 730 | 2.0 | 1,889 | 4.8 |
| Security service fee | 545 | 1.6 | 337 | 0.9 | 769 | 2.0 |
| Directors' fees and remuneration | 325 | 0.9 | 496 | 1.3 | 376 | 1.0 |
| Repair and maintenance | 400 | 1.2 | 253 | 0.7 | 277 | 0.7 |
| Miscellaneous[7] | 1,755 | 5.1 | 1,706 | 4.7 | 2,825 | 7.2 |
| | **34,042** | **100.0** | **37,175** | **100.0** | **39,243** | **100.0** |

**Notes:**

(1) Comprises salaries, bonuses, allowances, statutory social contributions and employees' provident fund contributions.

(2) Comprises management fees paid to MKH Resources, a subsidiary of MKH, for providing us with corporate, managerial, financial administration and other related services. The management fees are charged on a 6.0% margin of all chargeable expenses allocated using a hybrid method. The hybrid method is computed based on revenue, GP and the NBV of assets of the respective subsidiaries of MKH Group to allow all active companies within MKH Group fairly share the common expenses incurred per our transfer pricing policy.

(3) CSR expenses are expenses for activities for the community of the Plasma Farmers, such as welfare home visitations, charity donation drives and festive celebrations.

(4) Our subsidiaries, PT MKH and PT SPS, operate unfunded defined benefit schemes for employees, as required under the Labour Law of the Republic of Indonesia. The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method.

(5) Comprises mainly fees paid to auditors, lawyers and tax consultants.

(6) Comprise mainly recurring entertainment expenses for consultants, officers and visitors who visit the estate, surveying potential land and activities for Plasma, such as transportation and food provided during meetings with Plasma.

(7) Comprise mainly utilities, printing, insurance, bank charges and expenses relating to short-term leases.

**Comparison between FYE 2020 and FYE 2021**

Our administrative expenses increased by RM3.2 million or 9.4% to RM37.2 million for FYE 2021 (FYE 2020: RM34.0 million), mainly attributable to the following:

(i) medical expenses increased by RM1.8 million or 600.0% to RM2.1 million for FYE 2021 (FYE 2020: RM0.3 million), mainly due to the increase in COVID-19 tests for our staff and visitors to our estate to ensure all visitors or contractors to perform COVID-19 test before entering our estate. In addition, we also incurred other COVID-19 related costs such as sanitisation expenses and quarantine costs during FYE 2021;

(ii) the increase in CSR expenses by RM1.4 million or 70.0% to RM3.4 million for FYE 2021 (FYE 2020: RM2.0 million) was due to increase in our corporate social activities for the community of the Plasma Farmers, such as welfare home visitations, charity donation drives and festive celebrations; and

(iii) depreciation increased by RM1.1 million or 91.7% to RM2.3 million for FYE 2021 (FYE 2020: RM1.2 million), mainly due to higher depreciation for building and plant and machinery resulting from the new plant and machinery acquired and the completion of additional staff quarters during FYE 2021.

The abovementioned increases were partially offset by a decrease in the employment benefits obligations expenses by RM1.6 million or 43.2% to RM2.1 million for FYE 2021 (FYE 2020: RM3.7 million), mainly attributable to a change in assumption used based on historical data, i.e. higher turnover rate in the actuarial report as the management of PT MKH and PT STS are of the view that the current assumptions are more reasonable to reflect the staff retirement as advised by the independent actuary. The employment benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method.

**Comparison between FYE 2021 and FYE 2022**

Our administrative expenses increased by RM2.0 million or 5.4% to RM39.2 million for FYE 2022 (FYE 2021: RM37.2 million), mainly attributable to the following:

(i) higher staff costs for FYE 2022, which increased by RM1.4 million or 13.6% to RM11.7 million (FYE 2021: RM10.3 million), mainly in relation to the full year impact of remuneration for our key senior management who were transferred from MKH Resources effective from 1 April 2021;

(ii) higher employment benefit obligations for FYE 2022, which increased by RM1.1 million or 52.4% to RM3.2 million for FYE 2022 (FYE 2021: RM2.1 million), mainly due to our increased average group age for our Indonesia employees which resulted in higher statutory provision for employment benefits;

(iii) higher professional fees for FYE 2022, which increased by RM2.9 million or 138.1% to RM5.0 million for FYE 2022 (FYE 2021: RM2.1 million), mainly due to professional fees and related expenses incurred for our IPO of RM2.5 million;

(iv) higher entertainment expenses for FYE 2022, which increased by RM1.2 million or 171.4% to RM1.9 million for FYE 2022 (FYE 2021: RM0.7 million), following the relaxation of the movement controls, there were more activities for surveying potential plantation land for our Group and activities for Plasma Farmers such as transportation and food provided during meetings with the Plasma Farmers on recurring basis, fund raising for fire at Plasma (fire due to human negligence) in FYE 2022 and sponsor for materials, labours and vehicle and machinery running costs for Plasma's road maintenance due to the wetter season in FYE 2022; and

(v) higher miscellaneous expenses for FYE 2022, which increased by RM1.1 million or 64.7% to RM2.8 million for FYE 2022 (FYE 2021: RM1.7 million), mainly due to increased diesel prices for generating electricity. The average diesel prices increased from RM2.61 per litre for FYE 2021 to RM4.18 per litre for FYE 2022.

The abovementioned increases were partially offset by the decrease in management fees of RM2.1 million or 24.7% to RM6.4 million for FYE 2022 (FYE 2021: RM8.5 million). Such decrease was mainly attributable to lower management fees allocated to our Group for FYE 2022 in line with the transfer of key senior management from MKH Resources effective from 1 April 2021. Correspondingly, we recorded higher staff costs for FYE 2022. There is also a decrease in CSR expenses by RM2.8 million or 82.4% to RM0.6 million for FYE 2022 (FYE 2021: RM3.4 million) due to fewer corporate social activities during FYE 2022.

### (e) Sales and marketing expenses

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Transportation costs | 8,778 | 74.0 | 6,223 | 67.2 | 5,753 | 53.0 |
| Jetty costs[1] | 1,884 | 15.9 | 2,050 | 22.1 | 2,696 | 24.9 |
| Jetty depreciation | 787 | 6.6 | 740 | 8.0 | 701 | 6.5 |
| Trading segment costs[2] | 291 | 2.5 | 65 | 0.7 | - | - |
| Quality claims of CPO and PK[3] | 131 | 1.0 | 185 | 2.0 | 1,694 | 15.6 |
| | **11,871** | **100.0** | **9,263** | **100.0** | **10,844** | **100.0** |

**Notes:**

(1) Mainly comprises staff costs for jetty operations, security charges, fuel and lubricants and jetty maintenance costs.

(2) Comprises marketing staff costs for the trading segment.

(3) Comprises customers' claims on our CPO and PK sales with FFA content above 5.0%.

**Comparison between FYE 2020 and FYE 2021**

Our sales and marketing expenses decreased by RM2.6 million or 21.8% to RM9.3 million for FYE 2021 (FYE 2020: RM11.9 million), mainly attributable to a decrease in transportation costs of RM2.6 million or 29.5% to RM6.2 million for FYE 2021 (FYE 2020: RM8.8 million), mainly due to fewer trips as a result of the decline in the sales volume for PK to a customer with a cost, insurance and freight arrangement decreased by 7,950MT or 71.0% in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our sales and marketing expenses increased by RM1.5 million or 16.1% to RM10.8 million for FYE 2022 (FYE 2021: RM9.3 million), mainly attributable to an increase in CPO and PK quality claims of RM1.5 million to RM1.7 million for FYE 2022 (FYE 2021: RM0.2 million) resulting from higher FFA due to the relatively wetter season caused by La Nina phenomenon, despite having quality control procedures in FFB harvesting and transportation processes to minimise processing of overripe fruits that may increase the FFA content in CPO. The higher FFA was primarily attributable to the imposition of a domestic market obligation on the refinery plant operators which does not allow to export cooking oil from Indonesia in April and May 2022 which in turn resulted in our customers delaying their collections of the CPO.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (f) Other expenses

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Value-added tax[1] | 2,094 | 9.2 | 1,051 | 49.5 | 1,388 | 20.0 |
| Amortisation of prepaid lease payments | 723 | 3.2 | 727 | 34.3 | 557 | 8.0 |
| Property, plant and equipment written off[2] | 306 | 1.3 | 234 | 11.0 | 580 | 8.4 |
| Inventories written off[3] | 4 | - | 1 | - | 1 | * |
| Realised loss on foreign exchange | 3,366 | 14.8 | - | - | 642 | 9.2 |
| Unrealised loss on foreign exchange | 13,879 | 61.0 | - | - | - | - |
| Loss on changes in fair value of biological assets | 913 | 4.0 | - | - | 577 | 8.3 |
| Bad debts written off[4] | 251 | 1.1 | 94 | 4.4 | - | - |
| Miscellaneous | 6 | * | 15 | 0.8 | 12 | 0.2 |
| Impairment loss on investment in former subsidiary | 1,222 | 5.4 | - | - | 3,191 | 45.9 |
| | **22,764** | **100.0** | **2,122** | **100.0** | **6,948** | **100.0** |

**Notes:**

* Representing less than 0.1%.

(1) Value-added tax expenses comprise the excess value-added input tax paid on purchases from our suppliers, after netting off with the value-added output tax for sales to our customers, more than 3 months were charged to combined statement of comprehensive income.

(2) Property, plant and equipment written off comprise mainly buildings, motor vehicles, plant and machinery and furniture, fittings and office equipment written off due to damage.

(3) Inventories written off comprise damaged spare parts.

(4) Bad debts written off for FYE 2020 and FYE 2021 comprise staff advances of RM0.1 million for each financial year in relation to estate workers who left our Group without clearing the staff advances and a non-refundable deposit of RM0.2 million for the construction of a road which did not materialise after 3 years.

**Comparison between FYE 2020 and FYE 2021**

Our other expenses decreased by RM20.7 million or 90.8% to RM2.1 million for FYE 2021 (FYE 2020: RM22.8 million), mainly attributable to the following:

(i) our Group recorded an unrealised gain on foreign exchange recognised under other income for FYE 2021 (FYE 2020: unrealised loss on foreign exchange of RM13.9 million), mainly in relation to our USD-denominated borrowings and RM-denominated loans from Metro Kajang (Oversea) and MKH Plantation against IDR. The IDR strengthened against USD and RM (as at 30 September 2021: USD1: IDR14,307 and RM1: IDR3,419; as at 30 September 2020: USD1: IDR14,918 and RM1: IDR3,590);

(ii) our Group recorded a realised gain on foreign exchange recognised under other income for FYE 2021 (FYE 2020: realised loss on foreign exchange of RM3.4 million), mainly in relation to repayments of our USD-denominated borrowings and RM-denominated loan from Metro Kajang (Oversea) against IDR. The IDR strengthened against USD and RM (FYE 2021: USD1: IDR14,296 and RM1: IDR3,505; FYE 2020: USD1: IDR14,982 and RM1: IDR3,624);

(iii) the value-added tax expenses decreased by RM1.0 million to RM1.1 million for FYE 2021 (FYE 2020: RM2.1 million), mainly due to fewer value-added tax expenses expensed out during FYE 2021. Our Group has adopted a strategy to reduce the sales made to our customers from the tax-free zone. Thus, more value-added output taxes were available to offset the value-added input taxes for purchases from our suppliers during FYE 2021; and

(iv) there was no impairment loss on investment in a former subsidiary for FYE 2021 (FYE 2020: RM1.2 million). The investment in a former subsidiary, PT NMJ of RM1.2 million had been fully impaired in FYE 2020 due to its deficit in shareholders' funds, which were a result of recorded losses, with net liabilities position and there being no business plan to turn around its financial performance and financial position. PT NMJ was subsequently disposed to Metro Kajang (Oversea) on 9 January 2023.

**Comparison between FYE 2021 and FYE 2022**

Our other expenses increased by RM4.8 million or 228.6% to RM6.9 million for FYE 2022 (FYE 2021: RM2.1 million), mainly attributable to the following:

(i) there were impairment loss on investment in a former subsidiary of RM3.2 million for FYE 2022 (FYE 2021: RM Nil), mainly due to further impairment on investment in a former subsidiary, PT NMJ, resulting from the additional capital injection of RM3.2 million during FYE 2022 to repay the advances from MKHOP. PT NMJ was subsequently disposed to Metro Kajang (Oversea) on 9 January 2023;

(ii) our Group recorded a realised loss on foreign exchange of RM0.6 million for FYE 2022 (FYE 2021: realised gain on foreign exchange of RM3.1 million), mainly in relation to the repayments of our USD-denominated borrowings against IDR. The IDR has weakened against USD (FYE 2022: USD1: IDR14,479; FYE 2021: USD1: IDR14,296); and

(iii) our Group recorded a loss on fair value of biological assets of RM0.6 million for FYE 2022 (FYE 2021: gain on fair value of biological assets of RM1.6 million). The fair value measurement of biological assets is valued using the present value of net cash flow expected to be generated from sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell. Loss on changes in fair value of biological assets was mainly due to the lower FFB price at the end of FYE 2022 compared to FYE 2021, which moved in tandem with global prices of CPO.

**(g) Finance costs**

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **FYE 2020** | | **FYE 2021** | | **FYE 2022** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Term loans[(1)] | 4,785 | 37.9 | 2,230 | 28.3 | 568 | 9.7 |
| Revolving credit[(1)] | 2,416 | 19.2 | 971 | 12.4 | 675 | 11.6 |
| Amount due to a related company[(2)] | 5,404 | 42.9 | 4,668 | 59.3 | 4,597 | 78.7 |
| | **12,605** | **100.0** | **7,869** | **100.0** | **5,840** | **100.0** |

**Notes:**

(1) We utilise term loans and revolving credit to fund our plantation development and palm oil mill upgrading and working capital of our operations.

(2) We utilise the loan from Metro Kajang (Oversea) for our working capital to fund our plantation development and palm oil mill upgrading.

**Comparison between FYE 2020 and FYE 2021**

Our finance costs decreased by RM4.7 million or 37.3% to RM7.9 million for FYE 2021 (FYE 2020: RM12.6 million), mainly attributable to the net repayments of term loans, revolving credits and loan from Metro Kajang (Oversea) by RM44.2 million, RM21.5 million and RM1.9 million, respectively. In addition, the lower term loan interests for FYE 2021 compared to FYE 2020 was mainly due to full settlement of PT SPS's term loan in September 2021.

**Comparison between FYE 2021 and FYE 2022**

Our finance costs decreased by RM2.1 million or 26.6% to RM5.8 million for FYE 2022 (FYE 2021: RM7.9 million), mainly attributable to the net repayments of term loans and revolving credits by RM34.3 million and RM32.8 million, respectively during FYE 2022.

**(h) PBT and PBT margin**

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| PBT (RM'000) | 27,606 | 102,027 | 73,484 |
| PBT margin (%) | 9.8 | 33.3 | 23.3 |
| PAT (RM'000) | 18,690 | 77,452 | 60,138 |
| PAT margin (%) | 6.6 | 25.3 | 19.0 |

**Comparison between FYE 2020 and FYE 2021**

We recorded an increase in PBT of RM74.4 million or 269.6% for FYE 2021. Our PBT margin improved from 9.8% in FYE 2020 to 33.3% in FYE 2021. The improvement was mainly attributable to higher GP and GP margin for FYE 2021 as explained in Section 12.2.2(b), and a gain on foreign exchange of RM10.9 million in FYE 2021 compared to a loss on foreign exchange of RM17.2 million in FYE 2020.

Correspondingly, we recorded an increase in PAT of RM58.8 million or 314.4% for FYE 2021 and our PAT margin improved from 6.6% in FYE 2020 to 25.3% in FYE 2021. The improvement was mainly attributable to higher PBT and PBT margin for FYE 2021, as explained above and higher tax expenses, as explained in Section 12.2.2(i) below.

**Comparison between FYE 2021 and FYE 2022**

We recorded a decrease in PBT of RM28.5 million or 28.0% for FYE 2022. Our PBT margin decreased from 33.3% in FYE 2021 to 23.3% in FYE 2022. Such decline was mainly attributable to the following:

(i) lower GP and GP margin recorded for FYE 2022, as explained in Section 12.2.2(b);

(ii) the decrease in net gain on foreign exchange of RM7.0 million in FYE 2022;

(iii) an impairment loss on investment in a former subsidiary, PT NMJ, of RM3.2 million;

(iv) the increase in professional fees of RM2.9 million, primarily due to professional fees and the related expenses incurred for our IPO of RM2.5 million; and

(v) our Group recorded a loss on fair value of biological assets of RM0.6 million for FYE 2022.

Our PAT decreased by RM17.3 million or 22.4% for FYE 2022 and our PAT margin decreased from 25.3% in FYE 2021 to 19.03% in FYE 2022. Such decline was mainly attributable to lower PBT and PBT margin for FYE 2021, as explained above and lower tax expenses, as explained in Section 12.2.2(i) below.

We recorded lower PAT for the second half of FYE 2022, which decreased by RM52.7 million to RM3.7 million as compared to the first half of FYE 2022 of RM56.4 million, and our PAT margin decreased from 33.4% in the first half of FYE 2022 declined to 2.5% in the second half of FYE 2022, primarily due to the following:

(i) lower GP and GP margin recorded for the second half of FYE 2022, as explained in Section 12.2.2(b);

(ii) our Group recorded a loss on fair value of biological assets of RM4.6 million in the second half of FYE 2022 (first half of FYE 2022: gain on fair value of biological assets of RM4.1 million).The said loss on changes in fair value of biological assets of RM4.6 million was mainly due to the lower estimated FFB prices being used in the measurement of biological assets at the end of FYE 2022 as compared to the first half of FYE 2022. The decrease in the estimated FFB prices were in tandem with the decline in the global prices of CPO;

(iii) the increase in net gain on foreign exchange by RM3.6 million to RM3.8 million for the second half of FYE 2022 (first half of FYE 2022: RM0.2 million). The net gain on foreign exchange for the second half of FYE 2022 was mainly in relation to loans from Metro Kajang (Oversea) and MKH Plantation of RM110.3 million as of 30 September 2022 as a result of the strengthening of IDR against RM at the end of FYE 2022 as compared to FYE 2021;

(iv) an impairment loss on investment in a former subsidiary, PT NMJ, of RM3.2 million was made in the second half of FYE 2022;

(v) professional fees and the related expenses incurred for our IPO of RM2.5 million incurred in the second half of FYE 2022;

(vi) management fees increased by RM2.8 million to RM4.6 million in the second half of FYE 2022 (first half of FYE 2022: RM1.8 million), mainly due to the management fees for the second quarter of FYE 2022 being recognised upon finalisation of the billable amount in April 2022; and

(vii) lower tax expenses for the second half of FYE 2022 due to lower PBT recorded for the said period.

**(i) Tax expense**

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| Tax expense (RM'000) | 8,916 | 24,575 | 13,346 |
| Statutory tax rate (%) | | | |
| - Malaysia | 24.0 | 24.0 | 24.0 |
| - Indonesia[(1)] | 25.0 | 22.0 | 22.0 |
| Effective tax rate (%)[(1)] | 32.3 | 24.1 | 18.2 |

**Notes:**

[(1)] The statutory tax rate of 25.0% for FYE 2020 and 22.0% for FYE 2021 and FYE 2022 represents the Indonesian national statutory tax rate for companies incorporated in Indonesia.

(2) Our effective tax rate is computed based on our total tax expense over our PBT. As the respective companies within our Group are subjected to the statutory tax rate of the respective jurisdictions, the effective tax rate of our Group will be affected by the statutory tax rates of the respective jurisdictions.

We are subject to income tax at the applicable statutory tax rates in Malaysia and Indonesia, where we have foreign subsidiaries. We assume responsibility for withholding tax on payments to our service providers who are not residents in the relevant country where the services are rendered. We remit such withheld tax to the relevant tax authorities.

**Comparison between FYE 2020 and FYE 2021**

Our tax expenses increased by RM15.7 million or 176.4% to RM24.6 million for FYE 2021 (FYE 2020: RM8.9 million), mainly attributable to higher PBT recorded for FYE 2021. Our effective tax rate of 24.1% for FYE 2021 was consistent with statutory tax rate of 24.0%.

We recorded higher effective tax rate of 32.3% for FYE 2020, mainly due to non-deductible expenses of RM13.0 million, being largely in relation to an impairment loss on investment in a former subsidiary, CSR expenses and unrealised loss on foreign exchange and restriction on interest being tax deductible, based on prevailing regulations, for PT SPS.

**Comparison between FYE 2021 and FYE 2022**

Our tax expenses decreased by RM11.3 million or 45.9% to RM13.3 million for FYE 2022 (FYE 2021: RM24.6 million), mainly attributable to lower PBT recorded for FYE 2022.

Our effective tax rate of 18.2% for FYE 2022 was lower than the statutory tax rate, mainly attributable to the following:

(i) the realisation of the deferred tax asset of RM4.2 million from unused tax losses of PT SPS, which were not recognised in prior financial years as it was uncertain that PT SPS would realise a higher taxable profit for which PT SPS can utilise against its unused tax losses; and

(ii) our Indonesian subsidiaries were subject to a lower statutory tax rate of 22.0%.

The abovementioned were partially offset by the following:

(i) there were non-deductible expenses of RM8.8 million, which mainly comprises CSR expenses, an impairment loss on investment in a former subsidiary, professional fees for our IPO, and disallowed staff welfare; and

(ii) there was an underprovision of deferred tax in prior financial years of RM3.8 million arising from the property, plant and equipment.

**Other tax related information**

On 4 January 2021, our subsidiary, namely PT MKH received a Notice of Tax Overpaid Assessment from the Indonesia's Director General of Tax ("**DGT**") amounting to IDR29,816 million (equivalent to RM8.7 million) for the year of assessment 2019.

On 1 April 2021, PT MKH filed an objection letter in reply to the above Notice of Tax Overpaid Assessment, as our management are of the opinion that, PT MKH should have a tax refund amounting to IDR35,281 million (equivalent to RM10.3 million). DGT has restricted the claim on the management fee incurred by PT MKH amounted to IDR21,855 million (equivalent to RM6.4 million) where the excess tax payment of IDR5,464 million (equivalent to RM1.6 million) shall not be refunded. Such restriction from DGT arose as DGT is of the view that no economic benefits have actually been provided pursuant to the management services that are in accordance with the needs of PT MKH.

| | **RM'000** |
|---|---|
| Tax refund based on Notice of Tax Ovepaid Assessment from the DGT for year of assessment 2019 | 8,677 |
| Tax refund based on our management's computation | 10,267 |
| **Shortfall of tax refund** | **[1](1,590)** |

**Note:**

[1] The shortfall of tax refund of RM1.6 million was derived based on the management fee incurred by PT MKH for FYE 2019 amounted to IDR21,855 million (equivalent to RM6.4 million) and the statutory tax rate for year of assessment 2019 of 25.0%, of which our management is of the opinion that PT MKH's total tax refund should be RM10.3 million instead of RM8.7 million.

On 24 December 2021, the objection letter has been rejected by the tax appeal office in Balikpapan, Indonesia.

On 18 March 2022, PT MKH filed an appeal to the tax court in Jakarta, Indonesia. On 24 August 2022, PT MKH received a notice of tax hearing from Jakarta's tax court to attend the said appeal on 7 September 2022. The Jakarta's tax court had requested PT MKH to provide additional analysis and a summary report for the tax assessment during the tax hearings on 7 September 2022, 5 October 2022, 9 November 2022, 7 December 2022, 25 January 2023, 22 February 2023, 29 March 2023 and 17 May 2023. As at 11 June 2023, the Jakarta's tax court has yet to make a conclusion on our appeal to the aforementioned.

In the event that PT MKH is unable to defend the tax appeal, the pro forma impact to our Group's financial performance for FYE 2022 is as follows:

| **Management fee** | **Statutory tax rate for year of assessment 2019** | **Potential tax expenses** |
|---|---|---|
| **RM'000** | **(%)** | **RM'000** |
| 6,360 | 25.0 | [(1)]1,590 |
| | | |
| As a % of PAT for FYE 2022 | | 2.6% |
| As a % of NA as at 30 September 2022 | | 0.6% |

**Note:**

(1) The potential tax expenses of RM1.6 million will be charged to profit or loss for the financial year under review in the event that PT MKH is unable to defend the tax appeal. However, there is no probability of cash outflow by PT MKH pursuant to the tax appeal as there was an overpayment of RM1.6 million in tax expenses by PT MKH which were recognised as tax assets in the financial statements of PT MKH. Hence, with the overpaid taxes, our Group is not potentially liable in anyway whatsoever, to make any further tax payments to DGT.

Based on consultation with the local tax experts, our Board is of the opinion that PT MKH has a valid defence against DGT's assessment on the grounds that PT MKH does not have any experts who have skills and experience in the field of oil palm plantation and mill operations at that point in time, and therefore it was deemed necessary for PT MKH to outsource the management services function to MKH Resources Sdn Bhd. These are the grounds for PT MKH's appeal to the tax court in Jakarta, Indonesia. Hence, PT MKH has not made any adjustment in respect of the tax assessment in the financial statements of PT MKH. The potential tax expenses of RM1.6 million was not recognised as contingent liabilities as there is no probability of cash outflow by PT MKH pursuant to the tax appeal as there was an excess of tax payment of RM1.6 million for the year of assessment 2019, of which the excess tax payment is a refundable tax payment subject to the outcome of the tax appeal, as explained in Note (1) above. For avoidance of doubt, the relevant key management personnel with expertise have now been appointed in our Group. Accordingly, PT MKH has not made any adjustments in respect of the tax assessment in the combined financial statements of our Group and PT MKH.

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### 12.2.3 Review of financial position

#### (a) Assets

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | 2020 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 |
| **Non-current assets** | | | |
| Property, plant and equipment | 325,380 | 320,711 | 317,111 |
| Prepaid lease payment | 20,878 | 20,342 | 19,933 |
| Goodwill on consolidation | 4,901 | 5,147 | 5,340 |
| Investment in former subsidiaries | * | * | 50 |
| Receivables, deposits and prepayments[(1)] | 1,999 | 2,187 | 1,391 |
| Total non-current assets | 353,158 | 348,387 | 343,825 |
| **Current assets** | | | |
| Inventories | 30,062 | 44,975 | 67,714 |
| Biological assets | 4,233 | 6,177 | 5,917 |
| Receivables, deposits and prepayment | 36,173 | 22,898 | 15,395 |
| Current tax assets | 6,353 | - | 3,910 |
| Cash and bank balances | 36,250 | 57,465 | 42,014 |
| Total current assets | 113,071 | 131,515 | 134,950 |
| **Total assets** | **466,229** | **479,902** | **478,775** |

**Note:**

* Representing less than RM1,000.

(1) The breakdown of receivables, deposits and prepayments classified as non-current assets are as follows:

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | 2020 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 |
| Other receivable[(a)] | 1,035 | 1,087 | 12 |
| Prepayment[(b)] | 964 | 1,100 | 1,379 |
| | **1,999** | **2,187** | **1,391** |

(a) Other receivable represents amounts due from the Plasma Farmers from Indonesia arising from the development costs of the plantations for small landholders. In accordance with the Indonesian Government policy, our subsidiaries, PT MKH and PT SPS, assume the responsibilities for developing plantations for Plasma Farmers in addition to their own plantation. The said subsidiaries are also required to provide training and supervise the Plasma Farmers and purchase the FFB from the Plasma Farmers at the prices determined by the Indonesian Government. The amounts are unsecured, interest-free, have no fixed term in repayment and are to be settled not within one year. The amounts owing will be repaid progressively via offset partially against the purchase of FFB from the Plasma Farmers.

(b) Comprise prepayment for seedlings cultivation in the nursery located in the plantation estates for about 9 to 12 months before they are ready to be transplanted to our plantation estates or sold to small local planters under the Plasma Programme. It will be charged to profit or loss when plantation estates allocate the seedlings to the fields.

**Comparison between 30 September 2020 and 30 September 2021**

Our total assets increased by RM13.7 million or 2.9% to RM479.9 million as at 30 September 2021 (as at 30 September 2020: RM466.2 million).

Our non-current assets decreased by RM4.7 million, mainly attributable to our property, plant and equipment decreased by RM4.7 million. Such a decrease was a result of (i) depreciation charges of RM30.3 million; (ii) upward effect from changes in the exchange rate of RM15.8 million; and (iii) the purchase of property, plant and equipment of RM10.1 million which primarily comprises plant and machinery of RM3.5 million and construction of plantation infrastructure and immature plantation area of RM5.9 million during FYE 2021.

The increase in current assets of RM18.4 million was mainly attributable to the net effects of the following:

(i) increase in cash and bank balances of RM21.2 million, mainly due to improved internally generated funds from our business operations;

(ii) the increase in inventories of RM14.9 million, mainly due to accumulation of plantation consumables such as spare parts to avoid a shortage resulting from the interruption of the global supply chain due to the COVID-19 pandemic and for stockpiling for immediate repair as the delivery of spare parts might take more than 6 months, and increased CPO inventories resulting from higher fair value of CPO and closing inventory which increased by 2,808MT of which 2,500MT of CPO was subsequently contracted and delivered in October, which supposed to be contracted in September 2021;

(iii) the increase in biological assets of RM1.9 million, mainly due to the rise in its fair value, which is measured using the present value of net cash flows expected to be generated from the sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell;

(iv) the decrease in receivables, deposits and prepayment of RM13.3 million, mainly due to the net effects of the following:

(aa) the decrease in trade receivables of RM14.9 million, mainly contributed by no outstanding trade receivables from the trading segment following the cessation of our building materials trading business effective from 1 January 2021;

(bb) the decrease in other receivables of RM4.0 million, mainly contributed by the value-added input taxes available to offset against future value-added output taxes declined by RM1.4 million, resulting from lower CPO sold to customers from the free tax zone. In addition, advances to the Plasma Farmers to develop plantations for the Plasma Farmers decreased by RM2.8 million;

(cc) deposits increased by RM4.3 million, mainly contributed by the deposit of RM2.7 million paid to secure the supply of fertiliser, and a deposit of RM1.2 million paid to secure the purchase of plant and machinery for the usage of our estate and spare parts to avoid shortage of supplies resulting from interruption of COVID-19 pandemic;

(dd) prepayments increased by RM1.1 million, mainly contributed by the expenses incurred for our IPO of RM1.2 million, which were still on-going as of 30 September 2021; and

(v) the decrease in current tax assets of RM6.4 million, mainly due to the lower tax estimation for the year of assessment 2021.

**Comparison between 30 September 2021 and 30 September 2022**

Our total assets decreased by RM1.1 million or 0.2% to RM478.8 million as at 30 September 2022 (as at 30 September 2021: RM479.9 million).

Our non-current assets decreased by RM4.6 million, mainly attributable to the following:

(i) the decrease in property, plant and equipment of RM3.6 million, primarily due to (i) depreciation charges of RM30.4 million; (ii) upward effect from changes in the exchange rate of RM11.3 million; and (iii) the purchase of property, plant and equipment of RM16.1 million, which comprised mainly plant and machinery of RM8.7 million, construction of plantation infrastructure and immature plantation area of RM3.9 million, furniture, fittings and office equipment of RM1.9 million and motor vehicles of RM1.6 million; and

(ii) the lower receivables, deposits and prepayments of RM0.8 million, mainly attributable to the net effect of the following:

(aa) decrease in the amount due from the Plasma Farmers to develop plantations for the Plasma Farmers of RM1.1 million, mainly due to the reclassification of the amount due for payment within 1 year from non-current assets to current assets following the commencement of the harvesting period of the Plasma Farmers' plantations; and

(bb) increase in prepayment of RM0.3 million for seedlings cultivation in the nursery located in the plantation estates for about 9 to 12 months before they are ready to be transplanted to our plantation estates or sold to small local planters under the Plasma Programme.

The increase in current assets of RM3.4 million, mainly attributable to the net effect of the following:

(i) inventories increased by RM22.7 million, mainly due to the increase in fertiliser by RM8.1 million primarily resulting from (a) the higher inventory levels for urea and rock phosphate, which were received in September 2022 to avoid the supply shortage of fertiliser; (b) fertiliser costs increased by RM501 per MT from RM1,420 per MT for FYE 2021 to RM1,920 per MT for FYE 2022, resulting from the shortage of supply due to the conflict between Russia and Ukraine; and (c) the increase in CPO and PK inventories by RM12.4 million was primarily due to higher volume for CPO and PK of 3,192MT and 940MT respectively as at 30 September 2022, of which 3,000MT of CPO with 90.0% downpayment duly paid was only collected by the customer on 5 October 2022 and the 1,200MT of PK which were contracted in the last quarter of FYE 2022 was only collected by the customer in November 2022 as the customer's PK crushing plant was under major maintenance in the last quarter of 2022; and

(ii) the current tax assets increased by RM3.9 million, mainly due to the higher tax estimation for year of assessment 2022.

The above increases were partially offset by the following decreases:

(i) The decrease in cash and bank balances of RM15.5 million was mainly due to (a) the net repayments of term loans of RM34.2 million, revolving credits of RM32.8 million and the related interests of RM5.8 million during FYE 2022; and (b) the tax payments of RM39.5 million for (b)(i) the final tax assessment for FYE 2021 of RM18.2 million upon finalisation during FYE 2022; and (b)(ii) estimated tax instalments of RM21.3 million paid for FYE 2022. Such payments were offset by the internally generated funds from our business operations;

(ii) the decrease in receivables, deposits and prepayment of RM7.5 million, mainly due to the following:

(aa) the decrease in trade receivables of RM2.2 million was primarily attributable to lower sales from the plantation segment in the last quarter of FYE 2022;

(bb) the decrease in the amount owing from a former subsidiary, PT NMJ, of RM2.8 million was attributable to repayment during FYE 2022; and

(cc) deposits decreased by RM2.7 million, mainly attributable to less deposits paid to secure fertiliser supply.

**(b) Liabilities**

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | 2020 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 |
| **Non-current liabilities** | | | |
| Provisions | 16,655 | 15,211 | 15,706 |
| Payables and accruals | 62,457 | 59,517 | 31,327 |
| Loan and borrowings | 54,451 | 22,269 | 2,317 |
| Deferred tax liabilities | 7,235 | 9,726 | 5,802 |
| Total non-current liabilities | 140,798 | 106,723 | 55,152 |
| **Current liabilities** | | | |
| Payables and accruals | 123,777 | 98,936 | 142,664 |
| Loan and borrowings | 76,769 | 46,499 | - |
| Current tax liabilities | 109 | 16,372 | 10 |
| Total current liabilities | 200,655 | 161,807 | 142,674 |
| **Total liabilities** | **341,453** | **268,530** | **197,826** |

**Comparison between 30 September 2020 and 30 September 2021**

Our total liabilities decreased by RM73.0 million or 21.4% to RM268.5 million as at 30 September 2021 (as at 30 September 2020: RM341.5 million), mainly attributable to the decrease in loans and borrowings of RM62.5 million due to the repayment of term loans of RM58.6 million and revolving credits of RM21.5 million, after netting the drawdown of term loans of RM14.4 million for our Group's working capital purposes.

The above decrease was also contributed by lower payables and accruals of RM27.8 million, mainly attributable to the net effects of the following:

(i) net repayments to related companies of RM20.0 million;

(ii) decrease in trade payables of RM12.6 million and the amount due to MKH Building Materials Sdn Bhd, a related company (trade-in nature) of RM1.4 million, both were mainly due to lower outstanding balances arising from the purchase of building materials for our trading business as our Group had ceased the building materials trading business effective from 1 January 2021;

(iii) increase in accruals of RM4.4 million, mainly due to the increase in accrued salaries by RM1.0 million, and the accrued CSR payable to Plasma Farmers; and

(iv) other payables increased by RM2.0 million, mainly due to the higher amounts owing to spare parts suppliers for the powered wheelbarrow and farm ATV in which the goods were received but pending receiving invoices.

The abovementioned decreases were partially offset by the increase in current tax liabilities of RM16.3 million, mainly due to the higher tax expenses resulting from higher profits recorded for FYE 2021.

**Comparison between 30 September 2021 and 30 September 2022**

Our total liabilities decreased by RM70.7 million or 26.3% to RM197.8 million as at 30 September 2022 (as at 30 September 2021: RM268.5 million), mainly attributable to the decrease in loans and borrowings of RM66.5 million due to the repayment of term loans of RM36.5 million and revolving credits of RM32.8 million, after netting the drawdown of term loans of RM2.3 million for working capital purposes.

In addition, such a decrease was also contributed by the current tax liabilities decreased by RM16.4 million, mainly attributable to final tax assessment for FYE 2021 of RM18.2 million being paid upon finalisation during FYE 2022, amounting to RM18.2 million.

The abovementioned decreases were partially offset by the increase in payables and accruals of RM15.5 million, mainly attributable to the net effects of the following:

(i) net repayments to Metro Kajang (Oversea) of RM3.4 million;

(ii) increase in trade payables of RM3.9 million due to higher amounts owing to fertiliser suppliers for the plantation consumables accumulated in September 2022 to avoid the supply shortage of fertiliser resulting from the conflict between Russia and Ukraine;

(iii) the increase in downpayment from our CPO and PK customers of RM11.4 million was mainly in relation to a 90.0% downpayment by a customer for 3,000MT CPO that subsequently collected by the customer on 5 October 2022; and

(iv) increase in other payables of RM4.2 million due to (a) overpayment from a CPO customer of RM3.1 million, which was subsequently refunded to the said customer on 25 October 2022; and (b) higher amount owing to suppliers for diesel and petrol received before 30 September 2022.

### 12.2.4 Review of cash flows

The table below sets out the summary of our historical audited combined statements of cash flows for FYE 2020 to 2022.

Our cash and cash equivalents are primarily held in IDR and some in USD and RM. Where cash is held in foreign currencies, there may be an exchange rate fluctuation effect on the cash held.

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Net cash from operating activities | 77,243 | 98,384 | 65,643 |
| Net cash used in investing activities | (9,195) | (10,312) | (16,553) |
| Net cash used in financing activities | (58,937) | (65,268) | (55,676) |
| Net increase/(decrease) in cash and cash equivalents | 9,111 | 22,804 | (6,586) |
| Cash and cash equivalents at the beginning of the financial year | 18,487 | 23,586 | 47,205 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (4,012) | 815 | 1,395 |
| **Cash and cash equivalents at the end of the financial year** | **23,586** | **47,205** | **42,014** |
| **Cash and cash equivalents at the end of the financial year comprise:** | | | |
| Cash and bank balances | 36,250 | 57,465 | 42,014 |
| Less: Deposits and bank balances pledged with financial institutions for credit facilities | (12,665) | (10,260) | - |
| | **23,586** | **47,205** | **42,014** |

**FYE 2020**

**Net cash for operating activities**

Our Group recorded a net cash inflow from operating activities of RM77.2 million. We collected RM277.1 million, mainly attributable from the following:

(a) collections of RM262.6 million from our customers;

(b) fixed deposit interests of RM0.5 million;

(c) refund of income tax of RM5.2 million from Indonesia's Directorate General of Taxes; and

(d) other income of RM8.8 million mainly from selling sludge oil and FFB.

The above collections were partially offset by cash payments of RM199.9 million in respect of the following:

(a) payments of RM105.3 million to our suppliers;

(b) payments for staff and labour-related costs and other operating expenses of RM55.5 million and RM19.7 million respectively;

(c) interests paid for term loans of RM5.0 million, revolving credits of RM2.4 million and amount due to Metro Kajang (Oversea) of RM5.4 million;

(d) payment of income tax of RM5.9 million paid to Indonesia's Directorate General of Taxes; and

(e) retirement benefit obligation paid to retired employees of RM0.7 million.

**Net cash for investing activities**

Our Group recorded a net cash outflow of RM9.2 million from investing activities, mainly attributable to the cash payments for the construction of plantation infrastructure, which comprised mainly staff quarters; and immature plantation area, which comprised the costs of developing and maintaining the new planting area and will be subsequently reclassified to bearer plants once it is matured, all of which amounts to RM4.7 million, the purchase of plant and machinery of RM4.2 million which are mainly for the estate cultivation and mill production and the purchase of furniture fittings and office equipment of RM0.3 million.

**Net cash for financing activities**

Our Group recorded a net cash outflow of RM58.9 million from financing activities, mainly attributable to:

(a) drawdowns of term loans of RM28.4 million and revolving credits of RM6.3 million, bearing lower interest rates to refinance our existing term loans and revolving credits and for working capital purposes;

(b) additional deposits and bank balances pledged as securities for term loans of RM0.3 million;

(c) repayments of term loans of RM82.3 million and revolving credits of RM13.4 million; and

(d) Loan received from Metro Kajang (Oversea) of RM2.4 million for the purchase of powered wheelbarrow and farm ATV.

**FYE 2021**

**Net cash for operating activities**

Our Group recorded a net cash inflow from operating activities of RM98.4 million. We collected RM335.5 million, mainly attributable from the following:

(a) collections of RM321.2 million from our customers;

(b) fixed deposit interests of RM0.7 million;

(c) refund of income tax of RM8.7 million from Indonesia's Directorate General of Taxes, resulting from tax overpaid in FYE 2019 due to higher tax estimation for the year of assessment 2019; and

(d) other income of RM4.9 million, mainly from the selling sludge oil and FFB.

The above collections were partially offset by cash payments of RM237.1 million in respect of the following:

(a) payments of RM135.6 million to our suppliers;

(b) payments for staff and labour-related costs and other operating expenses of RM59.9 million and RM22.9 million respectively;

(c) interests paid for term loans of RM2.2 million, revolving credits of RM1.0 million and amount due to Metro Kajang (Oversea) of RM4.7 million;

(d) payments of income tax of RM9.3 million paid to Indonesia's Directorate General of Taxes; and

(e) retirement benefit obligation paid to the retired employees of RM1.5 million.

**Net cash for investing activities**

Our Group recorded a net cash outflow of RM10.3 million from investing activities, mainly attributable to the cash payment for the construction of plantation infrastructure, which comprised primarily staff quarters and immature plantation area of RM5.8 million, which included the costs of developing and maintaining the new planting area and will be subsequently reclassified to bearer plants once it is matured and the purchase of plant and machinery of RM3.5 million, furniture, fittings and office equipment of RM0.5 million and motor vehicles and plantation infrastructure of RM0.2 million. In addition, there was an advance to a former subsidiary, PT NMJ, of RM0.3 million for its administrative expenses, such as staff costs and professional fees.

**Net cash for financing activities**

Our Group recorded a net cash outflow of RM65.3 million from financing activities, mainly attributable to the following:

(a) drawdowns of term loans of RM14.4 million for working capital purposes;

(b) deposits and bank balances released as securities for term loans of RM2.4 million;

(c) repayments of term loans of RM58.6 million and revolving credits of RM21.5 million; and

(d) repayment of loan from Metro Kajang (Oversea) of RM1.9 million.

**FYE 2022**

**Net cash for operating activities**

Our Group recorded a net cash inflow from operating activities of RM65.6 million. We collected RM331.4 million mainly from the following:

(a) collection of RM329.4 million from our customers;

(b) fixed deposit interests of RM0.7 million; and

(c) other income of RM1.3 million mainly from the selling of sludge oil, scrap and management fees received from the Plasma Farmers for the services we rendered to them, such as planting consultation and management services.

The above collections were partially offset by cash payments of RM265.8 million in respect of the following:

(a) payments of RM124.3 million to our suppliers;

(b) payments for staff and labour-related costs and other operating expenses of RM70.5 million and RM23.7 million respectively;

(c) interests paid for term loans of RM0.5 million, revolving credits of RM0.7 million and amount due to Metro Kajang (Oversea) of RM4.6 million;

(d) payments of income tax of RM39.5 million to Indonesia's Directorate General of Taxes; and

(e) retirement benefit obligation paid to the retired employees of RM2.0 million.

**Net cash for investing activities**

Our Group recorded a net cash outflow of RM16.6 million from investing activities, mainly attributable to the cash payment for the construction of plantation infrastructure, which comprised primarily staff quarters and immature plantation area of RM3.9 million, which comprised the costs of developing and maintaining the new planting area and will be subsequently reclassified to bearer plants once it is matured, the purchase of plant and machinery of RM8.7 million, furniture, fittings and office equipment of RM1.9 million and motor vehicles of RM1.6 million. In addition, there were subscriptions of shares in former subsidiaries, i.e. PT NMJ of RM3.2 million to regularise its deficit shareholder's funds position and Restu Mesra of RM0.1 million for the acquisition of the non-controlling interests, and repayment from a former subsidiary, PT NMJ, of RM2.8 million to PT MKH for advances to PT NMJ to finance its operating expenses.

**Net cash for financing activities**

Our Group recorded a net cash outflow of RM55.7 million from financing activities, mainly attributable to:

(a) deposits and bank balances released as securities for term loans of RM10.2 million;

(b) drawdowns of term loans of RM2.3 million for working capital purposes;

(c) repayments of term loans of RM36.5 million and revolving credits of RM32.8 million; and

(d) Loan received from Metro Kajang (Oversea) of RM1.1 million for our working capital purposes, such as professional fees and related expenses incurred for our IPO and cost incurred for office renovation of MKHOP.

## 12.3 LIQUIDITY AND CAPITAL RESOURCES

### 12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions and existing cash and bank balances. Our facilities from financial institutions comprise term loans and revolving credits.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of RM47.3 million as at LPD;

(b) Our expected future cash flows from operations;

(c) Our total banking facilities as at LPD of RM78.5 million, of which RM2.2 million have been utilised; and

(d) Our pro forma gearing level of [●] times, computed based on our pro forma combined statements of financial position as at 30 September 2022 after the Acquisition of PT MKH, Acquisition of PT SPS, Capitalisation, Public Issue and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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## 12.4 BORROWINGS

All of our borrowings are interest-bearing and denominated in USD. Our total outstanding borrowings as at 30 September 2022 stood at USD0.5 million (equivalent to RM2.3 million), details of which are set out below:

| | Purpose | Security | Tenure of the facility | Effective interest rate | As at 30 September 2022 |
|---|---|---|---|---|---|
| | | | | % | RM'000 |
| **Interest bearing short-term borrowings, payable within 1 year:** | | | | | |
| N/A | N/A | N/A | N/A | N/A | - |
| | | | | | **-** |
| **Interest bearing long-term borrowings, payable after 1 year:** | | | | | |
| Unsecured term loan | To finance and/or reimburse the purchase of machineries for plantation estate and equipment for palm oil mill, capital expenditure and for general working capital requirement. | Supported by corporate guarantee of the corporate shareholder, MKH. | 5 years | 5.2% | 2,317 |
| | | | | | **2,317** |
| **Total borrowings** | | | | | **2,317** |

**Gearing (times)**

| | |
|---|---|
| After Pre-IPO Reorganisation but before Public Issue and utilisation of proceeds(1) | [●] |
| After Public Issue and utilisation of proceeds(2) | [●] |

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**Notes:**

(1) Computed based on our pro forma total equity of RM[●] million in the pro forma combined statements of financial position after the Pre-IPO Reorganisation but before Public Issue and utilisation of proceeds.

(2) Computed based on our pro forma total equity of RM[●] million in the pro forma combined statements of financial position after Public Issue and utilisation of proceeds.

As at LPD, we do not have any borrowings which are non-interest bearing.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2020 to 2022 and up to LPD.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During FYE 2020 to 2022, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

## 12.5 LOANS AND AMOUNTS OWING FROM/TO RELATED COMPANIES

All of our loans from related companies are unsecured and denominated in RM. Our total outstanding loans and amounts owing from/to related companies as at 30 September 2022 stood at RM124.2 million, details of which are set out below:

| | Purpose | Term | Effective interest rate | As at 30 September 2022 |
|---|---|---|---|---|
| | | | % | RM'000 |
| **Short-term loans and other amounts owing, payable within 1 year:** | | | | |
| Loan from Metro Kajang (Oversea) | Plantation development, construction of new mill and mill upgrading | Unsecured and repayable by 19 quarterly instalments commencing from June 2020 | 7.0 | (3)28,030 |
| Amount owing to/by related company(ies) | Interest payable, management fee and working capital | Unsecured, interest free and repayable on demand | N/A | (1)56,479 |
| Loan from Metro Kajang (Oversea) | Working capital | Unsecured and repayable on demand | 5.0 | (2)8,408 |
| | | | | **92,917** |
| **Long-term loan, payable after 1 year:** | | | | |
| Loan from Metro Kajang (Oversea) | Plantation development, construction of new mill and mill upgrading | Unsecured and repayable by 19 quarterly instalments commencing from June 2020 | 7.0 | (3)31,327 |
| **Total loans from related companies** | | | | **124,244** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Notes:**

(1) Comprising amounts owing to related companies (including interest-free loan and other repayables) as well as an amount owing by a related company totalling RM56.5 million, as follows:

| | | RM'000 |
|---|---|---|
| **Amount owing to MKH Plantation** | | |
| MKH Plantation | Loan made by MKH Plantation to PT SPS | 55,487 |
| | Foreign exchange translation | (148) |
| | | **55,339** |
| **Amount owing to other related companies** | | |
| MKH Resources | Management fee charged by MKH Resources to MKHOP | 5,456 |
| Metro Kajang (Oversea) | Interest payable | (2)106 |
| Laju Jaya | Reimbursable electricity expenses | 3 |
| Pelangi Seri Alam Development Sdn Bhd | Reimbursable expenses on Human Resources Development Fund subscription | 1 |
| | | **60,905** |
| **Amount owing from a related company** | | |
| Metro Kajang (Oversea) | Reimbursable value added tax | (3)(5,141) |
| | Accrual of interest payable | (3)715 |
| | | **56,479** |

For reference, the amount of RM55.5 million (excluding foreign exchange translation for reporting purposes) owing to MKH Plantation is novated to our Company pursuant to the PT SPS Debt Novation and capitalised pursuant to the Capitalisation. Please refer to Section 6.2.4(b) for details of the Capitalisation with respect to this amount.

(2) Outstanding balance excluding interest payable of RM0.1 million. For reference, the entire amount of RM8.5 million including interest payable is capitalised pursuant to the Capitalisation. Please refer to Section 6.2.4(c) for details of the Capitalisation with respect to this amount.

(3) For reference, these amounts owing from and to Metro Kajang (Oversea) totalling RM55.0 millon (excluding foreign exchange translation for reporting purposes) were novated to our Company pursuant to the PT MKH Debt Novation and capitalised pursuant to the Capitalisation. Please refer to Section 6.2.4(a) for details of the Capitalisation with respect to this amount.

All loans from related parties (save for the interest-free loan by MKH Plantation) were transacted on an arm's length basis. The provision of such loans will not recur after our Listing. Additionally, all amounts owing to related parties not already capitalised pursuant to the Capitalisation as mentioned above arose from the ordinary course of business, and have been duly repaid as at LPD.

## 12.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at LPD, save as disclosed in Section 12.4 above, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds comprising borrowings. The principal usages of these bank borrowings are for working capital, plantation development, mill upgrading and for purchase of machineries for plantation estate and equipment for palm oil mill.

All borrowings bear variable interest rates based on the bank's cost of fund rate plus a rate, which varies depending on the different types of bank facilities.

## 12.7 MATERIAL CAPITAL COMMITMENTS

As at LPD, our Group has committed to RM[●] million capital expenditure comprising the purchase of buildings (including the construction of staff quarters, boiler house and PK crushing facility) and plant and machineries for our business operations, which will be financed by our internally generated funds and/or proceeds from the Public Issue.

The material capital commitments as at LPD are as follows:

| | **As at LPD** |
|---|---|
| | **RM'000** |
| Approved but not contracted for: | |
| - Buildings[1] | [●] |
| - Plants and machinery[1] | [●] |
| | [●] |
| Approved and contracted for: | |
| - Buildings[2] | [●] |
| - Plants and machinery[3] | [●] |
| | [●] |
| | **[●]** |

**Notes:**

(1) To be funded through internally generated funds.

(2) RM[●] million to be funded through internally generated funds and the balance of RM[●] million to be funded by the proceeds from the Public Issue allocated for setup of PK crushing facility.

(3) RM[●] million to be funded through internally generated funds and the balance to be funded by the proceeds from the Public Issue allocated for the setup of PK crushing facility of RM[●] million and capital expenditures for existing plantation lands of RM[●] million.

Save as disclosed above, we do not have any other material capital commitments as at LPD.

## 12.8 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding, which might materially or adversely affect our position or business as at LPD.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our business, financial results or position.

## 12.9 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2020 to 2022 are as follows:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| Trade receivables turnover (days)[1] | 15 | 14 | 3 |
| Trade payables turnover (days)[2] | 39 | 31 | 19 |
| Inventory turnover (days)[3] | 52 | 82 | 111 |
| Current ratio (times)[4] | 0.6 | 0.8 | 0.9 |
| Gearing ratio (times)[5] | 1.6 | 0.6 | 0.2 |

**Notes:**

(1) Computed based on the average trade receivables and net of allowances for impairment loss as at financial year-end over revenue for the respective financial years, multiplied by 365 days for each financial year.

(2) Computed based on the average trade payables as at financial year-end over cost of sales for the respective financial years, multiplied by 365 days for each financial year.

(3) Computed based on the average inventory as at financial year-end over cost of sales for the respective financial years, multiplied by 365 days for each financial year.

(4) Computed based on current assets over current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings over total equity as at the end of each financial year.

### 12.9.1 Trade receivables turnover

Our average trade receivables turnover period for FYE 2020 to 2022 is stated as below:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Opening trade receivables | 4,619 | 18,916 | 4,061 |
| Closing trade receivables | 18,916 | 4,061 | 1,871 |
| Average trade receivables | 11,768 | 11,489 | 2,966 |
| Revenue | 282,324 | 306,611 | 315,817 |
| Trade receivables turnover period (days) | 15 | 14 | 3 |

Our trade receivables comprise amounts receivable for the plantation and trading segments. The Group's normal credit term to its customers for the trading of CPO and PK is 30 days, whereas for the trading of building materials is 30 to 60 days. For the Group's plantation customers, the customer will pay 90.0% of the purchase value as a deposit before loading. The balance of 10.0% will be collected within 1 month after delivery.

Our Group established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represents regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

Our Group has not recognised an allowance for impairment loss because there has not been a significant change in credit quality, and the amounts are still considered recoverable. Our Group applies the simplified approach to measure the impairment of trade receivables, contract assets and lease receivables at lifetime expected credit loss. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Our trade receivables turnover periods for FYE 2020, 2021 and 2022 were 15 days, 14 days and 3 days, respectively, and are within our trade terms period. Therefore, our Group is not subject to a significant concentration of credit risk.

Our trade receivables turnover period for FYE 2021 of 14 days has remained consistent with FYE 2020 of 15 days. The opening trade receivables in FYE 2021 comprised mainly trade receivables from the trading segment, during which we ceased business effective on 1 January 2021.

## 12. FINANCIAL INFORMATION *(Cont'd)*

Our trade receivables turnover period decreased from 14 days for FYE 2021 to 3 days for FYE 2022 as we had fully collected all trade receivables from the trading segment. The lower turnover period for FYE 2022 reflects our policy of collecting 90% of our CPO and PK sales prior to delivery.

The ageing analysis of our trade receivables as at 30 September 2022 is as follows:

| | **Trade receivables as at 30 September 2022 (Audited)** | | **Collection from 1 October 2022 to LPD** | **Balance trade receivables as at LPD** |
|---|---|---|---|---|
| | **RM'000** | **Percentage of trade receivables** | **RM'000** | **RM'000** |
| | **(a)** | **(a)/total of (a)** | **(b)** | **(c) = (a)-(b)** |
| Neither past due nor impaired | 1,801 | 96.3 | 1,801 | - |
| Past due but not impaired: | | | | |
| - less than 30 days | 70 | 3.7 | 70 | - |
| - 31 to 60 days | - | - | - | - |
| - over 60 days | - | - | - | - |
| | 70 | 3.7 | 70 | - |
| | **1,871** | **100.0** | **1,871** | **-** |

As at LPD, our trade receivables as at 30 September 2022 have been fully collected.

Notwithstanding the COVID-19 pandemic, during FYE 2022, our customers generally paid within the credit period granted. Our Group has not encountered any major disputes with our trade receivables.

There were no impairment losses on trade receivables for FYE 2020 to 2022.

### 12.9.2 Trade payables turnover

Our average trade payables turnover period for FYE 2020 to 2022 is as follows:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Opening trade payables | 18,619 | 20,477 | 7,874 |
| Closing trade payables | 20,477 | 7,874 | 11,730 |
| Average trade payables | 19,548 | 14,176 | 9,802 |
| Cost of sales | 182,791 | 166,237 | 185,948 |
| Trade payables turnover period (days) | 39 | 31 | 19 |

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from 30 to 90 days for the plantation segment and 14 to 90 days for the trading segment. To maintain a good relationship with our suppliers, we will pay them within the respective credit periods.

Our trade payables turnover periods for FYE 2020, 2021 and 2022 were 39 days, 31 days and 19 days, respectively, which were within the normal credit terms granted by our suppliers.

Our trade payables turnover period decreased from 39 days for FYE 2020 to 31 days for FYE 2021, mainly attributable to less outstanding balances for our trading segment following the cessation of the business in this trading segment effective on 1 January 2021.

Our trade payables turnover period decreased from 31 days for FYE 2021 to 19 days for FYE 2022 as there were no trading purchases in FYE 2022 as our Group has ceased the building materials trading business effective from 1 January 2021.

The ageing analysis of our trade payables as at 30 September 2022 is as follows:

| | **Trade payables as at 30 September 2022** | | **Settlement from 1 October 2022 to LPD** | **Balance trade payables as at LPD** |
|---|---|---|---|---|
| | **RM'000** | **Percentage of trade payables** | **RM'000** | **RM'000** |
| | **(a)** | **(a)/total of (a)** | **(b)** | **I = (a)-(b)** |
| Within credit period | 11,730 | 100.0 | 11,730 | - |
| Exceeding credit period: | | | | |
| - 1 to 30 days | - | - | - | - |
| - 31 to 60 days | - | - | - | - |
| - More than 60 days | - | - | - | - |
| | - | - | - | - |
| | **11,730** | **100.0** | **11,730** | **-** |

As at LPD, we have fully settled the outstanding trade payables as at 30 September 2022.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

### 12.9.3 Inventory turnover

Our inventories comprise fertiliser, plantation consumables as well as CPO and PK. Plantation consumables consist of chemicals, spare parts and lubricants. Inventory cost of CPO and PK includes direct labour, an appropriate share of production overheads and the fair value attributable to agriculture produce at year end in accordance to MFRS 141. Our average inventory turnover period for FYE 2020 to 2022 is set out below:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Opening inventories | | | |
| - CPO and PK | 4,778 | 6,570 | 17,714 |
| - Fertiliser and plantation consumables | 17,344 | 23,492 | 27,261 |
| | 22,122 | 30,062 | 44,975 |
| Closing inventories | | | |
| - CPO and PK | 6,570 | 17,714 | 30,096 |
| - Fertiliser and plantation consumables | 23,492 | 27,261 | 37,618 |
| | 30,062 | 44,975 | 67,714 |
| Average inventories | | | |
| - CPO and PK | 5,674 | 12,142 | 23,905 |
| - Fertiliser and plantation consumables | 20,418 | 23,377 | 32,440 |
| | 26,092 | 37,519 | 56,345 |
| Cost of sales | 182,791 | 166,237 | 185,948 |
| Inventory turnover period (days) | | | |
| - CPO and PK | 11 | 27 | 47 |
| - Fertiliser and plantation consumables | 41 | 56 | 64 |
| - Overall | 52 | 82 | 111 |

Our inventories consist fertiliser, plantation consumables as well as CPO and PK that we purchased from our suppliers. We constantly endeavour to maintain a sufficient inventory level to avoid instances of stock unavailability at our stores. Our inventory turnover periods for FYE 2020, 2021 and 2022 were 52 days, 82 days and 111 days, respectively.

Our inventory turnover period increased from 52 days for FYE 2020 to 82 days for FYE 2021, mainly attributable to the following:

(a) our Group maintains a higher inventory level for plantation consumables such as spare parts to avoid the shortage of plantation consumables resulting from the interruption of the global supply chain primarily due to the COVID-19 pandemic for stockpiling for immediate repair as the delivery of spare parts might take more than 6 months; and

(b) increased CPO inventories resulting from higher fair value of CPO and closing inventory which increased by 2,808MT as CPO sales slowed towards the end of FYE 2021 due to the delay in receiving a sale contract for 2,500MT of CPO from a customer, which resulted in the accumulation of CPO stock. The said sale contract for the 2,500MT of CPO was received in October 2023 and the delivery took place in the even month.

Our inventory turnover period increased from 82 days for FYE 2021 to 111 days for FYE 2022, mainly attributable to the following:

(a) increase in fertiliser inventory level by RM8.1 million resulting from the higher inventory levels for urea and rock phosphate, which were received in September 2022 to avoid the supply shortage of fertiliser;

(b) fertiliser costs increased by RM501 per MT from RM1,420 per MT for FYE 2021 to RM1,920 per MT for FYE 2022, resulting from the shortage of supply due to the conflict between Russia and Ukraine and sanctions implemented by the United States against Russia; and

(c) the increase in CPO and PK inventories by RM12.4 million was primarily due to higher volume for CPO and PK of 3,192MT and 940MT, respectively as at 30 September 2022, of which 3,000MT of CPO with 90.0% downpayment duly paid was only collected by the customer on 5 October 2022 and the 1,200MT of PK which were contracted in the last quarter of FYE 2022 was only collected by the customer in November 2022 as the customer's PK crushing plant was under major maintenance in the last quarter of 2022.

We review our inventories on a product-by-product and ageing basis during the periodic stock count and we make allowance for damaged, obsolete and slow-moving inventories, when necessary. Management estimates the net realisable value for such inventory items based primarily on the current market conditions.

During FYE 2020 to 2022, our Group had written down inventories as below:

| | **Audited** | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Inventories written off[(1)] | 4 | 1 | 1 |

**Note:**

(1) Comprise plantation consumables written-off due to damaged spare parts that were no longer in good condition.

We are of the opinion that there are no material slow-moving and/or obsolete inventories as at LPD.

### 12.9.4 Current ratio

Our current ratio throughout FYE 2020 to 2022 is as follows:

| | Audited | | |
|---|---|---|---|
| | As at 30 September | | |
| | **2020** | **2021** | **2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Current assets | 113,071 | 131,515 | 134,950 |
| Current liabilities | 200,655 | 161,807 | 142,674 |
| **Net current liabilities** | (87,584) | (30,292) | (7,724) |
| Current ratio (times) | 0.6 | 0.8 | 0.9 |

Our current ratio ranges from 0.6 times to 0.9 times for FYE 2020 to 2022.

Our current ratio increased from 0.6 times as at 30 September 2020 to 0.8 times as at 30 September 2021, mainly attributable to the following:

(a) increase in cash and bank balances of RM21.2 million, mainly due to improved internally generated funds from our business operations;

(b) the increase in inventories of RM14.9 million, mainly due to the accumulation of plantation consumables such as spare parts to avoid a shortage resulting from the interruption of the global supply chain due to the COVID-19 pandemic, and increased CPO inventories resulting from higher fair value of CPO and closing inventory which increased by 2,808MT;

(c) decrease in loans and borrowings of RM30.3 million, mainly due to scheduled repayments of term loans and revolving credits;

(d) net repayments to Metro Kajang (Oversea) of RM17.1 million for advances mainly to finance our plantation's working capital purposes, such as our plantation development costs, costs for construction of a new mill and upgrading of our existing mill; and

(e) decrease in trade payables of RM12.6 million and the amount due to MKH Building Materials Sdn Bhd, a related company (trade-in nature) of RM1.4 million, both were mainly in relation to building materials for our trading business, as our Group had ceased the building materials trading business effective from 1 January 2021 and there were no such purchases thereafter.

The above increase contributed to the improvement in our current ratio as at 30 September 2021, and were partially offset by the following:

(a) the decrease in trade receivables of RM14.9 million, mainly due to no outstanding trade receivables from the trading segment following the cessation of our building materials trading business effective from 1 January 2021; and

(b) the increase in current tax liabilities of RM16.3 million, mainly due to the higher tax expenses resulting from higher profits recorded for FYE 2021.

Our current ratio continuously improved from 0.8 times as at 30 September 2021 to 0.9 times as at 30 September 2022, mainly attributable to the following:

(a) increase in inventories of RM22.7 million, mainly due to the increase in fertiliser by RM8.1 million primarily resulting from (i) the higher inventory levels for urea and rock phosphate, which were received in September 2022 to avoid the supply shortage of fertiliser; (ii) fertiliser costs increased by RM501 per MT, resulting from the conflict between Russia and Ukraine; and (iii) the increase in CPO and PK inventories by RM12.4 million primarily due to higher volume for CPO and PK of 3,192MT and 940MT respectively as at 30 September 2022, of which 3,000MT of CPO with 90.0% downpayment duly paid was only collected by the customer on 5 October 2022 and 1,200MT of PK which were contracted in the last quarter of FYE 2022 was only collected by the customer in November 2022 as the customer's PK crushing plant was under major maintenance in the last quarter of 2022;

(b) decrease in loans and borrowings of RM46.5 million, mainly due to scheduled repayments of term loans and early settlement of revolving credits; and

(c) the current tax liabilities decreased by RM16.3 million, mainly due to the final tax assessment for FYE 2021 of RM18.2 million being paid upon finalisation during FYE 2022.

The above increases contributed to the improvement in the current ratio as at 30 September 2022 were partially offset by the following:

(a) the decrease in cash and bank balances of RM15.5 million was mainly due to the following outflows of cash:

    (i) the net repayments of term loans of RM34.2 million and revolving credits of RM32.8 million and the related interests of RM5.8 million during FYE 2022; and

    (ii) tax payments of RM39.5 million comprising:

        (aa) the final tax assessment for FYE 2021 of RM18.2 million upon finalisation during FYE 2022; and

        (bb) estimated tax instalments of RM21.3 million paid for FYE 2022.

    Such payments were offset by the internally generated funds from our business operations;

(b) increase in loans from Metro Kajang (Oversea) of RM24.8 million, mainly due to reclassification of amounts due within 1 year from non-current liabilities to current liabilities;

(c) increase in trade payables of RM3.9 million due to higher amounts owing to fertiliser supplier for the plantation consumables accumulated in September 2022 to avoid the supply shortage of fertiliser resulting from the conflict between Russia and Ukraine; and

(d) increase in downpayment from our CPO and PK customers of RM11.4 million, mainly in relation to a 90.0% downpayment by a customer for 3,000MT CPO that subsequently collected by the customer on 5 October 2022.

### 12.9.5 Gearing ratio

Our gearing ratio throughout FYE 2020 to 2022 is as follows:

| | **Audited** | | |
|---|---|---|---|
| | **As at 30 September** | | |
| | **2020** | **2021** | **2022** |
| | **RM'000** | **RM'000** | **RM'000** |
| Borrowings | 131,220 | 68,768 | 2,317 |
| Interest bearing loan from Metro Kajang (Oversea) | 68,672 | 66,904 | 67,765 |
| **Total** | **199,892** | **135,672** | **70,082** |
| Total equity | 124,776 | 211,372 | 280,949 |
| Gearing ratio (times)[(1)] | 1.6 | 0.6 | 0.2 |

**Note:**

(1) Computed based on total interest-bearing borrowings and loan from Metro Kajang (Oversea) over total equity as at the end of each financial year.

Our gearing ratio ranges from 0.2 times to 1.6 times for FYE 2020 to 2022.

As at 30 September 2021, our gearing ratio decreased to 0.6 times (as at 30 September 2020: 1.6 times), mainly attributable to the decrease in loans and borrowings of RM62.5 million as a result of the repayment of term loans of RM58.6 million and revolving credits of RM21.5 million, and netting the drawdown of term loans of RM14.4 million for working capital purpose. Additionally, our improved financial performance and position for FYE 2021 also contributed to the lower gearing ratio as at 30 September 2021.

Our gearing ratio decreased to 0.2 times as at 30 September 2022 (as at 30 September 2021: 0.6 times), mainly attributable to the decrease in loans and borrowings of RM66.5 million as a result of the repayment of term loans of RM36.5 million and revolving credits of RM32.8, and netting the drawdown of term loans of RM2.3 million for working capital purposes. In addition, our improved financial performance and position for FYE 2022 also contributed to the lower gearing ratio as at 30 September 2022.

## 12.10 SIGNIFICANT FACTORS AFFECTING OUR BUSINESS

Section 9 details the risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

**(a) Our business growth may be adversely affected if we fail to continuously improve our FFB yields which could result in stagnant or lower production of CPO and PK**

FFB yields are generally dependent on the land profile of our plantation estates, age profile and quality of our oil palms, as well as adoption of efficient plantation practices to ensure high FFB yields including field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment.

Our Group achieved average FFB yields of 29.3MT per Ha, 26.7MT per Ha and 23.2MT per Ha in FYE 2020, FYE 2021 and FYE 2022, respectively. There can be no assurance that we will continue to achieve high FFB yields if we fail continuously to adopt or improve our plantation practices.

Any decrease in FFB yields will result in stagnant or lower production of CPO and PK, which may eventually negatively affect our financial performance and our future growth. Even if we purchase FFB from third party plantation estates for the production of CPO and PK in our palm oil mill in the event of low FFB yields in our plantation estates, we are required to incur additional costs for the purchase of FFB and there can be no assurance on the quality of FFB purchased. All of these may have a negative impact on our cost of sales and may consequently impact our financial performance.

**(b) Our financial performance is subject to our ability to continuously deliver CPO and PK based on our customers' requirements**

The ability to deliver CPO and PK based on the customers' requirements, i.e. the content of FFA in CPO produced by palm oil mills in Indonesia should not be more than 5.0% at the point of loading for delivery to customers. The FFA content in CPO produced by our Group is generally lower than 5.0%, at averages of 3.4%, 4.0%, and 4.6% for FYE 2020, FYE 2021 and FYE 2022, respectively.

Our customer can claim for a reduction in sales price based on a pre-agreed range, if we deliver CPO with FFA content above 5.0%. During FYE 2020 to 2022, there were claims from our customers on sales of CPO and PK amounting to approximately RM0.1 million, RM0.2 million and RM1.7 million respectively, which accounted for approximately 0.1%, 0.1% and 0.5% of our Group's total revenue from plantation business segment respectively.

If we fail to continuously maintain the quality of our CPO and PK, our financial performance will be negatively impacted as a result of claims from our customers. It may also negatively impact our reputation in the industry as a reliable provider of quality CPO and PK, which may result in a potential loss of confidence and sales of our CPO and PK from our existing and potential customers, and may consequently negatively impact our business growth.

**(c) Our business and financial performance may be adversely affected if we lose significant sales from our major customers**

For FYE 2020 to 2022, sales contributed by our top 5 major customers accounted for 88.2%, 95.9% and 99.9% of our total revenue respectively, indicating a concentration of our revenue amongst these customers, and a risk of dependency on them. There is no assurance that we will be able to continue retaining these customers, or that the volume of purchases from our major customers will not vary significantly in the future. In the event that there are significant reductions in purchases from our major customers or a complete loss of any of our major customers, our financial performance and results of our operations may be adversely affected.

Further, our Group has entered into annual sale and purchase agreements with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO and PK, and PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) for sale of PK, as at LPD. Our financial performance and results of our operations will be adversely affected if the annual sale and purchase agreements with these customers are not renewed and these customers cease to purchase from us.

**(d) We may be adversely affected by fluctuations in prices of supplies purchased by our Group**

Our Group's GP margin is also susceptible to fluctuations in the prices of some supplies, such as fertilisers, FFB from the Plasma Programme, CPO from neighbouring third-party palm oil mills, diesel and petrol as well as chemicals. The prices of these supplies are dependent on, amongst others, the prevailing global crude oil prices and CPO prices, and/or the demand and supply conditions of these supplies.

Any significant fluctuation in the prices of these supplies may significantly increase our cost of sales, which may adversely affect our business, financial condition, results of operations and prospects should we fail to pass the increase in cost to our customers. For FYE 2020, FYE 2021, FYE 2022 and up to the LPD, we did not encounter any material increase in the cost of these purchases which substantially increase our cost of sales and lead to an adverse impact on our financial performance.

### (e) Exposure to foreign exchange transaction risks

Our Group is an oil palm plantation group principally involved in the cultivation of oil palm and production and sale of CPO and PK in Indonesia. Our sales are all made to local customers in Indonesia whereby the sales are denominated in IDR. Further, during the FYE 2020 to 2022, we also purchased spare parts from overseas suppliers to support our business operations, which were denominated in RM and/or USD. However, the purchases of spare parts from overseas suppliers were minimal, which accounted for 1.7%, 1.2% and 1.6% to our total purchases for FYE 2020 to 2022 respectively.

Additionally, our Group has USD-denominated outstanding borrowings of approximately RM2.3 million as at 30 September 2022, and RM-denominated advances from related companies of approximately RM110.3 million as at 30 September 2022, with further details set out in Section 12.13(a). Our Group utilises IDR to repay the USD-denominated borrowings and RM-denominated advances from related companies.

As at LPD, our Group does not hedge our exposure against fluctuations in foreign currency exchange rates as currency positions in IDR are considered to be long-term in nature. As such, we are subject to foreign exchange fluctuation risk for our USD-denominated borrowings and RM-denominated advances from related companies. In particular, for FYE 2020, we recorded unrealised and realised loss on foreign exchange by RM13.9 million and RM3.4 million, respectively, in respect of our borrowings denominated in USD and RM against IDR. Further, for FYE 2022, we recorded realised loss on foreign exchange by RM0.6 million. Please refer to Section 12.13(a) for further details on our foreign exchange gains and losses for FYE 2020 to 2022.

For FYE 2020 to 2022, our gains and losses from foreign exchange fluctuations are as follows:

| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| Realised (loss)/gain on foreign exchange | (3,366) | 3,079 | (642) |
| Unrealised (loss)/gain on foreign exchange | (13,879) | 7,785 | 4,491 |
| **Net (loss)/gain** | **(17,245)** | **10,864** | **3,849** |

Further, as our operations are based in Indonesia, save for sales to overseas countries and some purchases from overseas suppliers which are denominated in USD, all our business transactions are denominated in IDR. However, for the purposes of financial reporting in Malaysia, all financials will be converted to RM for disclosure in financial statement. As such, our financial statement reported in RM may not be reflective of our results of operations due to the fluctuations in foreign exchange rates, mainly between IDR and RM. This has given rise to foreign exchange translation reserve amount disclosed under 'other comprehensive income' as 'foreign exchange translation differences'.

**(f) Exposure to credit risk and default payment by customers**

For the sale of CPO and PK, our customers are required to place an upfront payment of 90.0% of the total contract value, with the remaining 10.0% to be fulfilled upon the issuance of necessary delivery documents such as bill of lading and manifest to our customers after the product delivery, whereby our Group typically receives the payment within our credit terms which range from 30 to 60 days. The dates in which our customers are required to fulfil the upfront payment are stipulated in the contracts. In the event of delay or default in payment by our customers, our operating cash flows or financial results of operations may be affected.

While we have not impaired for any credit loss or experienced any material delay or default in payment by our customers for FYE 2020 to 2022 and up to the LPD, there can be no guarantee that our customers will be able to fulfil their payment obligations within our credit terms and that we will not encounter any collection problems in the future. In the event that there is any default or delay in the collection of payment, it will lead to impairment losses on trade receivables or bad debts which may impact our financial performance.

**(g) Exposure to various inherent risks in the plantation industry**

As we are involved in the cultivation of oil palm for the production and sale of CPO and PK, we are subject to risks inherent to the oil palm plantation industry. These include, but are not limited, to:

(i) adverse weather conditions;

(ii) outbreak of diseases or crop pests; and

(iii) fires.

All the external factors above may cause disruption to our plantation activities and/or reduction in our FFB yields, which may in turn adversely affect our production and sale of CPO and PK. Further, occurrence of fires involving our palm oil mill may cause damage to all or part of our palm oil mill, which may lead to disruptions in our palm oil milling activities, thereby impacting the production and sale of our CPO and PK. Any prolonged interruptions to our FFB yields as well as plantation and palm oil milling activities will affect our ability in fulfilling our sales orders, thus causing delivery delays to our customers. This could adversely impact our relationships with customers, our financial performance and reputation in the industry.

**(h) Our financial performance is subject to the fluctuation in the market prices of CPO and PK**

As with other commodities, the market prices of CPO and PK fluctuate along with international demand and supply conditions. The highest and lowest market prices (in IDR and RM) for CPO and PK published by the Plantation Office of East Kalimantan for 2020, 2021 and 2022 are as follows:

| | CPO price (IDR/kg) | | PK price (IDR/kg) | |
|---|---|---|---|---|
| **Year** | **High** | **Low** | **High** | **Low** |
| 2020 (January to December) | 9,148.02 | 6,657.44 | 5,013.61 | 3,131.43 |
| 2021 (January to December) | 13,641.24 | 9,170.35 | 10,075.49 | 5,691.30 |
| 2022 (January to December) | 15,490.11 | 8,467.09 | 12,605.44 | 4,420,39 |

| | CPO price (RM/MT) | | PK price (RM/MT) | |
|---|---|---|---|---|
| **Year** | **High** | **Low** | **High** | **Low** |
| 2020 (January to December) | 2,625.48 | 2,010.55 | 1,438.91 | 945.69 |
| 2021 (January to December) | 4,010.52 | 2,641.06 | 2,962.19 | 1,639.09 |
| 2022 (January to December) | 4,600.56 | 2,548.59 | 3,743.82 | 1,330.54 |

A significant and prolonged reduction in the prices of CPO and palm oil-based products would have a material adverse effect on our results of operations, profitability and cash flows.

## 12.11 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during FYE 2020 to 2022. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.2.6.

## 12.12 IMPACT OF INFLATION

During FYE 2020 to 2022, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

## 12.13 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS

### (a) Impact of foreign exchange rates

Our Group is an oil palm plantation group principally involved in the cultivation of oil palm and the production and sale of CPO and PK in Indonesia. Our sales are all made to local customers in Indonesia. All our sales to local customers in Indonesia are denominated in IDR.

Further, for FYE 2020 to 2022, we also purchased spare parts from overseas suppliers to support our plantation business, which were denominated in RM and/or USD.

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

| | FYE 2020 | | FYE 2021 | | FYE 2022 | |
|---|---|---|---|---|---|---|
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Sales denominated in: | | | | | | |
| (i) IDR | 250,454 | 88.7 | 294,458 | 96.0 | 315,817 | 100.0 |
| (ii) RM | 31,870 | 11.3 | 12,153 | 4.0 | - | - |
| | **282,324** | **100.0** | **306,611** | **100.0** | **315,817** | **100.0** |
| Purchases denominated in: | | | | | | |
| (i) IDR | 55,718 | 63.4 | 65,258 | 84.2 | 83,929 | 98.4 |
| (ii) RM | 32,181 | 36.6 | 12,266 | 15.8 | 952 | 1.1 |
| (iii) USD | 32 | * | - | - | 424 | 0.5 |
| | **87,931** | **100.0** | **77,524** | **100.0** | **85,305** | **100.0** |

**Note:**

* Representing less than 0.1%.

As our current operations are based in Indonesia, save for sales to overseas countries and some purchases from overseas suppliers which are denominated in USD, all our business transactions are denominated in IDR. However, for the purposes of financial reporting in Malaysia, all financials will be converted to RM for disclosure in the financial statements. As such, our financial statements reported in RM may not be reflective of our results of operations due to the fluctuations in foreign exchange rates, mainly between IDR and RM. This has given rise to foreign exchange translation reserve amount disclosed under 'other comprehensive income' as 'foreign exchange translation differences'.

However, our Group has USD-denominated outstanding borrowings of RM2.3 million as at 30 September 2022 and RM-denominated loans from Metro Kajang (Oversea) and MKH Plantation of RM110.3 million as at 30 September 2022. Our Group utilises IDR to repay such foreign denominated borrowings and loans. Our Group also holds cash and bank balances denominated in USD and IDR for our Group's working capital purposes.

## 12. FINANCIAL INFORMATION *(Cont'd)*

Our cash and bank balances, outstanding borrowings and loans denominated in the respective currencies are as follows:

| | As at 30 September | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Cash and bank balances denominated in: | | | | | | |
| (i) IDR | 19,164 | 52.9 | 36,654 | 63.8 | 32,358 | 77.0 |
| (ii) USD | 15,458 | 42.6 | 19,433 | 33.8 | 4,919 | 11.7 |
| (iii) RM | 1,628 | 4.5 | 1,378 | 2.4 | 4,737 | 11.3 |
| | **36,250** | **100.0** | **57,465** | **100.0** | **42,014** | **100.0** |
| Borrowings denominated in: | | | | | | |
| USD | 131,220 | 100.0 | 68,768 | 100.0 | 2,317 | 100.0 |
| Loans from Metro Kajang (Oversea) and MKH Plantation denominated in: | | | | | | |
| RM[(1)] | 127,940 | 100.0 | 121,026 | 100.0 | 110,270 | 100.0 |

**Note:**

(1) Our Group utilises IDR to repay the RM-denominated loans from Metro Kajang (Oversea) and MKH Plantation.

For FYE 2020 to 2022, our gains and losses from foreign exchange fluctuations are as follows:

| | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|
| | RM'000 | RM'000 | RM'000 |
| Realised (loss)/gain on foreign exchange | (3,366) | 3,079 | (642) |
| Unrealised (loss)/gain on foreign exchange | (13,879) | 7,785 | 4,491 |
| **Net (loss)/gain** | **(17,245)** | **10,864** | **3,849** |

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis.

Our Group is exposed to currency translation risk arising from its net investments in our Indonesia operations. Our Group's investment in Indonesia is not hedged as currency positions in IDR are considered to be long term in nature.

As at LPD, our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for our loans and borrowings in USD and loans from Metro Kajang (Oversea) and MKH Plantation in RM.

**(b) Impact of interest rates**

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for FYE 2020 to 2022 is as follows:

| | Audited | | |
|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** |
| Interest coverage ratio (times)[1] | 3.1 | 13.9 | 13.5 |

**Note:**

(1) Computed based on EBIT over finance costs for FYE 2020 to 2022.

Our interest coverage ratios range from 3.1 times to 13.9 times during FYE 2020 to 2022, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for FYE 2020 to 2022 were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

**(c) Impact of commodity prices**

As with other commodities, the market prices of CPO and PK fluctuate along with international demand and supply conditions. The highest and lowest market prices for CPO and PK published by the Plantation Office of East Kalimantan for years 2020, 2021 and 2022 are as follows:

| | CPO price (IDR/kg) | | PK price (IDR/kg) | |
|---|---|---|---|---|
| **Year** | **High** | **Low** | **High** | **Low** |
| 2020 (January to December) | 9,148.02 | 6,657.44 | 5,013.61 | 3,131.43 |
| 2021 (January to December) | 13,641.24 | 9,170.35 | 10,075.49 | 5,691.30 |
| 2022 (January to December) | 15,490.11 | 8,467,09 | 12,605.44 | 4,420.39 |

Local and international prices for CPO and PK are affected by a number of factors, including the following:

(i) the supply and demand levels for CPO, PK and other edible or non-edible fats and oils (such as soybean oil, rapeseed oil, sunflower oil, non-edible vegetable oils and non-edible animal fats);

(ii) global production levels and physical stocks (i.e. the supply level) of CPO, PK and other edible or non-edible fats and oils, which tend to be affected principally by global weather conditions and the area of land under cultivation;

(iii) global consumption levels (i.e. the demand level) of CPO, PK and other edible oils;

(iv) the price of crude oil, which impacts the prices of biofuels and in turn impact the price of CPO and PK as palm oil can be used in the production of biofuels;

(v) developments in the Indonesian, regional and global economic and political situations which may affect the supply and demand conditions of CPO and PK in the global market;

(vi) foreign exchange rates as any major fluctuations in the currencies in which CPO and PK are transacted may affect the favourability of CPO and PK exported from a particular country, thereby affecting demand;

(vii) import and export duties and other taxes in major CPO import/ consumption/ production/ export countries which may affect the imports and/or exports of CPO and PK in the respective countries; and

(viii) changes in government regulations such as implementation of any export bans and domestic regulations that may limit the export of CPO and PK.

The key underlying reason that affects the local and international market prices of CPO and PK is the supply and demand levels for CPO and PK. Any increase in demand for CPO and PK and/or shortage in supply of CPO and PK tends to result in an increase in the market price of CPO and PK, and vice versa. A significant and prolonged reduction in the prices of CPO and palm oil-based products would have a material adverse effect on our results of operations, profitability and cash flows.

## 12.14 SIGNIFICANT CHANGES

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FYE 2022 and up to LPD.

## 12.15 ORDER BOOK

Our Group is primarily involved in the cultivation of oil palm and harvesting of its FFB, and the production and sale of CPO and PK. Due to the nature of our business, we do not maintain an order book.

Our CPO and PK are primarily sold to customers who have entered into sale and purchase agreements with our Group. As at LPD, we have entered into sale and purchase agreements with agreement terms of approximately 1 year, with 2 of our major customers (i.e. PT Kutai Refinery Nusantara for sales of CPO and PK; and PT Binasawit Abadipratama for sale of PK), whereby the agreements are subject to yearly renewal. Based on the sale and purchase agreements, our Group is obliged to sell a pre-agreed volume of CPO or PK to the respective customers, whereby the selling prices of the CPO and PK to PT Kutai Refinery Nusantara are determined based on the auction price published by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK on spot trading day, while the selling price of PK to PT Binasawit Abadipratama is based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month. As at LPD, based on the existing sale and purchase agreements entered with our customers, there are CPO and PK volumes totalling 58,000MT and 5,690 MT respectively that have yet to be delivered to our customers, in which 38,000MT of CPO and 5,690MT of PK will be fulfilled in FYE 2023, balance 20,000MT of CPO will be fulfilled in FYE 2024.

On top of the CPO and PK produced to fulfill the sale obligations under the sale and purchase agreements, we also produce additional CPO and PK for sales. These CPO and PK can be sold to customers for whom we entered into sale and purchase agreements as a top-up to their pre-agreed amount, whereby the selling prices are determined based on spot price used by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK. Further, the additional CPO and PK produced can also be sold to other customers through e-bidding tendering process, whereby the sales are exercised at auction price from tenders and the delivery is typically carried out within 30 days from the confirmation of tenders. There were no outstanding tender as at LPD.

## 12.16 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the oil palm industry as set out in the IMR Report in Section 8;

(b) our liquidity will improve further subsequent to our Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.15; and

(c) our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

## 12.17 TREND INFORMATION

Based on our tracked record for FYE 2020 to 2022, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

(a) revenue contribution from plantation segment has been the main revenue contributor for our business. We expect this segment to continue contributing significantly to our revenue in future;

(b) for FYE 2020 to 2022, the main component of our cost of sales are cultivation costs which contributed 51.7%, 59.5% and 66.4% of our total cost of sales for FYE 2020 to 2022, respectively. Moving forward, we expect this trend will continue; and

(c) we achieved a GP margin of 35.3%, 45.8% and 41.1% for FYE 2020 to 2022 respectively. Our GP margin in the future would depend on, amongst others, our continued ability to manage our cost efficiently and subject to prevailing market prices for CPO and PK.

As at LPD, after all reasonable enquires, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 7.8, 12.2, 12.10, 12.11, 12.12 and 12.13;

(b) material commitments for capital expenditure disclosed in Section 12.7;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.8, 12.2, 12.10, 12.11, 12.12 and 12.13;

(d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discusses in Sections 7.8, 12.2, 12.10, 12.11, 12.12 and 12.13; and

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.8, 12.2, 12.10, 12.11, 12.12 and 12.13.

Based on the above, our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.14, the outlook of the oil palm industry in Indonesia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.15.

## 12.18 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. Upon completion of our IPO, save as disclosed in Section 16.4, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to the availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances, prior written notification has been given to lender, confirming that (i) all covenants including but not limited to financial covenants, representations and warranties have been complied with by PT MKH pertaining to the Foreign Currency Term Financing Facility-i 3 (FC Term-i 3) extended by OCBC Al-Amin Bank Berhad to PT MKH; and (ii) no event of default has occurred or is continuing or would occur. Moving forward, the payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

The dividends paid by our Indonesia subsidiaries may be taxed in Indonesia for withholding tax at a rate not exceeding 10.0% of the gross amount of the dividends. According to the prevailing Double Tax Agreement between Indonesia and Malaysia, dividend payments paid to our Company will be subject to a withholding tax. PT MKH and PT SPS have an obligation to withhold the tax of dividends distribution and pay to the tax authority. For avoidance of doubt, the dividend income received by our Company are exempted from corporate income tax in Malaysia up to 31 December 2026 based on the following qualifying conditions:

(a) the foreign source dividend income has been subjected to tax in the country of origin i.e. Indonesia;

(b) the highest corporate tax rate in the country of origin i.e. Indonesia is at least 15.0%; and

(c) our Group has complied with the economic substance requirements where (i) adequate number of employees are employed with necessary qualifications to carry out our operations in Malaysia; and (ii) adequate amount of operating expenditure has been incurred for carrying out our operations in Malaysia.

Our Board will consider the following factors when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) the level of cash and level of indebtedness;

(b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(c) our expected results of operations and future level of operations;

(d) our projected levels of capital expenditure and other investment plans; and

(e) the prior consent from our lenders, if any.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board, and will depend on factors stated above. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than its liabilities.

For FYE 2020 to 2022 and up to LPD, no dividends were declared and paid to shareholders of our Company and our subsidiaries.

As at LPD, there is no outstanding dividends declared and unpaid. Subsequent to LPD, no dividend was declared, made or paid by our Group. Our Group does not intend to declare any dividend prior to our Listing.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

## 12.19 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 January 2023 and after adjusting for the effects of the Acquisition of PT MKH and Acquisition of PT SPS, the Capitalisation and Public Issue, including the utilisation of proceeds.

| | Unaudited | I | II | III | IV |
|---|---|---|---|---|---|
| | [(1)]As at 31 January 2023 | After Acquisition of PT MKH and Acquisition of PT SPS | After I and Capitalisation | After II and Public Issue | After III and utilisation of proceeds |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Capitalisation** | | | | | |
| Share capital | 110,468 | 191,848 | [●] | [●] | [●] |
| **Total capitalisation** | **110,468** | **191,848** | [●] | [●] | [●] |
| **Indebtedness**[(2)] | | | | | |
| **Current** | | | | | |
| Loans and borrowings | 2,185 | 2,185 | 2,185 | 2,185 | 2,185 |
| Interest bearing loans from Metro Kajang (Oversea) | 43,579 | 43,579 | [●] | [●] | [●] |
| **Non-current** | | | | | |
| Loans and borrowings | 241 | 241 | 241 | 241 | 241 |
| Interest bearing loans from Metro Kajang (Oversea) | 24,457 | 24,457 | [●] | [●] | [●] |
| **Total indebtedness** | **70,462** | **70,462** | **[●]** | **[●]** | **[●]** |
| **Total capitalisation and indebtedness** | **180,930** | **262,310** | **[●]** | **[●]** | **[●]** |
| **Gearing ratio (times)**[(3)] | **0.6** | **0.4** | **[●]** | **[●]** | **[●]** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Notes:**

(1) After adjusting for the disposal of 100.0% and 99.9% equity interests in Restu Mesra and PT NMJ, respectively.

(2) All of our indebtedness are secured and/or guaranteed except for a term loan which is unsecured but guaranteed and all interest bearing loans from Metro Kajang (Oversea) which are unsecured and not guaranteed.

(3) Calculated based on total indebtedness divided by total capitalisation.

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Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 12A Hunza Tower
163E Jalan Kelawei
10250 Penang
Malaysia

Tel: +604 2945500
Fax: +604 2189278
mypenang@deloitte.com
www.deloitte.com/my

The Board of Directors
MKH Oil Palm (East Kalimantan) Berhad
G-02 & G-03, Ground Floor, Wisma MKH,
Jalan Semenyih,
43000 Kajang,
Selangor Darul Ehsan.

Dear Sirs,

**Reporting Accountants' opinion on the combined financial statements contained in the Accountants' Report of MKH Oil Palm (East Kalimantan) Berhad**

**Opinion**

We have audited the combined financial statements of MKH Oil Palm (East Kalimantan) Berhad ("the Company") and its combining entities as disclosed in Note 34 to the combined financial statements ("the Group"), which comprise the combined statements of financial position as at September 30, 2022, September 30, 2021 and September 30, 2020, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 4 to 97. The combined financial statements of the Group have been prepared for inclusion in the Prospectus of MKH Oil Palm (East Kalimantan) Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of MKH Oil Palm (East Kalimantan) Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at September 30, 2022, September 30, 2021 and September 30, 2020 and of its combined financial performance and its combined cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our reporting accountants' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Forward)

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Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

*Independence and Other Ethical Responsibilities*

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

**Directors' Responsibilities for the Combined Financial Statements**

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

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

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(Forward)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the combining entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**Restriction on Distribution and Use**

This report is made solely to the Company and for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Deloitte PLT

**DELOITTE PLT (LLP0010145-LCA)**
**Chartered Accountants (AF0080)**

**ALVIN CHANG SHU-WEI**
**Partner – 03480/01/2024 J**
**Chartered Accountant**

Penang,

March 24, 2023

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

| | Notes | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| Revenue | 4 | 315,817,268 | 306,610,806 | 282,323,509 |
| Cost of sales | 5 | (185,948,501) | (166,236,960) | (182,790,649) |
| Gross profit | | 129,868,767 | 140,373,846 | 99,532,860 |
| Other income | | 6,489,524 | 18,082,628 | 9,355,350 |
| Administration expenses | | (39,242,652) | (37,175,492) | (34,042,801) |
| Sales and marketing expenses | | (10,844,455) | (9,262,495) | (11,870,648) |
| Other expenses | | (6,947,520) | (2,122,659) | (22,763,982) |
| **Profit from operations** | | 79,323,664 | 109,895,828 | 40,210,779 |
| Finance costs | | (5,839,934) | (7,868,609) | (12,605,090) |
| **Profit before tax** | 6 | 73,483,730 | 102,027,219 | 27,605,689 |
| Tax expenses | 8 | (13,345,821) | (24,575,444) | (8,915,766) |
| **Profit for the year** | | 60,137,909 | 77,451,775 | 18,689,923 |
| **Other comprehensive income for the financial year** | | | | |
| *Items that will not be reclassified to profit or loss subsequently:* | | | | |
| Remeasurement gains/(losses) on defined benefit plans | 21 | 1,357,260 | 3,189,373 | (144,860) |
| Income tax relating to remeasurement (losses)/gains on defined benefit plans | 8 | (512,070) | (958,113) | 393,890 |
| Revaluation surplus of buildings | | - | - | 2,838,040 |
| Income tax relating to surplus arising from revaluation of buildings | 8 | - | - | (448,070) |
| | | 845,190 | 2,231,260 | 2,639,000 |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

| | Notes | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| *Item that may be reclassified to profit or loss subsequently:* | | | | |
| Foreign currency translation differences | | 8,593,890 | 6,913,588 | (5,231,019) |
| **Total comprehensive income for the financial year** | | 69,576,989 | 86,596,623 | 16,097,904 |
| **Profit for the financial year attributable to:** | | | | |
| Owner of the parent | | 55,547,284 | 72,217,410 | 17,797,114 |
| Non-controlling interests | 20 | 4,590,625 | 5,234,365 | 892,809 |
| | | 60,137,909 | 77,451,775 | 18,689,923 |
| **Total comprehensive income for the financial year attributable to:** | | | | |
| Owner of the parent | | 64,546,855 | 81,024,225 | 15,126,001 |
| Non-controlling interests | 20 | 5,030,134 | 5,572,398 | 971,903 |
| | | 69,576,989 | 86,596,623 | 16,097,904 |
| **Earnings per ordinary share (sen):** | | | | |
| Basic earnings per ordinary share | 9 | 50.28 | 96.77 | 28.40 |
| Diluted earnings per ordinary share | 9 | 50.28 | 65.37 | 16.11 |

The accompanying Notes form an integral part of the combined financial statements of the Group.

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**
**AS AT SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

| | Notes | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 10 | 317,110,711 | 320,711,215 | 325,380,408 |
| Prepaid lease payments | 11 | 19,933,403 | 20,341,816 | 20,878,248 |
| Goodwill on consolidation | 12 | 5,340,011 | 5,146,787 | 4,900,865 |
| Receivables, deposits and prepayments | 13 | 1,390,752 | 2,187,461 | 1,998,836 |
| Investment in subsidiaries | 14 | 50,001 | 1 | 1 |
| **Total Non-Current Assets** | | 343,824,878 | 348,387,280 | 353,158,358 |
| **Current Assets** | | | | |
| Inventories | 15 | 67,714,407 | 44,974,687 | 30,062,243 |
| Biological assets | 16 | 5,917,360 | 6,177,026 | 4,233,267 |
| Receivables, deposits and prepayments | 13 | 15,394,533 | 22,899,420 | 36,172,301 |
| Current tax assets | | 3,909,828 | - | 6,352,358 |
| Cash and bank balances | 17 | 42,014,471 | 57,464,522 | 36,250,247 |
| **Total Current Assets** | | 134,950,599 | 131,515,655 | 113,070,416 |
| **TOTAL ASSETS** | | 478,775,477 | 479,902,935 | 466,228,774 |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**
**AS AT SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**
**(CONTINUED)**

| | Notes | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and Reserves** | | | | |
| Share capital | 18 | 112,595,375 | 112,595,375 | 112,595,375 |
| Reserves | 19 | 155,084,585 | 90,537,730 | 9,513,505 |
| Equity attributable to the owner of the parent | | 267,679,960 | 203,133,105 | 122,108,880 |
| Non-controlling interests | 20 | 13,269,512 | 8,239,378 | 2,666,980 |
| **Total Equity** | | 280,949,472 | 211,372,483 | 124,775,860 |
| **Non-Current Liabilities** | | | | |
| Provisions | 21 | 15,705,767 | 15,210,765 | 16,654,766 |
| Payables and accruals | 22 | 31,326,624 | 59,516,424 | 62,457,570 |
| Loan and borrowings | 23 | 2,317,544 | 22,269,300 | 54,450,908 |
| Deferred tax liabilities | 24 | 5,802,468 | 9,726,487 | 7,234,613 |
| **Total Non-Current Liabilities** | | 55,152,403 | 106,722,976 | 140,797,857 |
| **Current Liabilities** | | | | |
| Payables and accruals | 22 | 142,663,413 | 98,937,002 | 123,777,673 |
| Loan and borrowings | 23 | - | 46,498,949 | 76,768,645 |
| Current tax liabilities | | 10,189 | 16,371,525 | 108,739 |
| **Total Current Liabilities** | | 142,673,602 | 161,807,476 | 200,655,057 |
| **Total Liabilities** | | 197,826,005 | 268,530,452 | 341,452,914 |
| **TOTAL EQUITY AND LIABILITIES** | | 478,775,477 | 479,902,935 | 466,228,774 |

The accompanying Notes form an integral part of the combined financial statements of the Group.

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

| | | Non-distributable | | Distributable | | | |
|---|---|---|---|---|---|---|---|
| | Issued capital RM | Translation reserve RM | Revaluation reserve RM | (Accumulated losses)/Retained earnings RM | Attributable to owner of the parent RM | Non-controlling interests RM | Total equity RM |
| **Balance as at October 1, 2019** | 112,595,375 | (2,540,911) | 4,518,887 | (7,590,472) | 106,982,879 | 1,695,077 | 108,677,956 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | - | - | - | 17,797,114 | 17,797,114 | 892,809 | 18,689,923 |
| **Other comprehensive (loss)/income** | | | | | | | |
| Foreign currency translation differences | - | (5,142,400) | - | - | (5,142,400) | (88,619) | (5,231,019) |
| Revaluation surplus of building - net of tax | - | - | 2,256,313 | - | 2,256,313 | 133,657 | 2,389,970 |
| Remeasurement gain on defined benefits plans - net of tax | - | - | - | 214,974 | 214,974 | 34,056 | 249,030 |
| Total comprehensive (loss)/income for the financial year | - | (5,142,400) | 2,256,313 | 18,012,088 | 15,126,001 | 971,903 | 16,097,904 |
| **Balance as at September 30, 2020** | 112,595,375 | (7,683,311) | 6,775,200 | 10,421,616 | 122,108,880 | 2,666,980 | 124,775,860 |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

| | | Non-distributable | | Distributable | | | |
|---|---|---|---|---|---|---|---|
| | **Issued capital RM** | **Translation reserve RM** | **Revaluation reserve RM** | **Retained earnings RM** | **Attributable to owner of the parent RM** | **Non-controlling interests RM** | **Total equity RM** |
| **Balance as at October 1, 2020** | 112,595,375 | (7,683,311) | 6,775,200 | 10,421,616 | 122,108,880 | 2,666,980 | 124,775,860 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | - | - | - | 72,217,410 | 72,217,410 | 5,234,365 | 77,451,775 |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | - | 6,693,735 | - | - | 6,693,735 | 219,853 | 6,913,588 |
| Remeasurement gain on defined benefits plans - net of tax | - | - | - | 2,113,080 | 2,113,080 | 118,180 | 2,231,260 |
| Total comprehensive income for the financial year | - | 6,693,735 | - | 74,330,490 | 81,024,225 | 5,572,398 | 86,596,623 |
| **Balance as at September 30, 2021** | 112,595,375 | (989,576) | 6,775,200 | 84,752,106 | 203,133,105 | 8,239,378 | 211,372,483 |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

| | | Non-distributable | | Distributable | | | |
|---|---|---|---|---|---|---|---|
| | Issued capital RM | Translation reserve RM | Revaluation reserve RM | Retained earnings RM | Attributable to owner of the parent RM | Non-controlling interests RM | Total equity RM |
| **Balance as at October 1, 2021** | 112,595,375 | (989,576) | 6,775,200 | 84,752,106 | 203,133,105 | 8,239,378 | 211,372,483 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | - | - | - | 55,547,284 | 55,547,284 | 4,590,625 | 60,137,909 |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | - | 8,206,343 | - | - | 8,206,343 | 387,547 | 8,593,890 |
| Remeasurement gain on defined benefits plans-net of tax | - | - | - | 793,228 | 793,228 | 51,962 | 845,190 |
| Total comprehensive income for the financial year | - | 8,206,343 | - | 56,340,512 | 64,546,855 | 5,030,134 | 69,576,989 |
| **Balance as at September 30, 2022** | 112,595,375 | 7,216,767 | 6,775,200 | 141,092,618 | 267,679,960 | 13,269,512 | 280,949,472 |

The accompanying Notes form an integral part of the combined financial statements of the Group.

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | 73,483,730 | 102,027,219 | 27,605,689 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 30,440,013 | 30,344,627 | 29,605,106 |
| Interest expenses on: | | | |
| Loans and borrowings | 1,243,410 | 3,201,011 | 7,200,786 |
| Amount due to related company | 4,596,524 | 4,667,598 | 5,404,304 |
| Impairment loss on investment in subsidiary | 3,191,184 | - | 1,222,445 |
| Provision for post-employment benefit obligations | 3,163,357 | 2,064,106 | 3,711,395 |
| Property, plant and equipment written off | 579,953 | 234,376 | 305,513 |
| Changes in fair values of biological assets | 577,142 | (1,637,252) | 913,440 |
| Amortisation of prepaid lease payments | 556,716 | 727,493 | 723,141 |
| Inventories written off | 577 | 721 | 4,493 |
| Unrealised (gain)/loss on foreign exchange-net | (4,490,904) | (7,785,247) | 13,878,605 |
| Interest income | (654,507) | (675,821) | (543,266) |
| Bad debts written off | - | 94,291 | 251,486 |
| Operating Profit Before Working Capital Changes | 112,687,195 | 133,263,122 | 90,283,137 |
| Increase in inventories | (22,740,297) | (14,913,165) | (7,944,686) |
| Decrease/(increase) in receivables, deposits and prepayments | 5,501,065 | 13,253,625 | (3,740,184) |
| Increase/(decrease) in payables and accruals | 16,906,305 | (23,843,565) | 12,292,863 |
| Cash Generated from Operations | 112,354,268 | 107,760,017 | 90,891,130 |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Interest received | 654,507 | 675,821 | 543,266 |
| Interest paid | (5,839,934) | (7,901,850) | (12,772,693) |
| Tax paid | (39,547,245) | (9,346,974) | (5,893,673) |
| Tax refunded | - | 8,712,054 | 5,222,049 |
| Retirement benefit obligation paid | (1,978,519) | (1,514,693) | (746,241) |
| Net Cash from Operating Activities | 65,643,077 | 98,384,375 | 77,243,838 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | (16,111,976) | (10,048,714) | (9,238,777) |
| Repayment from/(Advance to) a subsidiary | 2,800,531 | (263,660) | 43,625 |
| Acquisition of a subsidiary | (1) | - | - |
| Subscription of shares in subsidiaries | (3,241,183) | - | - |
| Net Cash Used in Investing Activities | (16,552,629) | (10,312,374) | (9,195,152) |
| **CASH FLOWS USED IN FINANCING ACTIVITIES** | | | |
| Repayment of term loans | (36,526,371) | (58,602,014) | (82,273,796) |
| Drawdown of term loans | 2,258,872 | 14,359,254 | 28,354,387 |
| Repayment of revolving credits | (32,783,522) | (21,523,614) | (13,402,050) |
| Advance from/(repayment to) related companies | 1,115,524 | (1,906,623) | 2,436,477 |
| Deposits and bank balances released/(pledged) as securities | 10,259,714 | 2,404,960 | (313,717) |
| Drawdown of revolving credits | - | - | 6,261,288 |
| Net Cash Used in Financing Activities | (55,675,783) | (65,268,037) | (58,937,411) |

(Forward)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

| | Note | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS** | | (6,585,335) | 22,803,964 | 9,111,275 |
| Effect of exchange rate fluctuations | | 1,394,998 | 815,271 | (4,012,358) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | 47,204,808 | 23,585,573 | 18,486,656 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | | 42,014,471 | 47,204,808 | 23,585,573 |

**Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Cash and bank balances (Note 17) | 42,014,471 | 57,464,522 | 36,250,247 |
| Less: Deposits and bank balances pledged for credit facilities | - | (10,259,714) | (12,664,674) |
| | 42,014,471 | 47,204,808 | 23,585,573 |

**Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment by the following means:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Interest capitalised | - | (34,190) | (167,603) |
| Acquisition of property, plant and equipment ("PPE") (Note 10) | 16,111,976 | 10,082904 | 9,406,380 |
| Cash payments | 16,111,976 | 10,048,714 | 9,238,777 |

**Reconciliation of loans and borrowings arising from financing activities are as per below:**

| | As at October 1, 2021 RM | Financing cash flows RM | Effect of movements in exchange rate RM | As at September 30, 2022 RM |
|---|---|---|---|---|
| Term loans | 37,328,595 | (34,267,499) | (743,552) | 2,317,544 |
| Revolving credits | 31,439,654 | (32,783,522) | 1,343,868 | - |
| Amount due to related companies | 66,903,620 | 1,115,524 | (254,191) | 67,764,953 |
| | 135,671,869 | (65,935,497) | 346,125 | 70,082,497 |

| | As at October 1, 2020 RM | Financing cash flows RM | Effect of movements in exchange rate RM | As at September 30, 2021 RM |
|---|---|---|---|---|
| Term loans | 79,193,028 | (44,242,760) | 2,378,327 | 37,328,595 |
| Revolving credits | 52,026,525 | (21,523,614) | 936,743 | 31,439,654 |
| Amount due to related companies | 68,671,968 | (1,906,623) | 138,275 | 66,903,620 |
| | 199,891,521 | (67,672,997) | 3,453,345 | 135,671,869 |

| | As at October 1, 2019 RM | Financing cash flows RM | Effect of movements in exchange rate RM | As at September 30, 2020 RM |
|---|---|---|---|---|
| Term loans | 134,831,001 | (53,919,409) | (1,718,564) | 79,193,028 |
| Revolving credits | 60,629,285 | (7,140,762) | (1,461,998) | 52,026,525 |
| Amount due to related companies | 66,300,552 | 2,436,477 | (65,061) | 68,671,968 |
| | 261,760,838 | (58,623,694) | (3,245,623) | 199,891,521 |

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

## 1. GENERAL INFORMATION

MKH Oil Palm (East Kalimantan) Berhad was incorporated on August 10, 2004 under the Companies Act, 2016 ("the Act") as a private limited company.

On January 7, 2021, the Company changed its name from Detik Merdu Sdn. Bhd. to MKH Global Plantation Sdn. Bhd.

On October 1, 2021, the Company changed its name from MKH Global Plantation Sdn. Bhd, to MKH Oil Palm (East Kalimantan) Sdn. Bhd.

On August 11, 2022, the Company converted from a private limited company to a public limited company and the name of the Company converted from MKH Oil Palm (East Kalimantan) Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Berhad.

The registered office and principal place of business of the Company is located at G-02 & G-03, Ground Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan.

The Company is principally an investment holding and management services company. The principal activities of the combining entities are set out in Note 34.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (a) Basis of preparation

The restructuring exercise, as part of the listing scheme in relation to the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Securities ("IPO"), will result in the Company becoming the holding company of the combined entities as set out in Note 34.

The combined financial statements of the Group have been prepared solely in connection with the IPO and for no other purposes.

The combined financial statements consist of the financial statements of the Company and the combining entities under common control of MKH Berhad. The Company's ultimate holding company is MKH Berhad, which is incorporated in Malaysia and is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad.

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Common control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisitions, as the combined financial statements reflect business combinations under common control for the purpose of the IPO. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the Group.

The combined financial statements of the Group for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The combined financial statements of the Group have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission of Malaysia for purpose of inclusion in the Prospectus of the Company in connection with the IPO.

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported periods. It also requires directors to exercise their judgements in the process of applying the accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

**Adoption of New and Amendments of MFRS and Issues Committee ("IC") Interpretation**

As at September 30, 2022, the Group has adopted all the amendments to MFRS issued by the Malaysia Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual periods beginning on or after October 1, 2021.

| | |
|---|---|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendments to MFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to MFRS 3 | References to the Conceptual Framework |
| Amendments to MFRS 116 | Property, Plant, and Equipment – Proceeds before Intended Use |
| Amendments to MFRS 137 | Onerous Contracts – Costs of Fulfilling a Contract |

| | |
|---|---|
| Annual improvements to MFRS Standards 2018-2020 | Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9 *Financial Instruments*, MFRS 16 *Leases* and MFRS 141 *Agriculture* |

**New and amendments to Standards in issue but not yet effective**

At the date of authorisation for issue of these combined financial statements, the new and amendments to MFRS which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

| | |
|---|---|
| MFRS 17 | Insurance Contracts [(a)] |
| Amendments to MFRS 17 | Insurance Contracts [(a)] |
| Amendments to MFRS 17 | Initial Application of MFRS 17 *Insurance Contracts* and MFRS 9 *Financial Instruments* – Comparative Information [(a)] |
| Amendments to MFRS 4 | Extension of the Temporary Exemption from Applying MFRS 9 *Financial Instruments* [(a)] |
| Amendments to MFRS 101 and MFRS Practice Statements 2 | Disclosure of Accounting Policies [(a)] |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current [(a)] |
| Amendments to MRFS 112 | Deferred Tax related to Assets and Liabilities arising from a Single Transactions [(a)] |
| Amendments to MFRS 108 | Definition of Accounting Estimates [(b)] |
| Amendments to MFRS 16 | Lease Liability in a Sale and Leaseback [(b)] |
| Amendments to MFRS 101 | Non-current Liabilities with Covenants [(b)] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(c)] |

[(a)] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

[(b)] Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

[(c)] Effective date deferred indefinitely.

The directors anticipate that the abovementioned new and amendments to MFRS will be adopted in the combined financial statements of the Group when they become effective and that the adoption of these new and amendments to MFRS will have no material impact on the combined financial statements of the Group in the period of initial application.

**(b) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements of the Group are presented in Ringgit Malaysia ("RM"). All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

**(c) Significant accounting estimates and judgements**

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the combined financial statements are described in the following paragraphs:

(i) Tax expense (Note 8) – significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the tax expense. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

(ii) Valuation of land and buildings (Note 10) – the valuation of land and buildings performed by management is based on independent professional valuations with reference to the direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and when necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, and cost method of valuation, being assumed to have a direct relationship with its cost of construction, is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value. Management believes that the chosen valuation techniques and assumptions are appropriate in determining the valuation of the Group's land and buildings.

(iii) Impairment of property, plant and equipment (Note 10) – the Group assesses impairment of property, plant and equipment when there is an indication that the carrying amount of an asset may be impaired, the asset's recoverable amount, being the higher of its fair value less costs to sell and its value-in-use ("VIU"), will be assessed. The assessment of the recoverable amounts involves a number of methodologies. In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU such as discount rate, revenue growth and costs of sales could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's financial position and results.

(iv) Depreciation of property, plant and equipment (Note 10) – the cost of property, plant and equipment are depreciated on a straight line basis over the assets' useful lives and lease term respectively. Management estimates the useful lives of these property, plant and equipment to be within 4 to 99 years based on past experience with similar assets or/and common life expectancies of the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation or amortisation charges. Depreciation of bearer plants is charged so as to write off the cost of mature plantations, using the straight line method, over the estimated useful lives of 20 years or over the lease period, whichever is shorter.

(viii) Impairment loss on receivables (Note 13) – the Group accounts for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. The Group uses a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

(ix) Inventories (Note 15) – the saleability of inventories such as crude palm oil and palm kernel are reviewed by management on a periodic basis. This review involves comparison of the carrying values of the inventory items with the respective net realisable values. The purpose is to ascertain whether a write down to net realisable value is required to be made.

(x) Provision of post-employment benefit obligations (Note 21) – the provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.

(xi) Fair values of biological assets (Note 16) – to arrive at the fair values of Fresh Fruits Bunches ("FFB"), management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 15 days prior to harvest was used for valuation purposes. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flows to be generated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements, and have been applied consistently by the Group, unless otherwise stated.

### (a) Basis of combination

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

(Forward)

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or a loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**(b) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the combination method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the combination date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Combination-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or deferred tax liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with MFRS 9 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete at the reporting date in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

**(c) Business Combinations Involving Common Control Entities**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

The combined financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling parties. The share capital of all the combining entities is presented as invested capital in the combined statement of financial position.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control, where this is a shorter period, regardless of the date of the common control combination. Expenditure incurred in connection with the restructuring is recognised as an expense in profit or loss.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Expenditure incurred in connection with the restructuring is recognised as an expense in profit or loss.

The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entities.

The debit differences arising between the cost of acquisition and the nominal value of share capital of the subsidiaries are reflected within equity as invested capital.

**(d) Foreign currency**

(i) **Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the Group entities' functional currency (foreign currencies) are recorded in the Group entities' functional currency at the exchange rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the combined consolidated financial statements are translated into RM as follows:

(i) assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
(ii) income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
(iii) all resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences accumulated in equity at the date of disposal of the subsidiary is reclassified to the combined consolidated profit or loss.

**(e) Revenue recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

**(i) Sale of goods**

Revenue from sale of goods, crude palm oil ("CPO") and palm kernel is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised by the Group at a point in time when control of the goods underlying the performance obligation is transferred to the buyers.

**(ii) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

**(f) Employee benefits**

**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if any, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees' Provident Fund or other defined contributable plans are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**(ii) Defined benefit plans**

Certain foreign subsidiaries of the Group operate unfunded defined benefit schemes. The foreign subsidiaries' obligations under the schemes are determined based on external actuarial valuation in accordance with the labour law requirements in that country where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting date. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or a credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be classified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost and past service cost);
- net interest expense or income; and
- remeasurement.

The amount recognised at the reporting date represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Plan assets resulting from this calculation are to be used only to settle the employee benefit obligations and only can be returned to the Group if the remaining assets of the fund are sufficient to meet the plan's obligation to pay the related employee benefits directly.

**(g) Borrowing costs**

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

**(h) Leases**

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the lessor has a substantive substitution right, the asset is not identified.
- the lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to operate the asset; or the lessor designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single-lease component.

**(i) The Group as lessee**

**(i) Recognition and initial measurement**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar term, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**(ii) Subsequent measurement**

The right-of-use asset is subsequently measured at cost, less accumulated depreciation and accumulated impairment loss (if any) in accordance with MFRS 136 *Impairment of Assets*. The right-of-use asset is generally depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The estimated useful lives of right-of-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is adjusted for certain remeasurement of the lease liabilities.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or a rate or change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

- a lease contract is modified and the lease modifications is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Determination of lease term**

In determining the lease term upon the lease commencement, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group which affects whether the Group is reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

**(i) Tax expense**

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle the current tax assets and liabilities on a net basis.

**(j) Property, plant and equipment**

**(i) Recognition and measurement**

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment, except for buildings, are stated at cost less accumulated depreciation and impairment loss, if any. Buildings are stated at valuation, which is the fair value at the date of the valuation, less accumulated depreciation and accumulated impairment loss, if any.

The Group revalues its building every five years from the last date of valuation or at shorter intervals whenever the fair value of the said assets is expected to differ substantially from its carrying amounts.

Surplus arising from revaluation are transferred to revaluation reserve. Any deficits are offset against the previously recognised revaluation surplus to the extent of a previous increase for the same property and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any unutilised revaluation reserve relating to the particular asset is transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until these assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

| | |
|---|---|
| Buildings | 5% |
| Motor vehicles, plant and machinery | 5% to 12.5% |
| Furniture, fittings and equipment | 12.5% |
| Plantation infrastructure | 12.5% |
| Bearer plants | 20 years, or over the lease period if shorter |

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants (oil palm trees) include mature plantations and immature plantations that are established or acquired by the Group.

Mature plantations are stated at cost, less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write off the cost of mature plantations, using the straight-line method, over the estimated useful lives of 20 years or over the lease period, whichever is shorter.

Immature plantations are stated at cost. The costs of immature plantations consist mainly of the accumulated cost of planting, fertilising and maintaining the plantation, including borrowing costs on such borrowings and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate. An oil palm plantation is considered mature when such plantation starts to produce at the end of the fourth year.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use. Any gains or losses on disposal of bearer plants are recognised in profit or loss in the year of disposal.

The residual values and useful lives of bearer plants are reviewed, and adjusted as appropriate, at each reporting date.

**(k) Prepaid lease payments**

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments that are stated at cost less accumulated amortisation, are amortised over the lease term on a straight line basis.

**(l) Goodwill**

Goodwill arises on the acquisition of subsidiaries is identified as any excess of the consideration paid over the Group's share of fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill acquired is allocated to the cash-generating units ("CGU") expected to benefit from the acquisition synergies. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

**(m) Biological assets**

Biological assets comprise produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flows are estimated using expected output method and the estimated market price of the produce growing on bearer plants.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the reporting date.

**(n) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Cost of inventories is based on the specific identification, first-in first-out and weighted average principles, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of CPO and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141. The fair value of biological assets harvested from the Group's own plantation and sold during the year are recorded as part of the biological assets movement (Note 16) and as part of changes in fair value of biological assets" in determining profit.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

**(o) Impairment of non-financial assets**

The carrying amounts of assets (except for inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

**(p) Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. The transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the combined statements of profit and loss and other comprehensive income. Where the fair value of a financial asset at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognised as a gain or a loss in the combined statements of profit or loss. However, trade receivables that do not contain a significant financing component are measured at transaction price.

**(i) Financial assets**

Financial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through profit or loss. Fair value changes are recognised in the combined statements of profit or loss and other comprehensive income at each reporting date.

Impairment of financial assets and contract assets

An impairment loss is recognised in profit or loss based on ECL at the end of each reporting period. ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from defaults event on a financial instrument that are possible within 12 months after the reporting date.

Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

The Group applies the simplified approach to measure the impairment of trade receivables, contract assets and lease receivables at lifetime ECL. The ECL are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For other financial assets such as other receivables and amount due from intercompany, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the impairment losses for that financial instrument at an amount equal to 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without due cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward looking information.

At the end of each reporting period, the Group assesses whether the financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, such as debtor who have defaulted on payment, or are in significant financial difficulties, or it is becoming probable that the borrower will enter bankruptcy.

These assets are written off when there is no reasonable expectation of recovery, with case-by-case assessment performed based on indicators such as insolvency or demise. Subsequent recoveries of amounts previously written off are recognised in profit or loss as bad debts recovered.

Deposits and bank balances of the Group are placed with reputable financial institution with high credit ratings and no history of default. Hence, the Group does not expect any losses from default or non-performance by the counterparties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On the recognition of a financial asset (except for financial assets measured at FVTOCI), the difference between the carrying amount and the consideration received is recognised in the combined statements of profit or loss.

**(ii) Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the combined statements of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The differences between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the combined statements of profit or loss and other comprehensive income.

**(q) Cash and cash equivalents**

The Group adopts the indirect method in the preparation of the combined statements of cash flows. Cash and cash equivalents are short-term and highly liquid investments and are readily convertible to cash with insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**(r) Provisions**

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

At the reporting date, provisions are reviewed by the management and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

**(s) Contingencies**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(t) Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to chief operating decision maker who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

**(u) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 4. REVENUE

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Revenue from contracts with customers:** | | | |
| Sale of CPO and palm kernel | 315,817,268 | 294,458,125 | 250,453,420 |
| Sale of goods | - | 12,152,681 | 31,870,089 |
| | 315,817,268 | 306,610,806 | 282,323,509 |

The Group is engaged in trading of CPO, palm kernel, building materials and household related products. The Group entered into contracts with customers to supply goods. Revenue is recognised upon delivery and issuance of sales invoice to customers. However, the Group had ceased its operations in trading of building materials and household related products in 2021.

Performance obligation is satisfied upon delivery of goods to customers and acknowledged by customers. The credit term granted to customers generally ranged from cash on delivery ("COD") to 30 days (September 30, 2021: COD to 60 days; September 30, 2020: COD to 60 days). No allocation of transaction price required to performance obligation as each contract consists of one performance obligation only.

The Group's revenue excludes intra-group transactions.

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Timing of revenue recognition** | | | |
| Point in time | 315,817,268 | 306,610,806 | 282,323,509 |

## 5. COST OF SALES

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Cost of sales of CPO and palm kernel | 185,948,501 | 154,860,892 | 152,049,857 |
| Cost of goods sold | - | 11,376,068 | 30,740,792 |
| | 185,948,501 | 166,236,960 | 182,790,649 |

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Profit before tax is arrived at after charging:** | | | |
| Depreciation of property, plant and equipment | 30,440,013 | 30,344,627 | 29,605,106 |
| Employee benefit expenses: | | | |
| Contribution to Employees' Provident Fund | 412,897 | 216,923 | 241,838 |
| Provision for post-employment benefit obligations | 3,163,357 | 2,064,106 | 3,711,395 |
| Wages, salaries and others | 11,622,872 | 10,553,965 | 10,527,043 |
| Interest expenses on: | | | |
| Loans and borrowings | 1,243,410 | 3,201,011 | 7,200,786 |
| Amount due to related company (Note 26(b)) | 4,596,524 | 4,667,598 | 5,404,304 |
| Impairment loss on investment in subsidiary | 3,191,184 | - | 1,222,445 |
| Loss on foreign exchange - net: | | | |
| Realised | 641,563 | - | 3,366,212 |
| Unrealised | - | - | 13,878,605 |
| Property, plant and equipment written off | 579,953 | 234,376 | 305,513 |
| Changes in fair values of biological assets | 577,142 | - | 913,440 |
| Amortisation of prepaid lease payments | 556,716 | 727,493 | 723,141 |
| Expenses relating to short-term leases | 259,184 | 112,598 | 87,385 |
| Auditors' remuneration: | | | |
| Statutory audit | 281,490 | 257,800 | 158,195 |
| Non-statutory audit | 856,100 | - | - |
| Inventories written off | 577 | 721 | 4,493 |
| Bad debts written off | - | 94,291 | 251,486 |
| **And after crediting:** | | | |
| Gain on foreign exchange - net: | | | |
| Realised | - | 3,079,358 | - |
| Unrealised | 4,490,904 | 7,785,247 | - |
| Interest income | 654,507 | 675,821 | 543,266 |
| Changes in fair values of biological assets | - | 1,637,252 | - |

## 7. DIRECTORS' REMUNERATION

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Directors of the Company** | | | |
| Executive Director: | | | |
| Other emoluments | 421,433 | 200,484 | - |
| Benefit-in-kind | 7,487 | 4,400 | - |
| | 428,920 | 204,884 | - |
| **Directors of subsidiaries** | | | |
| Directors: | | | |
| Other emoluments | 104,661 | 87,797 | 85,891 |
| Key Management: | | | |
| Other emoluments | 780,189 | 343,818 | - |
| Post-employment benefits | 93,821 | 41,364 | - |
| | 978,671 | 472,979 | 85,891 |
| | 1,407,591 | 677,863 | 85,891 |

## 8. TAX EXPENSE

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Current tax** | | | |
| Malaysia: | | | |
| Current financial year | 142,900 | 174,400 | 192,500 |
| Under provision in prior financial year | 112,248 | 1,800 | 1,023 |
| Overseas: | | | |
| Current financial year | 19,020,933 | 23,511,843 | 9,771,649 |
| (Over)/under provision in prior financial year | - | (437,979) | 372,906 |
| | 19,276,081 | 23,250,064 | 10,338,078 |
| **Deferred tax** (Note 24) | | | |
| Origination and reversal of temporary differences | (2,150,258) | 1,325,380 | (1,422,312) |
| Over provision in prior financial year | (3,780,002) | - | - |
| | (5,930,260) | 1,325,380 | (1,422,312) |
| Total tax expense recognised in profit or loss | 13,345,821 | 24,575,444 | 8,915,766 |
| Deferred tax related to other comprehensive income (Note 24): | | | |
| Revaluation of buildings | - | - | 448,070 |
| Remeasurement losses/(gains) on defined benefits plans | 512,070 | 958,113 | (393,890) |
| Total tax expense recognised in other comprehensive income | 512,070 | 958,113 | 54,180 |

A reconciliation of tax expense applicable to profit before tax at the statutory income tax rate to tax expense at the effective tax rate of the Group is as follows:

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| Profit before tax | 73,483,730 | 102,027,219 | 27,605,689 |
| Tax calculated using the Malaysian tax rate of 24% | 17,636,095 | 24,486,533 | 6,625,365 |
| Tax effects of non-deductible expenses | 2,109,013 | 3,663,773 | 3,119,802 |
| Tax effects of non-taxable income | (143,992) | (751,737) | (119,519) |
| Effect of differences in overseas tax rate | (1,582,279) | (2,027,848) | (563,168) |
| Realisation of deferred tax assets not recognised in previous financial years | (1,005,262) | (359,098) | (520,643) |
| Under/(Over) provision in prior financial years: | | | |
| Current tax | 112,248 | (436,179) | 373,929 |
| Deferred tax | (3,780,002) | - | - |
| Tax expense | 13,345,821 | 24,575,444 | 8,915,766 |

As mentioned in Note 3, the tax effects of unused tax losses would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. As at September 30, 2022, September 30, 2021 and September 30, 2020, the estimated amount of unused tax losses, for which the net deferred tax assets are not recognised in the combined financial statements due to uncertainty of realisation, is as follows:

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| Unused tax losses | 5,630,458 | 10,199,831 | 11,832,093 |

Under the Indonesian tax regulations, the unused tax losses can be utilised within 5 years after the losses were incurred.

| **Business loss incurred in year of assessment ("YA")** | **RM** | **Carried forward up to YA** | **Unutilised amount will be disregarded in YA** |
|---|---|---|---|
| 2018 | 5,630,458 | 2023 | 2024 |

**Tax Assessment YA 2019**

On January 4, 2021, PT Maju Kalimantan Hadapan ("PTMKH"), a subsidiary of the Company, received a Notice of Tax Overpaid Assessment from the Indonesia's Director General of Tax ("DGT") amounting to IDR29,816 million, equivalent to RM8.68 million for the year of assessment 2019.

On April 1, 2021, PTMKH filed an objection letter in reply to the above Notice of Tax Overpaid Assessment, as management are of the opinion, PTMKH should have tax refund amounting to IDR35,281 million, equivalent to RM10.27 million. DGT have restricted the claim on management fee incurred by PTMKH amounted to IDR21,855 million, equivalent to RM6.37 million which resulted in additional tax liability of IDR5,464 million, equal to RM1.59 million. On December 24, 2021, the objection letter has been rejected by tax appeal office in Balikpapan, Indonesia.

On March 18, 2022, PTMKH filed an appeal to tax court in Jakarta, Indonesia. On August 24, 2022, PTMKH received a notice of tax hearing from Jakarta's tax court to attend the said appeal on September 7, 2022. The Jakarta's tax court had requested PTMKH to provide additional analysis and summary report for the tax assessment during the tax hearing on September 7, 2022, October 5, 2022, November 9, 2022, December 7, 2022, January 25, 2023 and February 22, 2023. The Jakarta's tax court has verbally informed PTMKH that next tax hearing will be held on March 29, 2023.

Based on consultation with the local tax experts, the Board of MKHOP are of the opinion that PTMKH has a valid defense against DGT's assessment. Accordingly, PTMKH has not made any adjustments in respect of the tax assessment in the combined financial statements of the Group and PTMKH.

## 9. EARNINGS PER SHARE

**Basic earnings per share**

The basic earnings per share is calculated by dividing the Group's profit attributable to owner of the parent by the weighted average number of ordinary shares in issue during the financial year.

Basic earnings per share are calculated as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Profit attributable to owner of the parent | 55,547,284 | 72,217,410 | 17,797,114 |
| Number of ordinary shares in issue at beginning of the financial year | 110,474,975 | 62,674,975 | 62,674,975 |
| Adjusted weighted average number of new ordinary shares | - | 11,950,000 | - |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 110,474,975 | 74,624,975 | 62,674,975 |
| Basic earnings per ordinary share (sen) | 50.28 | 96.77 | 28.40 |

**Diluted earnings per share**

The diluted earnings per share has been calculated by dividing the Group's profit attributable to owner of the parent for the financial year by the weighted average number of ordinary shares that would have been in issue assuming exercise of the redeemable convertible preference shares, adjusted for the number of such ordinary shares that would have been issued at fair value:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Profit attributable to owner of the parent | 55,547,284 | 72,217,410 | 17,797,114 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 110,474,975 | 74,624,975 | 62,674,975 |
| Weighted average number of redeemable convertible preference shares for the purpose of diluted earnings per share | - | 35,850,000 | 47,800,000 |
| | 110,474,975 | 110,474,975 | 110,474,975 |
| Diluted earnings per ordinary share (sen) | 50.28 | 65.37 | 16.11 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| Balance as at October 1, 2021 | 43,970,499 | 9,231,138 | 93,730,701 | 8,881,812 | 315,206,981 | 52,877,506 | 15,115,943 | 539,014,580 |
| Additions | 3,023 | 1,598,903 | 8,702,059 | 1,864,832 | - | - | 3,943,159 | 16,111,976 |
| Write-offs | (61,335) | (385,992) | (2,417,130) | (90,232) | - | - | - | (2,954,689) |
| Reclassification | (1,144,289) | - | 4,378,192 | 63,430 | 14,936,383 | 178,038 | (18,411,754) | - |
| Effect of movements in exchange rate | 1,656,870 | 343,146 | 3,499,674 | 332,114 | 12,025,325 | 1,985,490 | 563,129 | 20,405,748 |
| Balance as at September 30, 2022 | 44,424,768 | 10,787,195 | 107,893,496 | 11,051,956 | 342,168,689 | 55,041,034 | 1,210,477 | 572,577,615 |
| **Accumulated depreciation** | | | | | | | | |
| Balance as at October 1, 2021 | 16,242,363 | 6,696,615 | 50,140,353 | 6,210,000 | 117,306,965 | 21,707,069 | - | 218,303,365 |
| Charge for the financial year | 1,541,393 | 942,574 | 8,161,072 | 739,239 | 16,229,121 | 2,826,614 | - | 30,440,013 |
| Write-offs | (61,335) | (322,749) | (1,912,935) | (77,717) | - | - | - | (2,374,736) |
| Effect of movements in exchange rate | 645,382 | 245,993 | 2,298,639 | 232,512 | 4,851,824 | 823,912 | - | 9,098,262 |
| Balance as at September 30, 2022 | 18,367,803 | 7,562,433 | 58,687,129 | 7,104,034 | 138,387,910 | 25,357,595 | - | 255,466,904 |
| **Net carrying amounts** | | | | | | | | |
| As at September 30, 2022 | 26,056,965 | 3,224,762 | 49,206,367 | 3,947,922 | 203,780,779 | 29,683,439 | 1,210,477 | 317,110,711 |

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| Balance as at October 1, 2020 | 40,777,309 | 8,770,078 | 84,101,124 | 7,680,137 | 299,902,023 | 49,988,712 | 13,296,506 | 504,515,889 |
| Additions | - | 127,104 | 3,546,283 | 499,421 | - | 38,812 | 5,871,284 | 10,082,904 |
| Write-offs | (108,540) | (106,263) | (826,116) | (154,555) | - | - | - | (1,195,474) |
| Reclassification | 1,248,807 | - | 2,651,963 | 467,061 | - | 339,269 | (4,707,100) | - |
| Effect of movements in exchange rate | 2,052,923 | 440,219 | 4,257,447 | 389,748 | 15,304,958 | 2,510,713 | 655,253 | 25,611,261 |
| Balance as at September 30, 2021 | 43,970,499 | 9,231,138 | 93,730,701 | 8,881,812 | 315,206,981 | 52,877,506 | 15,115,943 | 539,014,580 |
| **Accumulated depreciation** | | | | | | | | |
| Balance as at October 1, 2020 | 11,918,506 | 5,642,448 | 41,605,769 | 5,438,678 | 96,445,450 | 18,084,630 | - | 179,135,481 |
| Charge for the financial year | 3,809,651 | 840,774 | 6,842,197 | 615,901 | 15,538,975 | 2,697,129 | - | 30,344,627 |
| Write-offs | (107,770) | (74,857) | (657,760) | (120,711) | - | - | - | (961,098) |
| Effect of movements in exchange rate | 621,976 | 288,250 | 2,350,147 | 276,132 | 5,322,540 | 925,310 | - | 9,784,355 |
| Balance as at September 30, 2021 | 16,242,363 | 6,696,615 | 50,140,353 | 6,210,000 | 117,306,965 | 21,707,069 | - | 218,303,365 |
| **Net carrying amounts** | | | | | | | | |
| As at September 30, 2021 | 27,728,136 | 2,534,523 | 43,590,348 | 2,671,812 | 197,900,016 | 31,170,437 | 15,115,943 | 320,711,215 |

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | |
| Balance as at October 1, 2019 | 49,599,367 | 9,546,838 | 87,421,544 | 7,995,453 | 305,642,928 | 51,928,734 | 24,172,144 | 536,307,008 |
| Additions | - | - | 4,219,873 | 333,024 | - | - | 4,853,483 | 9,406,380 |
| Write-offs | (315,525) | (270,568) | (1,851,846) | (218,153) | - | - | - | (2,656,092) |
| Reclassification | 3,106,393 | - | (788,041) | 6,964 | 11,605,575 | 915,720 | (14,846,611) | - |
| Revaluation | (8,894,253) | - | - | - | - | - | - | (8,894,253) |
| Effect of movements in exchange rate | (2,718,673) | (506,192) | (4,900,406) | (437,151) | (17,346,480) | (2,855,742) | (882,510) | (29,647,154) |
| Balance as at September 30, 2020 | 40,777,309 | 8,770,078 | 84,101,124 | 7,680,137 | 299,902,023 | 49,988,712 | 13,296,506 | 504,515,889 |
| **Accumulated depreciation** | | | | | | | | |
| Balance as at October 1, 2019 | 26,116,004 | 5,319,178 | 34,705,778 | 5,196,825 | 86,241,440 | 16,431,540 | - | 174,010,765 |
| Charge for the financial year | 3,658,819 | 876,068 | 6,493,185 | 688,464 | 15,322,254 | 2,566,316 | - | 29,605,106 |
| Write-offs | (289,335) | (268,210) | (1,627,000) | (166,034) | - | - | - | (2,350,579) |
| Revaluation | (11,732,293) | - | - | - | - | - | - | (11,732,293) |
| Reclassification | (4,597,302) | - | 4,597,302 | - | - | - | - | - |
| Effect of movements in exchange rate | (1,237,387) | (284,588) | (2,563,496) | (280,577) | (5,118,244) | (913,226) | - | (10,397,518) |
| Balance as at September 30, 2020 | 11,918,506 | 5,642,448 | 41,605,769 | 5,438,678 | 96,445,450 | 18,084,630 | - | 179,135,481 |
| **Net carrying amounts** | | | | | | | | |
| As at September 30, 2020 | 28,858,803 | 3,127,630 | 42,495,355 | 2,241,459 | 203,456,573 | 31,904,082 | 13,296,506 | 325,380,408 |

The buildings stated at valuation were revalued by the directors based on independent professional valuation on the market value basis using the cost valuation method, except for certain buildings located at oil palm plantation with carrying amounts (including additions during the financial year) totalling RM9,820,197 (September 30, 2021: RM10,012,702; September 30, 2020: RM9,145,779) were not revalued as at September 2020. The directors are of the view that it is not practicable to fair value these buildings as there are mainly staff quarters and amenities which were built on oil palm plantation for use by the plantation workers and there is lack of active market for the buildings.

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **September 30, 2022** | | | | | | | | |
| **Analysis of cost and valuation** | | | | | | | | |
| At valuation – September 2020 | 21,479,424 | - | - | - | - | - | - | 21,479,424 |
| At cost | 22,945,344 | 10,787,195 | 107,893,496 | 11,051,956 | 342,168,689 | 55,041,034 | 1,210,477 | 551,098,191 |
| | 44,424,768 | 10,787,195 | 107,893,496 | 11,051,956 | 342,168,689 | 55,041,034 | 1,210,477 | 572,577,615 |
| **Net carrying amounts** | | | | | | | | |
| At valuation – September 2020 | 16,236,768 | - | - | - | - | - | - | 16,236,768 |
| At cost | 9,820,197 | 3,224,762 | 49,206,367 | 3,947,922 | 203,780,779 | 29,683,439 | 1,210,477 | 300,873,943 |
| | 26,056,965 | 3,224,762 | 49,206,367 | 3,947,922 | 203,780,779 | 29,683,439 | 1,210,477 | 317,110,711 |

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **September 30, 2021** | | | | | | | | |
| **Analysis of cost and valuation** | | | | | | | | |
| At valuation – September 2020 | 20,702,208 | - | - | - | - | - | - | 20,702,208 |
| At cost | 23,268,291 | 9,231,138 | 93,730,701 | 8,881,812 | 315,206,981 | 52,877,506 | 15,115,943 | 518,312,372 |
| | 43,970,499 | 9,231,138 | 93,730,701 | 8,881,812 | 315,206,981 | 52,877,506 | 15,115,943 | 539,014,580 |
| **Net carrying amounts** | | | | | | | | |
| At valuation – September 2020 | 17,715,434 | - | - | - | - | - | - | 17,715,434 |
| At cost | 10,012,702 | 2,534,523 | 43,590,348 | 2,671,812 | 197,900,016 | 31,170,437 | 15,115,943 | 302,995,781 |
| | 27,728,136 | 2,534,523 | 43,590,348 | 2,671,812 | 197,900,016 | 31,170,437 | 15,115,943 | 320,711,215 |

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

| | Buildings RM | Motor vehicles RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Bearer plants RM | Plantation infrastructure RM | Under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **September 30, 2020** | | | | | | | | |
| **Analysis of cost and valuation** | | | | | | | | |
| At valuation – September 2020 | 19,713,024 | - | - | - | - | - | - | 19,713,024 |
| At cost | 21,064,285 | 8,770,078 | 84,101,124 | 7,680,137 | 299,902,023 | 49,988,712 | 13,296,506 | 484,802,865 |
| | 40,777,309 | 8,770,078 | 84,101,124 | 7,680,137 | 299,902,023 | 49,988,712 | 13,296,506 | 504,515,889 |
| **Net carrying amounts** | | | | | | | | |
| At valuation – September 2020 | 19,713,024 | - | - | - | - | - | - | 19,713,024 |
| At cost | 9,145,779 | 3,127,630 | 42,495,355 | 2,241,459 | 203,456,573 | 31,904,082 | 13,296,506 | 305,667,384 |
| | 28,858,803 | 3,127,630 | 42,495,355 | 2,241,459 | 203,456,573 | 31,904,082 | 13,296,506 | 325,380,408 |

The buildings under property, plant and equipment were revalued by directors in September 2020 based on independent professional valuation. The fair values of these assets were within level 3 of the fair value hierarchy using significant unobservable inputs.

Fair value reconciliation of buildings under property, plant and equipment measured at level 3 were as follows:

| | September 2020 RM |
|---|---|
| **Buildings under property, plant and equipment – At valuation 2020** | |
| At beginning of year | 15,919,780 |
| Reclassification | 3,309,331 |
| Depreciation charge for the financial year | (1,364,979) |
| Revaluation | 2,838,040 |
| Effect of movements in exchange rates | (989,148) |
| At end of year | 19,713,024 |

Description of valuation techniques used and key unobservable inputs to valuation on buildings under property, plant and equipment measured at level 3 are as follows:

| Property category | Valuation technique | Significant unobservable inputs | Range |
|---|---|---|---|
| Buildings | Cost method | Construction price per square feet | RM27 – RM121 |

**Cost method of valuation**

In the cost method of valuation, the market value of the subject property is the sum of the market value of the building. The value of the building is assumed to have a direct relationship with its cost of construction. The cost of construction is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value.

**Valuation processes applied by the Group**

The fair values of buildings under property, plant and equipment are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The Group revalues its buildings every five years or at shorter intervals whenever the fair values of the said assets are expected to differ substantially from the carrying amounts.

Included in the above property, plant and equipment of the Group are:

(a) Property, plant and equipment under construction are mainly immature bearer plants. construction of buildings, plant and machinery and plantation infrastructure in oil palm plantation.

Included in additions to the property, plant and equipment under construction are:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Interest capitalised | - | 34,190 | 167,603 |
| Employee benefit expenses: | | | |
| Wages, salaries and others | 477,280 | 414,064 | 573,688 |

The interest on borrowings for the financial years was capitalised at rates ranging at Nil (September 30, 2021: 3.30%; September 30, 2020: 3.50% to 5.05%)

(b) Bearer plants comprise oil palm trees. Bearer plants pledged as security for credit facilities granted to certain subsidiaries as disclosed in Note 23 are as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Cost** | | | |
| Bearer plants | 276,515,891 | 315,206,981 | 299,902,023 |
| **Net carrying amounts** | | | |
| Bearer plants | 149,304,534 | 197,900,016 | 203,456,573 |

## 11. PREPAID LEASE PAYMENTS

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| At beginning of year | 20,341,816 | 20,878,248 | 21,821,092 |
| Amortisation for the financial year | (556,716) | (727,493) | (723,141) |
| Effect of movements in exchange rate | 148,303 | 191,061 | (219,703) |
| At end of year | 19,933,403 | 20,341,816 | 20,878,248 |

The above is leasehold land with remaining unexpired lease period ranging from 20 years to 23 (September 30, 2021: 21 years to 24 years; September 30, 2020: 22 years to 25 years)

The leasehold land of RM19,061,198 (September 30, 2021: RM 20,341,816; September 30, 2020: RM20,878,248) are pledged as security for credit facilities granted to the certain subsidiaries as disclosed in Note 23.

## 12. GOODWILL ON CONSOLIDATION

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **At cost:** | | | |
| At beginning of year | 5,146,787 | 4,900,865 | 5,181,919 |
| Effect of movements in exchange rate | 193,224 | 245,922 | (281,054) |
| At end of year | 5,340,011 | 5,146,787 | 4,900,865 |

**Impairment test for goodwill**

Goodwill is allocated to the Group's cash generating unit ("CGU") in respect of the plantation segment.

Key assumptions used in the value-in-use calculations based on 8 years (September 30, 2021: 9 years; September 30, 2020: 10 years) cash flow projections in respect of impairment test for goodwill on the plantation segment are:

i. discount rate of 10.9% (September 30, 2021: 11.8%; September 30, 2020: 9.13%;) which is pre-tax and reflected specific risks of the plantation segment in Indonesia;

ii. oil palm trees with an average life of 25 years (September 30, 2021 and September 30, 2020: 25 years) with the first three years as immature and remaining years as mature which is average life cycle of the trees.

iii. CPO average selling price of RM3,300 (September 30, 2021: RM2,675; September 30, 2020: RM2,000) per metric tonne ("MT") based on the management's estimate;

iv. Average CPO extraction rate of 20.5% (September 30, 2021: 21%; September 30, 2020: 22%) based on the industry trend and past performance; and

v. Average annual oil palm yield per hectare of 25 to 29 metric tonnes (September 30, 2021 and September 30, 2020: 30 to 33 metric tonnes) based on management's estimate and historic yield.

In assessing the value-in-use, management does not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amounts.

## 13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| **Non-trade** | | | | |
| Other receivable | (a) | 11,560 | 1,087,331 | 1,035,376 |
| Prepayments | | 1,379,192 | 1,100,130 | 963,460 |
| | | 1,390,752 | 2,187,461 | 1,998,836 |
| **Current** | | | | |
| **Trade** | | | | |
| Trade receivables | (b) | 1,871,168 | 4,060,973 | 18,916,382 |
| **Non-trade** | | | | |
| Other receivables | (c) | 4,403,246 | 4,569,757 | 8,636,029 |
| Amount owing from a related company | (d) | - | - | 3,042 |
| Amount owing from subsidiaries | (d) | 3,169,432 | 5,969,588 | 5,705,928 |
| Amount owing from shareholder | (d) | - | - | 118 |
| Deposits | | 4,132,151 | 6,878,099 | 2,578,455 |
| Prepayments | | 1,818,536 | 1,421,003 | 332,347 |
| | | 13,523,365 | 18,838,447 | 17,255,919 |
| Total current | | 15,394,533 | 22,899,420 | 36,172,301 |

(a) Non-current other receivable of the Group of RM11,560 (September 30, 2021: RM1,087,331; September 30, 2020: RM1,035,376) was in respect of an amount due from Plasma Farmers Cooperative in Indonesia. In accordance with the Indonesian Government policy, the subsidiaries, PTMKH and PTSPS assume the responsibilities to develop plantation for small land holders (known as Plasma Farmers) in addition to its own plantation. The subsidiaries are also required to train and to supervise the Plasma Farmers and to purchase the FFB from the Plasma Farmers Cooperative at prices determined by the Government. Plasma receivables represent a loan granted to the Plasma Farmers for the accumulated costs to develop plasma plantations which are currently being financed by the Group. When the plasma plantations start to mature, the Plasma Farmers are obliged to sell their harvests to the Group and a portion of the resulting proceeds will be used to repay the loans. The amount is unsecured, interest-free, has no fixed term in repayment but not to be settled within one year.

(b) The Group's normal credit term is 30 days (September 30, 2021 and September 30, 2020: 30 to 60 days).

The ageing analysis of the Group's trade receivables is as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Neither past due nor impaired | 1,800,746 | 4,060,973 | 12,179,873 |
| 1 to 30 days past due but not impaired | 70,422 | - | 3,547,985 |
| 31 to 60 days past due but not impaired | - | - | 2,899,015 |
| 61 to 90 days past due but not impaired | - | - | 207,632 |
| 91 to 120 days past but not impaired | - | - | - |
| More than 121 days past due but not impaired | - | - | 81,877 |
| | 70,422 | - | 6,736,509 |
| | 1,871,168 | 4,060,973 | 18,916,382 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired comprise mainly debtors who are creditworthy customers with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group amounting to RM70,422 (September 30, 2021: RMNil; September 30, 2020: RM6,736,509) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group has not recognised an allowance for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

(c) Included in other receivables of the Group are:

i. an amount of RM296,350 (September 30, 2021: RM4,352; September 30, 2020: RM1,448,824) being indirect taxes paid in advance to tax authorities by the subsidiaries;

ii. an amount of RM2,322,839 (September 30, 2021: RM1,966,862; September 30, 2020: RM4,748,005) being amount due from Plasma Farmers Cooperative in Indonesia. Plasma receivables represent a loan granted to the Plasma Farmers for the accumulated costs to develop plasma plantations which are currently being financed by the Group. When the plasma plantations start to mature, the Plasma Farmers are obliged to sell their harvests to the Group and a portion of the resulting proceeds will be used to repay the loans; and

iii. an amount of RMNil (September 30, 2021: RMNil; September 30, 2020: RM663,050) being amount due from PT Agro Raya Malindo, holding company of PTSPS, in which directors of the Company are also director of the subsidiary, PTSPS and is unsecured, interest free and is repayable on demand.

(d) The amount owing from related company, subsidiaries and shareholder arose mainly from advances by the Group which are repayable on demand and are interest free.

## 14. INVESTMENT IN SUBSIDIARIES

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Unquoted shares – at cost** | | | |
| Ordinary shares | 4,463,630 | 1,222,446 | 1,222,446 |
| **Less: Accumulated impairment loss** | | | |
| At beginning of year | (1,222,445) | (1,222,445) | - |
| Impairment loss for the financial year | (3,191,184) | - | (1,222,445) |
| At end of year | (4,413,629) | (1,222,445) | (1,222,445) |
| Net carrying amount | 50,001 | 1 | 1 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Proportion of ownership interest and voting power held by the Group 2022 % | 2021 % | 2020 % |
|---|---|---|---|---|---|
| PT Nusantara Makmur Jaya ("PTNMJ") | Republic of Indonesia | Dormant | 100 | 99.75 | 99.75 |
| Restu Mesra Sdn. Bhd. ("Restu") | Malaysia | Dormant | 100 | - | - |

On December 8, 2021, the Company subscribed for additional 800,000 new ordinary shares, representing 100% of new issuing shares in PTNMJ, a Company incorporated in Republic of Indonesia, with a total cash consideration of RM3,191,184. As a result, the Company has increased the ownership interest in PTNMJ from 99.75% to 99.92%.

On February 16, 2022, the Company acquired 1 ordinary share representing 100% of the equity interest in Restu, a company incorporated in Malaysia for a cash consideration of RM1. On August 5, 2022, the Company increased its investment in Restu by way of subscribing 49,999 new ordinary shares of Restu for a total cash consideration of RM49,999. On August 15, 2022, Restu acquired 0.08% of the equity interest in PT NMJ from Metro Kajang (Oversea) Sdn. Bhd. ("MKO"), for a cash consideration of RM3,970.

## 15. INVENTORIES

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **At cost:** | | | |
| Fertiliser | 20,804,242 | 12,693,641 | 12,948,843 |
| Plantation consumables | 16,813,998 | 14,567,268 | 10,543,195 |
| CPO and palm kernel | 30,096,167 | 17,713,778 | 6,570,205 |
| | 67,714,407 | 44,974,687 | 30,062,243 |

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM185,948,501 (September 30, 2021: RM166,236,960; September 30, 2020: RM182,790,649).

## 16. BIOLOGICAL ASSETS

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Net book value:** | | | |
| At beginning of year | 6,177,026 | 4,233,267 | 5,181,734 |
| Changes in fair value (Note 6) | (577,142) | 1,637,252 | (913,440) |
| Effect of movements in exchange rate | 317,476 | 306,507 | (35,027) |
| At end of year | 5,917,360 | 6,177,026 | 4,233,267 |

The biological assets of the Group comprise FFB prior to harvest. Management has considered FFB less than 15 days before harvesting in the calculation of fair value. FFB more than 15 days before harvesting are excluded from the valuation as their fair values are considered negligible.

The fair value measurement of the biological assets is valued using present value of net cashflows expected to be generated from the sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell and is categorised within Level 3 of the fair value hierarchy as disclosed in Note 32.

During the financial year, the Group harvested approximately 382,752 MT of FFB (September 30, 2021: 441,016 MT; September 30, 2020: 477,157 MT).

## 17. CASH AND BANK BALANCES

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Cash and bank balances | 42,014,471 | 57,464,522 | 36,250,247 |

Included in cash and bank balances of the Group is an amount of RMNil (September 30, 2021: RM10,259,714; September 30, 2020: RM12,664,674) pledged as security for the credit facilities as disclosed in Note 23.

## 18. SHARE CAPITAL

| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
|---|---|---|---|---|---|---|
| | Number of shares | RM | Number of shares | RM | Number of shares | RM |
| **Issued and fully paid:** | | | | | | |
| Ordinary shares | | | | | | |
| At beginning of the year | 110,474,975 | 112,595,375 | 62,674,975 | 64,795,375 | 62,674,975 | 64,795,375 |
| Issued during the year | - | - | 47,800,000 | 47,800,000 | - | - |
| At end of the year | 110,474,975 | 112,595,375 | 110,474,975 | 112,595,375 | 62,674,975 | 64,795,375 |
| Redeemable convertible preference shares | | | | | | |
| At beginning of the year | - | - | 478,000 | 47,800,000 | 478,000 | 47,800,000 |
| Redeemed and converted to fresh issue of ordinary shares | - | - | (478,000) | (47,800,000) | - | - |
| At end of the year | - | - | - | - | 478,000 | 47,800,000 |
| Total | 110,474,975 | 112,595,375 | 110,474,975 | 112,595,375 | 63,152,975 | 112,595,375 |

**Ordinary shares**

On June 30, 2021, the Company has issued 47,800,000 new ordinary shares of the Company at RM1.00 each to redeem the entire 478,000 redeemable convertible preference shares ("RCPS") of RM1.00 each, registered in the name of Metro Kajang (Oversea) Sdn. Bhd., which was issued at a premium of RM99 per RCPS by converting each RCPS into 100 ordinary shares at RM1.00 each in the share capital of the Company.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**Redeemable convertible preference shares**

The rights attached to the redeemable convertible preference shares ("RCPS") were as follows:

(a) Dividend

(i) The holder has the right to be paid, out of such profits of the Company available for distribution determined by the Directors at their discretion to be distributed in respect of each financial year or other accounting period of the Company, a dividend at rate as the Board of Directors shall determine from time to time.

(ii) the holder of the RCPS shall not be entitled to participate in the surplus profits or assets of the Company beyond such rights as are expressly set out herein.

(b) Voting rights

The RCPS carry rights to vote at any general meeting of the Company if:

(i) any resolution is proposed for the winding up of the Company, in which case the holder of the RCPS may only then vote at such general meeting on the election of a chairman, any motion for adjournment and the resolution for winding up; or

(ii) the meeting is convened for the purpose of considering the reduction of the capital of the Company; or

(iii) the meeting is relating to any dividend or part thereof unpaid on any RCPS; or

(iv) the proposition which is submitted to the meeting proposes to abrogate or vary or otherwise directly affects the special rights and privileges attaching to the RCPS; in which event the holder of the RCPS shall have such number of votes for each RCPS registered in his name equivalent to the number of ordinary shares, which solely for the purpose of calculating the number of votes of the holder of the RCPS is entitled to, one RCPS held by the holder of RCPS shall be deemed to be equivalent to one of ordinary share of the Company. The holder of the RCPS shall further be entitled to speak, demand a poll, to move resolutions and participate in the meeting of the shareholders of RCPS of the Company.

(c) Redemption

(i) Subject to the provisions of Section 72 the Act, the Company shall have the right to redeem all or any of the RCPS at RM100 only per RCPS at any time after the date of issuance of RCPS; and

(ii) All of the RCPS have been redeemed on May 21, 2021 and no RCPS redeemed by the Company shall be capable of reissue.

(d) Conversion

The Company shall, at any time during the period commencing on the date of issuance of RCPS be entitled to convert all or any of the RCPS registered in the name of each holder of the RCPS. The conversion of RCPS into ordinary shares of the Company is subject to the following terms and conditions: Each RCPS shall be converted into 100 ordinary shares in the share capital of the Company. The ordinary shares issued and allotted herein shall rank pari passu in all respects with all other ordinary shares in issue at the date of conversion.

(e) Capital

The holder has the right on winding up or other return of capital (other than on the redemption of the RCPS) to receive, in priority to the holders of any other class of shares in the capital of the Company.

## 19. RESERVE

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| **Distributable** | | | |
| Retained earnings | 141,092,618 | 84,752,106 | 10,421,616 |
| **Non-distributable** | | | |
| Translation reserve | 7,216,767 | (989,576) | (7,683,311) |
| Revaluation reserve | 6,775,200 | 6,775,200 | 6,775,200 |
| | 155,084,585 | 90,537,730 | 9,513,505 |

**Retained earnings**

Distributable reserves are those available for distribution as dividends. The entire retained earnings of the Company are available to be distributed as single tier dividends to the shareholder of the Company. No dividend has been paid or declared by the Company for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

**Revaluation reserve**

The revaluation reserve relates to the revaluation of buildings.

## 20. NON-CONTROLLING INTERESTS

**Non-controlling interests**

The subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | PTMKH RM | PTSPS RM | Total RM |
|---|---|---|---|
| **September 30, 2022** | | | |
| NCI percentage of ownership interests and voting interests | 5.6% | 25% | |
| Carrying amount of NCI | 15,686,730 | (2,417,218) | 13,269,512 |
| Profit allocated to NCI | 3,465,049 | 1,125,576 | 4,590,625 |
| Total comprehensive income allocated to NCI | 4,005,031 | 1,025,103 | 5,030,134 |
| **September 30, 2021** | | | |
| NCI percentage of ownership interests and voting interests | 5.6% | 25% | |
| Carrying amount of NCI | 11,681,699 | (3,442,321) | 8,239,378 |
| Profit allocated to NCI | 4,077,366 | 1,156,999 | 5,234,365 |
| Total comprehensive income allocated to NCI | 4,620,908 | 951,490 | 5,572,398 |

| | PTMKH RM | PTSPS RM | Total RM |
|---|---|---|---|
| **September 30, 2020** | | | |
| NCI percentage of ownership interests and voting interests | 5.6% | 25% | |
| Carrying amount of NCI | 7,060,791 | (4,393,811) | 2,666,980 |
| Profit/(loss) allocated to NCI | 1,181,715 | (288,906) | 892,809 |
| Total comprehensive income/(loss) allocated to NCI | 992,446 | (20,543) | 971,903 |

The financial information of the subsidiaries, namely PTMKH and PTSPS that have material NCI before intra-group elimination are as follows:

| | PTMKH | | |
|---|---|---|---|
| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
| **Assets and liabilities** | | | |
| Non-current assets | 268,409,720 | 275,418,632 | 282,591,768 |
| Current assets | 135,286,086 | 135,580,797 | 100,757,392 |
| Non-current liabilities | (49,599,818) | (103,369,851) | (143,205,735) |
| Current liabilities | (74,379,163) | (99,528,374) | (114,670,566) |
| Net assets | 279,716,825 | 208,101,204 | 125,472,859 |

| | PTMKH | | |
|---|---|---|---|
| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
| **Results** | | | |
| Revenue | 315,817,268 | 294,458,125 | 250,453,420 |
| Profit for the financial year | 61,959,966 | 72,909,054 | 21,130,740 |
| Total comprehensive income | 71,615,621 | 82,628,345 | 17,746,320 |
| **Cash flows (used in)/from:** | | | |
| Operating activities | 73,236,942 | 106,718,806 | 68,398,631 |
| Investing activities | (12,277,875) | (6,999,634) | (4,402,629) |
| Financing activities | (81,918,680) | (77,115,755) | (59,339,097) |
| Net (decrease)/increase in cash and cash equivalent | (20,959,613) | 22,603,417 | 4,656,905 |

| | PTSPS | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| **Assets and liabilities** | | | |
| Non-current assets | 58,057,977 | 56,448,435 | 53,595,022 |
| Current assets | 2,350,264 | 2,034,311 | 5,154,953 |
| Non-current liabilities | (2,562,385) | (2,494,996) | (2,307,831) |
| Current liabilities | (67,514,727) | (69,757,034) | (74,017,389) |
| Capital deficiencies | (9,668,871) | (13,769,284) | (17,575,245) |

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| **Results** | | | |
| Revenue | 15,810,761 | 12,705,773 | 11,224,893 |
| Profit/(loss) for the financial year | 4,502,304 | 4,627,996 | (1,155,626) |
| Total comprehensive income/(loss) | 4,100,412 | 3,805,961 | (82,173) |
| **Cash flows (used in)/from:** | | | |
| Operating activities | 4,740,231 | 5,442,746 | 466,225 |
| Investing activities | (2,412,011) | (2,937,108) | (4,206,284) |
| Financing activities | (2,423,583) | (5,312,529) | 4,560,730 |
| Net (decrease)/increase in cash and cash equivalent | (95,363) | (2,806,891) | 820,671 |

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except for the covenants of the bank term loans taken by PTMKH and PTSPS, subsidiaries of the Company, which restrict the ability of these subsidiaries to provide advances to other companies within the Group and to declare dividends to their shareholders until full settlement of the loans amounting to RMNil (September 30, 2021: RM51,329,721; September 30, 2020: RM124,976,370) unless prior written consent is obtained from the lenders. The term loan taken by PTSPS has been fully settled as at September 30, 2021. The assets to which such restrictions apply are the cash and cash equivalent of the subsidiaries included in the combined financial statements amounting to RMNil (September 30, 2021: RM10,259,714; September 30, 2020: RM12,664,674).

## 21. PROVISIONS

**Post-employment benefit obligations**

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| At beginning of year | 15,210,765 | 16,654,766 | 14,561,361 |
| Amounts recognised in profit or loss (Note 6): | | | |
| Current service costs | 2,105,789 | 3,572,036 | 3,840,786 |
| Interest on obligation | 1,057,568 | 1,159,198 | 1,183,489 |
| Past service cost | - | (2,667,128) | (1,312,880) |
| | 3,163,357 | 2,064,106 | 3,711,395 |
| Amounts recognised in other comprehensive income: | | | |
| Remeasurement (gains)/losses | (1,357,260) | (3,189,373) | 144,860 |
| Benefit paid | (1,978,519) | (1,514,693) | (746,241) |
| Effect of movements in exchange rates | 667,424 | 1,195,959 | (1,016,609) |
| At end of year | 15,705,767 | 15,210,765 | 16,654,766 |

Certain subsidiaries of the Company in Indonesia operate unfunded defined benefit schemes, as required under the Labour Law of the Republic of Indonesia. The defined benefit schemes expose the Group to actuarial risks, such as longevity risk and interest rate risk.

The amount recognised in the combined statement of financial position is determined as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Present value of obligations | 15,705,767 | 15,210,765 | 16,654,766 |

The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions at reporting date are as follows:

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| Discount rate | 7.50% | 7.50% | 8.00% |
| Future salary increase | 8.00% | 8% | 8% |
| Mortality rate | 100% TMI 4 | 100% TMI4 | 100% TMI4 |
| Resignation age | 6% - 22% per annum until age of 18 - 38, then decrease linearly to 0% until age 57 | 6% - 22% per annum until age of 18 -38, then decrease linearly to 0% until age 57 | 4% - 9% per annum until age of 30 -32, then decrease linearly to 0% until age 57 |
| Disability | 5% of mortality rate | 5% of mortality rate | 5% of mortality rate |
| Normal retirement age | 57 | 57 | 57 |

**Sensitivity analysis**

The sensitivity analysis below has been determined based on reasonably possible changes in the discount rate and future salary increase occurring at the reporting date, while holding all other assumptions constant.

| | **Increase/(decrease) in profit** | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| Discount rate increase by 1% | 1,085,386 | 1,209,346 | 1,592,570 |
| Discount rate decrease by 1% | (1,226,606) | (1,397,101) | (1,875,762) |
| Future salary increase by 1% | (1,238,478) | (1,407,012) | (1,881,374) |
| Future salary decrease by 1% | 1,115,909 | 1,240,490 | 1,626,228 |

The sensitivity analysis presented above has been determined using deterministic method and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As at September 30, 2022, the weighted-average duration of the defined benefit obligation was 12.66 to 16 years (September 30, 2021: 15.75 to 16.36 years; September 30, 2020: 15.68 to 19.16 years).

The benefits, which reflect the expected future services, as appropriate are expected to be paid as follows:

| | September 30, 2021 RM | September 30, 2020 RM | September 30, 2019 RM |
|---|---|---|---|
| Within 1 year | 1,819,351 | 1,534,518 | 1,112,637 |
| Between 2 and 5 years | 7,947,757 | 7,671,028 | 7,118,381 |
| After 5 years | 16,315,601 | 15,074,434 | 16,790,635 |
| | 26,082,709 | 24,279,980 | 25,021,653 |

## 22. PAYABLES AND ACCRUALS

| | | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| **Non-trade** | | | | |
| Amount due to a related company | (a) | 31,326,624 | 59,516,424 | 62,457,570 |
| **Current** | | | | |
| **Trade** | | | | |
| Trade payables | (b) | 11,729,633 | 7,874,296 | 20,477,012 |
| Amount due to a related company | (a) | - | - | 1,354,879 |
| **Non-trade** | | | | |
| Amount due to related companies | (a) | 92,917,256 | 68,106,394 | 85,190,242 |
| Other payables | | 16,176,896 | 12,024,590 | 10,044,054 |
| Advances from customers | (c) | 11,394,209 | - | 221,526 |
| Accruals | | 10,445,419 | 10,931,722 | 6,489,960 |
| | | 142,663,413 | 98,937,002 | 123,777,673 |

(a) Included in amount due to related companies are:

(i) Advances of RM8,408,291 (September 30, 2021: RM4,441,949; September 30, 2020: RM2,427,901) of the Group, which bears interest at 5.01% (September 30, 2021 and September 30, 2020: 4.51%) per annum, is unsecured and is repayable on demand.

(ii) An amount of RM56,478,927 (September 30, 2021: RM60,719,198; September 30, 2020: RM80,330,723) of the Group, which is unsecured, interest free and is repayable on demand.

(iii) Advances of RM59,356,662 (September 30, 2021: RM62,461,671; September 30, 2020: RM66,244,067) of the Group, which bears interest at 7.00% (September 30, 2021 and September 30, 2020: 7.00%) per annum, is unsecured and repayable by 19 quarterly instalments commencing from June 2020.

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| Repayable within one year | 28,030,038 | 2,945,247 | 3,786,497 |
| Repayable after 1 year but not later than 2 years | 27,925,319 | 28,049,968 | 2,945,053 |
| Repayable after 2 years but not later than 3 years | 3,401,305 | 28,049,968 | 28,048,127 |
| Repayable after 3 years but not later than 4 years | - | 3,416,488 | 28,048,127 |
| Repayable after 4 years but not later than 5 years | - | - | 3,416,263 |
| | 59,356,662 | 62,461,671 | 66,244,067 |

(b) The normal credit term granted to the Group ranges from 14 days to 90 days (September 30, 2021 and September 30, 2020: 14 days to 90 days) unless as specified in the agreements.

(c) This represents downpayment from purchasers of CPO and palm kernel.

## 23. LOANS AND BORROWINGS

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Non-current:** | | | |
| **Term loans** | | | |
| Secured: | | | |
| United States Dollar ("USD") | - | 8,352,013 | 48,207,725 |
| Unsecured: | | | |
| USD | 2,317,544 | 13,917,287 | 6,243,183 |
| | 2,317,544 | 22,269,300 | 54,450,908 |
| **Current:** | | | |
| **Term loans** | | | |
| Secured: | | | |
| USD | - | 11,538,054 | 24,742,120 |
| Unsecured: | | | |
| USD | - | 3,521,241 | - |
| **Revolving credits** | | | |
| Secured: | | | |
| USD | - | 31,439,654 | 52,026,525 |
| | - | 46,498,949 | 76,768,645 |
| Total | 2,317,544 | 68,768,249 | 131,219,553 |

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

The maturity profile of loans and borrowings of the Group is as follows:

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2 – 3 years RM | 3 – 4 years RM | 4 – 5 years RM |
|---|---|---|---|---|---|---|
| **September 30, 2022** | | | | | | |
| **Floating rate instruments** | | | | | | |
| Term loans | | | | | | |
| Unsecured: | | | | | | |
| USD | 2,317,544 | - | 2,317,544 | - | - | - |
| | 2,317,544 | - | 2,317,544 | - | - | - |
| **September 30, 2021** | | | | | | |
| **Floating rate instruments** | | | | | | |
| Term loans | | | | | | |
| Secured: | | | | | | |
| USD | 19,890,067 | 11,538,054 | 8,352,013 | - | - | - |
| Unsecured: | | | | | | |
| USD | 17,438,528 | 3,521,241 | 7,042,483 | 6,874,804 | - | - |
| Revolving credits | | | | | | |
| Secured: | | | | | | |
| USD | 31,439,654 | 31,439,654 | - | - | - | - |
| | 68,768,249 | 46,498,949 | 15,394,496 | 6,874,804 | - | - |

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2 – 3 years RM | 3 – 4 years RM | 4 – 5 years RM |
|---|---|---|---|---|---|---|
| **September 30, 2020** | | | | | | |
| **Floating rate instruments** | | | | | | |
| Term loans | | | | | | |
| Secured: | | | | | | |
| USD | 72,949,845 | 24,742,120 | 39,883,481 | 8,324,244 | - | - |
| Unsecured: | | | | | | |
| USD | 6,243,183 | - | 6,243,183 | - | - | - |
| Revolving credits | | | | | | |
| Secured: | | | | | | |
| USD | 52,026,525 | 52,026,525 | - | - | - | - |
| | 131,219,553 | 76,768,645 | 46,126,664 | 8,324,244 | - | - |

The term loans and revolving credits bear effective interest rates ranging from 2.54% to 5.20% (September 30, 2021: 2.52% to 2.62%; September 30, 2020: 2.30% to 5.27%).

Secured term loan I of RMNil (September 30, 2021: RM19,890,067; September 30, 2020: RM68,038,541) is repayable in 20 quarterly principal instalments commencing 9th month from the day of first drawdown on March 2017. Secured revolving credits of RMNil (September 30, 2021: RM31,439,654; September 30, 2020: RM52,026,525) is repayable on demand. The secured term loan and secured revolving credit are secured and supported as follows:

(a) legal charge over the oil palm plantation land of a subsidiary in Indonesia;

(b) pledge of shares of a subsidiary;

(c) corporate guarantee of the corporate shareholder, MKH Berhad; and

(d) charge over designated bank accounts of certain subsidiaries in Indonesia.

Secured term loan II of RMNil (September 30, 2021: RMNil; September 30, 2020: RM4,911,304) is repayable in 12 quarterly principal instalments commencing 48th month from the day of first drawdown in December 2014. In 2020, the secured term loan is secured and is supported as follows:

(a) facility agreement and security sharing agreement;

(b) legal charge over the oil palm plantation land of a subsidiary in Indonesia;

(c) deed of fiduciary by way of fixed and floating charge over the oil palm plantation in Indonesia;

(d) charge over a designated bank account of a subsidiary in Indonesia;

(e) pledge of 95% shares of a subsidiary and substantial shareholder of a subsidiary;

(f) assignment over all applicable insurance policies;

(g) negative pledge over a subsidiary's assets; and

(h) corporate guarantee of the corporate shareholder, MKH Berhad.

Unsecured term loan I of RMNil (September 30, 2021: RM17,438,528; September 30, 2020: RM6,243,183) is repayable in 11 equal quarterly instalments commencing 15th month from the date of first drawdown in September 2020 and are supported by corporate guarantee of the corporate shareholder, MKH Berhad.

Unsecured term loan II of RM2,317,544 (September 30, 2021 and September 30, 2020: RMNil) is repayable in 16 equal quarterly instalments commencing 15 months from the date of first drawdown in September 2022 and is supported by corporate guarantee of the corporate shareholder, MKH Berhad.

## 24. DEFERRED TAX LIABILITIES

The movements during the financial year relating to deferred tax are as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| At beginning of year | 9,726,487 | 7,234,613 | 8,572,173 |
| Recognised in profit or loss (Note 8) | (5,930,260) | 1,325,380 | (1,422,312) |
| Recognised in other comprehensive income (Note 8) | 512,070 | 958,113 | 54,180 |
| Effect of movements in exchange rate | 1,494,171 | 208,381 | 30,572 |
| At end of year | 5,802,468 | 9,726,487 | 7,234,613 |

Deferred tax assets and deferred tax liabilities are attributable to the following:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Taxable temporary differences arising from: | | | |
| Fair value adjustments on biological assets | 1,301,819 | 1,358,946 | 931,319 |
| Property, plant and equipment | 2,247,079 | 5,986,668 | 5,373,629 |
| Surplus arising from revaluation of buildings | 810,269 | 975,550 | 1,295,418 |
| Inventories | 2,312,560 | 1,701,944 | 402,801 |
| Fair value adjustments in respect of subsidiary acquired | 2,960,200 | 3,070,200 | 3,217,200 |
| | 9,631,927 | 13,093,308 | 11,220,367 |
| **Deferred tax assets** | | | |
| Deductible temporary differences arising from: | | | |
| Property, plant and equipment | 374,191 | 20,453 | 804,524 |
| Provisions | 3,455,268 | 3,346,368 | 3,181,230 |
| | 3,829,459 | 3,366,821 | 3,985,754 |
| | 5,802,468 | 9,726,487 | 7,234,613 |

## 25. CAPITAL COMMITMENT

As at September 30, 2022, the Group has the following commitments in respect of capital expenditure on property, plant and equipment.

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| Approved and contracted for | 5,440,000 | - | - |
| Approved but not contracted for | 18,130,778 | 21,882,735 | 10,576,422 |
| | 23,570,778 | 21,882,735 | 10,576,422 |

## 26. RELATED PARTY DISCLOSURE

### (a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries, related companies and key management personnel. Related companies refer to subsidiaries of MKH Berhad.

### (b) Related party transactions and balances of the Company

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **With related companies:** | | | |
| Metro Kajang (Oversea) Sdn. Bhd. | | | |
| Interest expense (Note 6) | 4,596,524 | 4,667,598 | 5,404,304 |
| MKH Resource Sdn. Bhd. | | | |
| Management fee paid/payable | 6,372,134 | 8,525,121 | 8,753,260 |
| Laju Jaya Sdn. Bhd. | | | |
| Expenses relating to short-term leases | 125,480 | - | - |
| MKH Building Materials Sdn. Bhd. | | | |
| Purchase of building materials | - | 50,201 | 1,371,791 |

Information on outstanding balances with related companies is disclosed in Note 13 and 22.

**(c) Key management personnel compensation**

The key management personnel compensation is as follows:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Directors of company** | | | |
| Executive Directors: | | | |
| Other emoluments | 421,433 | 200,484 | - |
| Estimated monetary value of benefits-in-kind | 7,487 | 4,400 | - |
| | 428,920 | 204,884 | - |
| **Other key management personnel** | | | |
| Remuneration | 884,850 | 431,615 | 85,891 |
| Post-employment benefits | 93,821 | 41,364 | - |
| | 978,671 | 472,979 | 85,891 |
| | 1,407,591 | 677,863 | 85,891 |

Other key management personnel comprise persons other than the directors of Company, having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

## 27. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services. The Group's chief operation decision maker reviews the information of each business segment on at least on a monthly basis for the purposes of resource allocation and assessment of segment performance. Therefore, the Group's reportable segments under MFRS 8 are as follows:

| | | |
|---|---|---|
| (i) | Plantation | - oil palm cultivation, production and sales of CPO and PK |
| (ii) | Trading | - trading in building materials and household related products and general trading. However, the Group had ceased its operations in trading of building materials and household related products in 2021 |
| (iii) | Investment holding | - investment holding and management services. |

**Segment revenue and results**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents profit before tax of the segment. Inter-segment transactions are entered into in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

**Segment assets**

Segment assets are measured based on all assets (including goodwill) of the segment, excluding, deferred tax assets, current tax asset and tax recoverable.

**Segment liabilities**

Segment liabilities are measured based on all liabilities, excluding loans and borrowings, current tax liabilities and deferred tax liabilities.

**Segment revenue and results**

| September 30, 2022 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total external revenue | 315,817,268 | - | - | - | 315,817,268 |
| Inter-segment revenue | 15,810,761 | - | 2,741,005 | (18,551,766) | - |
| Total segment revenue | 331,628,029 | - | 2,741,005 | (18,551,766) | 315,817,268 |
| **Results** | | | | | |
| Operating results | 83,934,750 | - | (5,265,593) | - | 78,669,157 |
| Interest expenses | (5,475,300) | - | (364,634) | - | (5,839,934) |
| Interest income | 654,507 | - | - | - | 654,507 |
| | 79,113,957 | - | (5,630,227) | - | 73,483,730 |
| Segment results | | | | | |
| Tax expenses | (13,060,672) | - | (285,149) | - | (13,345,821) |
| **Profit/(loss) for the financial year** | 66,053,285 | - | (5,915,376) | - | 60,137,909 |
| **Other segment information** | | | | | |
| Depreciation of property, plant and equipment | 30,394,867 | - | 45,146 | - | 30,440,013 |
| Impairment loss on investment in subsidiary | - | - | 3,191,184 | - | 3,191,184 |
| Provision for post-employment benefit obligations | 3,163,357 | - | - | - | 3,163,357 |
| Property, plant and equipment written off | 579,953 | - | - | - | 579,953 |
| Changes in fair values of biological assets | 577,142 | - | - | - | 577,142 |
| Amortisation of prepaid lease payments | 556,716 | - | - | - | 556,716 |
| Inventories written off | 577 | - | - | - | 577 |
| (Gain)/Loss on foreign exchange: | | | | | |
| Realised | 644,378 | - | (2,815) | - | 641,563 |
| Unrealised | (4,490,904) | - | - | - | (4,490,904) |

| September 30, 2021 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total external revenue | 294,458,125 | 12,152,681 | - | - | 306,610,806 |
| Inter-segment revenue | 12,705,773 | - | 936,200 | (13,641,973) | - |
| Total segment revenue | 307,163,898 | 12,152,681 | 936,200 | (13,641,973) | 306,610,806 |
| **Results** | | | | | |
| Operating results | 108,455,369 | 677,574 | 87,064 | - | 109,220,007 |
| Interest expenses | (7,738,813) | - | (129,796) | - | (7,868,609) |
| Interest income | 675,821 | - | - | - | 675,821 |
| Segment results | 101,392,377 | 677,574 | (42,732) | - | 102,027,219 |
| Tax expenses | (24,399,244) | (167,200) | (9,000) | - | (24,575,444) |
| **Profit/(loss) for the financial year** | 76,993,133 | 510,374 | (51,732) | - | 77,451,775 |
| **Other segment information** | | | | | |
| Depreciation of property, plant and equipment | 30,338,267 | - | 6,360 | - | 30,344,627 |
| Provision for post-employment benefit obligations | 2,064,106 | - | - | - | 2,064,106 |
| Amortisation of prepaid lease payments | 727,493 | - | - | - | 727,493 |
| Property, plant and equipment written off | 234,376 | - | - | - | 234,376 |
| Bad debts written off | 94,291 | - | - | - | 94,291 |
| Inventories written off | 721 | - | - | - | 721 |
| Gain on foreign exchange: | | | | | |
| Realised | (3,079,205) | - | (153) | - | (3,079,358) |
| Unrealised | (7,785,247) | - | - | - | (7,785,247) |
| Changes in fair values of biological assets | (1,637,252) | - | - | - | (1,637,252) |

| September 30, 2020 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total external revenue | 250,453,420 | 31,870,089 | - | - | 282,323,509 |
| Inter-segment revenue | 11,224,893 | - | - | (11,224,893) | - |
| Total segment revenue | 261,678,313 | 31,870,089 | - | (11,224,893) | 282,323,509 |
| **Results** | | | | | |
| Operating results | 40,094,598 | 769,584 | (1,196,669) | - | 39,667,513 |
| Interest expenses | (12,479,479) | - | (125,611) | - | (12,605,090) |
| Interest income | 543,266 | - | - | - | 543,266 |
| Segment results | 28,158,385 | 769,584 | (1,322,280) | - | 27,605,689 |
| Tax expenses | (8,722,244) | (193,522) | - | - | (8,915,766) |
| **Profit/(loss) for the financial year** | 19,436,141 | 576,062 | (1,322,280) | - | 18,689,923 |
| **Other segment information** | | | | | |
| Depreciation of property, plant and equipment | 29,598,746 | - | 6,360 | - | 29,605,106 |
| Provision for post-employment benefit obligations | 3,711,395 | - | - | - | 3,711,395 |
| Loss on foreign exchange: | | | | | |
| Realised | 3,366,041 | - | 171 | - | 3,366,212 |
| Unrealised | 13,878,605 | - | - | - | 13,878,605 |
| Impairment loss on investment in subsidiary | - | - | 1,222,445 | - | 1,222,445 |
| Changes in fair values of biological assets | 913,440 | - | - | - | 913,440 |
| Amortisation of prepaid lease payments | 723,141 | - | - | - | 723,141 |
| Property, plant and equipment written off | 305,513 | - | - | - | 305,513 |
| Bad debts written off | 251,486 | - | - | - | 251,486 |
| Inventories written off | 4,493 | - | - | - | 4,493 |

| September 30, 2022 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 464,939,740 | - | 9,875,908 | - | 474,815,648 |
| Investment in subsidiaries | - | - | 50,001 | - | 50,001 |
| Current tax assets | | | | | 3,909,828 |
| Total assets | | | | | 478,775,477 |
| **Liabilities** | | | | | |
| Segment liabilities | 175,161,309 | - | 14,534,495 | - | 189,695,804 |
| Loans and borrowings | | | | | 2,317,544 |
| Current and deferred tax liabilities | | | | | 5,812,657 |
| Total liabilities | | | | | 197,826,005 |
| **Other segment information** | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 14,954,101 | - | 1,157,875 | - | 16,111,976 |

| September 30, 2021 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 477,383,904 | 1,164,291 | 1,354,739 | - | 479,902,934 |
| Investment in subsidiaries | - | - | 1 | - | 1 |
| Current tax assets | | | | | - |
| Total assets | | | | | 479,902,935 |
| **Liabilities** | | | | | |
| Segment liabilities | 168,910,782 | - | 4,753,409 | - | 173,664,191 |
| Loans and borrowings | | | | | 68,768,249 |
| Current and deferred tax liabilities | | | | | 26,098,012 |
| Total liabilities | | | | | 268,530,452 |
| **Other segment information** | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 10,082,904 | - | - | - | 10,082,904 |

| September 30, 2020 | Plantation RM | Trading RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 437,652,041 | 17,342,792 | 4,881,582 | - | 459,876,415 |
| Investment in subsidiaries | - | - | 1 | - | 1 |
| Current tax assets | | | | | 6,352,358 |
| Total assets | | | | | 466,228,774 |
| **Liabilities** | | | | | |
| Segment liabilities | 183,921,040 | 16,502,027 | 2,466,942 | - | 202,890,009 |
| Loans and borrowings | | | | | 131,219,553 |
| Current and deferred tax liabilities | | | | | 7,343,352 |
| Total liabilities | | | | | 341,452,914 |
| **Other segment information** | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 9,406,380 | - | - | - | 9,406,380 |

**Geographical information**

Revenue and non-current assets information is presented based on the segment's country of domicile. Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside the segment's country of domicile is insignificant. Non-current assets do not include receivables, deposits and prepayments and tax recoverable.

| | Revenue | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| Malaysia | - | 12,152,681 | 31,870,089 |
| Republic of Indonesia | 315,817,268 | 294,458,125 | 250,453,420 |
| | 315,817,268 | 306,610,806 | 282,323,509 |

| | Non-current assets | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| Malaysia | 1,179,160 | 16,430 | 22,790 |
| Republic of Indonesia | 342,645,718 | 348,370,850 | 353,135,568 |
| | 343,824,878 | 348,387,280 | 353,158,358 |

**Major customer information**

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| Customer A | 253,189,507 | 162,044,345 | 53,241,223 |
| Customer B | - | 59,022,528 | 56,156,127 |
| Customer C | - | - | 52,816,415 |
| Customer D | - | - | 37,942,438 |
| | 253,189,507 | 221,066,873 | 200,156,203 |

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

(a) On February 24, 2022, the conflict between Russia and Ukraine intensified significantly with Russia's invasion of Ukraine. The Russia-Ukraine war continues to evolve as military activities escalate and sanctions being imposed on Russia leading to significant uncertainties and challenges to the global economics.

During the financial year under review, the Russia-Ukraine war has further exacerbated the tight vegetable oils supply situation and drove an upsurge in crude palm oil prices. On the other hand, the war has also pushed up inflation and caused supply chain disruptions to fuel and fertiliser.

The Group will continue to assess the impact of the Russia-Ukraine war on the combined financial statements of the Group for the financial year ending September 30, 2023. The global uncertainties in the markets, particularly as a result of the Russia-Ukraine war will continue to pose challenges to the Group. Nevertheless, with its strong cash position and resilient fundamentals of its palm oil business, the Group expects its financial performance for the financial year ending September 30, 2023 to remain healthy.

(b) On January 9, 2023, the Company has entered into a Share Sale Agreement with MKO, a related company of the Group for the disposal of 50,000 ordinary shares representing 100% of the equity interest in Restu Mesra Sdn. Bhd. ("RMSB") for a total cash consideration of RM50,000. The transaction has been completed on January 16, 2023 and thereafter, RMSB has ceased to be a subsidiary of the Company and the Group.

On January 9, 2023, the Company has entered into a Share Sale Agreement with MKO, a related company of the Group for the disposal of 1,199,000 ordinary shares representing 99.92% of the equity interest in PT Nusantara Makmur Jaya ("PTNMJ") for a total cash consideration of RM2,853,714. The transaction has been completed on January 19, 2023 and thereafter, PTNMJ has ceased to be a subsidiary of the Company and the Group.

## 29. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The following table analyses the financial assets and financial liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

| | September 30, 2022 RM | September 30, 2021 RM | September 30, 2020 RM |
|---|---|---|---|
| **Financial assets** | | | |
| At amortised cost: | | | |
| Receivables and deposits | 13,587,557 | 22,565,748 | 36,875,330 |
| Cash and bank balances | 42,014,471 | 57,464,522 | 36,250,247 |
| **Financial liabilities** | | | |
| At amortised cost: | | | |
| Payables and accruals | 173,990,037 | 158,453,426 | 186,235,243 |
| Loans and borrowings | 2,317,544 | 68,768,249 | 131,219,553 |

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Group's normal course of business are as follows:

(i) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk primarily arises from the receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties. The maximum risk associated with recognised financial assets is the carrying amounts as presented in the combined statements of financial position.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising ECL |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amount | 12 months ECL |
| Doubtful | Amount > 120 days past due and/or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – Not credit-impaired |
| In default | Amount > 180 days past due and/or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | Amount > 365 days past due and/or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

| | Note | External credit rating | Internal credit rating | 12 months or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|---|
| | | | | | RM | RM | RM |
| **September 30, 2022** | | | | | | | |
| Trade receivables | 13 | N/A | (a) | Lifetime ECL (simplified approach) | 1,871,168 | - | 1,871,168 |
| **September 30, 2021** | | | | | | | |
| Trade receivables | 13 | N/A | (a) | Lifetime ECL (simplified approach) | 4,060,973 | - | 4,060,973 |
| **September 30, 2020** | | | | | | | |
| Trade receivables | 13 | N/A | (a) | Lifetime ECL (simplified approach | 18,916,382 | - | 18,916,382 |

(a) For trade receivables, the Group has applied the simplified approach in MFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade related receivables at the reporting date are as follows:

| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
|---|---|---|---|---|---|---|
| | RM | % of total | RM | % of total | RM | % of total |
| **By country:** | | | | | | |
| Malaysia | - | - | - | - | 15,751,881 | 83.27% |
| Republic of Indonesia | 1,871,168 | 100.00% | 4,060,973 | 100.00% | 3,164,501 | 16.73% |
| | 1,871,168 | 100.00% | 4,060,973 | 100.00% | 18,916,382 | 100.00% |

At the reporting date, the Group has no significant concentration of credit risk on a trade receivable except for the 3 individual customers with balance amounting to RM1,728,717 (September 30, 2021: RM3,690,172; September 30, 2020: RM10,713,214), representing 92.4% (September 30, 2021: 90.9%; September 30, 2020: 56.6%) of the total receivable balances.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations.

| | Carrying amounts RM | Total contractual amount RM | On demand or within 1 year RM | 1-2 years RM | 2 to 5 years RM |
|---|---|---|---|---|---|
| **September 30, 2022** | | | | | |
| **Financial liabilities:** | | | | | |
| Payables and accruals | 173,990,037 | 179,001,590 | 146,340,183 | 29,220,833 | 3,440,574 |
| Loans and borrowings | 2,317,544 | 2,468,184 | 120,512 | 2,347,672 | - |
| **September 30, 2021** | | | | | |
| **Financial liabilities:** | | | | | |
| Payables and accruals | 158,453,426 | 164,861,082 | 101,016,040 | 31,184,733 | 32,660,309 |
| Loans and borrowings | 68,768,249 | 71,177,521 | 48,429,128 | 15,766,048 | 6,982,345 |
| **September 30, 2020** | | | | | |
| **Financial liabilities:** | | | | | |
| Payables and accruals | 186,235,243 | 198,950,254 | 127,753,468 | 7,187,935 | 64,008,851 |
| Loans and borrowings | 131,219,553 | 135,369,833 | 79,916,649 | 47,075,457 | 8,377,727 |

(iii) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk when the currency denomination differs from its functional currency.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily RM and Indonesian Rupiah ("IDR"). The foreign currency in which these transactions are denominated are mainly USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in Republic of Indonesia is not hedged as currency positions in IDR are considered to be long-term in nature.

Financial assets and financial liabilities denominated in USD and RM are as follows:

| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
|---|---|---|---|
| **USD** | | | |
| Cash and bank balances | 4,918,572 | 19,433,052 | 15,458,455 |
| Loans and borrowings | 2,317,544 | 68,768,249 | 131,219,553 |
| **RM** | | | |
| Cash and bank balances | 98,181 | 98,914 | 99,731 |
| Amount due to related companies | 110,269,562 | 121,025,768 | 127,940,300 |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the USD and RM exchange rate against their respective functional currencies, with all other variables held constant.

| | Profit for the financial year | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| USD/IDR | | | |
| Strengthened 5% | 101,000 | (1,924,000) | (4,515,000) |
| Weakened 5% | (101,000) | 1,924,000 | 4,515,000 |
| RM/IDR | | | |
| Strengthened 5% | (4,297,000) | (4,716,000) | (4,986,000) |
| Weakened 5% | 4,297,000 | 4,716,000 | 4,986,000 |

| | Translation reserve | | |
|---|---|---|---|
| | **September 30, 2022 RM** | **September 30, 2021 RM** | **September 30, 2020 RM** |
| IDR/RM | | | |
| Strengthened 5% | 13,502,400 | 9,716,600 | 5,394,800 |
| Weakened 5% | (13,502,400) | (9,716,600) | (5,394,800) |

(iv) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates to interest bearing financial liabilities. Interest bearing financial liabilities comprise revolving credits, term loans and amount due to related companies.

The amount due to related companies totalling RM59,356,662 (September 30, 2021: RM62,461,671; September 30, 2020: RM66,244,067) at fixed rate exposes the Group to fair value interest rate risk whilst term loans and amount due to related companies totalling RM10,725,835 (September 30, 2021: RM73,210,198; September 30, 2020: RM133,647,454) at floating rate expose the Group to cash flow interest rate risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also actively reviews its debts portfolio to ensure favourable rates are obtained, taking into account the investment holding period and nature of assets.

As at the reporting date, a change of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the total equity and profit after tax by approximately RM40,800 (September 30, 2021: RM278,200; September 30, 2020: RM521,200), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

## 31. FAIR VALUES OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair values of the following classes of financial assets and financial liabilities are as follows:

(i) **Cash and cash equivalents, trade and other receivables and payables**

The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

(ii) **Long-term receivables and payables**

The fair values of long-term other receivables and payables are estimated using expected future cash flows of contractual instalment payments discounted at current prevailing rates offered for similar types of credit or lending arrangements.

The carrying amounts and fair values of financial instruments, are as follows:

| | Carrying amounts RM | Fair values RM |
|---|---|---|
| **September 30, 2022** | | |
| **Financial assets** | | |
| Long-term other receivables | 11,560 | 11,560 |
| **Financial liabilities** | | |
| Long-term amount due to a related company | 31,326,624 | 28,331,140 |
| **September 30, 2021** | | |
| **Financial assets** | | |
| Long-term other receivables | 1,087,331 | 977,770 |
| **Financial liabilities** | | |
| Long-term amount due to a related company | 59,516,424 | 53,715,026 |
| **September 30, 2020** | | |
| **Financial assets** | | |
| Long-term other receivables | 1,035,376 | 971,496 |
| **Financial liabilities** | | |
| Long-term amount due to a related company | 62,457,570 | 56,712,451 |

(iii) **Loans and borrowings**

The carrying amounts of long-term floating rate term loans approximate its fair values as the loans will be re-priced to market interest rate on or near reporting date.

## 32. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's financial assets at the reporting date:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RM** | **RM** | **RM** | **RM** |
| **September 30, 2022** | | | | |
| ***Biological assets (Note 16)*** | - | - | 5,917,360 | 5,917,360 |
| ***Assets for which fair values are disclosed (Note 31)*** | | | | |
| Long-term other receivables | - | 11,560 | - | 11,560 |
| **September 30, 2021** | | | | |
| ***Biological assets (Note 16)*** | - | - | 6,177,026 | 6,177,026 |
| ***Assets for which fair values are disclosed (Note 31)*** | | | | |
| Long-term other receivables | - | 977,770 | - | 977,770 |
| **September 30, 2020** | | | | |
| ***Biological assets (Note 16)*** | - | - | 4,233,267 | 4,233,267 |
| ***Assets for which fair values are disclosed (Note 31)*** | | | | |
| Long-term other receivables | - | 971,496 | - | 971,496 |

Fair value reconciliation of biological assets measured at level 3 are disclosed in Note 16.

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Transfer between Level 1 and 2 fair values**

There is no transfer between Level 1 and 2 fair values during the financial year.

## 33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to sustain future development of the businesses so that it can continue to maximise returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or to adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or repay existing borrowings. No changes were made in the objectives, policies and processes during the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

The Group is not subject to any externally imposed capital requirements other than PTMKH and PTSPS which are required to maintain a debt-to-equity ratio of 75:25 and 65:35 respectively as well as loan-to-value ratio of not more than 75% and 65% respectively in respect of the term loan facilities. Based on the proforma financial information provided to the financial institutions, the Group has complied with this capital requirement.

## 34. COMBINING ENTITIES

The combined financial statements consist of the financial statements of the Company and its subsidiaries as below, which were under common control of MKH Berhad. The Company's ultimate holding company is MKH Berhad, which is incorporated in Malaysia and is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad.

Details of the subsidiaries is as follows:

| Name of Company | Place of incorporation | Effective ownership | Date of incorporation | Principal activities |
|---|---|---|---|---|
| PT Maju Kalimantan Hadapan ("PTMKH") | Republic of Indonesia | 94.33% | September 9, 2005 | Oil palm plantation |

Details of the combining entity is as follows:

| Name of Company | Place of incorporation | Effective ownership | Date of incorporation | Principal activities |
|---|---|---|---|---|
| PT Sawit Prima Sakti ("PTSPS") | Republic of Indonesia | 75% | October 20, 2004 | Oil palm plantation |

## 35. PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been made to the combined financial statements as at September 30, 2021, September 30, 2020 and October 1, 2019. The Group has made prior year adjustments in relation to:

(i) Fair value of inventories

In accordance with IAS 41 Agriculture, the fair values of inventories such as CPO and PK shall be determined based on the market price and the estimated yield of FFB. In prior years, the inventories such as CPO and PK are not valued based on their fair values and these have been retrospectively adjusted in these combined financial statements.

| | As previously reported RM | Adjustments RM | As restated RM |
|---|---|---|---|
| **Statement of financial position as of September 30, 2020** | | | |
| **Current Asset** | | | |
| Inventories | 28,242,233 | 1,822,143 | 30,064,376 |
| **Capital and Reserve** | | | |
| Reserves | 8,098,731 | 1,824,276 | 9,923,007 |
| **Current Liability** | | | |
| Payables and accruals | 123,255,410 | (2,133) | 123,253,277 |

(ii) Current and deferred tax liabilities

In previous financial years, the temporary difference between PPE and plantation were under/overstated in profit and loss. The Group has adjusted the prior years' corporate income taxes in these combined financial statements.

The deferred tax liabilities have been adjusted accordingly with the prior year adjustments made on fair values of inventories and temporary difference between PPE and plantation.

| | As previously reported/As restated above RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statement of financial position as of September 30, 2021** | | | |
| **Non-Current Liability** | | | |
| Deferred tax liabilities | 7,202,445 | 2,524,042 | 9,726,487 |

| | As previously reported/ As restated above RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Capital and Reserve** | | | |
| Reserves | 93,061,772 | (2,524,042) | 90,537,730 |
| **September 30, 2020** | | | |
| **Non-Current Liability** | | | |
| Deferred tax liabilities | 7,210,161 | 24,452 | 7,234,613 |
| **Capital and Reserve** | | | |
| Reserves | 9,923,007 | (24,452) | 9,898,555 |

(iii) Bad debt expenses

Certain other receivables were determined to be uncollectible and these have been retrospectively corrected in these combined financial statements.

| | As previously reported RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statement of profit or loss for the financial year ended September 30, 2020** | | | |
| Other expenses | 22,512,496 | 251,486 | 22,763,982 |
| **Statement of financial position as of September 30, 2020** | | | |
| **Current Asset** | | | |
| Receivables, deposits and prepayments | 35,879,312 | (251,486) | 35,627,826 |

(iv) Project cost

In prior financial years, some projects which were not related to plantation segments were incorrectly recognised under other assets and had understated the prior years' expenses. These have been corrected for in these combined financial statements.

| | As previously reported/ As restated above RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statement of financial position as of September 30, 2020** | | | |
| **Non-Current Asset** | | | |
| Receivables, deposits and prepayments | 2,401,832 | (402,996) | 1,998,836 |
| **Capital and Reserve** | | | |
| Reserves | 9,898,555 | (402,996) | 9,495,559 |

(v) Trade payables

The Group has identified certain incorrect recognition of trade payables that were not accounted during prior years. Such trade payables were reassessed by the Group and corrected in these combined financial statements.

| | As restated above RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statement of financial position as of September 30, 2020** | | | |
| **Current Assets** | | | |
| Inventories | 30,064,376 | (2,133) | 30,062,243 |
| Receivables, deposits and prepayments | 35,627,826 | 544,475 | 36,172,301 |
| **Current Liability** | | | |
| Payables and accruals | 123,253,277 | 524,396 | 123,777,673 |
| **Capital and Reserve** | | | |
| Reserves | 9,495,559 | 17,946 | 9,513,505 |

As a result of the material restatements listed above, the Group has restated the combined financial statements whereby the amounts presented will not directly agree to prior years' financial statements. Additionally, the Group have also reclassified certain comparative figures to conform with current financial years' presentation.

## 36. CHANGE OF NAME

On January 7, 2021, the Company changed its name from Detik Merdu Sdn. Bhd. to MKH Global Plantation Sdn. Bhd..

On October 1, 2021, the Company changed its name from MKH Global Plantation Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Sdn. Bhd..

On August 11, 2022, the Company converted from a private company to a public company and the name of the company is changed from MKH Oil Palm (East Kalimantan) Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Berhad.

**ACCOUNTANTS' REPORT**
(Prepared for inclusion in the Prospectus of
MKH Oil Palm (East Kalimantan) Berhad)

**MKH OIL PALM (EAST KALIMANTAN) BERHAD**

**STATEMENT BY DIRECTORS**

The directors of **MKH OIL PALM (EAST KALIMANTAN) BERHAD** state that, in their opinion, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission of Malaysia so as to give a true and fair view of the financial position of the combining entities as of September 30, 2022, September 30, 2021 and September 30, 2020 and of the financial performance and the cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

Signed in accordance with a resolution of the Directors dated 24 MAR 2023

**CHEN WEI CHYONG**

**DATO' LEE KHEE MENG**

Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 12A Hunza Tower
163E Jalan Kelawei
10250 Penang
Malaysia

Tel: +604 2945500
Fax: +604 2189278
mypenang@deloitte.com
www.deloitte.com/my

**INDEPENDENT ASSURANCE REPORT**
**ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS OF MKH OIL PALM (EAST KALIMANTAN) BERHAD**

**Report on the Compilation of Pro Forma Combined Statements of Financial Position Included in a Prospectus**

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of MKH Oil Palm (East Kalimantan) Berhad ("MKHOP" or "Company") and its combining entities (collectively known as "MKHOP Group" or "Group") as of September 30, 2022 and its related notes as prepared by the directors of the Company.

The pro forma combined statements of financial position of the Group as of September 30, 2022 and its related notes is as set out in the accompanying attachment and stamped by us for the purpose of identification. The pro forma combined statements of financial position has been prepared for inclusion in a Prospectus to be issued in connection with the initial public offering and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposal").

The applicable criteria on the basis of which the directors of the Company have compiled the pro forma combined statements of financial position are described in Note 2.0 to the pro forma combined statements of financial position and as specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines").

The pro forma combined statements of financial position has been compiled by directors of the Company to illustrate the impact of the events or transactions, as set out in Note 3.0 to the pro forma combined statements of financial information on the Group's financial position as of September 30, 2022, as if the events or transactions had taken place as of September 30, 2022. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the respective combined entities' financial information for the year ended September 30, 2022, on which an auditors' report has been published.

(Forward)

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**Directors' Responsibilities**

The directors of the Company are responsible for preparing the compilation of pro forma combined statements of financial position on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

**Our Independence and Quality Control**

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

In accordance with International Standards on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* as adopted by the Malaysian Institute of Accountants, Deloitte PLT maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibilities**

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the pro forma combined statements of financial position has been properly compiled, in all material respects, by the directors of the Company on the basis set out in the note thereon.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 - *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards as adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the pro forma combined statements of financial position on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the pro forma combined statements of financial position.

(Forward)

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

The purpose of the pro forma combined statements of financial position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been prepared, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma combined statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma combined statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma combined statements of financial position has been prepared and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the pro forma combined statements of financial position has been properly compiled, in all material respects, on the basis as set out in Note 2.0 to the pro forma combined statements of financial position and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

(Forward)

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

**Other Matters**

This report has been issued for the sole purpose of inclusion in a prospectus to be issued in connection with the Proposal (in compliance with the Prospectus Guidelines). As such, this letter is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any document other than the Proposal.

**DELOITTE PLT (LLP0010145-LCA)**
**Chartered Accountants (AF 0080)**

**ALVIN CHANG SHU-WEI**
**Partner - 03480/01/2024 J**
**Chartered Accountant**

March 24, 2023

**MKH OIL PALM (EAST KALIMANTAN) BERHAD ("MKHOP" OR "COMPANY") AND ITS COMBINING ENTITIES ("MKHOP GROUP" OR "GROUP")**
**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**

## 1.0 GENERAL

### 1.1 Pro Forma Combined Statements of Financial Position

The pro forma combined statements of financial position should be read in conjunction with the historical financial statements of the combining entities for the financial year ended September 30, 2022 ("FYE 2022").

The pro forma combined statements of financial position has been prepared for inclusion in a Prospectus of MKHOP in connection with the initial public offering and the listing of and quotation for the entire enlarged issued and share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company is located at G-02 & G-03, Ground Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan.

The pro forma combined statements of financial position of the Company as of September 30, 2022, as shown in Note 3.0, has been prepared for illustrative purposes only.

### 1.2 Abbreviations and Formulas

Unless the context otherwise requires, the following words, abbreviations and formulas shall apply throughout this report:

**Companies within our group**

| | |
|---|---|
| MKHOP or Company | MKH Oil Palm (East Kalimantan) Berhad (Registration No. 200401023680 (662186-D)) |
| MKHOP Group or Group | MKHOP and its subsidiaries, collectively |
| PT MKH | PT Maju Kalimatan Hadapan (Business Identification No. 8120014280519) |
| PT SPS | PT Sawit Prima Sakti (Business Identification No. 8120019071063) |

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24 MAR 2023
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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

**General**

| | |
|---|---|
| Bursa Securities | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| Entitlement Date | The date to be determined and announced by the Board of Directors of MKH for the Distribution |
| FYE | Financial year ended or where the context otherwise requires, financial year ending 30 September |
| IFRS | International Financial Reporting Standards |
| Pre-IPO | Exercise before public issue involving significant subsequent events, share split, acquisition of PT MKH and PT SPS and Capitalisation |
| IPO or Public Issue | Public issue of 220,000,000 Issue Shares at IPO Price of RM[●] per share |
| IPO Price | The price of RM[●] per IPO Share under our IPO |
| IPO Share(s) | Issue Share(s) and Offer Share(s), collectively |
| Issue Share(s) | 220,000,000 new MKHOP Share(s) to be issued under the Public Issue |
| Ivakijaya | Ivakijaya Sdn Bhd (Registration No. 200501015554 (692601-P)) |
| Metro Kajang (Oversea) | Metro Kajang (Oversea) Sdn Bhd (Registration No. 199301016059 (270799-X)) |
| MFRS | Malaysian Financial Reporting Standards |
| MKH Plantation | MKH Plantation Sdn Bhd (Registration No. 200601018004 (737756-U)) |
| NA | Net assets |
| PT Hikmat | PT Hikmat Aliran Sukses (Business Identification No. 1266000400995) |
| PT NMJ | PT Nusantara Makmur Jaya (Business Identification No. 276286) |
| PK | Palm Kernel |
| Restu Mesra | Restu Mesra Sdn Bhd (Registration No. 202201000650 (1446347-D)) |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

**Formulas**

| | |
|---|---|
| NA per ordinary share | NA as of the date of the financial position divided by the number of MKHOP Shares |
| Current ratio | Total current assets divided by total current liabilities |
| Gearing ratio | Total indebtedness (loan and borrowings plus interest bearing advances from related company) divided by total equity |

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### 1.3 Basis of Preparation of Pro Forma Combined Statements of Financial Position

The pro forma combined statements of financial position has been compiled based on the audited financial statements of MKHOP Group for the FYE 2022.

The pro forma combined statements of financial position is presented in RM.

The pro forma combined statements of financial position which should be read in conjunction with the notes thereto has been prepared for illustrative purposes only to reflect what the combined financial position of MKHOP Group as of September 30, 2022 would have been, if the Pre-IPO Exercise and IPO Exercise had been completed on that date.

The pro forma combined statements of financial position is prepared using the bases and accounting principles consistent with those adopted in the preparation of the statutory financial position of the combining entities for the FYE 2022.

The pro forma combined statements of financial position of MKH Oil Palm (East Kalimantan) Berhad and its combining entities for the FYE 2022 have been prepared in accordance with MFRS and IFRS.

For illustrative purposes, in arriving at the pro forma combined statements of financial position as of September 30, 2022, it is assumed that the Listing Scheme as mentioned in Note 2.0 below are completed on September 30, 2022. Payment for funds arising from the Listing Scheme are received/utilised on September 30, 2022.

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## 2.0 LISTING SCHEME

MKHOP is undertaking the listing of and quotation for its entire enlarged issued and share capital on the Main Market of Bursa Securities. The significant subsequent events and listing scheme comprise the following:

### 2.1 Significant Subsequent Events

Subsequent to September 30, 2022, the following events took place:

(i) On January 9, 2023, MKHOP has entered into a share sale agreement with Metro Kajang (Oversea), for the disposal of 50,000 ordinary shares representing 100% of the equity interest in Restu Mesra for a total cash consideration of RM50,000. The transaction has been completed on January 16, 2023 and thereafter, Restu Mesra has ceased to be a subsidiary of MKHOP; and

(ii) On January 9, 2023, MKHOP has entered into a share sale agreement with Metro Kajang (Oversea), for the disposal of 1,199,000 ordinary shares representing 99.92% of the equity interest in PT NMJ for a total cash consideration of RM2,853,714. The transaction has been completed on January 19, 2023 and thereafter, PT NMJ has ceased to be a subsidiary of MKHOP.

The Significant Subsequent Events are known as "Pro Forma I" for the purpose of pro forma combined statements of financial position.

### 2.2 Share Split

MKHOP undertook a share split which entails the subdivision of every 1 existing MKHOP Share into 6 new MKHOP Shares, resulting in increased number of MKHOP Shares from 110,468,000 Shares to 662,808,000 Shares.

The Share Split is known as "Pro Forma II" for the purpose of pro forma combined statements of financial position.

### 2.3 Acquisitions of PT MKH and PT SPS

In connection with the IPO, MKHOP undertook the following acquisitions prior to the Capitalisation as described in Note 2.4 by entering into the following agreements:

(i) Conditional share sale agreement with Metro Kajang (Oversea) and PT Hikmat to acquire 5.667% of equity interest in PT MKH comprising 27,634 ordinary shares for a total purchase consideration of RM53.52 million which was satisfied by the issuance of 44,227,859 new shares at an issue price of RM1.21 each.

(ii) Conditional share sale agreement with MKH Plantation, Ivakijaya and PT Hikmat to acquire the entire equity interest in PT SPS comprising 9,300 ordinary shares for a total purchase consideration of RM27.86 million which was satisfied by the issuance of 23,028,035 new shares at an issue price of RM1.21 each.

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Upon completion of the acquisitions of PT MKH and PT SPS, the issued share capital of MKHOP increased from RM110.47 million comprising 662,808,000 MKHOP shares to RM191.85 million comprising 730,063,894 MKHOP Shares.

The Acquisitions of PT MKH and PT SPS are known as "Pro Forma III" for the purpose of pro forma combined statements of financial position.

**2.4 Capitalisation**

The Group also undertook the Capitalisation whereby:

(i) PT MKH novated an amount owing to Metro Kajang (Oversea) of RM54,966,141 to MKHOP ("PT MKH Debt Novation").

(ii) PT SPS novated an amount owing to MKH Plantation of RM55,487,000 to MKHOP ("PT SPS Debt Novation").

(iii) MKHOP capitalised the entire amount owing by the Company to Metro Kajang (Oversea) of RM[●] as of 30 September 2022 with the issuance of 7,036,753 new shares at an issue price of RM[●] each.

(iv) MKHOP capitalised the entire amount owing by the Company to Metro Kajang (Oversea) pursuant to the PT MKH Debt Novation, being RM[●] as of September 30, 2022 with the issuance of 45,426,562 new shares at an issue price of RM[●] each; and

(v) MKHOP capitalised RM[●], being part of the entire amount owing by the Company to MKH Plantation, pursuant to the PT SPS Debt Novation as of September 30, 2022 with the issuance of 21,063,636 new shares at an issue price of RM[●] each.

The balance amount owing by MKHOP to MKH Plantation after the Capitalisation of RM[●] million will be repaid by MKHOP from the proceeds to be raised from the Public Issue.

Upon completion of the Capitalisation, the issued share capital of MKHOP increased from RM191.85 million comprising 730,063,894 MKHOP Shares to RM[●] million comprising 803,590,845 MKHOP Shares.

The Capitalisation is known as "Pro Forma IV" for the purpose of pro forma combined statements of financial position.

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### 2.5 Distribution-In-Specie to Shareholders of MKH Berhad

Upon completion of the Pre-IPO, MKH Berhad together with Metro Kajang (Oversea) and MKH Plantation will collectively hold 758,804,663 MKHOP Shares, representing 94.4% equity interest.

MKH Berhad proposes to distribute 82,487,981 MKHOP Shares representing approximately 10.3% equity interest in MKHOP to the Entitled Shareholders on an Entitlement Date.

Upon completion of the Distribution, the total shareholdings of MKH Berhad together with Metro Kajang (Oversea) and MKH Plantation in MKHOP will reduce to approximately 84.2%.

The Distribution-In-Specie to Shareholders of MKH Berhad is known as "Pro Forma V" for the purpose of pro forma combined statements of financial position.

### 2.6 Public Issue

The Public Issue will involve the offering of 220,000,000 Issue Shares, representing 21.5% of MKHOP's enlarged share capital at an IPO Price of RM[●]. The Issue Shares will be allocated in the following manner:

(i) Malaysian Public

51,209,800 shares, representing approximately 5.0% of the enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process.

(ii) Private Placement to selected investors

168,790,200 shares, representing approximately 16.5% of the enlarged share capital, are reserved for private placement to selected investors.

The completion of the Public Issue will result in an enlarged issued share capital of MKHOP from RM[●] million comprising 803,590,845 MKHOP shares to RM[●] million comprising 1,023,590,845 MKHOP shares. There is no over-allotment or 'greenshoe' option that will increase the number of IPO Shares.

The Public Issue is known as "Pro Forma VI" for the purpose of pro forma combined statements of financial position.

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## 2.7 Utilisation of Proceeds

The gross proceeds of RM[●] million which would accrue to MKHOP entirely from the Public Issue are intended to be utilised in the following manner:

| | RM | RM |
|---|---|---|
| **Capital expenditures** | | |
| Expansion of land banks for oil palm plantation | [●] | |
| Capital expenditures for existing plantation lands | [●] | |
| Setup of PK crushing facility | [●] | |
| Purchase of machinery and equipment for existing palm oil mill | [●] | |
| Capital expenditures for upkeep of workers/staff housing quarters | [●] | |
| Capital expenditures to expand coverage of electricity supply | [●] | [●] |
| Purchase of spare parts for machineries | | [●] |
| Refurbishment and/or upkeep of existing palm oil mill | | [●] |
| Repayment of intercompany balance to MKH Plantation | | [●] |
| Estimated listing expenses | | [●] |
| | | [●] |

The Utilisation of Proceeds is known as "Pro Forma VII" for the purpose of pro forma combined statements of financial position.

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## 3.0 PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2022

The pro forma combined statements of financial position as of September 30, 2022 set out below have been prepared for illustration purposes only to show the effects on the audited combined statements of financial position of MKHOP Group as of September 30, 2022 on the assumption that the Listing Scheme as set out in Note 2.0 has been effected on September 30, 2022 and should be read in conjunction with the notes in this Section.

| ASSETS | Audited September 30, 2022 RM | Pro Forma I RM | Pro Forma II RM | Pro Forma III RM | Pro Forma IV RM | Pro Forma V RM | Pro Forma VI RM | Pro Forma VII RM |
|---|---|---|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | | | | |
| Property, plant and equipment (Note 3.3(i)) | 259,936,500 | 259,936,500 | 259,936,500 | 364,484,624 | 364,484,624 | 364,484,624 | 364,484,624 | [•] |
| Prepaid lease payments (Note 3.3(ii)) | 19,061,198 | 19,061,198 | 19,061,198 | 20,678,456 | 20,678,456 | 20,678,456 | 20,678,456 | 20,678,456 |
| Goodwill on consolidation | 5,340,011 | 5,340,011 | 5,340,011 | 5,340,011 | 5,340,011 | 5,340,011 | 5,340,011 | 5,340,011 |
| Investment in subsidiaries (Note 3.3(iii)) | 50,001 | - | - | - | - | - | - | - |
| Receivables, deposits and prepayments (Note 3.3(iv)) | 1,379,191 | 1,379,191 | 1,379,191 | 1,390,752 | 1,390,752 | 1,390,752 | 1,390,752 | 1,390,752 |
| **Total Non-Current Assets** | 285,766,901 | 285,716,900 | 285,716,900 | 391,893,843 | 391,893,843 | 391,893,843 | 391,893,843 | [•] |
| **Current Assets** | | | | | | | | |
| Inventories | 67,714,407 | 67,714,407 | 67,714,407 | 67,714,407 | 67,714,407 | 67,714,407 | 67,714,407 | 67,714,407 |
| Biological assets (Note 3.3(v)) | 5,703,344 | 5,703,344 | 5,703,344 | 5,917,360 | 5,917,360 | 5,917,360 | 5,917,360 | 5,917,360 |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

| | Audited September 30, 2022 RM | Pro Forma I RM | Pro Forma II RM | Pro Forma III RM | Pro Forma IV RM | Pro Forma V RM | Pro Forma VI RM | Pro Forma VII RM |
|---|---|---|---|---|---|---|---|---|
| Receivables, deposits and prepayments (Note 3.3(iv)) | 26,723,879 | 26,723,879 | 26,723,879 | 15,394,533 | 15,394,533 | 15,394,533 | 15,394,533 | 15,394,533 |
| Current tax assets | 3,909,828 | 3,909,828 | 3,909,828 | 3,909,828 | 3,909,828 | 3,909,828 | 3,909,828 | 3,909,828 |
| Cash and bank balances (Note 3.3(vi)) | 40,179,367 | 43,083,081 | 43,083,081 | 44,918,185 | 44,918,185 | 44,918,185 | [•] | [•] |
| **Total Current Assets** | 144,230,825 | 147,134,539 | 147,134,539 | 137,854,313 | 137,854,313 | 137,854,313 | [•] | [•] |
| **Total Assets** | 429,997,726 | 432,851,439 | 432,851,439 | 529,748,156 | 529,748,156 | 529,748,156 | [•] | [•] |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| **Capital and Reserves** | | | | | | | | |
| Share capital (Note 3.3(vii)) | 110,468,000 | 110,468,000 | 110,468,000 | 191,847,631 | [•] | [•] | [•] | [•] |
| Reserves (Note 3.3(viii)) | 164,463,613 | 167,317,326 | 167,317,326 | 129,488,347 | [•] | [•] | [•] | [•] |
| Equity attributable to the owner of the parent | 274,931,613 | 277,785,326 | 277,785,326 | 321,335,978 | [•] | [•] | [•] | [•] |
| Non-controlling interests (Note 3.3(ix)) | 15,686,730 | 15,686,730 | 15,686,730 | - | - | - | - | - |
| **Total Equity** | 290,618,343 | 293,472,056 | 293,472,056 | 321,335,978 | [•] | [•] | [•] | [•] |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

| | Audited September 30, 2022 RM | Pro Forma I RM | Pro Forma II RM | Pro Forma III RM | Pro Forma IV RM | Pro Forma V RM | Pro Forma VI RM | Pro Forma VII RM |
|---|---|---|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | | | | |
| Provisions (Note 3.3(x)) | 15,089,821 | 15,089,821 | 15,089,821 | 15,705,767 | 15,705,767 | 15,705,767 | 15,705,767 | 15,705,767 |
| Payables and accruals (Note 3.3(xi)) | 31,326,624 | 31,326,624 | 31,326,624 | 31,326,624 | [•] | [•] | [•] | [•] |
| Loan and borrowings | 2,317,544 | 2,317,544 | 2,317,544 | 2,317,544 | 2,317,544 | 2,317,544 | 2,317,544 | 2,317,544 |
| Deferred tax liabilities (Note 4.3(xii)) | 3,856,029 | 3,856,029 | 3,856,029 | 16,388,641 | 16,388,641 | 16,388,641 | 16,388,641 | 16,388,641 |
| **Total Non-Current Liabilities** | 52,590,018 | 52,590,018 | 52,590,018 | 65,738,576 | [•] | [•] | [•] | [•] |
| **Current Liabilities** | | | | | | | | |
| Payables and accruals (Note 3.3(xi)) | 86,779,176 | 86,779,176 | 86,779,176 | 142,663,413 | [•] | [•] | [•] | [•] |
| Current tax liabilities | 10,189 | 10,189 | 10,189 | 10,189 | 10,189 | 10,189 | 10,189 | 10,189 |
| **Total Current Liabilities** | 86,789,365 | 86,789,365 | 86,789,365 | 142,673,602 | [•] | [•] | [•] | [•] |
| **Total Liabilities** | 139,379,383 | 139,379,383 | 139,379,383 | 208,412,178 | [•] | [•] | [•] | [•] |
| **Total Equity and Liabilities** | 429,997,726 | 432,851,439 | 432,851,439 | 529,748,156 | [•] | [•] | [•] | [•] |





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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

| | Audited September 30, 2022 RM | Pro Forma I RM | Pro Forma II RM | Pro Forma III RM | Pro Forma IV RM | Pro Forma V RM | Pro Forma VI RM | Pro Forma VII RM |
|---|---|---|---|---|---|---|---|---|
| ***Key Financial Ratios:*** | | | | | | | | |
| Number of ordinary shares in issue (shares) | 110,468,000[1] | 110,468,000 | 662,808,000 | 730,063,894 | 803,590,845 | 803,590,845 | 1,023,590,845 | 1,023,590,845 |
| NA per ordinary share (RM) | 2.489 | 2.515 | 0.419 | 0.440 | [•] | [•] | [•] | [•] |
| Current ratio (times) | 1.662 | 1.695 | 1.695 | 0.966 | [•] | [•] | [•] | [•] |
| Gearing ratio (times) | 0.241 | 0.239 | 0.239 | 0.218 | [•] | [•] | [•] | [•] |

**Note:**

[1] Number of ordinary shares in issue represents the number of shares of the Company in issue as of September 30, 2022.

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### 3.1 Basis of Preparation

The pro forma combined statements of financial position as of September 30, 2022 have been derived from the audited financial statements of MKHOP Group as of September 30, 2022, which were prepared in accordance with MFRS and IFRS and in a manner consistent with the format of the financial statements and accounting policies of the MKHOP Group as if the Group has been operated as a single economic entity throughout the FYE 2022. Combining entities within the MKHOP Group are under common control of the controlling shareholder.

The pro forma combined statements of financial position as of September 30, 2022 have been prepared for illustrative purposes only to show the effects on the audited statements of financial position of the combining entities as of September 30, 2022 on the assumption that the Listing Scheme as set out in Note 2.0 has been effected on September 30, 2022, and should be read in conjunction with the Notes in this Section.

The audited statements of financial position of the combining entities as of September 30, 2022 used in the preparation of the pro forma combined statements of financial position were not subject to any qualifications, modifications or disclaimers.

The pro forma combined statements of financial position are not necessarily indicative of the future financial position that would have been attained had the Listing Scheme as set out in Note 2.0 actually occurred at the respective dates. The pro forma combined statements of financial position have been prepared for illustrative purposes only, and because of the nature, may not give a true picture of the actual position of MKHOP Group.

3.2 Adjustments to the pro forma combined statements of financial position are as below:

#### 3.2.1 Pro Forma I

Pro Forma I incorporates adjustments relating to Significant Subsequent Events for proceeds received from Metro Kajang (Oversea) on disposal of Restu Mesra and PT NMJ as set out in Note 2.1.

#### 3.2.2 Pro Forma II

No statement of financial position impact to the pro forma combined statements of financial position derived from the Pro Forma adjustment Note 2.2.

#### 3.2.3 Pro Forma III

Pro Forma III incorporates adjustments relating to New Share Issuance and the completion of acquisitions for both PT MKH and PT SPS as set out in Note 2.3.

#### 3.2.4 Pro Forma IV

Pro Forma IV incorporates adjustments relating to New Share Issuance and the Capitalisation as set out in Note 2.4.

#### 3.2.5 Pro Forma V

No statement of financial position impact to the pro forma combined statements of financial position derived from the Pro Forma adjustment Note 2.5.

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### 3.2.6 Pro Forma VI

Pro Forma VI incorporates adjustments relating to the new share issuance and proceeds from Public Issue of 220,000,000 new ordinary shares at RM[●] per ordinary share amounting to RM[●] as set out in Note 2.6.

### 3.2.7 Pro Forma VII

Pro Forma VII incorporates adjustments relating to the utilisation of proceeds from Public Issue of RM[●] as set out in Note 2.7.

### 3.3 Notes to the Pro Forma Combined Statements of Financial Position as of September 30, 2022

(i) Property, plant and equipment

The changes in property, plant and equipment are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 259,936,500 |
| Pursuant to Adjustment for Pro Forma III: | |
| Property, plant and equipment arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 104,548,124 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI | 364,484,624 |
| Pursuant to Adjustments for Pro Forma VII: | |
| Expansion of land banks for oil palm plantation | [●] |
| Capital expenditures for existing plantation lands | [●] |
| Setup of PK crushing facility | [●] |
| Purchase of machinery and equipment for existing palm oil mill | [●] |
| Capital expenditures for upkeep of workers/staff housing quarters | [●] |
| Capital expenditures to expand coverage of electricity supply | [●] |
| Total Adjustments for Pro Forma VII | [●] |
| Per Pro Forma VII | [●] |

(ii) Prepaid lease payments

The changes in prepaid lease payments are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 19,061,198 |
| Pursuant to Adjustment for Pro Forma III: | |
| Prepaid lease payments arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 1,617,258 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | 20,678,456 |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(iii) Investment in subsidiaries

The changes in investment in subsidiaries are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022 | 50,001 |
| Pursuant to Adjustment for Pro Forma I: | |
| Derecognition of investment in unquoted shares arising through disposal of Restu Mesra and PT NMJ to Metro Kajang (Oversea) | (50,001) |
| Per Pro Forma I/ Pro Forma II/ Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | - |

(iv) Receivables, deposits and prepayments

The changes in receivables, deposits and prepayments are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | |
| Current | 26,723,879 |
| Non-current | 1,379,191 |
| | 28,103,070 |
| Pursuant to Adjustments for Pro Forma III: | |
| Plasma receivable and other receivables arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 312,705 |
| Elimination of intercompany transactions between PT SPS and MKHOP Group | (11,630,490) |
| Total Adjustments for Pro Forma III | (11,317,785) |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | 16,785,285 |

| | RM |
|---|---|
| Analysed as: | |
| Current | 15,394,533 |
| Non-current | 1,390,752 |
| | 16,785,285 |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(v) Biological assets

The changes in biological assets are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 5,703,344 |
| Pursuant to Adjustment for Pro Forma III: | |
| Biological assets arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 214,016 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | 5,917,360 |

(vi) Cash and bank balances

The changes in cash and bank balances are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022 | 40,179,367 |
| Pursuant to Adjustment for Pro Forma I: | |
| Proceeds arising through disposal of Restu Mesra and PT NMJ to Metro Kajang (Oversea) | 2,903,714 |
| Per Pro Forma I/ Pro Forma II | 43,083,081 |
| Pursuant to Adjustment for Pro Forma III: | |
| Bank balances arising through acquisition of PT SPS from MKH Plantation, IvakiJaya and PT Hikmat | 1,835,104 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V | 44,918,185 |
| Pursuant to Adjustment for Pro Forma VI: | |
| Proceeds from Public Issue | [●] |
| Per Pro Forma VI | [●] |
| Pursuant to Adjustments for Pro Forma VII: | |
| Expansion of land banks for oil palm plantation | [●] |
| Capital expenditures for existing plantation lands | [●] |
| Setup of PK crushing facility | [●] |
| Purchase of machinery and equipment for existing palm oil mill | [●] |
| Capital expenditures for upkeep of workers/staff housing quarters | [●] |
| Capital expenditures to expand coverage of electricity supply | [●] |
| Purchase of spare parts for machineries | [●] |
| Refurbishment and/or upkeep of existing palm oil mill | [●] |
| Repayment of intercompany balance to MKH Plantation | [●] |
| Estimated listing expenses | [●] |
| Total Adjustments for Pro Forma VII | [●] |
| Per Pro Forma VII | [●] |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(vii) Share Capital

The changes in share capital are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 110,468,000 |
| Pursuant to Adjustment for Pro Forma III: | |
| Issuance of new ordinary shares pursuant to acquisition of PT MKH and PT SPS | 81,379,631 |
| Per Pro Forma III | 191,847,631 |
| Pursuant to Adjustment for Pro Forma IV: | |
| Issuance of new ordinary shares pursuant to Capitalisation | [•] |
| Per Pro Forma IV/ Pro Forma V | [•] |
| Pursuant to Adjustment for Pro Forma VI: | |
| Public issue of new ordinary shares | [•] |
| Per Pro Forma VI | [•] |
| Pursuant to Adjustment for Pro Forma VII: | |
| Estimated direct issue costs of new ordinary shares | [•] |
| Per Pro Forma VII | [•] |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(viii) Reserves

The changes in reserves are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022 | 164,463,613 |
| Pursuant to Adjustment for Pro Forma I: | |
| Reversal of impairment loss arising through disposal of PT NMJ to Metro Kajang | 2,853,713 |
| Per Pro Forma I/ Pro Forma II | 167,317,326 |
| Pursuant to Adjustment for Pro Forma III: | |
| Acquisition of remaining equity interests in PT MKH from non-controlling interests | (37,828,979) |
| Per Pro Forma III | 129,488,347 |
| Pursuant to Adjustment for Pro Forma IV: | |
| Reversal of unrealised foreign exchange upon Capitalisation | [•] |
| Per Pro Forma IV/ Pro Forma V/ Pro Forma VI | [•] |
| Pursuant to Adjustments for Pro Forma VII: | |
| Refurbishment and/or upkeep of existing palm oil mill | [•] |
| Purchase of spare parts for machineries | [•] |
| Estimated listing expenses | [•] |
| Total Adjustments for Pro Forma VII | [•] |
| Per Pro Forma VII | [•] |

(ix) Non-controlling interests

The changes in non-controlling interests are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 15,686,730 |
| Pursuant to Adjustment for Pro Forma III: | |
| Reversal arising from acquisition of remaining equity interests in PT MKH from Metro Kajang (Oversea) and PT Hikmat | (15,686,730) |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | - |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(x) Provisions

The changes in provisions are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 15,089,821 |
| Pursuant to Adjustment for Pro Forma III: | |
| Provisions arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 615,946 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | 15,705,767 |

(xi) Payables and accruals

The changes in payables and accruals are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | |
| Current | 86,779,176 |
| Non-current | 31,326,624 |
| | 118,105,800 |
| Pursuant to Adjustments for Pro Forma III: | |
| Payables arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 67,514,727 |
| Elimination of intercompany transactions between PT SPS and MKHOP Group | (11,630,490) |
| Total Adjustments for Pro Forma III | 55,884,237 |
| Per Pro Forma III | 173,990,037 |
| Pursuant to Adjustment for Pro Forma IV: | |
| Repayment of intercompany balances to Metro Kajang (Oversea) and MKH Plantation | [●] |
| Per Pro Forma IV/ Pro Forma V/ Pro Forma VI | [●] |
| Pursuant to Adjustment for Pro Forma VII: | |
| Repayment of intercompany balance to MKH Plantation | [●] |
| Per Pro Forma VII | [●] |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

(xi) Payables and accruals (continued)

| | RM |
|---|---|
| Analysed as: | |
| Current | [●] |
| Non-current | - |
| | [●] |

(xii) Deferred tax liabilities

The changes in deferred tax liabilities are attributed to the following:

| | RM |
|---|---|
| Per Audited as of September 30, 2022/ Pro Forma I/ Pro Forma II | 3,856,029 |
| Pursuant to Adjustment for Pro Forma III: | |
| Deferred tax liabilities arising through acquisition of PT SPS from MKH Plantation, Ivakijaya and PT Hikmat | 12,532,612 |
| Per Pro Forma III/ Pro Forma IV/ Pro Forma V/ Pro Forma VI/ Pro Forma VII | 16,388,641 |

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## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

### 4.0 APPROVAL

The above Pro Forma Combined Statements of Financial Position is approved and adopted by the Board of Directors of MKHOP in accordance with a resolution dated 24 MAR 2023

Signed on behalf of the Board of Directors:

| | |
|---|---|
| CHEN WEI CHYONG<br>DIRECTOR<br>MKH OIL PALM (EAST KALIMANTAN) BERHAD | DATO' LEE KHEE MENG<br>DIRECTOR<br>MKH OIL PALM (EAST KALIMANTAN) BERHAD |

## 15. VALUATION CERTIFICATES

The table below sets out a summary of our material properties which have been valued by the Independent Valuer:

| No. | Property details | Market value as at 21 December 2022 |
|---|---|---|
| | | RM |
| 1. | PT MKH's 15,942.6 Ha oil palm plantation situated at Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia | 1,025,200,000 |
| 2. | (i) PT MKH's palm oil mill situated in Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia; and | 61,730,000 |
| | (ii) PT MKH's CPO bulking station with jetty situated at Desa Sebulu Ilir, Kecamatan Sebulu, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia | 10,900,000 |
| 3. | PT SPS' 2,445.49 Ha oil palm plantation situated at Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia[(1)] | 104,450,000 |

**Note:**

(1) 182.8 Ha of the plantation land area owned by PT SPS has been earmarked for transfer in the form of HGU to Koperasi Perkebunan Sawit Seguntung Jaya, Puan Cepak Village. The transfer of the plantation land area was to fulfill the obligation of PT MKH under the Plasma Programme whereby PT MKH is obligated to amongst others, provide the plantation facilities and assist in the management of the plantation land. Please refer to Section 6.5(b)(iv) for further details of the transfer of plantation land area measuring 182.8 Ha.

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# C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd**
**[Registration No. 197701003650 (34874-P)]**
Juruukur Berkanun
Chartered Surveyors
Perunding Harta Antarabangsa
International Property Consultants

Rooms 605-608, 6th Floor,
Wisma Khoo Siak Chiew,
W.D.T. 110,
90009 Sandakan, Sabah.
Tel : 089-219714, 271972
217022, 217025
Fax : 089-272850
E-mail : sandakan@wtwsabah.com.my
Website : www.wtw.com.my

**Sr Foo Gee Jen**
B Surv MRICS FRISM FPEPS MMIPPM
**Sr Leong Shin Yau**
B Comm MRICS MRISM
**Sr Cornelius Koh**
BSc MRICS MRISM
**Sr Chong Fui Mei**
BSc MRICS MRISM
**Sr Benjamin Mu Vi Ken**
BSc MRISM
**Sr Chan Mon Hueg**
BSc MRICS MRISM
**Sr Tan Ka Leong**
B Surv MRICS FRISM MPEPS
**Sr Robert Ting Kang Sung**
B Bus MRISM MPEPS MMIPPM

*Consultants*
**Datuk Sr Chong Choon Kim**
PGDK
BSc MRICS FRISM
**Sr Robin Chung York Bin**
BSc MBA DipProjMan MRICS FRISM

Our Ref: WTWS/SC/MISC/MKH/1

20 February 2023

**The Directors**
**MKH Oil Palm (East Kalimantan) Berhad**
**5th Floor, Wisma MKH**
**Jalan Semenyih, 43000 KAJANG**
**SELANGOR DARUL EHSAN**

Dear Sirs

**VALUATION CERTIFICATE FOR TWO (2) OIL PALM PLANTATIONS AND ONE (1) PALM OIL MILL WITH CRUDE PALM OIL BULKING STATION AND JETTY UNDER PT MAJU KALIMANTAN HADAPAN AND PT SAWIT PRIMA SAKTI ALL SITUATED IN KABUPATEN KUTAI KARTANEGARA, PROVINSI KALIMANTAN TIMUR, INDONESIA**

We refer to your instructions to carry out a formal valuation on the above-mentioned Subject Properties and to provide our opinion on the Market Value of the Subject Properties as at 21 December 2022 for the purpose of submission to Securities Commission Malaysia in relation to the proposed listing and quotation for the entire enlarged capital of MKH Oil Palm (East Kalimantan) Berhad on the Main Market of Bursa Malaysia Securities Behad ("Proposed Listing").

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions for the inclusion in the prospectus of **MKH Oil Palm (East Kalimantan) Berhad** in relation to the Proposed Listing.

The basis of the valuation is Market Value which is defined by the Malaysian Valuation Standards (MVS) to be "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The Subject Properties were inspected from 18 to 21 December 2022. The material date of valuation is taken as at 21 December 2022.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia with the necessary professional responsibility and due diligence.

The valuation for the Subject Properties has been carried out by using the Investment (Net Present Value, Discounted Cash Flow) Method, the Depreciated Replacement Cost Method and the Comparison Method. This Valuation Certificate should be read in conjunction with the full valuation reports dated 20 February 2023 prepared by C H Williams Talhar & Wong (Sabah) Sdn Bhd for submission to the Securities Commission Malaysia which detailed the basis under which the valuation have been prepared.

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 1.0 SUMMARY OF VALUE

The Market Value of the registered owner's interest of the Subject Properties under PT Maju Kalimantan Hadapan (MKH) and PT Sawit Prima Sakti (SPS) are summarized and tabulated as follows:-

| No. | Property Details | Market Value | |
|---|---|---|---|
| | | Rp | RM |
| 1 | PT Maju Kalimantan Hadapan Oil Palm Plantation situated at Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia<br>[Our Ref : WTWS/SC/MISC/081/(h)] | **3,597,400,000,000** | **1,025,200,000** |
| 2 | PT Sawit Prima Sakti Oil Palm Plantation situated at Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia<br>[Our Ref : WTWS/SC/MISC/092/(f)] | **366,510,000,000** | **104,450,000** |
| 3 | (i) Pt Maju Kalimantan Hadapan Palm Oil Mill situated in Desa Puancepak and Sedulang, Kecamatan Muara Kaman, and<br>(ii) Pt Maju Kalimantan Hadapan Crude Palm Oil (CPO) Bulking Station with Jetty situated in Desa Sebululir, Kecamatan Sebulu,<br>Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia<br>[Our Ref : WTWS/P&M/SC/414/(e)] | **216,600,000,000**<br><br>**38,245,000,000** | **61,730,000**<br><br>**10,900,000** |
| Total Market Value | | **4,218,755,000,000** | **1,202,280,000** |

(exchange rate of RM1.00 = Rp3,509, the middle rate on 21 December 2022 in the Interbank Foreign Exchange Rates of Bank Negara Malaysia).

Yours faithfully
For and on behalf of
C H WILLIAMS TALHAR & WONG (SABAH) SDN BHD

Sr BENJAMIN MU VI KEN
BSc MRISM
Registered Valuer V0821

CYK/LNY/tnl
Encl.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 2.0 METHOD OF VALUATION

We have adopted the following Methods of Valuation:-

(i) Investment (Discounted Cash Flow) Method to value the oil palm fields.

(ii) Comparison Method (a) to value the unimproved land value (b) to cross check the valuation obtained by the Investment (DCF) Method, providing the range of values being realized for comparable properties and with which the values arrived at by the Investment Method should be reconciled making due adjustments for age, yields, location and terrain/soils of the respective palms, (c) to value the palm oil mill site.

(iii) Depreciated Replacement Cost approach to value the buildings and the plant and machinery within the palm oil mill and crude palm oil bulking station with jetty.

| | |
|---|---|
| Investment (Net Present Value NPV Discounted Cash Flow) Method | With this method, the annual income accruing to the oil palm is estimated based on yield and long term average price of the crops. From this is deducted the costs of production and the nett income is then capitalized at the appropriate rate of return for the remaining cropping life of the oil palm to obtain the value of the present crops. To this is added the scrub value or basic land value to which the land reverts at the end of the economic life of the cultivations, the basic land value being deferred (discounted) for the period. When additional buildings are considered to be required, or additional roads or gravelling of roads, this is deducted as capital expenditure from the capitalized income. |
| Comparison Method | This entails analysing recent transactions and asking prices of similar properties in and around the locality for comparison purposes to derive the value of a subject property, with adjustments made for differences in location, terrain, size and shape of land, tenure, title restrictions if any, cultivation and other relevant characteristics to arrive at the market value. |
| Depreciated Replacement Cost Method | With this method, the gross current replacement cost (GRC) or cost of replacement new (CRN) of an asset (building or plant and machinery) is estimated and from this is deducted depreciation to derive its depreciated or nett replacement cost (Market Value).<br><br>The GRC or CRN is defined as the cost of replacing the plant and machinery, including cost of installation, if any, with plant and machinery, in new condition, having similar useful output or service potential. With buildings the GRC or CRN is the estimated current construction cost inclusive of profits and finance charges.<br><br>Depreciation is defined as the measure of the wearing out, consumption or other permanent loss of value of the building or plant and machinery whether arising from use, effluxion of time, or obsolescence through technology and market changes.<br><br>Where suitable market evidence is readily available, depreciated/nett current replacement cost can also be regarded as the cost of acquiring in the open market a similar plant and machinery with the same remaining economic working life as the existing asset, plus an amount equal to the depreciated replacement cost of installation, if any, of the existing plant and machinery. |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

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**2.0 METHOD OF VALUATION (cont'd)**

**2.1 Oil Palm Estates**

**Investment (Discounted Cash Flow) Method**

In arriving at the Market Value of the Subject Properties, we have adopted the Investment (Discounted Cast Flow) Method of Valuation which we consider to be the most appropriate method.

Parameters adopted in Valuation are as follows:-

We have adopted the following parameters in the Investment Method:-

(a) Long Term Average Price (LTAP)

From the 60-month (January 2018 to December 2022) FFB prices published by Dinas Perkebunan Kalimantan Timur which give a result of average Rp1,863,000 to Rp2,136,000 per MT, respectively, using the Simple Moving Average (SMA) against Weighted Moving Average (WMA) and a Sensitivity Testing/Simulation, we adopt a LTAP for fresh fruit bunch of Rp1,950,000 per MT in the valuation. As the cropping life of oil palm is upto 22 years, the LTAP of Rp1,950,000 per MT for FFB is considered reasonable and sustainable in the medium to long run.

(b) Yield Profile of the Estates

The yields of the different plantings for their remaining economic life are projected by reference to the past recorded yields, the physical condition of the estates, the condition of the palms and the projected yield profiles of oil palm from different planting materials.

The projected yield profile is, generally, a yield of 3 to 8 MT/Ha/Yr in Year 3 (first year of harvesting), thence, increasing, in Years 4-7, peaking at 17-33.5 MT/Ha/Yr over Years 8-15 before declining, yearly, to 14-22 MT/Ha/Yr in Year 24 when the palms are due for replanting.

(c) Production Cost

The production cost is a summation of three main components, that is the General Charges, Field Upkeep and Harvesting & Collection of FFB based on the estate's actual past years records. Reference is also made to costs of other similar estates in Kalimantan. The cost projections are generally in line with the costs of the oil palm plantation industry in Kalimantan.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

**2.0 METHOD OF VALUATION (cont'd)**

**2.1 Oil Palm Estates (cont'd)**

**Investment (Discounted Cash Flow) Method (cont'd)**

(d) Life Span

We adopt a total life span of 25 years (Years 0 to 24) for oil palm from planting out to felling for replanting; or 2½ - 3 years (30 - 36 months Years 0 to 2) to maturity and cropping life thereafter of 22 years (Years 3 to 24). The actual cropping life of any oil palm field is therefore 25 years from planting out for the normal Dura x Pisifera (DxP) palms less current age of the oil palm.

(e) Discount Rates

Having taken due consideration of the risks of yield and price viz income fluctuations, of pest and disease associated with oil palm and comparing with other real estate yields, we have adopted a Capitalization Rate of 9% to capitalize net income from mature oil palm cultivation, and 4% for deferring (discounting) the basic land value which is reverted to at the end of the cropping life.

(f) Basic Land Value

The basic land value is assessed by adding to the unimproved land value, the value of estate buildings, roads, water piping and electricity wires and land for roading and building sites.

The unimproved land value is derived by Comparison Method whilst the buildings and other infrastructure are valued by the Depreciated Replacement Cost Method.

**Comparable Sale / Evidence Of Value (applicable for both Oil Palm Estates)**

The Comparable Sales or Comparison Method is used to cross check the valuation obtained by the Investment (DCF) Method, providing the range of values being realized for comparable properties and with which the values arrived at by the Investment Method should be reconciled making due adjustments for age, yields, location and terrain/soils of the respective palms. As the differences might be very significant and adjustments difficult, we have not relied on the Comparison Method but only made reference to the sales evidence as rough guide and range of realiseable/realistic values.

Transactions of oil palm plantations within the region covering Sabah, Malaysia and Kalimantan Province, Indonesia and their analysis are as follows:-



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

# C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

## 2.0 METHOD OF VALUATION (cont'd)

## 2.1 Oil Palm Estates (cont'd)

### Comparable Sale / Evidence Of Value (applicable for both Oil Palm Estates)

| Comparable No. | Location | Description | Area (Ha) | Vendor | Purchaser | Date of Transaction | Consideration | Analysis Per Ha | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Desa Muara Kedang and Muara Gusik, Kecamatan Kutai Barat, Kalimantan Timur, Indonesia | Oil Palm Estate | 16,062.00 | PT REA Kaltim Plantations (Vide transfer of 95% equity interest in PT Putra Bongan Jaya) | Kuala Lumpur Kepong Berhad (KLK) | 25 April 2018 | USD 80,000,000 | RM19,425 | Rp69,153,000 [RM1 = Rp3,560 as at 25/04/2018] |
| 2 | Kabupaten Tapin, Provinsi Kalamantan Selatan, Indonesia | Oil Palm Estate | 14,461.00 | Lee Rubber Company (Pte) Ltd | Asian Indo Holdings (Pte) Ltd | Bursa Announcement dated 18 August 2017 | USD94,970,000 | RM29,915.61 inclusive of 60 MT palm oil mill | Rp93,187,000 [RM1 = Rp3,115 as at 18/08/2017] |
| 3 | Matangai, Kapuas Barat, Dadahup & Kapuas Murung District, Kapuas Regency, Kalimantan Tengah, Indonesia | Oil Palm Estate | 24,935.00 | Lincoln Wilshire Investments Ltd | United Malacca Berhad | Bursa Announcement dated 15 December 2015 | USD66,400,000 | RM53,186 | Rp171,418,000 per hectare *[RM1 = Rp3,223 as at 15/12/2015] *over Inti planted area 6,075.91 ha |
| 4 | District Beluran, Kinabatangan, Labuk Sugut, Sabah | Oil Palm Estate | 12,144.09 | Sit Seng & Sons Realty Sdn Bhd & various others | Boustead Rimba Nilai Sdn Bhd | 01 August 2018 | Rm307,000,000 Inclusive of 1 palm oil mill | RM 71,614 (Excluding palm oil mill) | Rp256,665,000 [RM1 = Rp3,584 as at 01/08/2018] |
| 5 | Distirict Labuk & Sugut, Sabah | Oil Palm Estate | 11,597.31 | Pertama Land & Development Sdn BHd | Boustead Rimba Nilai Sdn Bhd | 30 October 2017 | RM750,000,000 | RM64,771 | Rp207,785,000 [RM1 = Rp3,208 as at 30/07/2017] |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 2.0 METHOD OF VALUATION (cont'd)

### 2.1 Oil Palm Estates (cont'd)

**Comparable Sale / Evidence Of Value (applicable for both Oil Palm Estates)**

Comparables (1) to (3) are located in Kalimantan, Indonesia and these 3 comparables provide a range of values between Rp69,153,000 and Rp171,418,000 per hectare about 3 to 6 years ago. The transacted price of Comparable (2) is inclusive of a 60 MT/hr palm oil mill.

Comparable (4) and (5) are both located in Sabah, Malaysia towards north of Kalimantan. They were transacted about 3 and 4 years ago at about Rp256,665,000 and Rp207,785,000 per hectare, respectively.

As the transacted prices of all the comparables have huge significant differences in values on per hectare basis and adjustments is difficult, we have not relied on the Comparison Method but only made reference to the sale evidences as rough guide and range of realiseable/realistic values. Nonetheless, our valuation of about Rp225,640,000 per hectare (PT Maju Kalimantan Hadapan Oil Palm Plantation) and Rp149,870,000 per hectare (PT Sawit Prima Sakti Oil Palm Plantation) are within the range of the sale comparables.

### 2.2 Palm Oil Mill and Crude Palm Oil (CPO) Bulking Station with Jetty

The best method to value the subject property would have been on the basis of comparison with recent sales of similar palm oil mill or site in the locality. However, there are no sales of palm oil mill or even mill sites. Therefore, we would separately value the Mill Site by the Comparison Method, and the Mill Buildings and Plant and Machinery by the Depreciated Replacement Cost Method, and the values of the 3 components are then summated to arrive at the Market Value of the Palm Oil Mill. The following rates are used in the Depreciated Replacement Cost Method in the Valuation of PT MKH Palm Oil Mill and the CPO Bulking Station with Jetty.

| Item | Rate of Depreciation |
|---|---|
| Land | No depreciation |
| Buildings and Civil Works | 2% on reducing balance, i.e. 50 years *economic* life span based on its condition and state of upkeep as observed during inspection. Based on this rate, the accumulated depreciation factor for buildings vary from 0.02 to 0.22. |
| Plant and Machinery | 3% on reducing balance, i.e. 33 years *economic* life span based on its condition and state of upkeep as observed during inspection. Based on this rate, the accumulated depreciation factor for plant and machinery vary from 0.03 to 0.28. |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

**C H Williams Talhar & Wong**

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

## 2.0 METHOD OF VALUATION (cont'd)

### 2.2 Palm Oil Mill and Crude Palm Oil Bulking Station with Jetty (cont'd)

Process Flow

The mill consists of fresh fruit bunch (FFB) reception, sterilizing, stripping, extraction, clarification, storage, nut and kernel recovery, boiler, power plant, water supply, effluent and workshop. The FFB are transported from the field to the palm oil mill for the extraction of crude palm oil and producing kernel for sale. The FFB are weighed on the weighbridge and recorded before sending to the loading ramp. At the loading ramp, the FFB are loaded into the fruit cages and send to the sterilization station. The sterilized FFB are transported via the fruit cages and tipped into the thresher for stripping, where the FFB separated into bunches and fruits.

The stripped fruits are conveyed to the digester and the pressing station for crude oil extraction and press cake. The CPO will be pumped to the clarification tank and distributed into the sludge tank and pure oil tank. The sludge is separated for oil sludge and sludge & dirt. The sludge oil will be sent back to the clarification station, whilst the sludge & dirt will be pumped to the effluent ponds for treatment. The pure oil after going through the purification and vacuum dryer process will be pumped to the bulk oil storage tank for distribution.

The press cakes are broken and conveyed to the winnowing column and depericarper for separation of nut and fibre. The fibre will be used as fuel for the boiler, whilst the nuts are conveyed to the nut silo. The nuts will be cracked into shells and kernels mixture by the ripple mills in the nut cracker section. The shells and kernels mixtures are separated into shells and kernels via the winnowing system and hydro-cyclone. The separated shells are conveyed to the boiler as a source of fuel. The separated kernel will be sent to the kernel drying silo and the dry kernel will conveyed to kernel bagging for distribution.

## 3.0 IDENTIFICATION, DESCRIPTION AND ASSESSMENT

Brief identification of the property, general description and assessment of Market Value of each oil palm plantations and the palm oil mill with CPO bulking station and Jetty are stated in the following pages.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

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**3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation**
Situated At Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia
[Our Ref : WTWS/SC/MISC/081/(h)]

The description of the subject property is as follows_

**Particulars of Title (Sertipikat Hak Guna Usaha (HGU) No.)** :

| | |
|---|---|
| Sertipikat No. (Title No.) | 16.03.21.09.2.00008 |
| Provinsi (Province) | Kalimantan Timur |
| Kabupaten (County) | Kutai Kartanegara |
| Kecamatan (District) | Muara Kaman |
| Desa (Sub-District) | Puan Cepak and Sedulang |
| Lamanya Hak Berlaku (Term) | 35 years (Unexpired term 19½ years approximately) |
| Berakhirnya Hak (Expiry) | 12 September 2042 |
| Pemegang Hak (Registered Owner) | PT MAJU KALIMANTAN HADAPAN |
| Luas (Area) | 15,942.6 hectares |
| Hipotik (Charge/Encumbrances) | Charged to OCBC Al-Amin Bank Berhad Kuala Lumpur, Malaysia vide ref 00264/2017 |

**Site** : The 15,942.6 hectares land of PT Maju Kalimantan Hadapan is under one (1) Sertipikat Hak Guna Usaha (HGU).

It is situated approximately 50 km due north east of Samarinda, the provincial capital of Provinsi Kalimantan Timur. By road the subject Property is about 75 km from Samarinda via sealed and gravelled road. The land has a roughly ''cleaver' shape measuring about 21 km from north to south about 12 km along its northern boundary and about 7 km along its southern boundary. The terrain is generally flat to gently undulating at elevation mainly between 15 and 30 m Above Mean Sea Level (AMSL). The Subject Property has been developed and cultivated with oil palms together with a 90 MT FFB/hr Palm Oil Mill. The oil palm plantation is planted out and administered under 3 estates, namely Estate Maju Utara (EMU), Estate Maju Central (EMC) and Estate Maju Selatan (EMS). A good infrastructure of roads, canal/drains and estate buildings had been established.

Based on estate record, to-date, 15,012.44 hectares had been planted mainly within year 2008, 2009 and 2010. The current state of development and cultivation of the plantation is tabulated as follows:-



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

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### 3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation (cont'd)

**Site (cont'd)** :

| | Area (Hectare) | | | |
|---|---|---|---|---|
| | EMU | EMC | EMS | Total |
| Oil Palms Planted Area | 5,816.65 | 5,212.87 | 3,982.92 | 15,012.44 |
| Unplanted Area / Planting Reserve | - | - | - | 130.71 |
| Nursery | - | - | - | 10.41 |
| Quarry | - | - | - | 7.50 |
| Area under Roads, Drains & Building Sites | - | - | - | 748.62 |
| Palm Oil Mill Site | - | - | - | 32.92 |
| Total Title Area (HGU Area) | | | | 15,942.60 |

**Buildings** : The estate buildings comprises both permanent (brick and cement) and non permanent (timber/kalsiboard), and paint coated. The buildings are either single storey or raised floor type on low timber or concrete posts. All the buildings are fitted with electricity wiring, water borne sanitation and plumbing.

| Type of Building | Unit / Block |
|---|---|
| Director House (Cahaya Perkasa) | 1 |
| SEM (EMC) House G1 | 1 |
| Main Office | 1 |
| Manager Bungalow 1 | 1 |
| Manager House G6 | 1 |
| Guest House | 1 |
| Barak I Quarters | 3 |
| Barak Quarters G6 | 1 |
| Longhouse | 3 |
| Mosque | 8 |
| Worker Quarters G1 | 20 |
| Worker Quarters G2 | 2 |
| Worker Quarters G5 | 147 |
| Worker Quarters G6 | 32 |
| Worker Quarters G10 | 114 |
| Fertilizer Store | 12 |
| Genset House | 20 |
| Waste Disposal (TPSA) Building | 5 |
| Water Dispenser Building | 3 |
| Water Tower | 17 |
| Watch Tower | 6 |
| Store - Main, Material, Oil, Fire Extinguisher, Vehicle, etc. | 15 |
| Security Posts, Mess G5, Guard Post & Main Guard House | 22 |
| Workshop | 5 |
| Assembly Hall, ATM Building, Canteen, Clinic, Community Centre, Creche, Diesel Station, Mini Market, Wet Market Post Office, School Building, Toilet, etc. | 21 |
| Total | 462 |

*Source : PT Maju Kalimantan Hadapan Oil Palm Plantation's records*



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

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### 3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation (cont'd)

**Road System** : The Subject Property is adequately served by a network of internal estate roads.

The roads are either gravelled or compacted earth surface and maintained in fair condition. The length of the estate roads is as follows:-

| Estate | Area Planted (Ha) | Roads (Metre) | | | Metre/ Ha | % Gravelled |
|---|---|---|---|---|---|---|
| | | Gravelled | Earth | Total | | |
| EMU | 5,816.65 | 124,500 | 181,150 | 305,650 | 52.55 | 40.73% |
| EMC | 5,212.87 | 103,032 | 226,924 | 329,956 | 63.30 | 31.23% |
| EMS | 3,982.92 | 64,807 | 175,453 | 240,260 | 60.32 | 26.97% |
| Total | 15,012.44 | 292,339 | 583,527 | 875,866 | 58.34 | 33.38% |

*Source : PT Maju Kalimantan Hadapan Oil Palm Plantation's records*

**Existing Use** : The subject plantation is planted with oil palms in 3 estates. A summary of the oil palm cultivation at the 3 estates are as follows:-

| Block No. | Land Use | Year of Planting | Area (Ha.) | Palms/Ha |
|---|---|---|---|---|
| ***Estate Maju Utara (EMU)*** | | | | |
| D08B/C | Oil Palm | 2008 | 1,382.02 | 136-168 |
| D09A/B | Oil Palm | 2009 | 1,882.44 | 136-173 |
| D10A/B/C | Oil Palm | 2010 | 2,552.19 | 123-173 |
| Total Area | | | 5,816.65 | |
| ***Estate Maju Central (EMC)*** | | | | |
| G08A/B | Oil Palm | 2008 | 1,073.08 | 123-156 |
| G09A/B/C | Oil Palm | 2009 | 2,187.90 | 122-147 |
| G10A/B/C, 12A | Oil Palm | 2010 | 1,951.89 | 128-150 |
| Total Area | | | 5,212.87 | |
| ***Estate Maju Selatan (EMS)*** | | | | |
| S08B/C | Oil Palm | 2008 | 1,456.82 | 132-148 |
| S09A/B | Oil Palm | 2009 | 1,188.74 | 127-146 |
| S10A/B, S13A | Oil Palm | 2010 | 1,337.36 | 119-149 |
| Total Area | | | 3,982.92 | |
| Total Planted Area | | | **15,012.44** | |
| Unplanted Area / Planting Reserve | | | 130.71 | |
| Nursery | | | 10.41 | |
| Quarry | | | 7.50 | |
| Area Under Roads, Drains & Building Sites | | | 748.62 | |
| Palm oil Mill Site | | | 32.92 | |
| HGUs Title Area | | | **15,942.60** | |

*Source : PT Maju Kalimantan Hadapan Oil Palm Plantation's records*



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## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation (cont'd)

**Existing Use (cont'd)** : The palms are Dura x Pisifera (DxP) hybrids with planting materials sourced from Lonsum, Damimas and Benih Sawit Makmur (BSM). The oil palms were mainly planted between 2008 and 2010, currently 12 to 14 years old. The palms were observed to be growing well and under good agricultural upkeep and maintenance.

**Crop Production** : The past years (2017-2022) FFB production and yield records for the plantation are tabulated as follows:-

| YOP | Area (Ha) | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA |
| ***EMU*** | | | | | | | | | | | | | |
| 2008 | 1,382.02 | 45,829.17 | 33.16 | 47,535.09 | 34.40 | 38,182.84 | 27.63 | 40,427.78 | 29.25 | 44,035.41 | 31.86 | 37,038.17 | 26.80 |
| 2009 | 1,882.44 | 62,100.43 | 32.99 | 66,896.63 | 35.54 | 56,242.90 | 29.88 | 54,225.87 | 28.81 | 61,296.05 | 32.56 | 46,268.52 | 24.58 |
| 2010 | 2,552.19 | 55,817.54 | 21.87 | 69,598.68 | 27.27 | 77,416.14 | 30.33 | 71,249.48 | 27.92 | 67,371.47 | 26.40 | 52,408.15 | 20.53 |
| ***EMC*** | | | | | | | | | | | | | |
| 2008 | 1,073.08 | 33,799.93 | 31.50 | 37,411.85 | 34.86 | 30,602.01 | 28.52 | 31,533.14 | 29.39 | 30,822.20 | 28.72 | 29,330.17 | 27.33 |
| 2009 | 2,187.90 | 61,595.14 | 28.15 | 70,207.91 | 32.09 | 70,444.09 | 32.20 | 73,202.89 | 33.46 | 62,850.97 | 28.73 | 57,580.32 | 26.32 |
| 2010 | 1,951.88 | 30,372.65 | 15.56 | 45,680.16 | 23.40 | 51,856.34 | 26.57 | 55,827.87 | 28.60 | 46,934.40 | 24.05 | 43,225.78 | 22.15 |
| ***EMS*** | | | | | | | | | | | | | |
| 2008 | 1,456.82 | 43,997.03 | 30.20 | 48,654.55 | 33.40 | 41,314.17 | 28.36 | 45,266.54 | 31.07 | 39,248.99 | 26.94 | 38,227.17 | 26.24 |
| 2009 | 1,188.74 | 33,838.72 | 28.47 | 37,171.66 | 31.27 | 35,804.39 | 30.12 | 38,198.75 | 32.13 | 34,294.01 | 28.85 | 34,227.05 | 28.79 |
| 2010 | 1,337.36 | 21,104.51 | 15.78 | 26,661.67 | 19.94 | 35,312.43 | 26.40 | 38,453.87 | 28.75 | 32,221.35 | 24.09 | 24,598.55 | 18.39 |

*Source : PT Maju Kalimantan Hadapan Oil Palm Plantation's records*

**Production Cost** : The actual production cost for financial year 2018-2022 are as follows:-

| | Year 2018 (Oct'17-Sept'18) | Year 2019 (Oct'18-Sept'19) | Year 2020 (Oct'19-Sept'20) | Year 2021 (Oct'20-Sept'21) | Year 2022 (Oct'21-Sept'22) |
|---|---|---|---|---|---|
| General Charges (Rp'000/Ha) | 6,000 | 6,420 | 6,243 | 8,759 | 9,037 |
| Upkeep & Maintenance (Rp'000/Ha) | 9,228 | 9,399 | 8,893 | 9,156 | 11,902 |
| Harvesting, Collection & Transport (Rp'000/MT FFB) | 188 | 209 | 208 | 231 | 309 |

*Source : PT Maju Kalimantan Hadapan Oil Palm Plantation's records*

**Parameters Adopted in Valuation** : We have adopted the Investment (Net Present Value, Discounted Cash Flow) Method to value the oil palm fields. Parameters adopted are as follows:



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation (cont'd)

**Parameters Adopted in Valuation (cont'd)** : Projected Yields

The projected Yields adopted is tabulated as follows:-

| Projected Yield (MT/Ha/Year) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Estate Maju Utara (EMU) | | | Estate Maju Central (EMC) | | | Estate Maju Selatan (EMS) | | |
| | D08B/C | D09A/B | D10A/B/C | G08A/B | G09A/B/C | G10A/B/C/12 | S08B/C | S09A/B | S10A/B, S13A |
| 2023 | 28.5 | 27.5 | 25.0 | 28.5 | 28.5 | 25.0 | 28.5 | 29.0 | 24.5 |
| 2024 | 29.5 | 29.5 | 27.5 | 29.5 | 30.0 | 27.0 | 29.0 | 30.0 | 26.0 |
| 2025 | 29.5 | 31.0 | 28.0 | 29.5 | 31.0 | 28.0 | 30.0 | 30.5 | 27.0 |
| 2026 | 29.0 | 30.5 | 27.0 | 29.0 | 30.5 | 27.0 | 28.5 | 30.5 | 26.5 |
| 2027 | 28.0 | 28.5 | 26.5 | 28.0 | 28.5 | 26.5 | 27.5 | 28.5 | 26.0 |
| 2028 | 27.0 | 27.5 | 25.0 | 27.0 | 27.5 | 24.5 | 26.5 | 27.5 | 24.5 |
| 2029 | 25.5 | 26.5 | 24.0 | 25.5 | 26.5 | 23.5 | 25.0 | 26.5 | 23.5 |
| 2030 | 24.5 | 25.0 | 23.0 | 24.5 | 25.0 | 22.5 | 24.0 | 25.0 | 22.5 |
| 2031 | 23.0 | 24.0 | 22.0 | 23.0 | 24.0 | 21.5 | 23.0 | 24.0 | 21.5 |
| 2032 | 22.0 | 23.0 | 21.0 | 22.0 | 23.0 | 20.5 | 21.5 | 23.0 | 20.5 |
| 2033 | - | 21.5 | 20.0 | - | 21.5 | 19.5 | - | 21.5 | 19.5 |
| 2034 | - | - | 19.0 | - | - | 18.5 | - | - | 18.5 |

Other parameters specifically adopted for this valuation are as follows:-

| Parameters | Details | |
|---|---|---|
| Production Cost | General Charges (Rp'000/Ha) | 7,500 per Ha |
| | Field Upkeep (Rp'000/Ha) | 9,348 per Ha |
| | Harvesting & Collection & Transport, FFB (Rp'000/MT) | 265 per MT |
| Discount Rates | Capitalisation Rate | 9.0% |
| | Deferring Basic Land Value | 4.0% |
| Basic Land Value (Rp'000/Ha) | 73,459 per ha | |

**Sale Comparables & Reconciliation of Values** : Sale comparables are detailed under Section 2.1. Comparables (1) to (3) are located in Kalimantan, Indonesia, give a range of values of between Rp69,153,000 to Rp171,418,000 per hectare while Comparable (4) and (5) are located in Sabah, Malaysia, give a range of Rp207,785,000 and Rp256,665,000 per hectare. We have valued the subject property at about Rp225,640,000 per hectare on gross hectarage basis or over title area.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 3.1 PT Maju Kalimantan Hadapan Oil Palm Plantation (cont'd)

**Assessment** : We assess the Market Value of the registered owner's interests of the Subject Property in the 15,942.60 hectares PT Maju Kalimantan Hadapan (PT MKH) Oil Palm Plantation held under HGU Sertipikat No : 16.03.21.09.2.00008 and free from encumbrances, at ***Rp3,597,400,000,000 (Indonesian Rupiah : Three Trillion Five Hundred Ninety Seven Billion And Four Hundred Million Only)*** equivalent to ***RM1,025,200,000.00 (Ringgit Malaysia : One Billion Twenty Five Million And Two Hundred Thousand Only*** (exchange rate of RM1.00 = Rp3,509, the middle rate on 21 December 2022 in the Interbank Foreign Exchange Rates of Bank Negara Malaysia).



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

**3.2 PT Sawit Prima Sakti Oil Palm Plantation**
Situated at Desa Puancepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia
[Our ref : WTWS/SC/MISC/092/(f)]

The description of the subject property is as follows_

**Particulars of Title (Sertipikat Hak Guna Usaha (HGU) No.)** :

| | |
|---|---|
| Sertipikat No. (Title No.) | (1) 16.03.00.00.2.00138<br>(2) 16.03.00.00.2.00139 |
| Provinsi (Province) | Kalimantan Timur |
| Kabupaten (County) | Kutai Kartanegara |
| Kecamatan (District) | Muara Kaman |
| Desa (Sub-District) | (1) Puan Cepak<br>(2) Sedulang |
| Lamanya Hak Berlaku (Term) | 35 years (Unexpired term 22½ years approximately for (1) & (2)) |
| Berakhirnya Hak (Expiry) | 25 March 2045 |
| Pemegang Hak (Registered Owner) | **PT SAWIT PRIMA SAKTI** |
| Luas (Area) | (1) 1,699.76 hectares<br>(2) 745.73 hectares<br>----------<br>2,445.49 hectares<br>========== |
| Hipotik (Charge/Encumbrances) | Nil |

**Site** : The 2,445.49 hectares land of PT Sawit Prima Sakti is held under two (2) Sertipikat Hak Guna Usaha (HGU).

It is situated approximately 50 km due north of Samarinda, the provincial capital of Provinsi Kalimantan Timur, and is adjoining west of PT MKH Oil Palm Plantation. The land is rather narrow and elongated shape measuring about 18 km along the western boundary and width between 0.7 km to 1.7 km with exception of the section resembling the 'axe head' measuring about 2.9 km along the northern boundary, and western boundary of about 8.9 km. The terrain is generally flat to gently undulating at elevation mainly between 7 to 20 m Above Mean Sea Level (AMSL).

The subject property has been developed and planted with oil palm. An infrastructure of roads, bunds, canal/drains and estate buildings had been established on the land.

The current state of development and cultivation of the plantation is tabulated as follows:-

| | |
|---|---|
| Oil Palm Planted Area | 1,996.38 hectares |
| Area Under Roads and Buildings | 188.64 hectares |
| Enclave Area | 77.67 hectares |
| Plasma Area | 182.80 hectares |
| Total Title (HGU) Area | 2,445.49 hectares |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

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### 3.2 PT Sawit Prima Sakti Oil Palm Plantation (cont'd)

**Buildings** : The estate buildings are generally of timber structure except for the worker quarters G1 and G2 which are reinforced concrete/brick and cement and paint coated. The buildings are either single storey or raised floor structures on low timber or concrete posts. The buildings are fitted with electrical wiring, water borne sanitation and plumbing.

| Type of Buildings | Unit / Block |
|---|---|
| Workers Quarters G2 | 1 |
| Workers Quarters G1 | 2 |
| Workers Quarters G5 | 26 |
| Workers Quarters G6 | 1 |
| Workers Quarters G10 | 11 |
| Longhouse Quarters | 1 |
| Security Post | 1 |
| Office | 1 |
| Fertilizer Store | 8 |
| Mosque | 2 |
| Waste Disposal Store | 1 |
| Generator House | 1 |
| Drinking Water Dispenser Building | 1 |
| Guard House | 1 |
| Toilet Block | 5 |
| Water Tower | 1 |
| Pond | 1 |
| Total | 65 |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*

**Road System** : The Subject Property is served by a network of internal estate roads as follows:-

| | Gravelled (Metre) | Earth (Metre) | Total (Metre) |
|---|---|---|---|
| Main Roads | 12,997 | 46,124 | 59,121 |
| Collection Roads | 7,115 | 146,077 | 153,192 |
| Total | 20,112 | 192,201 | 212,313 |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*

**Existing Use** : The subject plantation has been planted with oil palms. A summary of the oil palm cultivation is as follows:-

| Field | Land Use/ Crop Type | Year of Planting | Area (Ha) |
|---|---|---|---|
| S11B | Oil Palm | 2008 | 17.98 |
| S11A | Oil Palm | 2011 | 288.86 |
| S12A | Oil Palm | 2012 | 294.57 |
| S13A | Oil Palm | 2013 | 149.54 |
| S14A | Oil Palm | 2014 | 380.22 |
| S15A | Oil Palm | 2015 | 276.25 |
| S16A | Oil Palm | 2016 | 371.12 |
| S16A(P) | Oil Palm | 2020 | 217.84 |



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## C H Williams Talhar & Wong

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### 3.2 PT Sawit Prima Sakti Oil Palm Plantation (cont'd)

**Existing Use (cont'd)** :

| Field | Land Use/ Crop Type | Year of Planting | Area (Ha) |
|---|---|---|---|
| Total Oil Palms | | | 1,996.38 |
| Area Under Roads and Building Sites | | | 188.64 |
| Area Under Roads and Drains (Plasma) | | | 17.08 |
| Enclave/Unplanted Area | | | 77.67 |
| Plasma Area | | | 165.72 |
| Total Title Area (HGU Area) | | | **2,445.49** |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*

The palms are all Dura x Pisifera (DxP) hybrids from seeds obtained from Lonsum, BSM (Benih Sawit Makmur), Topas and Dami Mas. The current stands, based on census were relatively high, averaging 134 palms per hectare with the exception of Fields S16A/S16A(P) which has rather low stand per hectare with some of the planted area vacant due to damage caused by flooding. The palms were growing well and under normal agricultural upkeep and maintenance.

**Crop Production** : The past years (2017-2022) FFB production and yield records for the plantation are tabulated below:

| Block No | YOP | Area (HA) | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA | MT | Yield Per HA |
| S11B | 2008 | 17.98 | 486.63 | 27.06 | 490.44 | 27.28 | 670.79 | 37.31 | 706.03 | 39.27 | 567.52 | 31.56 | 626.61 | 34.85 |
| S11A | 2011 | 288.86 | 6,181.50 | 21.40 | 6,615.11 | 22.90 | 8,131.31 | 28.15 | 7,162.48 | 24.80 | 5,530.94 | 19.15 | 6,286.74 | 21.76 |
| S12A | 2012 | 294.57 | 2,863.28 | 9.72 | 3,985.71 | 13.53 | 5,529.10 | 18.77 | 7,510.73 | 25.50 | 5,826.55 | 19.78 | 4,919.61 | 16.70 |
| S13A | 2013 | 149.54 | 939.84 | 6.28 | 1,986.51 | 13.28 | 3,301.75 | 22.08 | 3,718.65 | 24.87 | 2,513.64 | 16.81 | 2,345.96 | 15.69 |
| S14A | 2014 | 420.12 | 299.60 | 0.71 | 1,597.24 | 3.80 | 3,825.52 | 9.11 | 6,107.05 | 14.54 | 4,224.83 | 10.06 | 2,424.98 | 9.64 |
| S15A | 2015 | 318.82 | - | - | 286.17 | 0.90 | 756.52 | 2.37 | 3,254.06 | 10.21 | 3,147.89 | 15.21 | 3,104.79 | 15.01 |
| S16A | 2016 | 385.66 | - | - | - | - | - | - | - | - | 129.99 | 4.54 | 139.09 | 4.86 |
| S16A(P) | 2020 | 286.55 | - | - | - | - | - | - | - | - | - | - | - | - |
| | | 2,162.10 | | | | | | | | | | | | |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*

**Production Cost** : The actual production cost for financial year 2017-2022 are as follows:-

| | Year 2017 (Oct'16-Sept'17) | Year 2018 (Oct'17-Sept'18) | Year 2019 (Oct'18-Sept'19) | Year 2020 (Oct'19-Sept'20) | Year 2021 (Oct'20-Sept'21) | Year 2022 (Oct'21-Sept'22) |
|---|---|---|---|---|---|---|
| General Charges (Rp'000/Ha) | 6,439 | 6,728 | 6,434 | 4,714 | 5,211 | 4,182 |
| Upkeep & Maintenance (Rp'000/Ha) | 7,520 | 11,729 | 6,737 | 6,514 | 7,581 | 7,427 |
| Harvesting, Collection & Transport (Rp'000/MT FFB) | 260 | 222 | 196 | 185 | 294 | 380 |

*Source : PT Sawit Prima Sakti Oil Palm Plantation's records*



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

**3.2 PT Sawit Prima Sakti Oil Palm Plantation (cont'd)**

**Parameters Adopted in Valuation** : We have adopted the Investment (Net Present Value, Discounted Cash Flow) Method to value the oil palm fields. Parameters adopted are as follows:

Projected Yields

The projected Yields adopted is tabulated as follows:-

| Projected Yield (MT/Ha/Year) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | S11B | S11A | S12A | S13A | S14A | S15A | S16A | S16A(P) |
| 2023 | 33.0 | 24.0 | 21.5 | 21.0 | 13.0 | 16.5 | 6.0 | 2.5 |
| 2024 | 32.0 | 26.0 | 24.5 | 24.0 | 17.0 | 18.5 | 9.5 | 6.0 |
| 2025 | 31.0 | 26.5 | 25.5 | 26.0 | 20.0 | 21.0 | 13.0 | 9.5 |
| 2026 | 29.5 | 27.5 | 26.5 | 26.5 | 22.0 | 22.0 | 15.0 | 11.0 |
| 2027 | 28.0 | 26.5 | 26.0 | 27.0 | 23.5 | 23.0 | 16.0 | 14.0 |
| 2028 | 27.0 | 26.0 | 25.0 | 26.0 | 24.0 | 24.5 | 18.0 | 15.5 |
| 2029 | 26.0 | 24.5 | 24.5 | 25.0 | 25.0 | 25.0 | 19.5 | 17.5 |
| 2030 | 24.5 | 23.5 | 23.5 | 24.5 | 24.0 | 25.0 | 20.0 | 19.0 |
| 2031 | 23.5 | 22.5 | 22.5 | 23.5 | 23.5 | 24.0 | 19.5 | 20.0 |
| 2032 | 22.0 | 21.5 | 21.5 | 22.5 | 22.0 | 23.5 | 18.5 | 21.0 |
| 2033 | - | 20.5 | 20.5 | 21.5 | 21.0 | 22.0 | 18.0 | 20.5 |
| 2034 | - | 19.5 | 19.5 | 20.5 | 20.5 | 21.0 | 17.0 | 20.0 |
| 2035 | - | 18.5 | 18.5 | 19.5 | 19.5 | 20.5 | 16.5 | 19.5 |
| 2036 | - | - | 17.5 | 18.5 | 18.5 | 19.5 | 16.0 | 18.5 |
| 2037 | - | - | - | 17.5 | 17.5 | 18.5 | 15.0 | 18.0 |
| 2038 | - | - | - | - | 17.0 | 17.5 | 14.5 | 17.0 |
| 2039 | - | - | - | - | - | 17.0 | 13.5 | 16.5 |
| 2040 | - | - | - | - | - | - | 13.0 | 16.0 |
| 2041 | - | - | - | - | - | - | - | 15.0 |
| 2042 | - | - | - | - | - | - | - | 14.5 |
| 2043 | - | - | - | - | - | - | - | 13.5 |
| 2044 | - | - | - | - | - | - | - | 13.0 |

Other parameters specifically adopted for this valuation are as follows:-

| Parameters | Details | |
|---|---|---|
| Production Cost | General Charges (Rp'000/Ha) | 5,500 per Ha |
| | Field Upkeep (Rp'000/Ha) | 8,859 per Ha |
| | Harvesting & Collection & Transport, FFB (Rp'000/MT) | 295 per MT |
| Discount Rates | Capitalisation Rate | 9.0% |
| | Deferring Basic Land Value | 4.0% |
| Basic Land Value (Rp'000/Ha) | 76,800 per ha | |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

**3.2 PT Sawit Prima Sakti Oil Palm Plantation (cont'd)**

| | | |
|---|---|---|
| **Sale Comparables & Reconciliation of Values** | : | Sale comparables are detailed under Section 2.1. Comparables (1) to (3) are located in Kalimantan, Indonesia, give a range of values of between Rp69,153,000 to Rp171,418,000 per hectare while Comparable (4) and (5) are located in Sabah, Malaysia, give a range of Rp207,785,000 and Rp256,665,000 per hectare. We have valued the subject property at about Rp149,870,000 per hectare on gross hectarage basis or over title area. |
| **Assessment** | : | We assess the Market Value of the registered owner's interests of the Subject Property in the 2,445.49 hectares PT Sawit Prima Sakti (PT SPS) Oil Palm Plantation held under HGUs Sertipikat No: 16.03.00.00.2.00138 and 16.03.00.00.2.00139, and free from encumbrances, at ***Rp366,510,000,000 (Indonesian Rupiah : Three Hundred Sixty Six Billion Five Hundred And Ten Million Only)*** equivalent to ***RM104,450,000.00 (Ringgit Malaysia : One Hundred And Four Million Four Hundred And Fifty Thousand Only*** (exchange rate of RM1.00 = Rp3,509, the middle rate on 21 December 2022 in the Interbank Foreign Exchange Rates of Bank Negara Malaysia). |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

**3.3 (i) Pt Maju Kalimantan Hadapan Palm Oil Mill**
Situated in Desa Puancepak and Sedulang, Kecamatan Muara Kaman, and
**(ii) Pt Maju Kalimantan Hadapan Crude Palm Oil Bulking Station with Jetty**
Situated In Desa Sebulu Ilir, Kecamatan Sebulu,
Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia
[Our Ref : WTWS/P&M/SC/414/(e)]

The description of the subject properties are as follows:-

**(i) PT Maju Kalimantan Hadapan Palm Oil Mill**

| | |
|---|---|
| Description | Palm oil mill site, with buildings and civil works, and plant and machinery. |
| Location | Desa Puan Cepak and Sedulang, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur |
| Title No. | HGU 16.03.21.09.2.00008 |
| Tenure | Term - 35 year expiring 12 September 2042<br>Unexpired - 19½ years |
| Registered Owner | ***PT MAJU KALIMANTAN HADAPAN*** |
| Area for Mill Site | Approximately 32.92 hectares within 15,942.6 hectares. |
| Hipotik (Charge/Encumbrances) | Charged to OCBC Al-Amin Bank Berhad Kuala Lumpur, Malaysia vide ref. 00264/2017 |
| Date of Valuation | 21 December 2022 |

**(ii) PT Maju Kalimantan Hadapan CPO Bulking Station with Jetty**

| | | | |
|---|---|---|---|
| Description | Site of CPO Bulking Station with buildings and civil works, and plant and machinery. | | |
| Location | Desa Sebulu Ilir, Kecamatan Sebulu, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur | | |
| Title Nos./<br>Field Identification Nos./<br>Area | (i) HGB 16.03.15.05.3.00006/<br>(ii) HP 16.03.15.05.4.00006/<br>(iii) HP 16.03.15.05.4.00007/<br>(iv) HP 16.03.15.05.4.00008/ | NIB 16.03.15.05.00008/<br>NIB 16.03.15.05.00009/<br>NIB 16.03.15.05.00007/<br>NIB 16.03.15.05.00006/ | 1,028 m²<br>11,100 m²<br>14,930 m²<br>22,420 m² |
| Tenure | (i) | Term - 20 years expiring 29 December 2030<br>Unexpired - 8 years | |
| | (ii) - (iv) | Term - 20 years expiring 25 January 2031<br>Unexpired - 8 years | |
| Registered Owner | **PT MAJU KALIMANTAN HADAPAN** | | |
| Encumbrances | Nil. | | |
| Date of Valuation | 21 December 2022 | | |

**<u>TERMS OF REFERENCE</u>**

**THE ABOVE VALUATIONS ARE ON THE FOLLOWING BASES AND ASSUMPTIONS:**

1. **THE PLANT AND MACHINERY IS TO BE CONTINUED IN ITS PRESENT USE AS A GOING CONCERN.**
2. **THERE IS NO SPECIFIC RELATION TO EARNINGS OF THE PLANT AND MACHINERY.**
3. **THE PLANT AND MACHINERY ARE FREE FROM ENCUMBRANCES.** See Note
4. **THE INFORMATION FURNISHED TO US EITHER VERBALLY OR IN WRITING ARE DEEMED TO BE CORRECT AND ARE RELIED UPON BY US IN OUR VALUATION. WE RESERVE THE RIGHT TO REVIEW OUR VALUATION UPON AVAILABILITY OF NEW FACTS THAT MAY AFFECT MARKET VALUE.**

***Note: The plant and machinery items are not subject to any hire purchase/leasing and third party interest claims.***



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

**3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)**

**BRIEF DESCRIPTION**

**(i) PT Maju Kalimantan Hadapan Palm Oil Mill**

**General** : The PT MKH Palm Oil Mill was designed by Sinar Firus Sdn Bhd and constructed by MSHK Engineering Sdn Bhd, in accordance with Site Layout Plan bearing drawing no. KAM/EX/C/01A dated November 2012; Mill General Layout Plan bearing drawing no. KAM/C/01 dated April 2010; and Machinery Plan with drawing no. KAM/EX/M.1 dated November 2012. The Mill was completed in May 2012 and commissioned in June 2012, as single line of capacity of 60 metric tonnes FFB per hour (MT FFB/hr). The extension/installation works for upgrading palm oil mill into 90 MT FFB/hr by adding 2nd processing line has been commenced in August 2013 and commissioned in 11 July 2014. PT MKH Palm Oil Mill consists of the fenced-up mill site, the mill buildings and the plant and machinery therein, and the access road. The staff and worker quarters, effluent ponds and reservoir are outside the fenced-up mill site and located within Estate Maju Central I of PT MKH Plantations Estate.

**Site** : The mill site as fenced up has an area of approx. 7.0 hectares (17.3 acres). It is rectangular shaped with truncated trapezoid shaped at its south-eastern corner being surveyed to encompass the mill building, loading ramp, office, workshop, palm oil storage and other ancillary buildings. The site has been cut and levelled and fenced all round by 1.8 m high chain-link. The internal roads are concrete surfaced. The compound is otherwise turfed or concrete paved. The effluent ponds are located some 50 m to the west of the mill site comprises about 6.0 hectares (14.85 acres).

**Buildings** : The mill consists of mill building, FFB loading platform/ramp, general mill office/laboratory/weighbridge, workshop/store, water treatment plant pump house, ancillary buildings (oil despatch shed, lavatories, guard house, car parking sheds, canteen, effluent treatment plant/pump house, raw water pump house and weighbridge office) and other site improvements (effluent ponds, concrete drains and culverts, fencing and gate, hardstanding/reinforced concrete carriageway/gravelled road, external machinery foundation and water reservoir); while the mill housing comprises 1 unit manager bungalow, 1 block x 2 units executive quarters, 4 blocks x 5 units staff quarters, 4 blocks x 6 units staff quarters, 1 block x 8 units workers quarters, 6 blocks x 10 units workers quarters and 1 block x 12 units workers quarters.
These buildings are basically of steel portal/reinforced concrete framework, except some staff and workers quarters are of semi-permanent materials and, constructed of metal roof, plastered brickwall/metal deck cladding/opensided/timber/plywood/cement board and cement screed concrete floor.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

**3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)**

**BRIEF DESCRIPTION (cont'd)**

***(i) PT Maju Kalimantan Hadapan Palm Oil Mill (cont'd)***

**Plant and Machinery** : The mill has a present throughout capacity of 90 MT FFB/hr and actual production of about 70 MT FFB/hr. The mill now comprising 2 twin-cages indexer systems, 3 sterilizers, 2 tippers, 3 threshers, 6 heavy duty empty fruit bunch presses, 5 digesters, 5 twin screw presses, 2 depericarping lines, 7 ripple mills, 4 kernel silos, 3 CPO tanks, 2 boilers, 3 turbine generators and 3 diesel generators.

**(ii) PT Maju Kalimantan Hadapan CPO Bulking Station with Jetty**

**General** : The PT Maju Kalimantan Hadapan CPO Bulking Station with Jetty is a Turnkey Project by PT Cemerlang Samudra Kontrindo and built in accordance with Site Layout Plan, and Buildings and Machinery Plans bearing drawing nos. TTE028-CV-RS-001 and TTE028-CV-BR-001 as prepared by PT Trans Tek Engineering. It is located about 48 km to the south of PT MKH Palm Oil Mill, and consists of fenced up CPO bulking station with buildings, jetty, worker quarters, other site improvements and the plant and machinery therein.

**Site** : This fenced up site has a roughly inverted "curved teardrop" shape being surveyed to encompass the CPO storage tanks and other ancillary buildings. The site had been cut (44,964 m³), earthfilled (40,689 m³) and levelled, and fenced by about 1.8 m high chain-link (except the western boundary alongside Sg Mahakam). The internal roads are concrete surfaced and the compound is generally turfed.

**Buildings** : The buildings that constructed within the fenced up CPO Bulking Station are CPO receiving station, power house, kernel store, office cum weighbridge building, jetty, 1 blocks x 6 units staff quarters, 1 block x 10 units workers quarters and 2 blocks x 3 units worker quarters and other site improvements (guard houses, fencing and gate, hardstanding/reinforced concrete carriageway, concrete drains and water treatment plant shed).

These buildings are basically of steel portal/reinforced concrete framework, except the staff and labourer quarters and guard houses are constructed of semi-permanent materials, of metal roof, plastered brickwall/metal deck cladding/opensided/timber/plywood/ cement board, and cement screed concrete floor.

**Plant and Machinery** : This CPO Bulking Station consists of 1 weighbridge, 2 CPO tanks, 1 lot oil line, 1 package steam boiler and 1 diesel genset.



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

### 3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)

**Comparable Sale Evidence Of Value**

We are unable to trace transaction of palm oil mills in Indonesia. Nonetheless, we have made reference to the announcements made by CB Industrial Product Holding Berhad in Bursa Malaysia with their known development costs of palm oil mills in Indonesia as a check only, and they are tabulated as follows:-

| Description | Comparable (1) | | Comparable (2) | |
|---|---|---|---|---|
| Name Of Mill | PT CB Polaindo and PT Nabire Baru | | PT Sanjung Makmur | |
| Location | Papua, Indonesia | | North Kalimantan, Indonesia | |
| Contract Amount | RM48,576,796 | | RM44,747,089 | |
| Contract Status | Contract entered on 24 April 2019 | | Contract entered on 07 February 2019 | |
| Contract Details | To manufacture and supply one unit continuous sterilisation palm oil mill with processing capacity of 45 MT/hr of FFB, with details as follows: | | To manufacture and supply one unit continuous sterilisation palm oil mill with processing capacity of 45 MT/hr of FFB, with details as follows: | |
| | Import portion by PalmitEco | RM21,259,500 | Import portion | USD8,358,200 (equivalent to RM33,976,083) |
| | Local portion by PT CBP (a) To carry out installation, testing and commissioning of the mill. | IDR21,814,276,400 (equivalent to RM6,347,954) | Local portion | IDR37,141,400,000 (equivalent to RM10,771,006) |
| | (b) To carry out all earthwork, civil works and piling works including construction of foundations, support footings, structures, buildings, trenches forming at the site. | IDR72,059,595,000 (equivalent to RM20,969,342) | - | - |
| Date of Announcement | 29 April 2019 | | 13 February 2019 | |
| Source | Bursa Malaysia | | Bursa Malaysia | |



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### 3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)

**Comparable Sale Evidence Of Value (Cont'd)**

| Description | Comparable (3) | | Comparable (4) | |
|---|---|---|---|---|
| Name Of Mill | PT Kodeco Agrojaya Mandiri | | PT Pratama Palm Abadi | |
| Location | South Kalimantan, Indonesia | | South Sumatera, Indonesia | |
| Contract Amount | RM86,956,566 | | RM61,429,360 | |
| Contract Status | Letter of Awards (LOA) received. | | Contract entered on 20 December 2017 | |
| Contract Details | To manufacture and supply one unit conventional palm oil mill with processing capacity of 60 MT/hr of FFB, one unit kernel crushing plant with capacity of 200 ton/day and one unit 1,600 KW biogas power generator plant, with details as follows: | | To manufacture and supply one unit continuous sterilisation palm oil mill with processing capacity of 60/80 T/hr of FFB, with details as follows: | |
| | To design, fabricate, supply, deliver, construct, install, complete, test, commission, maintain and guarantee of one unit conventional palm oil mill. (LOA received 13 November 2018) | Import portion USD8,920,162 (equivalent to RM36,260,459)<br><br>Local portion IDR66,549,667,200 (equivalent to RM19,299,403) | To design, manufacture, supply, install, test, commission, and performance guarantee of one unit continuous sterilisation palm oil mill. | Import portion USD9,627,300 (equivalent to RM39,471,930) |
| | To design, fabricate, supply, deliver, construct, install, complete, test, commission, maintain and guarantee one unit kernel crushing plant with capacity of 200 ton/day. (LOA received 20 November 2018) | Import portion USD1,885,449 (equivalent to RM7,664,350)<br><br>Local portion IDR22,849,533,000 (equivalent to RM6,626,365) | | Local portion IDR73,682,640,000 (equivalent to RM21,957,430) |
| | To design, fabricate, supply, deliver, construct, install, complete, test, commission, maintain and guarantee one unit biogas power generator plant. (LOA received 20 November 2018) | Import portion USD2,648,750 (equivalent to RM10,767,169)<br><br>Local portion IDR21,858,000,000 (equivalent to RM6,338,820) | | |
| Date of Announcement | 13 February 2019 | | 04 January 2018 | |
| Source | Bursa Malaysia | | Bursa Malaysia | |

**3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)**

**Comparable Sale/Evidence Of Value (cont'd)**

For the palm oil mill site, we have considered the followings:-

(i) **Other** palm oil mill sites are usually reserves set aside, unplanted, when the estate was first developed with the site costing at least the unimproved land value. In some cases, part or whole of the site has to be derived from clear felling an already planted area within the estate. The palm oil mill is within the PT MKH oil palm plantation, and is similar as the unimproved land value of the PT MKH oil palm plantation.

(ii) The costs of site levelling on the mill site, especially on the fenced-up palm oil mill main buildings site, for FFB Reception Station, Main Process Building and Sterilizer Building. This does not include the costs of excavating effluent ponds and reservoir which are separately included under costs of buildings and civil works.

**Assessment - *PT Maju Kalimantan Hadapan Palm Oil Mill***

We are pleased to report that in our opinion, the Market Value of the mill site, buildings and plant and machinery of PT Maju Kalimantan Hadapan Palm Oil Mill held under part of HGU Sertipikat No. 16.03.21.09.2.00008, Muara Kaman, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia, and free from encumbrances, is as follows:-

**(A) Site Value**

Based on the Letter of Acceptance of Tender dated 11 February 2010, the site preparation/levelling comprises the following:

| Description | Awarded Cost |
|---|---|
| Preliminary Works | Rp 9,693,053 per hectare |
| Earth Cutting | Rp20,967,425 per hectare |
| Backfilling/Compaction | Rp 2,360,140 per hectare |
| Total | Rp33,020,618 per hectare |

Thus, we adopted the rate of Rp35,000,000 per hectare, which in our opinion is in line with the current market, and the site value is assessed as follows:

| Description | Market Value (Rp) |
|---|---|
| Mill Site (32.92 hectares) | |
| Unimproved Land Value @ Rp50,000,000 per hectare | 1,650,000,000 |
| Site Preparation/Levelling @ Rp35,000,000 per hectare | 1,150,000,000 |
| **Total of (A) Site, say** | ***2,800,000,000*** |



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

**C H Williams Talhar & Wong (Sabah) Sdn Bhd [Registration No. 197701003650 (34874-P)]**

### 3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)

**Assessment - *PT Maju Kalimantan Hadapan Palm Oil Mill (cont'd)***

**(B) Buildings Value**

In determining the gross current replacement cost, references is made to the cost of construction of other mills buildings. We have also cross checked with the relevant contractors and professionals pertaining to the cost of site/earthwork preparation, site improvements and mill buildings. The building replacement cost is inclusive of professional consultation fees, finance costs and developer's profit. Therefore, the rate adopted for building value is in line with the market.

We estimate the buildings life span to be 50 years generally, and adopting a depreciation rate of 2% per year, on reducing balance of 2% to 22%, according to age of respective buildings, as follows:-

| Buildings | | | Age (Years) | Building Area (m²) | Building Replacement Cost (Rp/m²) | Accumulated Depreciation | Building Value after Depreciation, say, (Rp) |
|---|---|---|---|---|---|---|---|
| B1 | Main Mill Building | | 9 to 11 | 9,056 | 3,500,000 | 20% | 25,406,000,000 |
| B2 | FFB Loading Platforms/Ramps | | 11 | | 6,360,000,000 | 20% | 5,095,000,000 |
| B3 | General Mill Office cum Laboratory Building | | 11 | 408 | 4,500,000 | 20% | 1,471,000,000 |
| B4 | Workshop/Store Building | | 11 | 576 | 3,500,000 | 20% | 1,614,000,000 |
| B5 | Water Treatment Plant Pump Building | | 11 | 45 | 3,200,000 | 20% | 115,000,000 |
| B6 | (i) | Oil Despatch Shed | 11 | 112 | 1,800,000 | 20% | 162,000,000 |
| | (ii) | Lavatories/Toilets | 11 | 24 | 3,500,000 | 20% | 67,000,000 |
| | (iii) | Guard House | 11 | 13 | 3,000,000 | 20% | 32,000,000 |
| | (iv) | Car Parking Sheds | 11 | 180 | 1,500,000 | 20% | 216,000,000 |
| | (v) | Canteen | 11 | 260 | 3,200,000 | 20% | 664,000,000 |
| | (vi) | Effluent Treatment Plant/Pump House | 11 | 11 | 3,200,000 | 20% | 28,000,000 |
| | (vii) | Raw Water Pump House | 11 | 16 | 3,200,000 | 20% | 28,000,000 |
| | (viii) | Weighbridge Office | 9 | 16 | 3,200,000 | 20% | 42,000,000 |
| B7 | Other Site Improvements | | 9 to 11 | | 17,126,000,000 | 11% | 15,231,000,000 |
| B8 | 1 Unit Manager Bungalow | | 11 | 166 | 4,000,000 | 20% | 536,000,000 |
| B9 | 1 Block x 2 Units Executive Quarters | | 11 | 234 | 3,500,000 | 20% | 657,000,000 |
| B10 | 4 Blocks x 5 Units Staff Quarters | | 3 to 6 | 3 x 225 | 790,000 | 9% | 484,000,000 |
| | | | 1 | 225 | 1,060,000 | 2% | 234,000,000 |
| B11 | 4 Blocks x 6 Units Staff Quarters | | 12 | 1 x 360 | 400,000 | 22% | 114,000,000 |
| | | | 9 | 2 x 370 | 400,000 | 17% | 247,000,000 |
| | | | 5 | 1 x 270 | 790,000 | 10% | 193,000,000 |
| B12 | 1 Block x 8 Units Workers Quarters | | 10 | 1 x 288 | 790,000 | 18% | 186,000,000 |
| B13 | 6 Blocks x 10 Units Workers Quarters | | 12 | 1 x 600 | 400,000 | 22% | 188,000,000 |
| | | | 9 | 3 x 380 | 400,000 | 17% | 380,000,000 |
| | | | 6 | 2 x 380 | 790,000 | 11% | 531,000,000 |
| B14 | 1 Block x 12 Units Workers Quarters | | 10 | 1 x 432 | 790,000 | 18% | 279,000,000 |
| **Total** | | | | | | | ***54,200,000,000*** |

Having considered all factors, like life span, yearly depreciation, obsolescence and maintenance and market condition at the time of our valuation, the Market Value for (B) Buildings is ***Rp54,200,000,000.***



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

**3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)**

**Assessment - *PT Maju Kalimantan Hadapan Palm Oil Mill (cont'd)***

**(C) Plant and Machinery Value**

The gross current replacement cost is based on the asset listings, which is based on the purchase records of the machinery, with due adjustments made to reflect the current set up as at the date of inspection and inclusive of profits and financial elements, from our analysis of the construction and development cost of other oil mills and also cross checking with relevant contractors and professionals. We are valuing the plant & machinery as a going concern i.e. as a whole use and actively in operation at its working place. Therefore the cost of removal or displacements and related issues such as time limit arising from the removal of the equipment into another site is not considered and relevant. Through our experience and record, the life span could be from 15 to 30 years depending upon the state of upkeep and maintenance of that particular plant & machinery. Therefore, the replacement cost adopted for plant and machinery is in line with the market.

We adopt a depreciation rate of 3% per year on reducing balance, with the actual accumulated depreciation of 3% to 28%, according to age of respective item, as follows:-

| Item No. | Description | Age (Years) | Replacement Cost (Rp) | Accumulated Depreciation | Market Value (Rp) |
|---|---|---|---|---|---|
| (C1) | Fruit Reception Station | 1 to 11 | 39,749,000,000 | 22% | 30,943,000,000 |
| (C2) | Sterilizing Station | 3 to 11 | 11,734,000,000 | 23% | 8,699,000,000 |
| (C3) | Threshing Station | 2 to 11 | 18,090,000,000 | 23% | 13,843,000,000 |
| (C4) | Pressing Station | 1 to 11 | 11,331,000,000 | 22% | 8,798,000,000 |
| (C5) | Depericarping Station | 3 to 11 | 5,873,000,000 | 25% | 4,378,000,000 |
| (C6) | Nut and Kernel Station | 1 to 11 | 11,137,000,000 | 25% | 8,299,000,000 |
| (C7) | Boiler Station | 1 to 11 | 33,695,000,000 | 23% | 25,868,000,000 |
| (C8) | Engine Room | 2 to 11 | 19,641,000,000 | 15% | 16,736,000,000 |
| (C9) | Clarification Station | 3 to 11 | 16,528,000,000 | 22% | 12,896,000,000 |
| (C10) | Palm Oil Storage and Transfer | 9 to 11 | 7,270,000,000 | 27% | 5,304,000,000 |
| (C11) | Steam Oil and Water Piping | 9 to 11 | 9,567,000,000 | 27% | 7,023,000,000 |
| (C12) | Electrical Works | 9 to 11 | 14,739,000,000 | 27% | 10,773,000,000 |
| (C13) | Water Supply Works | 3 to 11 | 6,441,000,000 | 19% | 5,063,000,000 |
| (C14) | Laboratory and Workshop Equipment | 2 to 11 | 1,222,000,000 | 20% | 977,000,000 |
| Total for (C) Plant and Machinery | | | | | ***159,600,000,000*** |

Having considered all factors, like life span, yearly depreciation, obsolescence and maintenance and market condition at the time of our valuation, the Market Value for (C) Plant and Machinery is ***Rp159,600,000,000.***



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## C H Williams Talhar & Wong

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### 3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)

**Assessment - *PT Maju Kalimantan Hadapan CPO Bulking Station with Jetty***

The Market Value of the site, buildings and plant and machinery of PT Maju Kalimantan Hadapan CPO Bulking Station With Jetty held under *Hak Guna Bangunan* (HGB) No. 16.03.15.05.3.00006 and *Hak Pakai* (HP) Nos. 16.03.15.05.4.00006-00008, Desa Sebulu Ilir, Kecamatan Sebulu, Kabupaten Kutai Kartanegara, Provinsi Kalimantan Timur, Indonesia, and free from encumbrances, is as follows:-

**(A) Site Value**

There are no records of transactions of properties made available to public in Indonesia. Based on the market survey by KJPP RHR nearby subject site area, the prices of vacant/undeveloped land (with area of 250 m² to 70,000 m²) in this Sg Mahakam area range from Rp86,000 per m² to Rp112,000,000 per m². These lands are still under Land Information Letter (Girik/Surat Keterangan Tanah) which would require time, effort, expenses until obtaining a Legal title document (Sertifikat HGU, HGB, or HP). After suitable adjustments made for title, size and planning approval, the adjusted land values range from Rp120,000 to Rp141,429 per m², and the value adopted for subject site is Rp120,000 per m², equivalent to Rp1,200,000,000 per hectare.

Based on the Letter of Award dated 04 July 2011, the contracted sum of earth works is Rp2,398,350,000, for earth cutting works (44,964 cubic meter) and earth filling works (40,689 cubic meter), which is equivalent to Rp484,730,000 per hectare. Thus, we adopted the rate of Rp540,000,000 per hectare, which in our opinion is in line with the current market, and the site value is assess as follows:-

| Description | Market Value (Rp) |
|---|---|
| Site (4.95 hectares) | |
| Undeveloped Site @ Rp1,200,000,000 per hectare | 5,940,000,000 |
| Site Preparation/Levelling @ Rp540,000,000 per hectare, say | 2,670,000,000 |
| **Total of (A) Site** | ***8,610,000,000*** |

**(B) Buildings Value**

On the above basis, we adopt a depreciation rate of 2% per year on reducing balance, with the actual accumulated depreciation of 2% to 20% for each building, according to age of respective buildings, as follows:-

| **Buildings** | | Age **(Years)** | **Building Area (m²)** | Building Replacement Cost (Rp/m²) | Accumulated Depreciation | Building Value after Depreciation, say (Rp) |
|---|---|---|---|---|---|---|
| B1 | CPO Receiving Station | 11 | 360 | 4,000,000 | 20% | 1,153,000,000 |
| B2 | Power House | 11 | 60 | 4,000,000 | 20% | 192,000,000 |
| B3 | Kernel Store | 11 | 756 | 4,000,000 | 20% | 2,421,000,000 |
| B4 | Office Cum Weighbridge Building | 11 | 88 | 5,500,000 | 20% | 388,000,000 |
| B5 | 1 Block x 6 Units Staff Quarters | 11 | 1 x 312 | 400,000 | 20% | 100,000,000 |
| | 1 Block x 10 Units Workers Quarters | 7 | 1 x 380 | 790,000 | 13% | 260,000,000 |
| | 2 Blocks x 3 Units Workers Quarters | 1 | 2 x 135 | 1,150,000 | 2% | 305,000,000 |
| B6 | Jetty | 11 | | 8,050,000,000 | 20% | 6,446,000,000 |
| B7 | Other Site Improvements | 8 to 11 | | 1,657,000,000 | 20% | 1,330,000,000 |
| **Total** | | | | | | ***12,595,000,000*** |

Having considered all factors, like life span, yearly depreciation, obsolescence and maintenance and market condition at the time of our valuation, the Market Value for (B) Buildings is ***Rp12,595,000,000.***



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

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### 3.3 PT MKH Palm Oil Mill and CPO Bulking Station with Jetty (cont'd)

**Assessment - *PT Maju Kalimantan Hadapan CPO Bulking Station with Jetty (cont'd)***

**(C) Plant and Machinery Value**

On the above basis, we adopt a depreciation rate of 3% per year on reducing balance, with the actual accumulated depreciation of 3% to 28%, according to age of respective item, as follows:-

| Item No. | Description | Age (Years) | Replacement Cost (Rp) | Accumulated Depreciation | Market Value (Rp) |
|---|---|---|---|---|---|
| (C1) | CPO Receiving And Storage Station | 1 to 11 | 15,673,000,000 | 27% | 11,427,000,000 |
| (C2) | Boiler System | 11 | 3,421,000,000 | 28% | 2,448,000,000 |
| (C3) | Electrical Works | 11 | 4,356,000,000 | 28% | 3,116,000,000 |
| (C4) | Laboratory Equipment | 7 to 10 | 66,00,000 | 25% | 49,000,000 |
| Total for (C) Plant and Machinery | | | | | ***17,040,000,000*** |

Having considered all factors, like life span, yearly depreciation, obsolescence and maintenance and market condition at the time of our valuation, the Market Value for (C) Plant and Machinery is ***Rp17,040,000,000.***

**Summary of Market Value**

The valuation of subject properties are tabulated as follows:-

| **(I) PT Maju Kalimantan Hadapan Palm Oil Mill** | |
|---|---|
| Description | Market Value |
| Land (32.92 Hectares) | Rp 2,800,000,000 |
| Buildings | Rp 54,200,000,000 |
| Plant and Machinery | Rp159,600,000,000 |
| Total | ***Rp216,600,000,000*** |

[equivalent to ***RM61,730,000.00 (Ringgit Malaysia: Sixty One Million Seven Hundred And Thirty Thousand Only)*** (Exchange rate of RM1.00 = Rp3,509, the middle rate on 21 December 2022 in the Interbank Foreign Exchange Rates of Bank Negara Malaysia)].

| **(II) PT Maju Kalimantan Hadapan Crude Palm Oil Bulking Station with Jetty** | |
|---|---|
| Description | Market Value |
| Land (4.95 Hectares) | Rp 8,610,000,000 |
| Buildings | Rp12,595,000,000 |
| Plant and Machinery | Rp17,040,000,000 |
| Total | ***Rp38,245,000,000*** |

[equivalent to ***RM10,900,000.00 (Ringgit Malaysia: Ten Million And Nine Hundred Thousand Only)*** (Exchange rate of RM1.00 = Rp3,509, the middle rate on 21 December 2022 in the Interbank Foreign Exchange Rates of Bank Negara Malaysia)].



Rooms 605-608, 6th Floor, Wisma Khoo Siak Chiew, W.D.T. 110, 90009 Sandakan, Sabah, Malaysia Tel :089-217025/219714. Fax :089-272850. E-mail : sandakan@wtwsabah.com.my

## 16. STATUTORY AND OTHER INFORMATION

### 16.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) No Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries, and there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save for the new Shares issued as disclosed in Section 6.2 and to be issued for our Public Issue as disclosed in Section 4.3.1, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(e) As at the date of this Prospectus, our Company does not have any outstanding convertible debt securities.

### 16.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

#### 16.2.1 PT MKH

PT MKH's issued share capital as at LPD is IDR243,860,000,000 comprising 487,720 ordinary shares. The movements in its issued share capital since incorporation are as follows:

| Date of allotment | No. of shares allotted | Consideration/ Type of issue | Cumulative share capital IDR |
|---|---|---|---|
| 25 October 2005 | 500 | IDR250,000,000/ Subscribers' shares | 250,000,000 |
| 6 November 2007 | 27,500 | IDR13,750,000,000/ Cash | 14,000,000,000 |
| 19 June 2009 | 26,000 | IDR13,000,000,000/ Cash | 27,000,000,000 |
| 18 June 2015 | 380 | IDR190,000,000/ Cash | 27,190,000,000 |
| 8 February 2018 | 184,140 | IDR92,070,000,000/ Cash | 119,260,000,000 |
| 13 August 2018 | 249,200 | IDR124,600,000,000/ Cash | 243,860,000,000 |

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in PT MKH. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

### 16.2.2 PT SPS

PT SPS's issued share capital as at LPD is IDR9,300,000,000 comprising 9,300 ordinary shares with a nominal value per share of IDR1,000,000. The movements in its issued share capital since incorporation are as follows:

| Date of allotment | No. of shares allotted | Consideration/ Type of issue | Cumulative share capital |
|---|---|---|---|
| | | | IDR |
| 30 March 2005 | 1,000 | IDR1,000,000,000/ Subscribers' shares | 1,000,000,000 |
| 22 December 2008 | 8,300 | IDR8,300,000,000/ Cash | 9,300,000,000 |

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in PT SPS. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

## 16.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

### 16.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

**Clause 25 and 26 – Variation of Rights**

"If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of not less than 75% of the total issued voting rights of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of that class. To every such separate General Meeting, the provisions of these Clauses relating to General Meetings shall mutatis mutandis apply, but so that the necessary quorum shall be 2 persons at least 1/3 of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply."

"The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects pari passu therewith."

**Clause 7 – Issue of Securities**

"Subject to the Act and these Clauses and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time, on such terms and conditions, with such preferred, deferred or other special rights as they think proper, PROVIDED ALWAYS that:

(a) no shares shall be issued which shall have the effect of transferring a controlling interest, in the Company, without the prior approval of the Members in General Meeting;

(b) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in these Clauses and in the resolution creating the same;

(c) every issue of shares or options to employees and/or Directors shall be approved by the Members in General Meeting and such approval shall specifically detail the amount of shares or options to be issued to such Director;

(d) the rights attaching to share of a class other than ordinary shares shall be set out in these Clauses or expressed in the resolution creating the same; and

(e) the Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where it is specifically exempted from compliance with Section 38 of the Depositories Act, in which event it shall so similarly be exempted from compliance with these requirements. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees.

However, the Company must not cause or authorise the Registrar of the Company to cause the Securities Accounts of the allottees to be credited with the additional shares of the Company until after it has filed with the Exchange an application for admission of such additional shares and been notified by the Exchange that they have been authorised for listing.

The share certificates shall be registered in the name of the Depository by the Company for the purpose of crediting such Securities to the Securities Account of the allottees."

**Clause 73(1) and (2), and 66 – Alteration of Capital**

"(1) The Company may from time to time by ordinary resolution to:

(a) proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived;

(b) sub-divide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of the Company's share capital by the amount of the shares so cancelled."

"(2) The Company may reduce its share capital in accordance with the provisions of the Act."

"Subject always to the compliance with the provisions of the Act, the Listing Requirements and all other applicable laws and the requirements of the Exchange for the time being in force, the Company may, with the sanction of the Shareholders in a General Meeting, purchase its own shares upon and subject to such terms and conditions as the Directors may, in their discretion deem fit, provided that the aggregate number of shares to be acquired does not exceed 10% of the issued share capital of the Company, for the time being unless prior approval of the Exchange has been obtained:

(i) Where the Company has purchased its own shares in the manner as aforesaid, the Directors may, if the applicable laws for the time being in force so allow:

(a) cancel the shares so purchased;

(b) retain the shares so purchased in treasury as treasury shares;

(c) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(d) deal with the shares so purchased in a manner as may from time to time be prescribed and allowed by law.

(ii) Where the shares so purchased or any part thereof is retained as treasury shares, the Directors may at any time subject to the provisions of all applicable laws for the time being in force:

(a) distribute the treasury shares as dividends to the Members in a manner as may be allowed by law retain the shares so purchased in treasury as treasury shares;

(b) resell the treasury shares on the Exchange in accordance with the relevant rules of the Exchange; or

(c) deal with the treasury shares in a manner as may from time to time be prescribed and allowed by law.

The rights attached to shares held as treasury shares shall be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes."

### 16.3.2 Borrowing and voting powers of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

**Clause 126(1) – Borrowing, mortgage and issuance of debentures**

"The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or its related companies, PROVIDED ALWAYS that nothing contained in these Clauses shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party."

**Clause 147 and 146 – Directors' Interest in Contracts and Disclosure of Interest**

"No Director may vote in respect of any other contract or proposed contract or arrangement in which he is directly or indirectly interested nor any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other Securities in that other company."

"Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby, whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company."

**Clause 141 – Voting at Board Meetings and Casting Vote**

"A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under these Clauses vested in or exercisable by the Directors generally. Subject to these Clauses, questions arising at any meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote except where only 2 Directors form a quorum and where only 2 Directors are competent to vote on the question at issue in which event the Chairman of a meeting shall not have a casting vote."

### 16.3.3 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

**Clause 120 – Remuneration of Directors**

"The fees and benefits of the Directors shall be such fixed sum as shall annually be determined by an ordinary resolution of the Company at a General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, PROVIDED ALWAYS that :

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors may not include a commission on or percentage of turnover;

(c) fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the General Meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter."

**Clause 121 – Expenses**

(a) The Directors shall be entitled to be reimbursed for all traveling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors;

(b) If by arrangement with the other Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, in particular without limiting to the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged PROVIDED ALWAYS that the extra remuneration payable to :

(i) a non-executive Director shall not be by way of commission on or percentage of profits or turnover; and

(ii) an executive Director shall not include a commission on or percentage of turnover."

### 16.3.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

**Clause 49 - Transfer of Securities**

"The transfer of any Deposited Securities or class of Deposited Securities of the Company, shall be by way of book entry by the Depository in accordance with the Rules of the Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities."

**Clause 57 - Renunciation**

"Nothing in these Clauses shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person."

**Clause 55 – Suspension of the Registration of Transfer**

"The Company may require the Depository to suspend the registration of transfers at such time and for such period as the Directors may from time to time determine, PROVIDED ALWAYS that such registration shall not be suspended for more than 30 days in any year or such number of days as may be prescribed by the Exchange. At least 10 Market Days or such number of days as may be prescribed by the Exchange, notice of such closure shall be given to the Exchange stating the period and the purpose or purposes of such closure and the address of the share registry at which documents will be accepted for registration shall be published in a nationally circulated Bahasa Malaysia or English daily newspaper and shall also be given to the Exchange. At least 3 Market Days prior notice shall be given to the Depository to enable the Depository to prepare the appropriate Record of Depositors, provided that where the Record of Depositors is required in respect of corporate actions, at least 7 Market Days prior notice shall be given to the Depository."

## 16.4 POLICIES ON FOREIGN INVESTMENTS, TAXATION AND FOREIGN EXCHANGE CONTROLS

The relevant governmental laws, decrees, regulations, legislations and/or other requirements in Indonesia in relation to the repatriation of capital and the remittance of profit by or to our Group are set out below.

### (a) Exchange control

Law No. 25 of 2007 on Investment, as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("**Investment Law"**) only permits foreign direct investment in Indonesia by establishing an Indonesian limited liability company.

Under the Investment Law, our subsidiaries, namely PT MKH and PT SPS, may repatriate its investment to our Company in the form of:

(i) capital;

(ii) profits, bank interest, dividends, and other income;

(iii) funds required to:

(aa) purchasing raw and auxiliary materials, half-finished goods or finished goods; or

(ba) replacing capital goods to protect the viability of the investment;

(iv) additional funds required for investment financing i.e. funds for repayment of loans;

(v) royalties or fees payable;

(vi) income of individual foreign citizens working in the investment company;

(vii) proceeds from the sales or liquidation of an investment;

(viii) compensation for losses;

(ix) compensation for acquisitions;

(x) payments made in connection with technical assistance, fees payable for technical and management services, payments made under the project contract, and payment of intellectual property rights; and

(xi) proceeds of sales of assets.

There are no foreign exchange controls in Indonesia save for the physical inflow or outflow of IDR into and out of the country where remittances flowing out of Indonesia require the provision of certain reports to Central Bank of Indonesia. Central Bank of Indonesia also requires that any export and offshore borrowing proceeds (in foreign currency) to be drawn down through domestic banks appointed by Central Bank of Indonesia licensed as a foreign exchange bank, and subsequently reported to Central Bank of Indonesia. For the purposes of repatriation or transfer of money by our subsidiaries to our Company, the IDR can be converted into any currency. Further, under the Indonesian Company Law, every change of company's capital shall be reported to the Ministry of Laws and Human Rights of Indonesia.

The laws of Indonesia specifically provide that these repatriation rights do not prejudice the government's rights to require reports on the implementation of repatriation activities and compliance with related taxation/royalties regulations. In addition, the repatriation rights do not prejudice the implementation of any law that gives protection to creditors' rights or laws to avoid losses to the government.

**(b) Dividend distribution**

A dividend distribution in Indonesia is specified in Law No. 40 of 2007 on Limited Liability Companies as amended by Governmental Regulation in Lieu of Law No. 2 of 2022 on Job Creation. It is stated that the company should allocate 20% (twenty percent) of the company net profit in its each accounting year as a reserved fund, and the company is obliged to distribute all net earnings after deduction for the reserved fund to the shareholders as a dividend unless any other agreements are provided in the General Meeting of Shareholders.

The dividends amount that the shareholders received are in proportion of the shares that the shareholders hold. Also, a dividend can only be distributed to shareholders if the company has a positive bank balance. Dividends that have not been distributed will be placed in a separate reserve and the undistributed dividend amounts will be stated in General Meeting of Shareholders.

**(c) Withholding tax**

Dividend payments will be subject to a withholding tax according to the prevailing Double Tax Agreement between Indonesia and Malaysia. PT MKH and PT SPS have the obligation to withhold the tax of dividends distribution and pay to the tax authority. As at LPD, the applicable withholding tax rate is 10.0% on the premise that MKHOP is a listed entity.

Premised on the above, our Company has the right to repatriate the capital and remit the profits from PT MKH and PT SPS where the repatriation and remittance shall be undertaken in accordance with the prevailing Indonesian laws and regulations, as follows:

(i) the repatriation of capital shall be reported to the Central Bank of Indonesia and any change in the company's capital shall be reported to the Ministry of Laws and Human Rights as stated in (a) above;

(ii) the amount for remittance of profits shall be in accordance with the laws of Indonesia specifying the dividend distribution as stated in (b) above; and

(iii) after completion of our Listing, the applicable withholding tax rate is 10.0% on the premise that our Company is a listed entity as stated in (c) above.

## 16.5 GENERAL INFORMATION

(a) Save for the remuneration paid as disclosed in Section 5.2.5, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.

(b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 17.

(d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

## 16.6 CONSENTS

(a) The written consents of our Adviser, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma combined statements of financial position in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(c) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn; and

(d) The written consent of our Independent Valuer for the inclusion in this Prospectus of its name and the valuation certificates in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

## 16.7 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(a) Constitution of our Company;

(b) Audited financial statements of our Company, PT MKH and PT SPS for FYE 2020 to 2022;

(c) Accountants' Report as set out in Section 13;

(d) Reporting Accountants' Report relating to our pro forma combined statements of financial position as set out in Section 14;

(e) IMR Report as set out in Section 8;

(f) Material contracts as set out in Section 6.5;

(g) Letters of consent as set out in Section 16.6; and

(h) Valuation certificates as set out in Section 15 and the valuation reports.

## 16.8 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

## 17. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.**

**Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### 17.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [dd/mm/yyyy]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [dd/mm/yyyy]

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

**Late Applications will not be accepted.**

### 17.2 METHODS OF APPLICATIONS

#### 17.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

| Types of Application and category of investors | Application Method |
|---|---|
| Applications by the Malaysian Public: | |
| (a) Individuals | White Application Form or Electronic Share Application or Internet Share Application |
| (b) Non-Individuals | White Application Form only |

#### 17.2.2 Placement

| Types of Application | Application Method |
|---|---|
| Applications by selected investors | The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions |

Selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

## 17.3 ELIGIBILITY

### 17.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Application.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

### 17.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(a) You must be one of the following:

(i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(ii) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:

(i) White Application Form;

(ii) Electronic Share Application; or

(iii) Internet Share Application.

## 17.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. [●]"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, so as to arrive not later than 5.00 p.m. on [•] or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

## 17.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

**Only Malaysian individuals** may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

## 17.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

**Only Malaysian individuals** may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

## 17.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(a) reject Applications which:

  (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (ii) are illegible, incomplete or inaccurate; or

  (iii) are accompanied by an improperly drawn up or improper form of remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 17.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

## 17.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within 1 market day after the balloting date.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 1,000 public shareholders, each holding not less than 100 Shares upon our admission to the Main Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the Main Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our IPO Shares by the Malaysian Public, subject to the underwriting arrangements and reallocation as set out in Section 4.3.2 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

## 17.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

### 17.9.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

**17.9.2 For applications by way of Electronic Share Application and Internet Share Application**

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**17.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.

(d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

## 17.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

| Mode of application | Parties to direct the enquiries |
|---|---|
| Application Form | Issuing House Enquiry Services at telephone no. +603-2783 9299 |
| Electronic Share Application | Participating Financial Institution |
| Internet Share Application | Internet Participating Financial Institution and Authorised Financial Institution |

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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