The Group, through the Intrapreneur Ventures (“IV”) Division, supports the development of individuals as entrepreneurs and creates business opportunities that allow them to develop the necessary skills and knowledge management alongside appropriate infrastructure to facilitate their success. The term intrapreneurship, which is a combination of ‘intra’ or internal and ‘entrepreneurship’, reflects the creation of an enterprise within an organisation by driving innovation. Growth of the IV Division moderated amid tighter liquidity conditions, slowing economic growth and rising operating costs. However, it remained resilient during tough times as it is well-capitalised with stable risk exposure and had implemented revenue measures and maintained prudent spending. Like many other businesses, the current economic environment has also driven many of our IV companies to operate on a leaner and more efficient manner as they ensure cost cutting measures and curtail excessive spending, thus emerging stronger and more resilient from these challenges and to remain ahead of the competition.
KEY DEVELOPMENTS

During the year under review, Kulim has stepped up an additional 25% stake in Classruum Technologies Sdn Bhd (“CRTSB”) on 24 November 2016, which saw our total holdings in the operator of the social network for education climbed to 76%. In addition to being part of Kulim’s Corporate Responsibility effort to contribute towards the progress of national education, the increased stake is to enable Kulim to reap maximum potential from this fast-growing business.

In line with the Group’s rationalisation strategy for IV businesses, in November 2016, Kulim had disposed Granulab (M) Sdn Bhd (“Granulab”) to Sirim Tech Venture Sdn Bhd for RM685,000. We also recognised several stalled ventures and to minimise further cash burn, we ceased operations of SG Lifestyle Sdn Bhd (“SG Lifestyle”) and JTP Trading Sdn Bhd (“JTP Trading”) in October 2016.

Other businesses within the Division were restructured to create leaner and more efficient operations. During the year, Special Appearance Sdn Bhd (“SASB”) ceased non-profitable activities in event management and film production, in order to be more focused on contracts relating to oil palm replanting services, including the management of a small oil palm plantation - Mersing Hill Estate in Mersing, Johor.

Despite the challenging times, investments continue to be made in promising ventures, such as the purchase of heavy machineries including four (4) new stackers and two (2) forklifts for Epasa Shipping Agency Sdn Bhd, which should augur well for the company in the coming years.

FINANCIAL HIGHLIGHTS

The IV Division recorded revenue of RM57.61 million in 2016, down 10.07% from the previous year’s record. Consequently, earnings also decreased from pre-tax profit of RM1.09 million in 2015 to pre-tax profit of RM704,960.

The Division received its largest 2016 revenue contribution of RM20.42 million from Extreme Edge Sdn Bhd (“EESB”) Group. Other substantial contributors include MIT Insurance Brokers Sdn Bhd (“MIT”) and Kulim Nursery Sdn Bhd (“KNSB”).

The network infrastructure and system provider, EESB, contributed RM2.44 million to the IV Division’s pre-tax profit, while RM1.50 million came from the insurance business. However, the earnings contributions were wiped out by pre-tax losses recorded by a couple of unprofitable ventures, notably Sindora Timber Sdn Bhd and Microwell Bio Solutions Sdn Bhd.

We believe that an organisation has to be farsighted to be flexible enough to make changes or to abandon unsuccessful ideas, while at the same time keeping its option open to identify highly potential endeavours.
SECTION 4 | SEGMENT REVIEW

INTRAPRENEUR VENTURES

MIT INSURANCE BROKERS SDN BHD (“MIT”)

Founded in 1973, MIT is a home-grown enterprise that has evolved through the passage of time to be a market player of substance with the resources and ability to deliver quality insurance solutions. Centred on its tagline of “World Class, Home Grown”, the company is backed by a team of established and experienced personnel who possess the skills and experience to provide innovative and strategic solutions to enterprise wide risks that businesses and organisations encounter in the conduct and growth of their businesses. Apart from providing conventional insurance, MIT is also a licensed Takaful broker.

MIT’s specialist services encompass four (4) practices namely Financial Solutions (“FINSOL”), Specialty, Commercial and Employees Benefits. MIT’s FINSOL practice engaged lawyers and economists to assess a company’s exposure since professional liability risks are complex and extensive nowadays. Industry best practices are shared, applied and refined to continually create new business solutions to meet the expectations of an ever changing business environment.

One of MIT’s specialist services, Commercial, is gaining prominence. MIT designs, manages and administers insurance programs for growing organisations. It uses the knowledge of competitive marketplace to tailor benefits programs and property and casualty coverage to an organisation. By focusing on the needs of corporate client’s Employees Benefits Program, MIT designs tailor-made and cost effective health care program, implements them and provides ongoing consulting on trends and the changing environment relating to employee health care and benefits.

To broaden its earnings base, MIT is venturing beyond the traditionally-regulated commercial insurance marketplace to diversify into Captive Insurance. A ‘Captive’ is an insurance company created and wholly-owned by one or more non-insurance companies to insure the risks of its owners. Captives are essentially a form of self-insurance whereby the insurance is owned wholly by the insured parties. Presently, the captives are domiciled outside a traditional insurance regulatory environment such as Labuan, offshore Sabah. Among the advantages that captive insurance offers are lower insurance costs, improved cashflow broader coverage, more attractive risk management elements, access to the lower cost re-insurance market and tax advantages.

In 2016, MIT obviously benefitting with the staff of Takaful Brokers, Mutual Sense Sdn Bhd, who are joining the company and bringing along their business portfolio. MIT also found new major clients in Yayasan Pembangunan Ekonomi Islam Malaysia (“YaPEIM”), Dewan Bandaraya Kuala Lumpur (“DBKL”) and Bank Rakyat, which boosted its gross premiums to RM65.59 million compared to RM56.66 million in year 2015.

These strategies boosted MIT’s performance in 2016, increasing its revenue by 8.81% to RM9.59 million from RM8.81 million in 2015, alongside its success in securing new clients in Perbadanan Insurans Deposit Malaysia, Perbadanan Perwira Hartanah Malaysia and Mesiniaga. Concurrently, pre-tax profit decreased by 10.96% to RM1.50 million from RM1.69 million previously.

KULIM SAFETY TRAINING AND SERVICES SDN BHD (“KSTS”)

KSTS a subsidiary of Kulim’s wholly-owned EPA Management Sdn Bhd, provides Occupational, Safety and Health Administration (“OSHA”) consultancy services to assist clients to comply with guidelines, rules and regulations.

Guided by its motto to provide “Safety for People, Planet and Profits”, KSTS offers Occupational, Safety and Health (“OSH”) related services with key focus on training on OSH, human resource development, motivation and quality-related field work. It also provides advisory services on Occupational, Health and Safety Management Systems (OHSAS 1800), RSPO and ISO Quality Management Systems. It undertakes auditing, inspection and look into cases related to deaths, accidents and dangerous occurrences at the workplace and make recommendations for improvements.

Apart from providing health screening (medical surveillance), noise monitoring and administering urine and drugs tests, the company is also an authorised gas tester, visiting medical officer and a foreign workers medical examination expert on behalf of the Foreign Workers Medical Examination Monitoring Agency (“FOMEMA”). Other services include supplying and purchasing services, installation services, fire-fighting equipment maintenance, road safety and bat/termite eradication.

During the period under review, KSTS posted an encouraging revenue increase of 26.43% to RM3.29 million from RM2.60 million in 2015, mainly attributed to its strategies to strengthen existence and establish wider reach through setting up additional outlet at the fast-developing RAPID project area in Pengerang, Johor. Correspondingly, pre-tax profit increased by 25.06% to RM666,640 from RM533,050 recorded in 2015.

Going forward, KSTS remains committed to providing innovative, cost-effective and quality service and to treat of each contract as a partnership.
INTRAPRENEUR VENTURES

E-Learning Johor is the latest innovative product introduced by the Johor State Government which uses Classruum.com as the platform. It was specially developed by Classruum Technologies Sdn Bhd (“CRTSB”), a subsidiary of Kulim.

The programme was launched by the Chief Minister of Johor, YAB Dato’ Mohamed Khaled Nordin at Maktab Sultan Abu Bakar, Johor Bahru on 27 April 2017. 600 guests comprising students, teachers and parents attended the event.

CRTSB is moving one step further to develop online tools and resources to promote and foster meaningful interaction among students through active student collaboration and engagement. Through E-Learning Johor, students will discover that online learning in schools are more interactive, social and fun. In addition, by having easy access to additional learning content, this will create the next generation of students who are adept at thinking creatively and critically.

This close collaboration with JCorp, the Department of Education of the state of Johor (“JPNJ”), Yayasan Pelajaran Johor (“YPJ”), Yayasan Pasir Gudang (“YPG”) and Yayasan Penyayang - Majlis Perbandaran Johor Bahru Tengah (“MPJBT”), will benefit to many students. This programme is designed to be affordable to parents. YPJ will fund 50% of the cost of subscriptions while the balance will be borne by parents.

E-Learning Johor is offered to SPM students in Johor who will sit for the examination in 2017. Students whose family household income is below RM10,000 a month are eligible for participation in this programme. This affordable package is offered at only RM140. The normal price for a similar package is RM399.

AGROFOODS BUSINESS

Kulim’s involvement in the Agrofoods Division is a natural progression from its traditional oil palm business. Started of with small scale cattle-rearing within the oil palm estates with the aim to biologically control the weeding programme and improves company income. As at year-end 2016, we had a total cattle population of 7,565 heads, an increase of 1.52% (2015: 7,452 heads) from the previous year’s. The Government is also encouraging cattle integration in oil palm estates, where the estate owners will implement a cattle breeding and rotational grazing programme in compliance with Good Animal Husbandry Practices (“GAHP”).

Feedlot is the other branch of Kulim’s cattle-rearing which involves two (2) feedlot premises – Bukit Nyamuk and Lubuk Bakul, managed by Kulim Livestock Sdn Bhd (“KLSB”). Its key activities are fattening and Qurban programme. The fattening programme, focuses on the rearing and fattening of cattle for one cycle of four months before being sold or slaughtered. As at 31 December 2016, there are 357 heads of cattle reared under our feedlots. KLSB has also been tasked to manage additional feedlots under JCorp’s subsidiary – Ihsan Permata Sdn Bhd, which will see KLSB’s expanded operation going forward.

Meanwhile, for pineapple business, as at 31 December 2016, some 182 hectares of Kulim’s area was planted with the superior MD2 variety. Total production in 2016 was 3,179 tonnes, up 158% from 1,234 tonnes recorded in 2015. Export tonnage for 2016 increase to 682 tonnes with a value of RM1.78 million as against 2015 at 277 tonnes with value of RM623,281. Our aim is to increase the cultivation area to 1,000 hectares in 2021 via contract farming and reduce life cycle for fruit production to around 16 months with good agronomic practices.

The Division is also maximising the MD2 usage via involvement in downstream products including tarts, jam, frozen yogurt and drinks under the Melita brand.