ON BEHALF OF THE BOARD OF DIRECTORS,
it gives me great pleasure to present this Annual Report
and Audited Financial Statements of the Group and the
Company for the financial year ended 31 March 2015.
Year 2015 marks the 30th anniversary of the Group. The Group’s visionaries who laid the path for the pioneers to place their feet in the business thirty years ago had transformed a small company to become a respectable public listed company with the Bursa Malaysia. The Group’s achievements continue to stem from a combination of factors: passion and perseverance of our people, entrepreneurial flair to seize opportunities as they arise, a proven business model and carefully thought-out strategies.

The Group continued to focus on its’ four pillars of sustainability covering productivity and innovations, care for the environment, its’ people and community to enable it to achieve its vision and to realise a balanced mix between growth and sustainability. These pillars continued to remain as the cornerstones of sustainability which are in line with the widely acceptable “3 Ps” of sustainability namely Profit, People and Planet. The Group acknowledges these as the main contributory factors for sustainable long-term shared value creation for stakeholders. Operations were conducted in a responsible manner with due regards to environmental stewardship whilst paying heed to the aspirations of stakeholders. Effective strategies, such as adopting and implementing best proven agronomic practices for the diverse operating conditions, continued to be employed against the due risk management of ensuring both the environment and the surrounding biodiversity are conserved, protected and further enhanced.

INDUSTRY REVIEW

The financial year 2015 saw a mixed performance for the palm oil industry. During the earlier part of the year, crude palm oil (“CPO”) prices looked promising and surpassed RM2,600 per metric tonne (“mt”). This was due to the drought concerns and the potential supply constraints in the expectation of the return of an El Nino phenomenon. However, the actual El Nino was not as intense as expected and it’s dissipation in the second half pushed CPO prices to a low of RM2,000 before recovering to around RM2,250 per mt in December 2014. The record global soya bean crop and the crash in crude petroleum prices at the same time exacerbated pressure on the CPO price recovery.

TAN SRI DATO’ WONG SEE WAH
Independent Non-Executive Chairman
GROUP PERFORMANCE

As more areas from the Group’s Indonesian operations attained maturity, the areas under production increased by 19% to reach 40,530 hectares (2014: 34,102 hectares). In line with this, the production of fresh fruit bunches (“FFB”) increased by 18% to scale another new height of 862,455 mt (2014: 729,801 mt). The total revenue of RM667.66 million achieved for the year was also another record for the Group following higher volume of palm products sold.

By geographical segment, the Group’s Malaysian operations recorded FFB production of 589,384 mt (2014: 585,526 mt) against the backdrop of the ongoing replanting programme. The Group’s Indonesian operations delivered a commendable increase of 89% achieving 273,071 mt (2014: 144,275 mt). In addition to young palms moving to prime age, the increase in crop was also due to more areas attaining maturity.

The average CPO price in the Malaysian and Indonesian operations declined by 4% to RM2,289 per mt (2014: RM2,385 per mt) and 3% to RM2,140 per mt (2014: RM2,204 per mt) respectively as the elevated level of buoyancy that prevailed in the earlier months were negated by the downturn that followed in the later months of the financial year. In addition, the performance of the Group was impacted by a net unrealised foreign exchange loss of RM51.36 million resulting from the translation of the US Dollar denominated borrowings. This resulted in the decline of the Group’s profit before tax to RM89.41 million (2014: RM109.08 million). The profit after tax was as a result lower at RM82.30 million (2014: RM83.09 million) while basic earnings per share attributable to shareholders was 10.74 sen (2014: 11.05 sen). Net tangible assets per share as at 31 March 2015 was RM1.83 (2014: RM1.72).

CORPORATE DEVELOPMENT

On 21 November 2014, a wholly-owned subsidiary of the Company, Gunaria Sdn. Bhd. (“Gunaria”), entered into a Conditional Share Subscription Agreement (“CSSA”) with KL-Kepong Plantation Holdings Sdn. Bhd. (“KLKP”), a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad, and two (2) existing shareholders for the subscription of 25,600 new shares of IDR1,000,000 each in PT Perindustrian Sawit Sinergi (“PT PSS”) for a total cash consideration of IDR25,600,000,000 (approximately RM6,900,000) (“the Proposed Subscription”). Pursuant to the CSSA, the shareholding ratio of Gunaria, KLKP and the existing
shareholders will be 32:63:5. PT PSS will be a joint venture vehicle of the parties to establish an integrated palm oil refinery complex and kernel crushing plant, as well as to handle sale of refined or processed oil palm products or its derivatives. At the date of this report, the Proposed Subscription is pending completion.

DIVIDEND
The Company is committed to the payment of annual dividends. The quantum of dividends will be determined after taking into account, *inter alia*, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements. The adopted policy is a balanced approach between rewarding shareholders and maintaining reserves for future growth.

In respect of the financial year ended 31 March 2014, a single-tier interim dividend of 7 sen per share was paid on 1 July 2014 totaling RM56.99 million.

In an effort to continue rewarding the shareholders, the Directors declared a single tier interim dividend for the financial year ended 31 March 2015, on 26 May 2015, amounting to 6 sen per share. The single tier interim dividend was paid on 7 July 2015 to every member who was entitled to receive the dividend as at 5.00 p.m. on 25 June 2015. The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2015.

CORPORATE GOVERNANCE
To strengthen the accountability of the Board and management of the Group, and with the aim of promoting long-term shareholder interest and public trust, the Group remains committed to good corporate governance. Some guiding principles of this commitment are set out in the Statement on Corporate Governance (pages 42 to 55) and Statement on Risk Management & Internal Control (pages 60 to 63). The Company, its subsidiaries, Directors and Management were not sanctioned and had no material penalties imposed by any relevant regulatory body during the year.
As testimony for its commitment, the Group was presented with the Top PLC Corporate Governance Overall Recognition award by the Minority Shareholders Watchdog Group (“MSWG”) in the reporting year. In addition, the Group was also nominated for various categories of awards under the Mid-Cap companies grouping in the Malaysian Investor Relations Awards 2014/15.

**RELATED PARTY TRANSACTIONS**

Related party transactions of the Group for the financial year are disclosed in Note 31 to the Financial Statements.

Except for those disclosed in Note 31 to the Financial Statements, there were no material contracts of the Group involving Directors and major shareholders during the reporting period.

**CARE FOR THE ENVIRONMENT**

The importance of being responsible with stewardship of the environment is recognised in the Group. Conscious efforts are taken in the daily operations to safeguard natural resources while ensuring that they are in harmony with the environment.

To ensure that the practices in the operations are in line with the industry standards, the Group continued its certification endeavours under the MPOB’s Code of Practices (“CoPs”) for quality, food safety and sustainability. Building on that achievement, the Group moved to a greater height during the year, in which its’ Desa Talisai Palm Oil Mill successfully completed the certifications under the International Sustainability and Carbon Certification (“ISCC”) and the Malaysian Sustainable Palm Oil (“MSPO”). In parallel, the Group’s Indonesian operations continued to pursue with its preparatory work and audits for the mandatory Indonesian Sustainable Palm Oil (“ISPO”) certification.

The Group continued to emphasise on implementing best management practices in resource stewardship of soil, water, air and waste management. All planting and replanting during the year were carried out in accordance to the Group’s environmental friendly “zero burning policy” and in compliance with the regulations of the Department of Environment. Other key environmental related projects includes sustaining and enhancing a centre of excellence called “Hundred Acre Wood” and its surrounding area which is dedicated to conservation efforts, *in-situ* tree planting and biodiversity enhancement. The Group continues to take all necessary precautions to prevent harmful or hazardous

*Chairman’s Statement (cont’d)*

![Reservoir in the Indonesian operations](https://example.com/Reservoir_in_the_Indonesian_operations.jpg)
substances from being released into the environment. Advanced tertiary effluent treatment systems, along with other improvement measures, help ensure that the final discharge quality meets strict environmental standards. Wherever suitable, treated effluents are routed to the fields as organic nutrients and for land irrigation.

The Group continued to host numerous stakeholder engagements during the year. These were part of the Group’s initiative to continuously engage with its relevant stakeholders from different disciplines. These engagements enabled the Group to create awareness and promote dialogue among stakeholders to obtain valuable feedback for improvements on the Group’s sustainability initiatives.

RETURNING TO COMMUNITY

The Group believes that the support and involvement of the local communities are needed to ensure the success and sustainability of its business. Therefore the Group is mindful that its business operations must directly and indirectly contribute to the development of the local communities. The Group’s presence in the rural interiors brings job opportunities and other spin-offs and multiplier effects including infrastructures and amenities such as learning centres, roads and bridges that are built and maintained to help improve accessibility and connectivity in the remote areas.

The Group continues to provide basic education to the children of guest workers through the provision of learning centres. These centres have been established in Desa Talisai, Excellent Challenger II and Sg. Sabang estates and are also extended to the surrounding communities. This initiative is carried out in collaboration with a social NGO, Borneo Child Aid Society. The centres can cater to more than 500 students.

In its continued effort to promote sports excellence among the youths, the Group works in partnership with the Sabah Education Department, Sabah Rugby Union and Sandakan Eagles Rugby Club to bring rugby to schoolchildren, both in primary and secondary schools throughout Sabah.
The Group also continued to support and organised public health awareness programme focused on grass-root awareness in the schools. The initiative includes talks focused on breast cancer and demonstration on breast self-examination ("BSE"). The Group also actively participated in the "Pink October" campaign for breast cancer awareness. In addition, medical and health outreach in rural villages in Sugut-Paitan areas continued to be carried out by the in-house medical team.

INVESTOR IN PEOPLE

The strong and effective leadership, pioneering spirit and purpose driven culture embodying passion and perseverance are the main contributors to the Group’s continuous success. Being a labour-intensive industry, the Group recognises the importance of care for its employees to achieve a continuous and consistent improvement in skills and productivity.

Investment in human capital, including attracting and developing ways to retain talent continued to be pursued throughout the year. The Group remained focused with its High Performance Culture ("HPC") programme and living out its core values. HPC was rolled out across the operations in the previous year and it enabled the Group to achieve a higher performance level while making the Group a better place to work in. Simultaneously, new work techniques and methodologies continued to be explored and introduced to employees with the objective of nurturing and providing continuous training as the Group continues on the journey to successfully cultivate the desired HPC outputs.

Ensuring a healthy and safe working environment for its people is always one of the priorities in the Group. This has elevated their sense of belonging and motivated them to strive for higher level of productivity. To make each operating unit a more appealing work place and to live, employees are provided with decent living quarters, complete with adequate amenities which include electricity and water, medical care, crèche, recreational and sports facilities. Joint Consultative Committees ("JCC") established in all operating units continued to play their role to encourage effective communication between employees and the management.

Enhancing family spirit through various communal events and inter-estate games continued to be promoted. As a testimony for the effectiveness of its sporting programs, the Group was the overall champion at the biennial IJM Games that it participated.
Capacity building along with our established training and retraining programmes for all levels of its employees continued to be pursued and remain an important element of success for the Group. Both formal programmes and on-the-job training continued to be extended to enhance employee competencies and to equip them with key skills in support of career development goals and targets. The Cadetship programme to support the needs of the Indonesian expansion project formed part of this programme. As part of its succession planning, the Group continued to identify and developed new and young talents. Greater emphasis was also placed on enhancing core competencies and raising employees’ performance. During the year, the Group continued to reward employees with appropriate incentives, including participating in the IJM long term incentive plan comprising of the employees share option scheme and employees share grant plan. These incentives are expected to allow the Group to remain competitive and to retain and motivate the right talents for its business.

PROSPECTS AND OUTLOOK

The financial year 2016 is anticipated to be another challenging year for the Group as global economic growth has yet to regain its desired momentum. In addition, the continuous volatility in the financial markets coupled with the slump in crude petroleum prices, would keep the commodity markets cautious in the near term. In spite of this, the long term prospects of palm oil remain attractive as the rising global demand for oils and fats can be fulfilled by palm oil mainly due to its higher land yields.

Efforts in the Group will be focused on intensifying the harvesting and millings activities in its Indonesian operations while sustaining high yields from its Malaysian operations. FFB production growth is expected from the young plantings and larger areas coming into maturity from the Indonesian operations. Notwithstanding the above, the significant increase in young mature areas in the Indonesian operations will undergo ‘growing pains’ set against their start-up crop yields that incur full plantation maintenance and overhead costs amid growing pressure in the cost of production. The Group expects the profitability level for the coming financial year to be satisfactory barring unexpected adverse volatility in CPO prices and foreign exchange rates.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank the management team and all employees for their unremitting commitment and invaluable contribution to the Group without which advancements achieved by the Group would not have been made possible. We are also fortunate in that we have a very engaging Board, whose members are generous with their insights and sound advice. Drawn from diverse backgrounds, the Group has benefited greatly from their vast knowledge and experience. I am confident with a talented team in place coupled by the strong governance and supported by passion and commitment, the Group will continue to deliver higher performance in its pursuit to build sustainable value for all stakeholders.

On behalf of the Group, I wish to take the opportunity to place on record our deepest appreciation to Dato’ Teh Kean Ming who retired as a Director on 5th April 2015, for his dedication and contribution to the Group over the last 6 years on the Board.

I also wish to welcome Dato’ Soam Heng Choon who was appointed to the Board on 6th April 2015. His wealth of experience in the corporate world would definitely benefit both the Board and the Group.

As the Group commemorates its Pearl Jubilee, let us continue to put our shoulders together to plough and open a new chapter of endeavor towards our shared destiny.

Last but not least, I would like to thank all our shareholders, customers, contractors, business partners and all our other stakeholders as they continue to remain the driving force of the Group’s achievements.