OVERVIEW OF GROUP’S BUSINESS AND OPERATIONS

ABOUT THE GROUP

The principal activities of the Group are cultivating of oil palms, processing oil palm fresh fruit bunches (“FFB”) into crude palm oil (“CPO”) and processing of palm kernel (“PK”) into crude palm kernel oil and expeller. These upstream operations are carried out in the two world largest palm oil producing countries, Malaysia and Indonesia. The Group has been listed on the main market of Bursa Malaysia Securities Berhad since 2003.

The Group’s humble beginning dates back to 1985 when it first ventured into a landbank of 4,000 hectares in Desa Talisai estates in Sabah, Malaysia. Since then it has expanded gradually to the other parts of Sandakan residency in Sabah, and into Indonesia from 2006. As of 31 March 2018, the total planted landbank of the Group which are located in Sabah, East Kalimantan and Sumatra was 60,981 hectares. The relatively young palm profile of its Indonesian operations, with a weighted average age of 6.8 years as at 31 March 2018 places the Group in a favourable position to capitalise on significant production growth opportunities when these oil palms attain prime age.

The Group has six (6) palm oil mills with a total processing capacity of 300 mt of FFB per hour. Four (4) of these palm oil mills are located in the Malaysian operations with an aggregated capacity of 180 mt of FFB per hour. The remaining two (2) mills are located in the Indonesian operations and have a capacity of 120 mt of FFB per hour. The Group is in the midst of constructing its third mill in Indonesia with a capacity of 60 mt of FFB per hour. This mill is expected to be commissioned in 2019.

True to its mission, the Group is committed to uphold the highest standards of performance in its plantations, to remain focused on productivity and innovations, and care for the environment, its’ people and surrounding communities to enable the Group to achieve its vision and to realise a balanced mix between growth and sustainability.

NUPTURING SUSTAINABILITY

The Group continued to espouse a phased and holistic approach towards balancing the needs of the People and Planet with Prosperity. The four pillars of the Group’s ‘Nurturing Sustainability’ theme remain the cornerstones of its sustainability journey. The focus on productivity and innovations, care for the environment, its’ people and the surrounding communities incorporates continuous improvement in the operations while addressing the social environmental aspects relating to the Group’s business. Best management practices were implemented while impactful initiatives and effective collaborations on environmental protection, conservation and biodiversity enhancements were pursued. In addition, the Group endeavoured to drive for positive socio-economic impacts for its employees and the surrounding communities. The Group’s approach and management of key economic, environmental and social aspects are covered under the Statement and Report on Sustainability.
KEY GLOBAL MEGATRENDS

Megatrends are transformative global forces that may have profound impact on businesses in the short and longer term. The Group proactively strategises to harness on opportunities and mitigate potential threats that may arise from these drivers of change.

The business environment is becoming increasingly complex with economic growth rates becoming less foreseeable. The volatilities in the commodity prices and the currencies can be intertwingly driven by a host of multiple factors including changes in weather patterns, financial speculation, currency exchange rates, stock market dynamics, protectionism by consumer countries in the form of import duties and uncertainties in governmental policies. These volatilities are expected to remain and continue to pose significant risks and challenges to businesses in the anticipatable future. Businesses must be able to adapt and innovate to face this challenging environment while continuing to ensure cost efficiency and effectiveness in their operations.

The current world population of 7.3 billion is expected to reach 8.5 billion by 2030, 9.7 billion in 2050 and 11.2 billion in 2100 (UN DESA). Significant demographic changes are likely to unfold over the coming years, as well as the challenges and opportunities that they present in achieving sustainable development and food security. The food demand is robust with limited arable land available. Palm oil commands 55% of the global oils and fats exports for consumption. The world needs to rely on biologically high yielding crops like oil palm to address sustainable food security. Palm oil is also renowned for its health and nutritional benefits and its competitive prices vis-a-vis other edible oils and fats. Removing palm oil out of the global food supply equation will not help to address the long term demand.

Recognising that agriculture can have repercussion on the environment, best management practices and other proactive initiatives must be implemented to mitigate potential negative impacts on the environment. The palm oil industry, having embraced sustainability must continue to enhance its scorecard by implementing best practices while strengthening dialogues and managing effective stakeholder engagements. However, sustainability indicators must adopt a level playing field consideration with time-tested scientific evidence which are also reflective of the goals for sustainable development. Sustainability issues must be considered more objectively and balanced with recognition of the importance of palm oil in ensuring that supply is adequate in the global food equation.

Many businesses today are leveraging on innovative technologies. The plantation industry can potentially ‘jump the curve’ embracing applicable technologies within its resource effectiveness. Precision agriculture with geospatial technologies, unmanned aerial vehicles and drones have already found their way into the agriculture landscape while Internet of Things, supported by cloud computing and 3G, can possibly be game changing for the agriculture sector. Leveraging on technological advancements in automation, R&D such as in exoskeletons or merely discerning on more effective site-specific mechanisation, can help in some operations. However, investments in telecommunication and internet connectivity are prerequisite, especially in rural areas where plantations are mainly based.