



SARAWAK PLANTATION BERHAD

COMPANY NO. 451377-P
INCORPORATED IN MALAYSIA

TRANSFORM AND
ENHANCE FOR
A SUSTAINABLE
FUTURE



ANNUAL REPORT
2018

COVER RATIONALE

Sarawak Plantation Berhad begins a new chapter this year. The germinated seed reflects that we are re-energised with renewed optimism with a purpose to transform and focus on a sustainable future. The clear background shows that we are ready to be committed to things that really matter.



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CORPORATE PROFILE



Sarawak Plantation Berhad (SPB) was incorporated in Malaysia on 28 October 1997 as a private limited company under the name of Sarawak Plantation Sdn. Bhd. and commenced business in the same year. SPB was converted into a public company on 1 February 2000 and assumed its present name.

SPB was specially incorporated as the vehicle company for the privatisation of Sarawak Land Development Board's (SLDB) assets.

The privatisation of SLDB's assets, comprising oil palm plantations, milling facilities and related assets, was effected in 1997 through the transfer of SLDB's assets to SPB Group (comprising SPB and its subsidiaries). With this privatisation, all principal assets of SLDB are owned and managed by SPB and certain of its subsidiaries.

The Group is principally engaged in the cultivation and processing of oil palm into crude palm oil and palm kernel. Other businesses include seed production, cattle integration, provision of laboratory and management services and property investment.

SPB is one of the pioneer players in the oil palm industry in Sarawak. Currently the Group has a total land bank of 46,248 hectares (ha) of which 1,855 ha is under the Native Customary Rights (NCR) scheme. In addition, 370 ha is under joint venture development with a government statutory body.

The Group owns 20 oil palm estates with a total planted area of 35,893 ha as at 31 December 2018.

The Group also owns and operates 2 palm oil mills, with a total operating capacity of 120 mt/hour, located at Niah and Mukah, respectively.

Details of the Group's business and operation are contained in the "Management Review & Analysis by the Executive Director" section of this Annual Report.

Board of Directors

EXECUTIVE CHAIRMAN

Datuk Amar Abdul Hamed bin Sepawi

EXECUTIVE DIRECTOR

Dato Wong Kuo Hea

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Hasmawati binti Sapawi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Umang Nangku Jabu

Azizi bin Morni

Ali bin Adai

Datu Haji Soedirman bin Haji Aini

Brig Gen (R) Dato' Muhammad Daniel bin Abdullah

Company Secretary

Trina Tan Yang Li (0666-KT032)

Registered Office

8th Floor, Wisma NAIM, 2½ Mile, Rock Road,
93200 Kuching, Sarawak, Malaysia.

Tel: 6 082-233550/233560/233570

Fax: 6 082-233670

Email: info@spbgroup.com.my

Business Office

Lot 1174, Block 9, MCLD Miri Waterfront,
Jalan Permaisuri, 98000 Miri, Sarawak, Malaysia.

Tel: 6 085-413814 Fax: 6 085-416192

Email: info@spbgroup.com.my

Company Website

www.spbgroup.com.my

Share Registrar

TRICOR INVESTOR & ISSUING HOUSE
SERVICES SDN. BHD.

Unit 32-01, Level 32, Tower A,

Vertical Business Suite,

Avenue 3, Bangsar South No.8,

Jalan Kerinchi, 59200 Kuala Lumpur.

Tel: 6 03-27839299 Fax: 6 03-27839222

Auditors

KPMG PLT (LLP0010081-LCA & AF0758)

Level 2, Lee Onn Building,

Jalan Lapangan Terbang,

93250 Kuching, Sarawak, Malaysia.

Tel: 6 082-596200

Principal Bankers

CIMB BANK BERHAD

1st Floor, Lot 2691-2, Block 10 KLCD, 3rd Mile,
Rock Road, 93200 Kuching, Sarawak, Malaysia.

Tel: 6 082-419072

AMBANK (M) BERHAD

No. 162, 164, 166 & 168,

1st Floor, Jalan Abell, 93100 Kuching

P.O. Box 3240, 93762 Kuching,

Sarawak, Malaysia.

Tel: 6 082-244791

Stock Exchange Listing

MAIN MARKET OF BURSA MALAYSIA

SECURITIES BERHAD

on 28 August 2007

Sector: Plantation

Stock Code: 5135

Stock Name: SWKPLNT

VISION
**TO BE A FULLY
INTEGRATED HIGH
PERFORMING
ENTERPRISE
WITH DIVERSIFIED
BUSINESS**

MISSION
**WE MAXIMISE
STAKEHOLDERS'
VALUES THROUGH
SUSTAINABLE
DEVELOPMENT BY
ACTIVELY ENGAGING
THE BEST BUSINESS
PRACTICES**

INTEGRITY...

TRUSTWORTHY AND ACCOUNTABLE

WE STAND BY HIGH MORAL VALUES AND PRINCIPLES, EMPHASISING TRANSPARENCY IN ALL OUR CONDUCT, BEING FAITHFUL AND HONEST, AND BEING ACCOUNTABLE AND TAKING FULL RESPONSIBILITY FOR OUR BUSINESS DECISIONS AND RESULTS.

PROFESSIONALISM...

ETHICAL APPLICATION OF KNOWLEDGE

WE STRESS ON ETHICAL CONDUCT IN THE DISCHARGE OF OUR DUTIES, ENSURING HIGH QUALITY SERVICE BOTH WITHIN AND OUTSIDE THE ORGANISATION.

EXCELLENCE & RESULT ORIENTED...

ALWAYS BE DRIVEN TO ACHIEVE RESULTS BEYOND STAKEHOLDERS' EXPECTATIONS

WE ARE RESULT ORIENTED, SETTING HIGH PERFORMANCE STANDARDS FOR OURSELVES. WE FOCUS ON OUTCOMES AND ACHIEVEMENTS, DELIVERING SUPERIOR PERFORMANCE TO STAKEHOLDERS THROUGH SUSTAINABLE DEVELOPMENT, HENCE BUILDING A SOCIALLY RESPONSIBLE ORGANISATION.

TEAM SPIRIT...

RESPECT AND SHARING

WE RESPECT EACH OTHER AND RECOGNISE CONTRIBUTIONS BY EACH INDIVIDUAL. WE ENCOURAGE EFFECTIVE WORKING RELATIONSHIPS VIA AN ENVIRONMENT WHICH ENCOURAGES MUTUAL SUPPORT AND CARE, CO-OPERATION AND SHARING OF KNOWLEDGE AND EXPERIENCE.

INNOVATIVE...

GROWING THROUGH CHANGE AND MOVING AHEAD OF THE TIMES

WE ENCOURAGE CREATIVITY IN OUR BUSINESS TO PRODUCE SIGNIFICANT ORGANISATIONAL IMPROVEMENTS, WE WELCOME NEW IDEAS AND BELIEVE IN BEING FORWARD LOOKING IN OUR BUSINESS.

5 YEARS' FINANCIAL HIGHLIGHTS

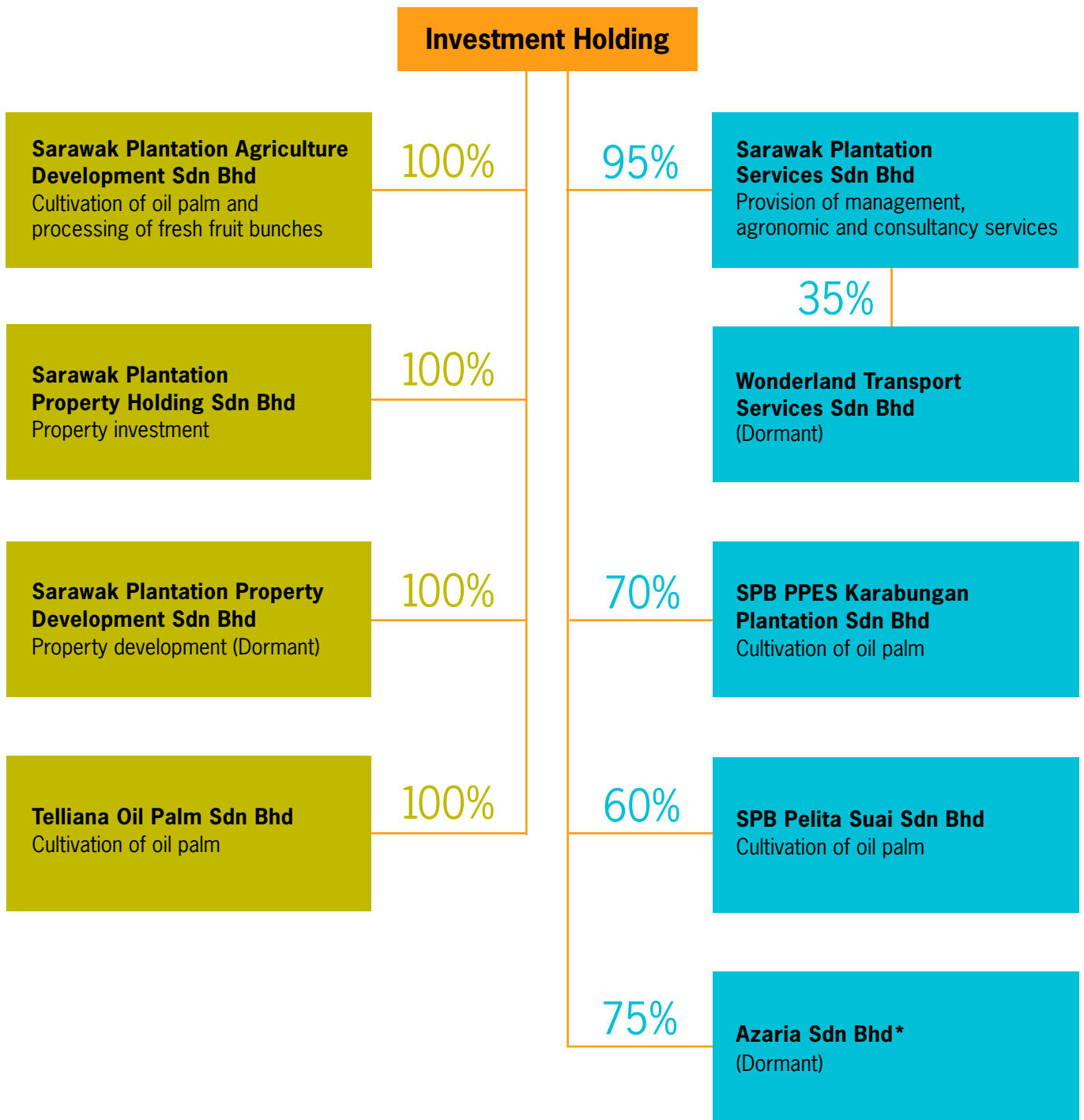
Year	2018	2017	2016	2015	2014
Revenue (RM'000)	310,787	399,177	383,967	334,232	389,901
Profit before tax (RM'000)	15,761	13,843	47,060	21,515	55,637
Profit attributable to owners of the Company (RM'000)	11,179	6,303	35,644	14,316	44,022
Total assets (RM'000)	854,567	848,397	869,880	732,112	718,574
Net assets (RM'000)	545,949	548,748	542,445	519,381	513,451
Total equity attributable to owners of the Company (RM'000)	545,949	548,748	542,445	519,381	513,451
Total number of shares ('000)	280,000	280,000	280,000	280,000	280,000
Net assets per share (RM)	1.95	1.96	1.94	1.85	1.83
Basic earnings per share (sen)	4.0	2.3	12.7	5.1	15.7
Dividend per share (sen)	5.0	-	-	4.5	9.0
Gearing ratio (times)	0.29	0.26	0.25	0.13	0.08

CORPORATE STRUCTURE



SARAWAK PLANTATION BERHAD

COMPANY NO.451377-P • INCORPORATED IN MALAYSIA



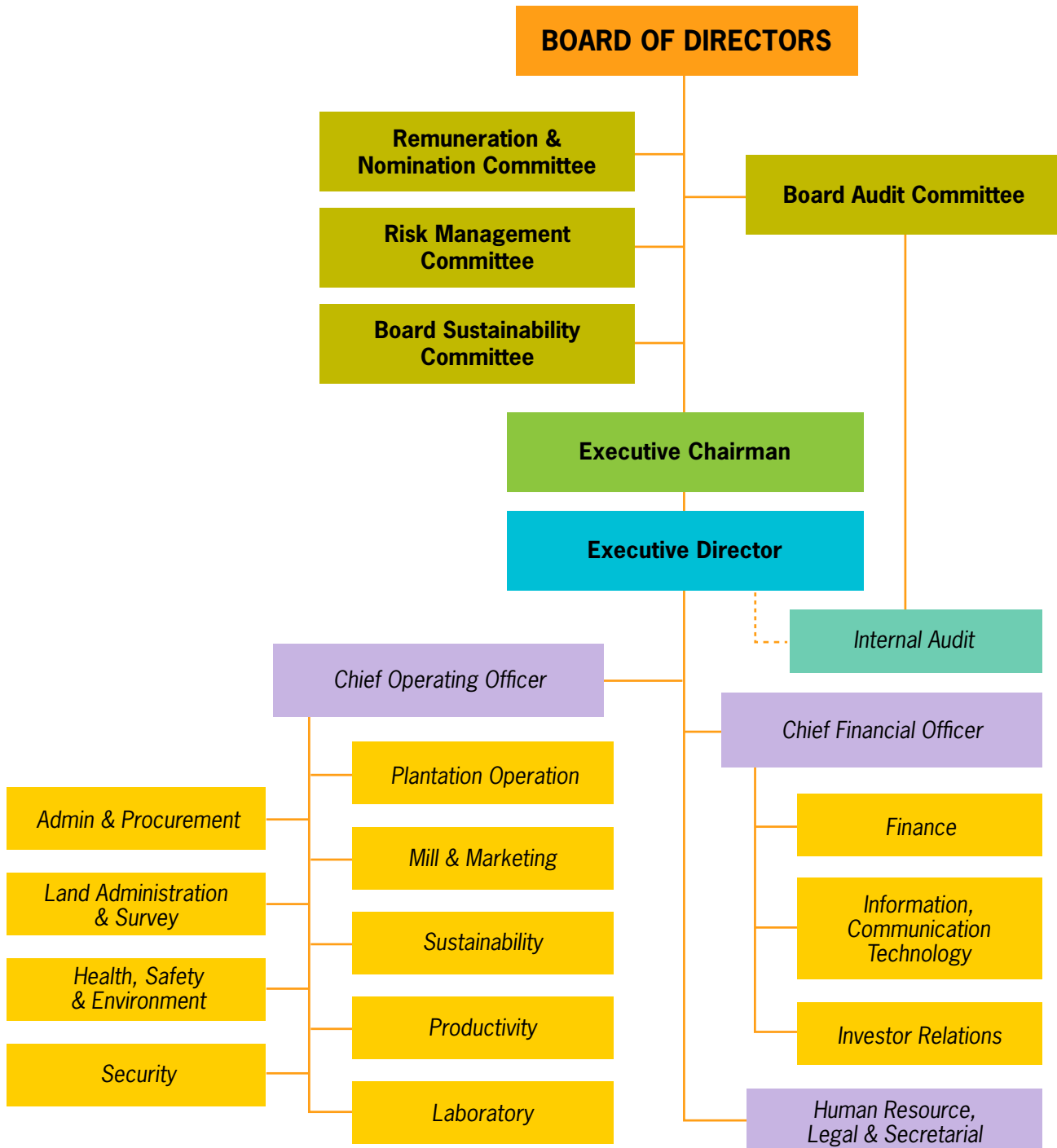
* In the progress of winding up

ORGANISATIONAL STRUCTURE



SARAWAK PLANTATION BERHAD

COMPANY NO.451377-P • INCORPORATED IN MALAYSIA



DATUK AMAR ABDUL HAMED BIN SEPAWI

Non Independent Executive Chairman

Datuk Amar Abdul Hamed (male), aged 70, was appointed to our Board on 30 August 2005 and redesignated as Non Executive Chairman on 11 March 2011. On 1st November 2017, he was redesignated to the position of Executive Chairman. Educated at Malay College, Kuala Kangsar, he holds a BSc from the University of Malaya, a BSc (Forestry) from the Australian National University, Canberra, and a Master's degree in Forest Products Utilisation from Oregon State University, United States. He is the Chairman of our Board Sustainability Committee.

He has more than 29 years of experience in forest and plantation management and the manufacturing of forest products. For the last 22 years, he has been actively involved in various industries such as construction, property development, oil and gas, oil palm plantations and Information and Communication Technology ("ICT"). In particular, in the area of planting of oil palm in Sarawak, he has more than 20 years of experience.

He was the recipient of the Sarawak State Entrepreneur of the Year Award for 2004 and 2005 and was nominated for the Malaysia Entrepreneur of the Year Award 2005. He was awarded the Panglima Gemilang Bintang Kenyalang in September 1999 and the Datuk Amar Bintang Kenyalang in September 2012. In 2014, he was the winner of the Inaugural 2014 Sarawak State Outstanding Entrepreneurship Award and in 2015, he was adjudged The BrandLaureate "Man of the Year" Brand ICON Leadership Award.

He is the Executive Chairman of Ta Ann Holdings Berhad, a forestry and plantation company based in Sarawak, Chairman of a property and construction company, Naim Holdings Berhad, both of which are listed on the Main Market of Bursa Malaysia. He is also the Chairman of Sarawak Energy Berhad, a power utility company wholly owned by the Sarawak State Government.



BOARD OF DIRECTORS



DATO WONG KUO HEA **Executive Director**

Dato Wong Kuo Hea (male), aged 68, was appointed as our Executive Director on 28 March 2018. Dato Wong has vast exposure and experience in both the timber and oil palm industries. Since 1999, he holds the Group Managing Director/Chief Executive Officer position in Ta Ann Holdings Berhad ("Ta Ann"), a company listed on the Main Market of Bursa Malaysia. He was named one of the best CEOs by Focus Malaysia in their weekly issues in December 2016. He is a member of our Board Sustainability Committee.



UMANG NANGKU JABU **Independent Non Executive Director**

Umang Jabu (female), aged 43, was appointed as our Director on 1 May 2007. She holds a Bachelor of Business (Business Information Systems) and a Masters of Finance, both from RMIT University in Melbourne, Australia. She also holds a Graduate Diploma in Industrial and Employee Relations and Master of Management in Human Resource Management, both from Monash University, Melbourne, Australia. She is the Chairman of our Board Audit Committee.

She has been working in the private sector as a Director of a number of companies. Puan Umang is a Director of Cahya Mata Sarawak Berhad, a company listed on the Main Market of Bursa Malaysia and a member of the Board of Trustees of the Iban Women Charitable Trust since 2009.



HASMAWATI BINTI SAPAWI **Non Independent Non-Executive Director**

Hasmawati Sapawi (female), aged 51, was appointed as our Director on 25 November 2011. She holds a Bachelor of Arts (Hons, Economics) Canada, a Master of Business Administration Australia and a Master of Environment Management (Development Planning), Malaysia. She is currently the Director of the Corporate Services and Investment Division of the State Financial Secretary's Office (Sarawak), handling corporate finance and investment activities. She joined the State Financial Secretary's Office in 2006, prior to which she had worked in a state agency and a government-linked company. She also sits on the boards of several state government-linked companies.



BOARD OF DIRECTORS



ALI BIN ADAI **Independent Non-Executive Director**

Ali Adai (male), aged 63, was appointed as our Director on 27 February 2013. He holds a Bachelor of Art from the University of Guelph Canada. He is the Chairman of our Risk Management Committee and Remuneration and Nomination Committee and a member of our Board Audit Committee. Until his retirement on 31 March 2013, he was employed with CIMB Bank as the Regional Director for East Malaysia (Sabah and Sarawak). He was responsible for managing 29 bank branches and for developing CIMB's retail, commercial and enterprise banking businesses in East Malaysia. He is a Director of Dayang Enterprise Berhad, a company listed on the Main Market of Bursa Malaysia.



AZIZI BIN MORNI **Independent Non-Executive Director**

Azizi Morni (male), aged 46, was appointed as our Director on 1 May 2007. He holds a Bachelor of Laws Degree (Hons) from the University of Malaya and was admitted to the High Court of Sabah and Sarawak in October 2000. He is a member of our Board Audit Committee, our Remuneration and Nomination Committee and our Risk Management Committee.

He began his legal career with Messrs. Sim & Yee Advocates and later joined Messrs. Khaider Zaidell & Company Advocates as a partner in 2001 before setting up his sole proprietor practice under the name of Azizi Ariffin Advocates & Solicitors in 2003. In January 2006, he merged his practice with Messrs. Chen Chieng Ning & Company to form Messrs. Chen Ching Ning & Azizi Advocates. In July 2010, Azizi Morni became a founding partner of Messrs. Kubeta Partners Advocates but left in March 2017 to practice under the name of Messrs. Azizi, Shafrina & Co. Azizi Morni's work over the years has covered civil litigation and conveyancing, servicing both private and corporate clients. He is a Councillor with Majlis Bandaraya Kuching Selatan since 2016.

BRIG GEN (R) DATO' MUHAMMAD DANIEL BIN ABDULLAH

Independent Non-Executive Director

Brig Gen (R) Dato' Muhammad Daniel bin Abdullah (male), aged 64, was appointed as our Director on 1 March 2019. He is a member of our Board Audit Committee, our Remuneration and Nomination Committee and our Risk Management Committee.

Upon successful completion of the Regular Career Course at the Royal Military Academy Sandhurst United Kingdom, Brig Gen (R) Dato' Daniel was commissioned into the Royal Rangers Regiment as a Second Lieutenant on 7 April 1978. He later served in various capacities and appointments in the Special Service Group and the Malaysian Armed Forces. Brig Gen (R) Dato' Daniel was actively involved in a number of Consolidated Intelligence Watch (CIW) and Military Operations other than War (MOOTW) operations, natural disaster relief activities, heart and mind projects and socio communal activities especially amongst the indigenous tribes nationwide.

Internationally, Brig Gen (R) Dato' Daniel was appointed the Liaison Officer of Kuwait while serving in the United Nations Military Observers Mission in Iraq and Kuwait from 1993 to 1994. Brig Gen (R) Dato' Daniel retired from active military service in 2015.



BOARD OF DIRECTORS

DATU HAJI SOEDIRMAN BIN HAJI AINI **Independent Non-Executive Director**

Datu Haji Soedirman bin Haji Aini (male), aged 63, was appointed as our Director on 1 March 2019. He is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA) and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He has attended the Macro Economic Policy and Management Program at Harvard University. He is a member of our Board Audit Committee, our Remuneration and Nomination Committee and our Risk Management Committee.

He started his career with Petronas in 1982 where he served in the Economic and Investment Evaluation Department, Corporate Planning Division and in its subsidiary company, ASEAN Bintulu Fertiliser Sdn. Bhd. After serving 13 years with Petronas, he resigned in 1995 to join the Sarawak State Government.

Prior to his retirement from the State Government on 31 December 2018, he held the position of General Manager of the Sarawak Economic Development Corporation (SEDC). His previous employment in the Sarawak Civil Service includes being the Permanent Secretary of the Ministry of Social Development, Director of State Implementation Monitoring Unit, Permanent Secretary of the Ministry of Industrial Development, Deputy State Financial Secretary and State Accountant-General. Between November 2002 and September 2003, he was seconded to Amanah Saham Sarawak Berhad as its Chief Executive Officer. During his tenure with the Sarawak Government, he served on the Boards of MLNG 3 and MIDA.

Datu Haji Soedirman is currently a Director of Permodalan Nasional Berhad and an Independent Director of Sarawak Consolidated Industries Berhad, a company listed on the Main Market of Bursa Malaysia. He also sits on the Board of various Government-Linked Companies and Non-Governmental Organisations.



CONFLICT OF INTEREST

Save as disclosed below, none of our Directors or substantial shareholders of our Company have any interest, direct or indirect, in any business carrying on a similar trade as our Group.

Company	Principal Activities	Major Products
Datuk Amar Abdul Hamed bin Sepawi		
Ta Ann Holdings Berhad	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ta Ann Plantation Sdn. Bhd.	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ta Ann Plywood Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Mega Bumimas Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Multi Maximum Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Durin Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Igan Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Silas Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Assan Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Pelitama Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Baleh Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Ngemah Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Sebuyau Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Butrasemari Sdn. Bhd.	Oil palm plantation	Palm oil products
Europalm Sdn. Bhd.	Oil palm plantation	Palm oil products
Zumida Oil Palm Sdn. Bhd.	Oil palm plantation	Palm oil products
Manis Oil Sdn. Bhd.	Operation of palm oil mill	Palm oil products
Igan Oil Mill Sdn. Bhd.	Operation of palm oil mill	Palm oil products
Palmhead Holdings Sdn. Bhd.	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ladang Selezu Sdn. Bhd.	Oil palm plantation	Palm oil products
Sebubu Sdn. Bhd.	Oil palm plantation	Palm oil products
Palmhead Sdn. Bhd.	Oil palm plantation	Palm oil products
Medan Sepadu Sdn. Bhd.	Investment holding The company holds 30% equity interest in KUB Sepadu Sdn. Bhd. whereby its principal activity is the cultivation of oil palm	Palm oil products
Pekan Semangat Sdn Bhd	Investment holding (cultivation of oil palm via its subsidiary)	Palm oil products
Agrogreen Ventures Sdn Bhd	Cultivation of oil palm	Palm oil products
TBS Oil Mill Sdn Bhd	Operation of palm oil mill	Palm oil products
Daro Oil Mill Sdn Bhd	Planned palm oil mill subsidiary	Palm oil products

CONFLICT OF INTEREST

Save as disclosed below, none of our Directors or substantial shareholders of our Company have any interest, direct or indirect, in any business carrying on a similar trade as our Group.

Company	Principal Activities	Major Products
Dato Wong Kuo Hea		
Ta Ann Holdings Berhad	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ta Ann Plantation Sdn. Bhd.	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ta Ann Plywood Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Mega Bumimas Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Multi Maximum Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Durin Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Igan Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Silas Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Assan Plantation Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Pelitama Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Baleh Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Ngemah Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Ta Ann Pelita Sebuyau Sdn. Bhd.	Cultivation of oil palm	Palm oil products
Butrasemari Sdn. Bhd.	Oil palm plantation	Palm oil products
Europalm Sdn. Bhd.	Oil palm plantation	Palm oil products
Zumida Oil Palm Sdn. Bhd.	Oil palm plantation	Palm oil products
Manis Oil Sdn. Bhd.	Operation of palm oil mill	Palm oil products
Igan Oil Mill Sdn. Bhd.	Operation of palm oil mill	Palm oil products
Palmhead Holdings Sdn. Bhd.	Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries)	Palm oil products
Ladang Selezu Sdn. Bhd.	Oil palm plantation	Palm oil products
Sebubu Sdn. Bhd.	Oil palm plantation	Palm oil products
Palmhead Sdn. Bhd.	Oil palm plantation	Palm oil products
Agrogreen Ventures Sdn Bhd	Cultivation of oil palm	Palm oil products
TBS Oil Mill Sdn Bhd	Operation of palm oil mill	Palm oil products
Daro Oil Mill Sdn Bhd	Planned palm oil mill subsidiary	Palm oil products
Umang Nangku Jabu		
DD Palm Oil Mill Sdn. Bhd.	Processing of oil palm products	Palm oil products
Pasir Jaya Development Sdn. Bhd.	Cultivation of oil palm	Palm oil products

Additional Information

- All Directors are Malaysian citizens.
- None of our Directors have been convicted of any offences within the past five years and no public sanction or penalty were imposed on any of our Directors by the relevant regulation bodies during the financial year.
- There is no family relationship between the Directors and/or major shareholders of the Company except that Ali bin Adai is the brother in-law of Datuk Wahab bin Haji Dolah, a substantial shareholder of Ta Ann Holdings Berhad. Ta Ann Holdings Berhad is a substantial shareholder of the Company.
- For our Directors' attendance at Board Meetings held during the year in review, please refer to pages 47 to 48 of this Annual Report.
- For our Directors' securities holdings in SPB, please refer to page 180 of this Annual Report.

KEY MANAGEMENT PERSONNEL

DATO WONG KUO HEA

Executive Director

Dato Wong Kuo Hea (male), aged 68, was appointed as the Executive Director of the Company on 28 March 2018. He is currently spearheading the organisational transformation of the Group and leading the Management in running and managing the day to day operation. His detailed profile is in the Board of Directors section of this Annual Report.



ISWANDI BIN AYUB

Chief Operating Officer

Iswandi Bin Ayub (male), aged 32, is one of our key management personnel since 22 August 2017. He holds a Bachelor of Engineering in Chemical and Nanotechnology from Massey University, New Zealand.

He worked as a Residential Advisor with Massey University Halls Community Group in 2009 - 2010 and as a Business Analyst with ANZ Bank in 2010 - 2011. He joined the Group in 2012 as a trainee at Niah Palm Oil Mill and was appointed as a Research Executive in 2013. He set up the Strategic Innovation Centre for the Group in 2014. He was appointed Acting Head Plantation Operation on 22 August 2017 and as the Chief Operating Officer on 2 April 2018.

He is currently the 2nd Vice Chairman for Sarawak Oil Palm Plantation Owners Association (SOPPOA).

He does not hold any directorships in public companies.



KOAY BEE ENG

Chief Financial Officer

Koay Bee Eng (female), aged 50, is one of our key management personnel since 2012. She holds a Bachelor Degree (Hons) in Accountancy from Universiti Utara Malaysia. She is a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

She worked with PricewaterhouseCoopers (formerly known as Pricewaterhouse) from 1994 to 2006 and has accounting and auditing experience in various industries. She joined the Group as its Corporate Finance Manager in 2007. She was appointed the Chief Financial Officer in March 2014.

She does not hold any directorships in public companies.



KEY MANAGEMENT PERSONNEL



TRINA TAN YANG LI

Human Resource, Legal and Secretarial Manager

Trina Tan Yang Li (female), aged 52, is one of our key management personnel since 2008. She holds a Bachelor of Laws Degree (Hons) and a Master of Laws, both from Queen Mary College, University of London. She is a Member of the Middle Temple, London and has also been admitted to the High Court of Malaya and the High Court of Sabah and Sarawak.

She began practising law in 1992 and joined the Group as its Legal Officer in 2000. She was appointed the Corporate Legal and Secretarial Manager in February 2008 and the Human Resource, Legal and Secretarial Manager in August 2018.

She does not hold any directorships in public companies.



DAYANG NONG AJIBAH AWANG ZAIDI

Group Accounts Manager

Dayang Nong Ajibah (female), aged 48, holds a Bachelor Degree (Hons) in Management (Finance and Accounting) from Universiti Sains Malaysia. She worked with KPMG from 1994 to 2000 and has accounting and auditing experience in various industries. Prior to joining the Group, she joined the hotel industry in Sabah as an Account and Administration Manager. She joined the Group in 2004 and was promoted to Finance Manager in 2012 in charge of financial accounting and operation of the Group. She was redesignated as Group Accounts Manager in August 2018.

She does not hold any directorships in public companies.

- All Key Management Personnel are Malaysian citizens.
- None of our Key Management Personnel have been convicted of any offences in the past five years and no public sanction or penalty were imposed on any of our Key Management Personnel by the relevant regulatory bodies during the financial year.
- There is no family relationship between the Key Management Personnel and/or directors/major shareholders of the Company except Iswandi bin Ayub who is the grand nephew of our Executive Chairman.

MESSAGE TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I present to you the Company's Annual Report for the financial year ended 31 December 2018.

2018 has been one of the most challenging years for us yet due to a multitude of reasons ranging from a change of management to less than favourable global market trends of commodity prices.



Corporate Restructuring & Transformation

The acquisition of a stake in the Company by Ta Ann Holdings Berhad (Ta Ann) was completed on 28 March 2018. This corporate restructuring enabled and continues to enable the Company to leverage on Ta Ann's experience and expertise in plantation management.

The year 2018 indeed was a "transformation year" for our Group. Transformation at all level from the management to the operation took place during the year.

Change management, strengthening of standard operating procedures, upgrading of facilities and equipment, intensification of estate enhancement and resource rationalisation were carried out simultaneously. These transformation measures post a huge challenge to the

Board and the Management and I am pleased to say that our transformation goals were well accomplished. The changes however, are inevitable for the growth and sustainability of our Group.

2018 Financial Performance

Despite these tough circumstances, our Group achieved profit before tax of RM15.8 million for the financial year ended 31 December 2018. Revenue stood at RM310.8 million whereas net profit attributable to owners of the Company was RM11.2 million. This net profit translated to an earnings per share of 4 sen.

MESSAGE TO OUR SHAREHOLDERS



Dividends

Weighing all the factors such as the funding needed for capital expenditure, future growth as well as operational requirements, the Board made the decision to declare dividend of 5 sen per share with a total payout of approximately RM14 million to the shareholders. This dividend was paid on 11 June 2018.

Although words cannot express it enough, I would like to record herein my gratitude to our shareholders for their continued confidence in us as well as their ongoing support for our Company.

Operating Performance Review

Our fresh fruit bunches (FFB) production increased by 5% from 234,709 metric tonne (mt) in 2017 to 245,852 mt in 2018. The production started to improve in the second half of the year. An average growth of 20% in FFB production was achieved in the second half of year 2018 compared to second half of 2017. The remarkable growth indicated that our change of management and transformation was effective and fruitful.

Although we are still operating below industry standards, this improvement marks an important milestone for our journey as we progress even further towards greater success in the future years.

MESSAGE TO OUR SHAREHOLDERS



Black bunches

Sustainability

In anticipation of an ever evolving business environment that presents progressively greater challenges, the Board recognises that increasing production of FFB is our top priority. The Board also aims to match the production levels of the Group with that of the industry standards by increasing the productivity and efficiency of our operations.

Looking forward, we will further streamline and smoothen our management and operation, which will directly impact our production in a positive way. Additionally, we are focusing on maintaining sustainable agriculture practices at all levels of operation.

We realise the importance of overcoming and adapting to unforeseen circumstances to minimise losses. Our top agenda is to strive for a sustainable future and to create a good balance between our profitability, protection and conservation of the environment, people and our stakeholders. We will continue to create and maximise value for our shareholders.

Prospects and Outlook

Now that the darkest times for the Group has passed, we are ready to embark on the path to pick ourselves up, grow and prepare ourselves for the future. Looking forward, we are committed to perform better than the past years and strive our best for the growth and sustainability of the Group.

Though the outlook of the palm oil industry for 2019 seems uncertain, we still see the potential and opportunities that it presents. We believe that the Malaysian palm oil industry will remain positive in the long-term and mid-term perspectives.

Appreciation

I would like to give our thanks to all our shareholders for their believe in and dedication to Sarawak Plantation Berhad (SPB). I would also like to express our thanks to all the State and Federal Government Ministries, Departments, Statutory Bodies and Regulatory Agencies who have aided us and cooperated with us through the past year.

Sincerest thanks to all our vendors, consultants, professional advisors, joint venture partners, service providers and community neighbours for their hard work and tolerance in collaborating with us. Last but not least, I would like to further express our gratitude to our directors and all the employees of SPB for their dedication to their work, and their persistence to strive for better results constantly.

Thank you.

Datuk Amar Abdul Hamed Bin Sepawi

Executive Chairman

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



Matadeng Estate

OVERVIEW OF BUSINESS AND OPERATION

Oil Palm Business

Sarawak Plantation Group is primarily engaged in the cultivation and processing of fresh fruit bunches (FFB) into crude palm oil and palm kernel. The oil palm business contributes over 99% of the Group's revenue and earnings.

The Group owns 20 oil palm estates. The total planted hectareage is 35,893 hectares (ha), representing 78% of the total land bank of 46,248 ha. This includes 1 estate with the size of 1,855 ha developed under the Native Customary Rights ("NCR") joint venture.

The Group owns 2 palm oil mills with a total operating capacity of 120 metric tonne per hour (mt/hour), situated at Niah and Mukah

respectively. Both Niah Palm Oil Mill and Mukah Palm Oil Mill process harvested FFB from our own estates as well as purchased crops from smallholders, FFB traders and other third party estates.



Niah Palm Oil Mill

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



Own Seeds Nursery

OVERVIEW OF BUSINESS AND OPERATION

(continued)

Other Activities

Seed Production Unit

The Group's seed production unit produces high quality seeds which carry the brand name of Surea DxP. These seeds which are certified by SIRIM and are licensed for sale by the Malaysian Palm Oil Board ("MPOB"), are tested and proven to be able to provide high FFB yield, high oil-to-bunch ratio and low height increment.

Currently, these seeds are mainly for internal use.

Cattle Integration

As part of integrated weed management, the Group initiated its cattle integration programme in year 2000 involving the rearing of cattle in oil palm plantations under the "Pawah" scheme through the Department of Agriculture of Sarawak.

The rationale for the project is to promote full utilisation of mature oil palm areas by letting cattle graze on vegetation that is otherwise considered weeds.

Cattle integration benefits the participating estates as part of their integrated weed management programme. It is environmentally friendly and contributes towards achieving good agricultural practices and standards.

As at 31 December 2018, the Group has a total of around 800 heads of cattle.

Strategic Innovation/Productivity Centre

In 2014, the Group established a Research and Development unit named Strategic Innovation/Productivity Centre (the Centre). The Centre's main objective is to provide a platform for productivity improvements through creativity and innovation. The main focus is estate mechanisation to reduce labour shortage and reliance on manpower.

Hence, the Centre continuously conducts trials to discover mechanisation methods best suited to increase productivity bearing in mind the physical conditions of the Group's estates.



Harvesting Machine under trial

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



Gold Nugget Hunting at Tulai Estate

KEY HIGHLIGHTS OF THE YEAR

2018 was a strenuous and challenging year for the Group. Many changes involving a series of transformation and reformation took place for the betterment of the Group. The support from all Members of the Board, especially the Executive Chairman, is highly appreciated. There was also tremendous buy in from all the staff. The Board puts full trust in the management team and delegates appropriate authority to enable them to run the operations effectively and efficiently.

The following are the most notable achievements:

Completion of transformation and reorganisation at management level

Delegation of authority with clear line of reporting and responsibilities were redefined and enhanced. The job scope of staff were amalgamated and streamlined. This led to better job execution and increased efficiency.

Organisation chart of each department, including estates and mills, was revised with lean management as the end goal. Currently, with the revised charts, productivity of each department increases exponentially and along with this, staff morale has also improved, with employees being more motivated to be productive and innovative.

Enhancement of reporting and monitoring

Monthly operational meetings and field visits were conducted where key management, key operational staff and support function staff and at least one director were present.

The objective of these meetings and field visits was to highlight issues plaguing the operation and to address them immediately.

Operational audits were carried out to identify key areas in need of improvement. These audits and field inspections helped in improving the productivity and quality of the operations.

In addition, monthly financial meetings were also held in order to identify potential cost savings in the processes as well as highlight and resolve any financial related issues.



Field visit

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

KEY HIGHLIGHTS OF THE YEAR

(continued)

System and process improvement

Standard operating procedures and processes of the estates, mills and support functions were streamlined and enhanced.

Such improvements include re-establishment of smaller blocks at the estates for easy monitoring, improvement on fertiliser application, fast cash payment arrangement for purchase of crops from smallholders and reduce mill down time.



Autospraying

Resource management

The staff force was downsized by 7% from around 430 in 2017 to around 400 at end of 2018. Staff benefits were rationalised. Manpower costs were effectively decreased.

The old plant at Niah Palm Oil Mill was closed, and manpower was reduced along with overtime claims.

More appropriate equipment and machineries were purchased depending on the operational needs. This lessened outsourcing of works. Though this may result in larger costs in the purchase of equipments, this investment will prove beneficial by saving costs in the long run, as operational cost will decrease as we gradually increase productivity and enhance operational efficiency.

Additionally, infrastructure of the estates and mills were repaired and or upgraded based on needs.

Successful recovery of part of encumbered areas

During the year, our dedicated team managed to engage with the locals at the encumbered areas of Mukah 1 and Mukah 3 Estates, and successfully negotiated a win win deal with the locals.

Mutual agreements were signed for around 800 ha in 2018, and an additional 540 ha were signed in first quarter of 2019. These areas are currently under replanting or rehabilitation and is expected to and will contribute favourably to the Group's FFB production in the near future.

Barring any unforeseen circumstances, our Group remains positive in recovering all or part of the encumbered areas at Mukah 1 and Mukah 3 Estates within these 2 years.



Mechanisation at field

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



Mukah 3 Replanting

REVIEW OF FINANCIAL PERFORMANCE

Despite plummeting CPO prices which adversely impacted the Group, the Group managed to maintain its profit position in year 2018.

The Group recorded a revenue of RM310.8 million for the financial year ended 31 December 2018, a decline of 22% compared to RM399.2 million for the financial year ended 31 December 2017. The main cause of the less desirable revenue was lower selling prices which were driven by global market trends.

The Group achieved a profit before tax of RM15.8 million in 2018 compared to RM13.8 million in 2017.

Further details on the Group's financial performance are explained in the "Financial Review by the Chief Financial Officer" on pages 30 to 34.

REVIEW OF OPERATING PERFORMANCE

2018 Highlights

Around
1,300 ha
declared matured

200 ha
replanted

Mutual agreements
signed for
800 ha in
encumbered areas

Increase in
production by
5% from 234,709
mt in 2017 to
245,852 mt
in 2018

Higher oil extraction rate (OER) at
20.43% compared to 20.08% in 2017

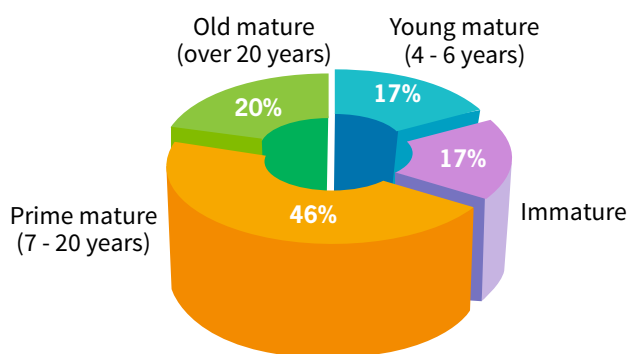
MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

REVIEW OF OPERATING PERFORMANCE

(continued)

Estate Performance

Planted hectarage and Age profile



During the year under review, around 4,200 ha of the matured areas were identified as enhancement areas. The main issues faced in these enhancement areas are stunted palm growth, inaccessibility due to high weed, flooding and other upkeep issues. Production was minimal from these areas. These enhancement areas are mainly young mature fields which require rehabilitation.

Further, as at 31 December 2018, the areas remaining encumbered were around 7,600 ha.

FFB production and yield

Region	2018 Harvestable Ha	2017 Harvestable Ha	2018 FFB Mt	2017 FFB Mt	Changes %
Northern Region	11,378	11,842	163,258	157,238	4
Central Region	4,774	8,245	82,594	77,471	7
	16,152	20,087	245,852	234,709	5

Region	2018 Yield Mt/ha	2017 Yield Mt/ha	Changes %
Northern Region	14.34	13.28	8
Central Region	17.30	9.40	84
	15.22	11.68	30

FFB production increase of 5% was mainly attributed to the palms coming to maturity coupled with progress into the higher yielding age, and as a result of field improvements.

FFB yield increased by 30%, principally due to exclusion of enhancement hectarage of around 4,200 ha from the harvestable hectarage, mainly located at the Central Region.

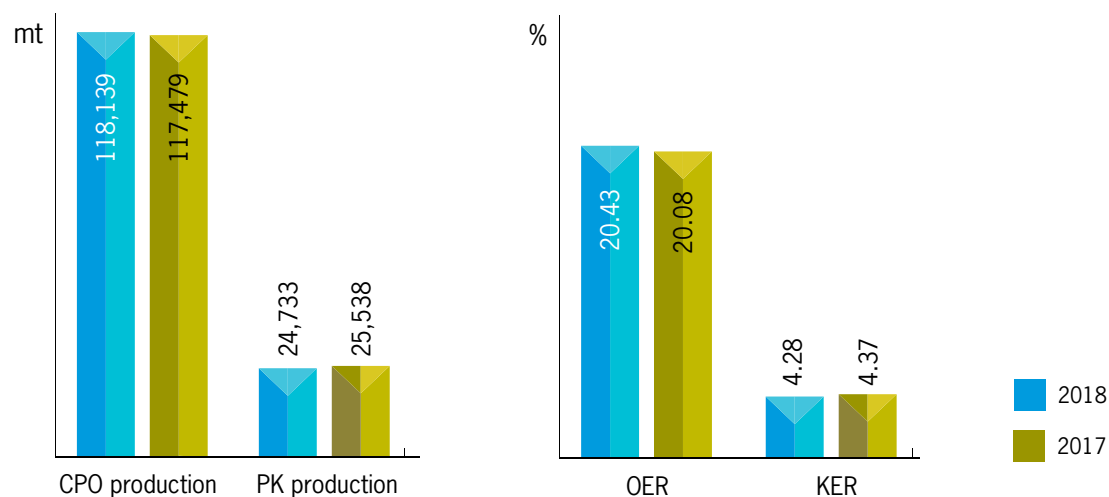


Crop Loading

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

REVIEW OF OPERATING PERFORMANCE (continued)

Mill Performance



Niah Palm Oil Mill		2018	2017	Changes (%)
FFB processed	Mt	329,141	357,059	-8
CPO production	Mt	69,450	72,532	-4
PK production	Mt	13,930	15,318	-9
OER	%	21.10	20.31	4
KER	%	4.23	4.29	-1

FFB processed decreased by 8% principally due to lower FFB purchases from external parties. OER improved from 20.31% in 2017 to 21.10% in 2018.

Mukah Palm Oil Mill		2018	2017	Changes (%)
FFB processed	Mt	249,234	227,969	9
CPO production	Mt	48,689	44,947	8
PK production	Mt	10,803	10,220	6
OER	%	19.54	19.72	-1
KER	%	4.33	4.48	-3

FFB processed grew by 9% because of increase in external purchases. OER dropped marginally from 19.72% in 2017 to 19.54% in 2018.

MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



One of the Central Region Estate

STRATEGIES

The main priority of the Group is to increase productivity as a whole. One of the key strategies employed is to place focus on automation and mechanisation of our mills' and estates' operation respectively.

We see this adaptation as important because this will heighten our potential for productivity as relying on manpower is limiting and restricting.

The Group is also looking to smoothen and improve the processes to further streamline our operations.

With the acquisition of more modern equipment, our assets are utilised to their fullest extent. This is done with the aim of maximising our efficiency by reducing downtime of our operations and optimising the usage of our equipment.

Another aspect that we are focusing on will be human resource development. Training and succession planning will be improved upon, and we strive to create productive, competent and responsible employees whilst maintaining employee satisfaction.

RISKS

Manpower limitations, pests and diseases, unpredictable weather and the volatility of commodity prices present to us many possible challenges.

The Group addresses all of these and takes appropriate actions to mitigate the risks faced by the Group. Our experienced and innovative management team is always ready to devise new strategies and adapt accordingly in this fast evolving business and economic environment.

In short, we strive our best in preparing ourselves for unforeseen circumstances.

Risk Management practices are embedded in the daily operations. Further details are contained in the Statement of Risk Management and Internal Control of this Annual Report.

ACTION PLANS FOR 2019

- Allocate more of our resources to mechanise the daily activities in our plantations such as harvesting, manuring, weeding, pest control. This to a certain extent will overcome labour shortage in our operations.
- Increase workers' productivity through close supervision, regular monitoring, improve infrastructure and facilities, and maximise equipment and machine utilisation.
- Maintain the quality of our crops through tight adherence to quality control practices and strict supervision of our operations.
- Accelerate replanting activities at low yield areas, with the aim to give returns upon palm maturity.
- Rehabilitate recovered areas to immediately increase yield.
- Strengthen the marketing team and intensify marketing efforts to secure more crops from external parties, thus achieving economy of scale through increased mill throughput.
- Freeze new development at Tugau Estate and focus on yield improvement of the existing estates.

PROSPECTS FOR 2019

The year ahead continues to be a great challenging year to the Group considering uncertainties in global and Malaysian economy as well as volatility in commodity prices. All these aspects combined present to us a multitude of challenges for our sustainable future.

However, 2019 is also a year we will greet with utmost enthusiasm. Barring any unforeseen circumstances, we believe that and supported by our statistics in late 2018, the year 2019 will be a better year for our Group.

FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

1. FINANCIAL RESULTS FOR THE YEAR - GROUP

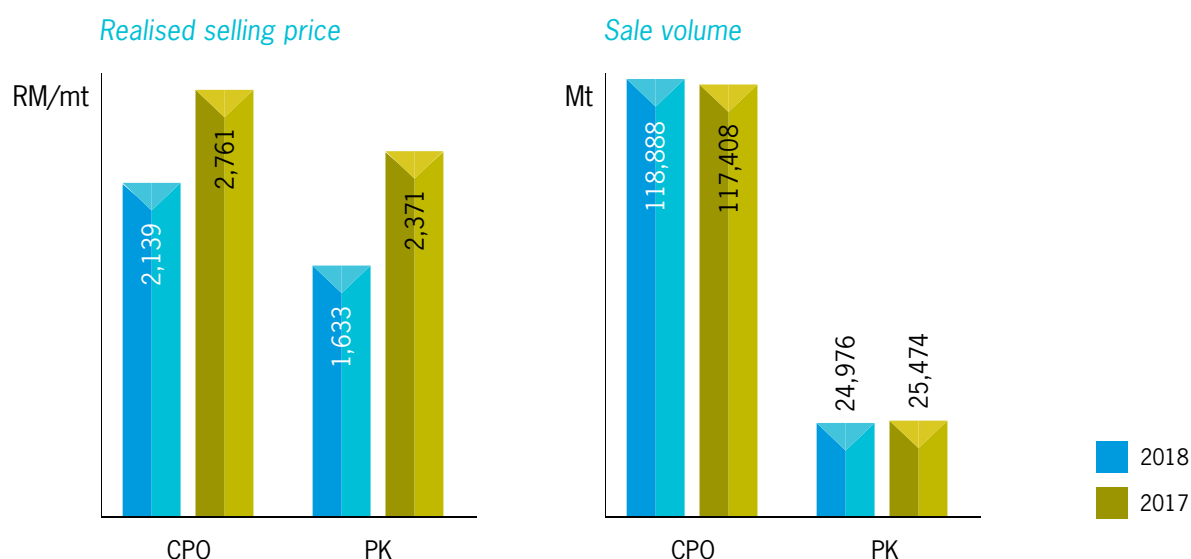
	Note	2018 RM'000	2017 RM'000	Change %
Revenue	(a)	310,787	399,177	-22
Results from operating activities (Operating profit)	(b)	18,444	40,929	-55
Profit before tax	(c)	15,761	13,843	14
Profit attributable to Owners of the Company (Net profit)		11,179	6,303	77

	2018 %	2017 %	Change %
Operating profit margin	5.9	10.3	-43
Profit before tax margin	5.1	3.5	46
Net profit margin	3.6	1.6	125

(a) Revenue

95% of the Group's total revenue was mainly derived from the sale of crude palm oil ("CPO") and palm kernel ("PK").

The decrease in revenue from RM399.2 million in 2017 to RM310.8 million in 2018 was mainly caused by lower realised selling prices of CPO and PK.



(b) Results from operating activities (Operating Profit)

For the financial year ended 31 December 2018, the Group recorded an operating profit of RM18.4 million, a profit margin of 5.9%, compared to 2017 of RM40.9 million or profit margin of 10.3%. Lower profit margin for 2018 was primarily due to lower realised selling prices of CPO and PK.

FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

1. FINANCIAL RESULTS FOR THE YEAR - GROUP (continued)

(c) Profit Before Tax

Nevertheless, the Group achieved a higher profit before tax of RM15.8 million or a profit margin of 5.1% for the current financial year, as compared to a profit before tax of RM13.8 million or a profit margin of 3.5% in the preceding year. Higher profit before tax for the current financial year compared against the preceding year was mainly due to the following:

	2018 RM'000	2017 RM'000	Particulars
Results from operating activities	18,444	40,929	
Other non-operating income	3,082	-	Reversal of impairment losses on bearer plants and property, plant and equipment
Other non-operating expenses (i)	-	(12,495)	Impairment losses on bearer plants and property, plant and equipment
(ii)	(2,209)	(11,501)	Changes in fair value of biological assets
(iii)	-	(396)	Loss on surrender of land and bearer plants to government authorities
Net finance costs	(3,556)	(2,694)	
Profit before tax	15,761	13,843	

2. FINANCIAL POSITION AS AT 31 DECEMBER 2018 - GROUP

Analysis of Major Items

2.1 TOTAL ASSETS

Asset Type	Note	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Property, plant and equipment	2.1.1	393,286	369,045	7
Bearer plants	2.1.2	290,373	288,042	1
Investment properties		4,289	4,455	-4
Biological assets		22,042	24,707	-11
Inventories	2.1.3	12,238	16,975	-28
Trade and other receivables		14,802	22,392	-34
Prepayment and other assets		4,732	4,448	6
Current tax recoverable		5,826	3,306	76
Other investments		5,067	9,678	-48
Cash and cash equivalents	2.1.4	101,912	104,400	-2
Asset held for sale		-	949	-100
Total		854,567	848,397	1

Total assets increased marginally by 1% from RM848.4 million in 2017 to RM854.6 million in 2018.

FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

2. FINANCIAL POSITION AS AT 31 DECEMBER 2018 - GROUP (continued)

2.1.1 Property, plant and equipment

Net movement of property, plant and equipment ('PPE') was mainly in respect of the following:

	RM'000
Total addition for the year	24,930
ADD: Reclassification from bearer plants	18,900
LESS: Annual depreciation	(21,257)
LESS: Disposals/Write offs	(221)
ADD: Net reversal of impairment loss	1,889
Net movement	24,241

2.1.2 Bearer plants

Net movement of bearer plants was mainly in respect of the following:

	RM'000
Total addition for the year	32,187
LESS: Reclassification to property, plant and equipment	(18,900)
LESS: Annual depreciation	(12,123)
ADD: Reversal of impairment loss	1,167
Net movement	2,331

2.1.3 Inventories

Inventories breakdown was as follows:

	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Crude palm oil and palm kernel	2,363	5,152	-54
Stores and consumables	5,895	7,541	-22
Oil palm nursery	2,828	2,844	-1
Oil palm seeds	201	827	-76
Oil palm fresh fruit bunches	951	611	56
Total	12,238	16,975	-28

FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

2. FINANCIAL POSITION AS AT 31 DECEMBER 2018 - GROUP (continued)

2.1.4 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Cash in hand and at banks	3,140	636	394
Deposits with original maturities not exceeding three months	98,772	103,764	-5
Total	101,912	104,400	-2

2.2 TOTAL LIABILITIES

Liability type	Note	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Loans and Borrowings	2.2.1	153,396	139,869	10
Deferred tax liabilities		113,955	114,132	-0.2
Trade and other payables		51,681	55,720	-7
Others		1	31	-97
Total		319,033	309,752	3

Total liabilities increased by 3% from RM309.7 million in 2017 to RM319.0 million in 2018 principally due to more finance leases and loan draw down to partly finance the acquisition of mobile equipment, other assets and bearer plants during the year.

2.2.1 Loans and Borrowings

By type of facility	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Term Loans	113,765	109,875	4
Revolving Credits	30,000	28,000	7
Finance leases	9,631	1,994	383
Total	153,396	139,869	10

FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

3. RATIO ANALYSIS - GROUP

	2018	2017
Liquidity		
• Current Ratio	1.52	2.18
Leverage		
• Gearing Ratio	0.29	0.26
Profitability		
• Return on Assets (ROA)	1.3%	0.7%
• Return on Equity (ROE)	2.1%	1.2%
• Earnings per share (EPS)	4 sen	2.3 sen
Dividend		
• Net Dividend per share	5 sen	-
• Dividend yield*	2.94%	-
Net assets per share	RM1.95	RM1.96

*Based on share price as at year end.

4. CONCLUSION

The auditors, KPMG PLT, had rendered an unqualified opinion on the financial statements for the financial year ended 31 December 2018.

The financial position of the Group remains positive with the total assets of RM854.6 million and a total equity attributable to owners of the Company of RM545.9 million.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate to ensure sufficient liquidity to meet its liabilities when they fall due.

Cash and cash equivalents stood at RM101.9 million as at 31 December 2018. Current ratio of 1.52 is at satisfactory level which indicates that the Group is able to meet its short term obligations. The Group will also take into consideration cash flows requirements for making appropriate dividend distribution to the shareholders.

In addition, the Group has available bank facilities ie. term loan, revolving credits and finance lease to partly finance its capital expenditure. As of 31 December 2018, the gearing ratio is 0.29 which is below the loan covenant of 1.00.

Moving forward, the Group continues to focus on increasing its productivity at all level of operation. This will lower the unit cost of production, and eventually increase profitability.

SUSTAINABILITY STATEMENT

1. INTRODUCTION

As one of the pioneer players in the oil palm industry in Sarawak, Sarawak Plantation Berhad (SPB) makes sustainability an integral part of its way of doing business and a guiding principle in decision making and development processes. The Group has undertaken various efforts in balancing its impact on the environment, the safety of people, and creating ethical long-term stakeholder value. The importance of sustainability is already reflected in the Mission of the Company: Maximise Stakeholders' Value Through Sustainable Development.

Short Term Goal

1. MSPO certification for all estates and mills by 2019;
2. Sustainability Standard Operating Procedures (SOP) and insertion of sustainability requirements in all the Operational SOP.

Long Term Goal

To integrate traceability into all SPB's products and to get international certification to ensure SPB's products are marketable at the international level.

Sustainability Vision

To be recognised both internationally and domestically as a Certified Sustainable Palm Oil company.

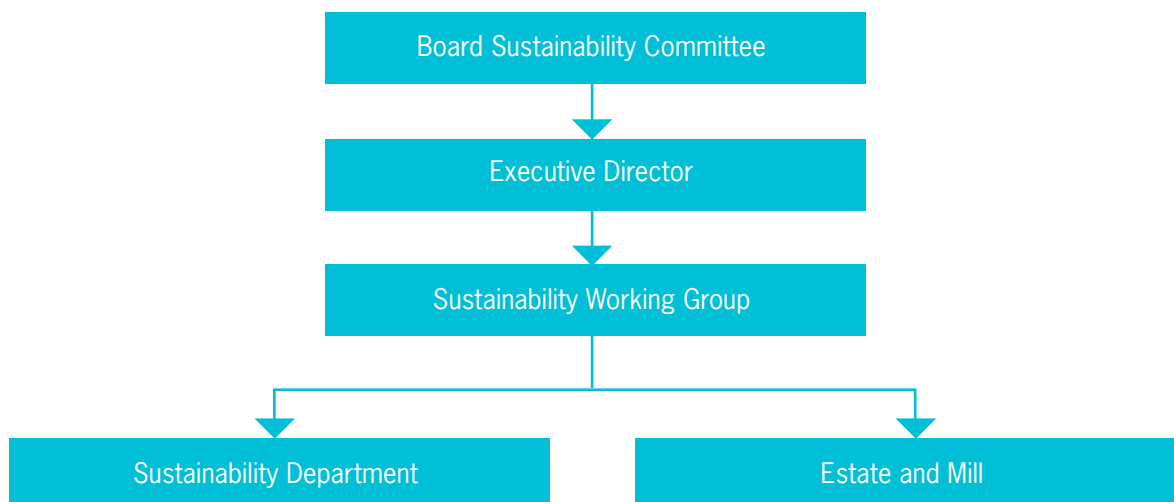
Sustainability Mission

To lead the Company in a sustainable direction and integrate sustainability into the culture and structure of the Company.

2. SUSTAINABILITY GOVERNANCE

To remain focused and have better management of material sustainability issues at various levels of operation, SPB had established a Board Sustainability Committee in 2017 comprising of 2 Executive Directors. As material sustainability issues affect activities across the Group, relevant Heads of Department will be roped in at the Sustainability Working Group level to assist the Board Sustainability Committee perform its duties and responsibilities.

SPB's sustainability governance structure is as follows:



SUSTAINABILITY STATEMENT

3. MATERIALITY PROCESS

Key Sustainability Issues

Before engaging with stakeholders to conduct an assessment, SPB has identified a list of sustainability matters relating to economic, environmental and social risks and opportunities, that are deemed relevant to the Group's business.

In identifying these issues, SPB has considered, amongst others, the following:

- The nature of SPB's business;
- Local laws and regulations;
- SPB's understanding of its stakeholders' needs, global and industrial trends;
- Peer reviews.

Stakeholder Engagement

SPB attaches considerable importance to being open and transparent through its transparency procedures. The Group recognises that transparency promotes accountability and ensures that matters pertaining to stakeholders are approached with an emphasis on openness, ethical conduct, as well as operational and economic responsibility.

Stakeholder meetings are conducted at the estate level and during the assessment process for the Social Impact Assessment ("SIA"), Environmental Impact Assessment ("EIA") and High Conservation Value ("HCV") reports. A stakeholder list is also available for all SPB estates.

Stakeholder Group	Engagement Platforms	Issues Raised in 2018	Response to Issues and Outcomes
Shareholders	<ul style="list-style-type: none"> • Formal and informal briefings and meetings • Annual General Meetings (AGMs) • Corporate website 	<ul style="list-style-type: none"> • No issue on sustainability matters 	<ul style="list-style-type: none"> • Improved disclosure with regards to business-related performance, total hectareage of mature, immature, planted and unplanted areas, and measures undertaken to ensure data accuracy
Employees	<ul style="list-style-type: none"> • Multichannel engagement 	<ul style="list-style-type: none"> • Housing improvements • Minimum wage • Safety and health improvements 	<ul style="list-style-type: none"> • Housing inspection report • Performance Review • Involvement in sport activities through the Company's recreational and social club, KEREDAS
Communities	<ul style="list-style-type: none"> • Meetings • Community development programmes • Various other formal and informal engagements 	<ul style="list-style-type: none"> • Community programme meeting • Land-related claims and compensation 	<ul style="list-style-type: none"> • Various community development initiatives were organised • Assessments such as SIA and HCV 5 and HCV 6 were carried out to identify the native customary rights land owners and minimise conflicts

SUSTAINABILITY STATEMENT

3. MATERIALITY PROCESS (continued)

Stakeholder Engagement (continued)

Stakeholder Group	Engagement Platforms	Issues Raised in 2018	Response to Issues and Outcomes
Government Agencies	<ul style="list-style-type: none"> Meetings, engagement and dialogues 	<ul style="list-style-type: none"> Compliance to legal requirements 	<ul style="list-style-type: none"> Development and implementation of shared initiatives Ensure compliance with regulations and latest changes in laws Support government transformation policies and initiatives
Customers	<ul style="list-style-type: none"> Formal and informal briefings and meeting 	<ul style="list-style-type: none"> Compliance to mandatory MSPO certification Quality of product 	<ul style="list-style-type: none"> Update progress status of compliance to MSPO standards Site visits Ensure compliance with sustainability standards
Suppliers & Contractors	<ul style="list-style-type: none"> Meetings 	<ul style="list-style-type: none"> Awareness on MSPO Standards Commitment towards MSPO requirements 	<ul style="list-style-type: none"> Create awareness through briefing To include commitment to MSPO Standards in contract agreements with suppliers and contractors
Certification bodies	<ul style="list-style-type: none"> Meetings, engagement and dialogues Visitation and assessment 	<ul style="list-style-type: none"> Audit and certification Compliance to policies and latest changes in standards 	<ul style="list-style-type: none"> Audit report Management review meeting

SUSTAINABILITY STATEMENT

4. MANAGING MATERIAL SUSTAINABILITY MATTERS (MSMs) (continued)

Marketplace

In line with SPB's commitment to be environmentally responsible, we are focused on improving the traceability of our palm oil to ensure that it is sourced from estates that operate ethically and implement sound environment practices. As part of this effort, we are pursuing the MSPO and MSPO Supply Chain Certification Standard (SCCS) for all of our estates and mills.

Commitment to Certification

All our business units have targetted to achieve MSPO certification by 2019.

Status Updates

Description	2018
Number of MSPO-certified estates	2
Number of MSPO-certified mills	1

Stakeholder Engagement

As a responsible Company, the Group works to ensure that the materials and components we use in our entire supply chain such as fresh oil palm bunches and fertilisers can be traced to its source. We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. For the estates under our management, we strictly adhere to all local labour regulations and ensure that there is zero tolerance for forced labour and child labour. This is done through field audits and inspections of our plantations and of the estates managed by smallholders who supply to us. We also perform audits to ensure that our estates and those of our suppliers comply with local environmental regulations especially when it comes to waste management and land clearing.

For our mills, through the Malaysian Sustainable Palm Oil Supply Chain Certification Standard (MSPO SCCS), we will enhance the traceability of the production throughout the supply chain from the raw materials to processing and manufacturing of palm oil. These will also increase our credibility and the level of confidence of our customers in our palm oil raw material.

Environment

As a plantation company, SPB works to ensure that its operations are environmentally responsible, and that adequate steps are taken to protect and effectively manage risks that may adversely impact the surrounding environment. Our Environmental and Biodiversity Policy Statement governs how we deal with environmental pollution biodiversity issues.

Zero Burning Policy (ZBP)

SPB's Environmental and Biodiversity Policy prescribes a strict ZBP in relation to all new planting, replanting and other related development. Each of our plantations is equipped with a fire-fighting team, trained by the local government fire-fighting department (BOMBA). Managers, assistants, relevant staff, workers and members from the communities in surrounding areas also take part in the training to equip them with the relevant information and knowledge in combating incidences of fire. Our fire patrolling teams continue to monitor the estates and also neighbouring villages.

SUSTAINABILITY STATEMENT

4. MANAGING MATERIAL SUSTAINABILITY MATTERS (MSMs) (continued)

Environment (continued)

Biodiversity Protection

SPB pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological values, rare, threatened and endangered species and areas that provide eco-system services. Some examples of these areas are Natural Parks and riparian boundaries.



Social Impact Assessment & Biodiversity Assessment Training

Waste Management

Proper waste disposal has wide ranging implications on the environment and human health. All waste products, including domestic waste, agricultural waste, biomass or by-products generated by our plantations or mills, are, if not recycled, required to be safely disposed of in accordance with the prevailing regulations and the best practices.

Through our Water Management Plan for plantations and mills, we aim to optimize water usage through various measures that seek to balance our operational requirements with the conservation of water resource. Monitoring of outgoing water quality is also included in the Water Management Plan. This is done through the Environmental Monitoring Report which is conducted periodically.

We ensure a good drainage system at our plantations, especially in peat and mineral soil areas with high rainfall, to better manage and remove excess water from the plantation. Areas with low rainfall, such as inland or hilly areas, are protected from water loss by the construction of terraces, digging of silt pits between terraces to minimise run-offs, including covering the ground with palm fronds and legume cover crops on the terrace fringes.

Social Responsibility

Employees - Human Rights and Equal Opportunities

As an equal opportunity employer, our workplace terms and conditions of employment are opposed to any form of discrimination, upholding the fundamental human rights protected by legislation.

(a) Minimum Wages and Non-discrimination

The Minimum Wages Order (Amendment) 2018 came into effect nationwide on 1 January 2019 and SPB has taken action to fully comply with the Government's directive. The non-discrimination policy is embedded in our Social Policy Statement.

(b) Child Labour Practice

The Children and Young Persons (Employment) Act 1966 defines a "child" as any person below 15 years old, while a "young person" as anyone under 18 years of age. All our employees meet the minimum age requirement stipulated under this Act.

(c) Promoting Workplace Diversity

In our efforts to create an inclusive environment, we embrace workplace diversity in terms of age, gender and ethnicity. A diverse workplace also goes a long way towards improving employee satisfaction and retention. Our Social Policy also provides support for our believe in workplace diversity.

SUSTAINABILITY STATEMENT

4. MANAGING MATERIAL SUSTAINABILITY MATTERS (MSMs) (continued)

Social Responsibility (continued)

Employees - Human Rights and Equal Opportunities (continued)

Description	2018
Employee Breakdown	
Total Number	2,256
Gender	
• Female	808
• Male	1,448
Number of Women	
• Board of Directors	2
• Management	3
• Executive	19



SPB KEREDAS CLUB Sports Activities

Occupational Safety and Health (OSH)

Towards achieving OSH Sustainability, our Company integrates sustainability thinking and practices into OSH culture that puts vision, passion to drive commitment and leadership to ensure it is sustainable. It is a systemic approach that enables management and communication of safety and health policy to be received, implemented, complied, reviewed and continuously improved. The followings are adapted to move us towards sustainable OSH culture:

1. Safety Policy;
2. OSH Plan;
3. Compliance to OSH Act and Regulations;
4. Industrial Code of Practice and Guidelines;
5. Leadership, Commitment and Awareness in OSH through establishment of HSE Committee;
6. OSH Management System (OSHMS) and HIRARC;
7. Reporting and review of incidents, accidents, injuries, poisonings and illnesses;
8. Competent Persons are employed to run specific processes.

A series of in-house training programmes on safety and health have also been conducted by committee members and external experts. The Company provides adequate health care such as medical check-ups for workers handling chemicals, pesticides, fertilisers and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner.



Fire Safety Training With BOMBA



Participate With BOMBA "Pertandingan ERT Dan BOMBA Sukarela"

SUSTAINABILITY STATEMENT

4. MANAGING MATERIAL SUSTAINABILITY MATTERS (MSMs) (continued)

Social Responsibility (continued)

Local Communities Development

As a responsible corporate citizen, SPB strives to contribute to the surrounding community by focusing on the following matters:

1. Community engagement - There are a number of villages within/in close proximity to our operational areas. In line with the principles of Free, Prior, Informed Consent, we conduct community needs audits in surrounding villages and hold community meetings to present our land management plans and to answer any questions local community members may have. Our community engagement team members regularly visit and meet with local village representatives.
2. Economic impact - Our Company creates various sources of income for nearby local villagers as part of our contribution to the local economy. These include, consultation programs on agricultural activities and job opportunities within the plantation.
3. Education, health and infrastructure - Access to education and healthcare, and a good infrastructure are important to improve livelihood of the local community. Therefore, the Company has taken a number of steps on this matter such as:
 - a) Incentives to our employees' children with excellent results in examination;
 - b) Ensure that there are chapels and suraus at the plantations;
 - c) Partner with Jabatan Kemajuan Masyarakat (KEMAS) to provide kindergartens for locals' children;
 - d) Community Learning Centre for Indonesian workers' children;
 - e) Healthcare programs for local villagers;
 - f) Donation to victims of natural disaster and/or unfortunate events.



Community Program With Rumah Panjang Sabai



Community Learning Centre (CLC) For Indonesian Children



Visit to Rumah Panjang, Tr. Busang At Bukit Peninjau

Towards Improvement Of Sustainability Commitment

SPB aims to create more awareness and educational programs, engagement with local communities including nearby smallholders to achieve sustainability goals together and to strengthen rapport with its employees.

AUDIT COMMITTEE'S REPORT

The Board of Sarawak Plantation Berhad is pleased to present the Audit Committee's ("the Committee") Report for the financial year ended 31 December 2018.

1. MEMBERS AND MEETINGS

The Committee Members during the financial year are as follows:-

No.	Name	Status of Directorship	Independent	Appointment/Resignation
1	Umang Nangku Jabu	Chairman-Independent Non Executive Director	Yes	Appointed on 16 June 2010
2	Datu Haji Chaiti bin Haji Bolhassan*	Independent Non Executive Director	Yes	Appointed on 20 December 2012
3	Azizi bin Morni	Independent Non Executive Director	Yes	Appointed on 1 May 2007
4	Ali bin Adai	Independent Non Executive Director	Yes	Appointed on 24 April 2013

*Resigned w.e.f. 23 January 2019

During the financial year, the Committee conducted 9 meetings. The details are as follow:-

No.	Name	No. of Meetings Attended	Attendance (%)
1	Umang Nangku Jabu	8/9	89
2	Datu Haji Chaiti bin Haji Bolhassan*	9/9	100
3	Azizi bin Morni	9/9	100
4	Ali bin Adai	9/9	100

*Resigned w.e.f. 23 January 2019

The Group's internal and external auditors and certain members of the Key Management Personnel attended the meetings by invitation during the financial year.

Details of the Committee Members' profiles are contained in the "Board of Directors" section found on pages 9 to 14 of this Annual Report.

AUDIT COMMITTEE'S REPORT

2. SUMMARY OF WORK

The primary purpose of the Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

In addition, the Committee is authorised to carry out duties as mentioned below and has unrestricted access to all of the Group's records, properties and personnel to enable it to discharge its duties.

The summary of work carried out by the Committee included the following:

i. Financial Reporting and Compliance Statements

- Reviewed the quarterly results and annual financial statements of the Group and recommended the same to the Board for approval.

ii. Internal Control and Statutory Compliance

- Evaluated existing policies, established audit quality and ensured compliance with the Group's policies;
- Provided assurance that the Group's goal and objectives were achieved and assets were safeguarded;
- Ensured that proper processes and procedures were in place to comply with all laws, regulations and rules established by relevant regulatory bodies;
- Reviewed related party transactions and conflict of interest situations that could have arisen within the Group including any transactions, procedures or course of conduct that raises questions of management integrity.

iii. Internal Audit

- Ensured internal audit has unrestricted scope, has the necessary resources and access to information to enable it to fulfil its mandate;
- Ensured there is open communication between different functions as part of its internal audit plan;
- Ensured that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- Approved the risk-based internal audit plan;
- Approved the internal audit budget and resource plan;
- Received communications from the Internal Audit Manager on the internal audit activity's performance, its plan and other matters;
- Approved decisions regarding the appointment of the Internal Audit Manager;
- Approved the remuneration of the Internal Audit Manager;
- Made appropriate inquiries of Management and the Internal Audit Manager to determine whether there are inappropriate scope or resource limitations;
- Ensured internal audit's activity was free from interference in determining the scope of internal auditing, performing work, and communicating results.

iv. External Audit

- Reviewed the findings of the external auditors in relation to audit and accounting issues which arose from the audit and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board (MASB).

AUDIT COMMITTEE'S REPORT

3. INTERNAL AUDIT FUNCTION

The Group has an internal audit function whose primary responsibility is to undertake regular and systematic reviews of the system of internal control so as to provide reasonable assurance that this system continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology which is aligned with the risks of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis.

The activities carried out by the internal audit include, amongst others:

- the review of the adequacy of risk management, system of internal control for effectiveness and efficiency,
- assessment of compliance with established rules, guidelines, law and regulations,
- the review of reliability and integrity of information and means of safeguarding assets.

The Internal Audit Manager is responsible for enhancing the quality assurance and improvement programme of the internal audit function. In order to achieve this, the monitoring of its effectiveness is done through internal self-assessment tools and independent external assessment. The result will then be communicated to the Committee. The Internal Audit Manager reports directly to the Board Audit Committee.

The total costs incurred for the Group's internal audit function in respect of the financial year ended 31 December 2018 amounted to RM716,595.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors continues to remain focused on maintaining good corporate governance practices in the discharge of its duties and responsibilities towards the Company and its shareholders. The Board seeks to provide intellectual honesty and effective leadership to steer the Company to greater ethical and sustainable business performance.

In this overview statement, the Board conveys its assurance that it is mindful of the intended outcomes, principles and practices issued under the Malaysian Code of Corporate Governance (the Code). The Board will constantly review its conduct, processes and procedures in order to adhere to the Code.

The details on how the Code was applied during the financial year under review are set out in the Corporate Governance Report 2018 and is published on the Company's website at www.spbgroup.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1. Board and Responsibilities

The Board sets the vision and the strategies of the Company, placing great emphasis on enhancing shareholders' value and investors' confidence whilst maintaining a high standard of integrity. The Board also sets the framework for which the Company shall operate, in particular, the areas of corporate governance, sustainability, internal control, risk management, succession planning, business and investment strategies. The Board puts together its diverse expertise and experience to render advice and coaching to the Company. Its diverse expertise and experience also help to effectively monitor implementation of the visions and strategies which have been set.

Key areas reserved for the Board's approval include the annual budget, dividend declaration, expenditure beyond a certain limit, acquisitions/disposals of properties/materials of substantial value, appointment of consultants for specific assignments and changes to the management and control structure within the Company. The full details of the roles and responsibilities of the Board are captured in the Board Charter. It is available on the Company's website at www.spbgroup.com.my. The Board Charter is reviewed periodically and as and when necessary so that it remains relevant to the expectations of the investing public and the shareholders of the Company.

In year 2018, the Board through the Executive Director conducted monthly financial meeting to identify potential cost saving areas in the operations and other support functions. Through these meetings financial related issues were swiftly resolved. The Board also actively engages with the Management and the support functions staff through monthly operational meetings and field visits. On the spot discussions are held on strategic initiatives to achieve key targets set out in 2018 and the future years. Where necessary, alternative steps were taken to ensure achievement of targets.

As part of the governance structure of the Company, the following Board Committees are in place:

- a. Board Audit Committee;
- b. Remuneration and Nomination Committee;
- c. Risk Management Committee; and
- d. Sustainability Committee.

While the Board sets the policies and strategies, the implementation and the day to day administration rests with the Management. Authority is delegated by the Board to the Management through the Executive Director who directly oversees the day to day running of the operation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

1. Board and Responsibilities (continued)

In the year under review, the Board continues to meet with all the managers of the Company to remind them of the importance of ethical work culture and to embrace it as part of the lifestyle of the Company. Just as the Board sets the tone from the top by displaying a high standard of integrity in their management of the Company, the same standard is expected of all the staff. The goal was to transform and enhance for a sustainable future. These efforts culminated in notable achievements as described under the section titled “Key Highlights Of The Year” in the “Management Review and Analysis by the Executive Director”. This can be found on pages 24 to 25 of the Annual Report.

The Company has in place a Code of Ethics which sets the standard of acceptable behavior in the Company. The Company also has in place a Corporate Disclosure Policy which governs dissemination of confidential information and how confidentiality of such information is to be maintained and safeguarded. The Whistle Blowing Policy, Safety and Health Policy, Environmental and Biodiversity Policy and Social Policy have also been established in 2017.

Sustainable practices are inherent in the business operations of the Group, particularly at the estates and the mills. Please refer to the Sustainability Statement found on pages 35 to 41 for further details of the Group’s sustainability practices.

The Board is supported by a suitably qualified and competent Company Secretary who is also legally qualified. Apart from the administrative job scope of a Company Secretary, she also provides the Board with guidance on matters relating to good corporate governance practices, eg. disclosures, accountability and transparency.

The Directors have attended the following trainings in order to better equip themselves to execute their duties and responsibilities:

Name of Director	Brief Description of Training
Datuk Amar Abdul Hamed bin Sepawi	- SEB Leadership Conference
Dato Wong Kuo Hea	- 2018 Employer’s and Employee’s Income Tax Filing - Practical Application of the Three New Standards and their Interactions (MFRS 9, MFRS 15 & MFRS 16) - Seminar Percukaian Kebangsaan 2018
Hasmawati binti Sapawi	- International ICT Infrastructure and Digital Economy Conference Sarawak 2018 (IDECS 2018) organized by Sarawak State
Umang Nangku Jabu	- GST to SST Seminar
Datu Haji Chaiti bin Haji Bolhassan (Resigned on 23 January 2019)	- Not applicable (N/A)
Azizi bin Morni	- Introduction to Corporate Directorships
Ali bin Adai	- Recent Amendments to the Listing Requirements Arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period and Insider Trading - MICG - Corporate Governance Guide 3rd Edition : “Moving from Aspiration to Actualisation” - Introduction to Corporate Directorships

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

1. Board and Responsibilities (continued)

The Directors have attended the following trainings in order to better equip themselves to execute their duties and responsibilities (continued):

Name of Director	Brief Description of Training
Datu Haji Soedirman bin Haji Aini (Appointed on 1 March 2019)	- N/A
Brig Gen (R) Dato' Muhammad Daniel bin Abdullah (Appointed on 1 March 2019)	- N/A

II. Board Composition

The Board is comfortable with its size and level of effectiveness. The diverse background of the 8 Members on Board gives it a right mix of skills, knowledge, experience and independence to maintain the Company on a competitive edge.

The different background of the Directors will enable various perspectives to be considered whenever any proposal is put before the Board for deliberation and approval. Even where the discussions are on review of financial and operational information or progress reports, the diversity of expertise will make the decisions made better thought through.

As the Chairman of the Company is Executive, the majority of the Board comprises independent directors.

The Directors have also shown their commitment to carry out their fiduciary duties and their duty to use reasonable care, skill and diligence towards the Company in their attendance and active participations at Board Meetings throughout the year in review.

Below are details showing the attendance of all the directors at Board Meetings held in 2018:

Name of Director	Designation	Meetings Attended	
		Number	(%)
Datuk Amar Abdul Hamed bin Sepawi	Executive Chairman	5/5	100
Dato Wong Kuo Hea	Executive Director (Appointed on 28 March 2018)	3/3	100
Hasmawati binti Sapawi	Non Independent Non Executive Director	4/5	80
Umang Nangku Jabu	Independent Non Executive Director	5/5	100
Datu Haji Chaiti bin Haji Bolhassan	Independent Non Executive Director (Resigned on 23 January 2019)	5/5	100
Azizi bin Morni	Independent Non Executive Director	5/5	100
Ali bin Adai	Independent Non Executive Director	4/5	80

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

Below are details showing the attendance of all the directors at Board Meetings held in 2018 (continued):

Name of Director	Designation	Meetings Attended	
		Number	(%)
Datu Haji Soedirman bin Haji Aini	Independent Non Executive Director (Appointed on 1 March 2019)	N/A	N/A
Brig Gen (R) Dato' Muhammad Daniel bin Abdullah	Independent Non Executive Director (Appointed on 1 March 2019)	N/A	N/A

III. Remuneration

The Remuneration and Nomination Committee was established on 1 May 2007. It is charged with looking into remuneration policies which attract, maintain and retain a set of Directors and Key Management Personnel of requisite caliber to propel the Company towards greater prospects and growth.

The Remuneration and Nomination Committee comprises exclusively of independent directors, namely:

- Datu Haji Chaiti bin Haji Bolhassan (Chairman) (Resigned on 23 January 2019);
- Ali bin Adai (Chairman) (Appointed on 27 March 2019);
- Azizi bin Morni (Member);
- Datu Haji Soedirman bin Haji Aini (Member) (Appointed on 27 March 2019);
- Brig Gen (R) Dato' Muhammad Daniel bin Abdullah (Member) (Appointed on 27 March 2019).

The Terms of Reference of the Remuneration and Nomination Committee are found on the Company's Website.

In the year under review, the activities of the Remuneration and Nomination Committee included the following:

- Carried out a formal assessment of the Board's effectiveness as a whole, including that of the Chairman, the contribution of each Director and the various Board Committees;
- Reviewed the remuneration of the Directors;
- Reviewed the adequacy of the skills of the Directors such that the Board can carry out its duties effectively.
- Reviewed the appointment of the new Independent Non Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

The details of the Company's directors' remuneration during the year are as follows:

	Directors' fees		Meeting allowance		Salaries	Other benefits	Total RM
	Company RM	Subsidiaries RM	Company RM	Subsidiaries RM	Subsidiaries RM	Subsidiaries RM	
Datuk Amar Abdul Hamed Bin Sepawi (Executive Chairman)	642,750	58,000	3,000	500	-	-	704,250
Dato Wong Kuo Hea (Executive Director)	61,312	40,500	2,000	-	-	-	103,812
Hasmawati Binti Sapawi (Non Independent Non - Executive Director)	81,750	-	2,000	-	-	-	83,750
Umang Nangku Jabu (Independent Non - Executive Director)	81,750	18,000	6,500	500	-	-	106,750
Azizi bin Morni (Independent Non - Executive Director)	81,750	36,000	9,000	1,000	-	2,333	130,083
Ali bin Adai (Independent Non - Executive Director)	81,750	18,000	8,500	500	-	372	109,122
Datu Haji Chaiti Bin Haji Bolhassan (Independent Non - Executive Director) Resigned on 23 January 2019	81,750	30,000	8,500	500	-	-	120,750
Polit bin Hamzah (Group Managing Director) Resigned on 28 February 2018	13,625	11,000	500	1,500	146,600	-	173,225

The Company's directors' remuneration was approved by the shareholders at the 21st Annual General Meeting of the Company held on 25 May 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee was established on 11 November 2000. It is chaired by an Independent Director, Puan Umang Nangku Jabu.

The Audit Committee comprises exclusively of independent directors, namely:

- a. Umang Nangku Jabu (Chairman);
- b. Datu Haji Chaiti bin Haji Bolhassan (Member) (Resigned on 23 January 2019);
- c. Azizi bin Morni (Member);
- d. Ali bin Adai (Member);
- e. Datu Haji Soedirman bin Haji Aini (Member) (Appointed on 27 March 2019);
- f. Brig Gen (R) Dato' Muhammad Daniel bin Abdullah (Member) (Appointed on 27 March 2019).

It is an established practice of the Audit Committee not to appoint a former audit partner or any former consultants, for that matter, who have been auditing the Company's financial statements or advising the Company as a member of the Audit Committee or on boarded as an independent director unless a 2 years' cooling off period has been observed.

More details on the activities of the Audit Committee can be found in the Audit Committee's Report on pages 42 to 44 of this Annual Report.

The Terms of Reference of the Audit Committee are found on the Company's Website.

II. The Risk Management Committee was established on 1 May 2007. It forms an integral part of the effective management of the Company and it seeks to identify and address principal risk areas which include business, environment, human capital, safety, security, operation and sustainability of the Company with the aim of preventing, where possible, and mitigating these risks.

The Risk Management Committee comprises exclusively of independent directors, namely:

- a. Ali bin Adai (Chairman);
- b. Azizi bin Morni (Member);
- c. Datu Haji Soedirman bin Haji Aini (Member) (Appointed on 27 March 2019);
- d. Brig Gen (R) Dato' Muhammad Daniel bin Abdullah (Member) (Appointed on 27 March 2019).

The Board confirms that its risk management and internal control system are operationally adequate and effective throughout the year under review and up to the date of this Annual Report.

The Terms of Reference of the Risk Management Committee are found on the Company's website.

Features of the Company's risk management and internal control framework and the adequacy and effectiveness of this framework are described in the Statement on Risk Management and Internal Control found on pages 52 to 53 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Recognising the importance of keeping the investing community up to speed with the developments in the Company through effective communication, the Company chooses various forums to engage with its stakeholders. These include annual general meetings, face to face discussions, estate and mill visits, announcements through Bursa Link and disclosures on the Company's website.

Further the investing community, comprising individuals, analysts, fund managers and other stakeholders also engage in dialogues with the Company's representatives on a regular basis. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Company. Discussions at such meetings and dialogues are restricted to matters that are already in the public domain.

Whilst the Company endeavours to provide as much information as possible to its stakeholders, it is also conscious of the legal and regulatory framework governing the release of material and price sensitive information within which it must abide.

II. Conduct of General Meetings

The Annual General Meeting is one of the various channels used by the Board to disseminate information on major corporate developments and events and also a platform for open and candid discussions with the shareholders.

Ample opportunities are given to shareholders including their proxies to address their queries and concerns to the Chairman, any Directors and also the Key Management Personnel.

It has been the practice of the Company to give more than 21 days' notice to its shareholders before its Annual General Meeting is held. Since the 21st Annual General Meeting held in 2018, at least 28 days of notice had been given.

The Company's Annual General Meetings have also always been held at easily accessible venues for the convenience of the shareholders.

The Corporate Governance Overview Statement was approved by the Board of Directors on 27 March 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement is made pursuant to the Listing Requirements of Bursa Malaysia and is guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility towards the Group to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board is responsible for reviewing the adequacy and effectiveness of risk management and the system of internal control. A sound risk management and internal control system includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations.

Due to limitations inherent in any risk management and internal control system, the Group's system is designed to manage and mitigate risks that may impede the Group's achievements of its objectives rather than eliminate these risks. Accordingly, the system of risk management and internal control can only provide reasonable but not absolute assurance against any material misstatement or loss arising from the possibility of poor judgment in decision making, management overriding controls, loss and the occurrence of unforeseeable circumstances. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

The Group has in place, an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies.

RISK MANAGEMENT

The Board regards risk management as an integral part of effective management of the business and operation of the Group which can directly affect its ability to implement its strategies and achieve its objectives.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee, comprising representatives from the Board, assists the Board in strengthening and monitoring the risk management practices of the Group.

RISK MANAGEMENT POLICY & RISK PROFILE

The Group established its Risk Management Policy and Risk Profile in 2008. The Group's approved Risk Management Policy outlines the policies and procedures for implementing, reviewing, evaluating and monitoring the principal risks of the Group.

The approved Risk Profile consists of identified principal risks, strategies, controls and management actions in addressing such risks and includes examining the business operational risks in critical areas, potential impacts and identifying measures and time frame to mitigate those risks.

The Group's Risk Management Policy is structured into the routine day to day processes at all levels of operation.

INTERNAL CONTROLS

The Group's internal control system encompasses the following:-

- **Authority and Responsibilities**

There is a defined organisation structure with clearly established responsibilities and delegation of authority for the Management and Board Committees.

- **Policies and Procedures**

There are Standard Operating Policies and Procedures setting out the operating controls pertaining to plantation, mill operation, health and safety, finance, human resource, marketing, information technology, procurement and internal audit. These are reviewed and updated to reflect changes in the business environment and legal requirements.

- **Planning, Monitoring and Reporting**

Annual detailed budgeting is carried out whereby operating units prepare their budgets and business plans for consolidation and review by the Management.

The consolidated management budget is thereafter aligned to the corporate objectives and strategies of the Group and presented to the Board for deliberation and approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROLS (continued)

• **Planning, Monitoring and Reporting** (continued)

The Management held monthly operational meetings and field visits to estates and mills accompanied by all Departmental Heads. At these meetings and visits, key operational issues are highlighted. Decisions are given and swift execution of those decisions can be carried out as the relevant Departmental Head is present to receive the instructions. At each meeting, a Director will be invited to join the meeting and visit to keep abreast with the developments of the operation and to give motivational advice to staff on behalf of the Board.

In addition, monthly Financial meetings are also conducted by the Management to review and analyse the Group's financial performance.

Internal and external audits are conducted annually on our SP Lab in accordance with predetermined schedules and procedures to verify that its operations comply with the requirements of the management system and MS ISO/IEC:17025:2005 standard.

INTERNAL AUDIT AND BOARD AUDIT COMMITTEE

The Internal Audit Department reports directly to the Board Audit Committee on a quarterly basis, the results of works carried out in accordance with its Audit Plan as approved by the Board Audit Committee. The Internal audit function performs periodic reviews on critical business processes to identify any significant risks, non-compliance to the existing Standard Operating Policies and Procedures, assess the effectiveness and adequacy of the system of internal control and where necessary, recommends areas for improvements. The field audit function of Internal Audit Department had been assigned to the Operational Field Audit Section which reports to the Chief Operating Officer.

The Board Audit Committee receives reports from both internal and external auditors. The Audit Committee regularly reviews the reports and holds discussion with the Management on the actions taken on identified internal control issues. Deliberations and recommendations by the Board Audit Committee are presented to the Board at the latter's scheduled meetings.

CONCLUSION

The Board confirms that its risk management and internal control system are operationally adequate and effective throughout the year under review and up to the date of approval of the Annual Report.

In addition, the Board remains committed towards operating an effective risk management framework

and a sound system of internal control and recognises that these must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place proper action plans, when necessary, to further enhance the Group's system of risk management and internal control.

The Group's system of risk management and internal control applies to the Company and its subsidiaries only and does not cover its associated company.

The Board has received assurance from the Executive Director, Chief Operating Officer and the Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk framework adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018 and reported to the Board that nothing has come to their attention that caused them to believe that the statement to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board of Directors dated 27 March 2019.

DIARY OF CORPORATE EVENTS



16 January 2018

ILP miri visit Strategic Innovation Centre, Lambir



24 February 2018

Keredas Hash Run at Ladang 3 Estates

13 March 2018

Investor Visit to Northern Region Estate & Niah Mill



16 March 2018

Perasmian Community Learning Centre



9 April 2018

Program HQ Jom Sihat

DIARY OF CORPORATE EVENTS



1 May 2018
Gold Nugget Hunting at Tulai Estate



25 May 2018
21st SPB Annual General Meeting

6 July 2018
Majlis Ramah Tamah
Aidilfitri



23 August 2018
Signing of mutual Agreements with
the locals of Mukah 3 Estate



5 November 2018
Signing of mutual Agreements with the
locals of Mukah 3 Estate