



# SARAWAK PLANTATION BERHAD

Registration No. 199701035877 (451377-P)  
Incorporated in Malaysia

**OVERCOMING ADVERSITIES,  
MOVING FORWARD**

ANNUAL REPORT  
**2020**



### Cover Rationale

The cover depicts the Company going through a challenging year 2020 but it overcame, climbed out of the pit of adversities and moved forward with perseverance.

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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 services, management and marketing 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 43,576 hectares (ha). In addition, the Group has 1,855 ha under the Native Customary Rights (NCR) scheme and 412 ha under a joint venture development with a government statutory body.

As at 31 December 2020, the Group owns 16 oil palm estates with a total planted area of 34,226 ha, 1 NCR estate with planted area of 1,744 ha and 1 joint venture estate with planted area of 408 ha.

The Group also owns and operates 2 palm oil mills, with a total operating capacity of 120 metric tonne per hour (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.

# CORPORATE INFORMATION

## 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

Datu Haji Soedirman bin Haji Aini

Ali bin Adai

Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired)

Chia Chu Fatt

### Company Secretary

Trina Tan Yang Li (0666-KT032)  
SSM Practicing Certificate No. 202008004432

### 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: spb@spbgroup.com.my

### Business Office

Wisma SPB, Lot 1174, Block 9,  
MCLD Miri Waterfront, Jalan Permaisuri,  
98000 Miri, Sarawak, Malaysia.  
Tel: 6 085-413814 Fax: 6 085-416192  
Email: spb@spbgroup.com.my

### Company Website

[www.spbgroup.com.my](http://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

The page features several decorative geometric shapes in shades of blue and orange. A small dark blue triangle is in the upper center. An orange triangle is in the upper right. A larger dark blue triangle is on the right side. A large orange triangle is on the left side. The bottom of the page is dominated by large, overlapping diagonal shapes in orange and dark blue.

# VISION

TO BE A FULLY  
INTEGRATED  
HIGH PERFORMING  
ENTERPRISE WITH  
DIVERSIFIED  
BUSINESS

The page features a decorative background of overlapping geometric shapes, primarily triangles and trapezoids, in shades of blue and orange. These shapes are arranged in a dynamic, layered pattern, with some appearing as if they are floating or overlapping each other. The colors are vibrant and consistent with the company's branding.

# MISSION

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

# CORPORATE VALUES

## 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  | 2020    | 2019    | 2018    | 2017    | 2016    |
|---|---------|---------|---------|---------|---------|
| Revenue (RM'000)  | 465,750 | 347,528 | 310,787 | 399,177 | 383,967 |
| Profit before tax (RM'000)                                  | 83,055  | 28,409  | 15,761  | 13,843  | 47,060  |
| Profit attributable to owners of the Company (RM'000)       | 61,421  | 20,918  | 11,179  | 6,303   | 35,644  |
| Total assets (RM'000)                                       | 878,007 | 833,996 | 854,567 | 848,397 | 869,880 |
| Net assets (RM'000)   | 585,124 | 552,033 | 545,949 | 548,748 | 542,445 |
| Total equity attributable to owners of the Company (RM'000) | 585,124 | 552,033 | 545,949 | 548,748 | 542,445 |
| Total number of shares ('000)                               | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |
| Net assets per share (RM)                                   | 2.09    | 1.97    | 1.95    | 1.96    | 1.94    |
| Basic earnings per share (sen)                              | 22.0    | 7.5     | 4.0     | 2.3     | 12.7    |
| Dividend per share (sen)                                    | 10.0    | 5.0     | 5.0     | -       | -       |
| Gearing (%)   | 18      | 22      | 29      | 26      | 25      |

# CORPORATE STRUCTURE



## SARAWAK PLANTATION BERHAD

Registration No. 199701035877 (451377-P)

Incorporated in Malaysia



\* In the progress of winding up

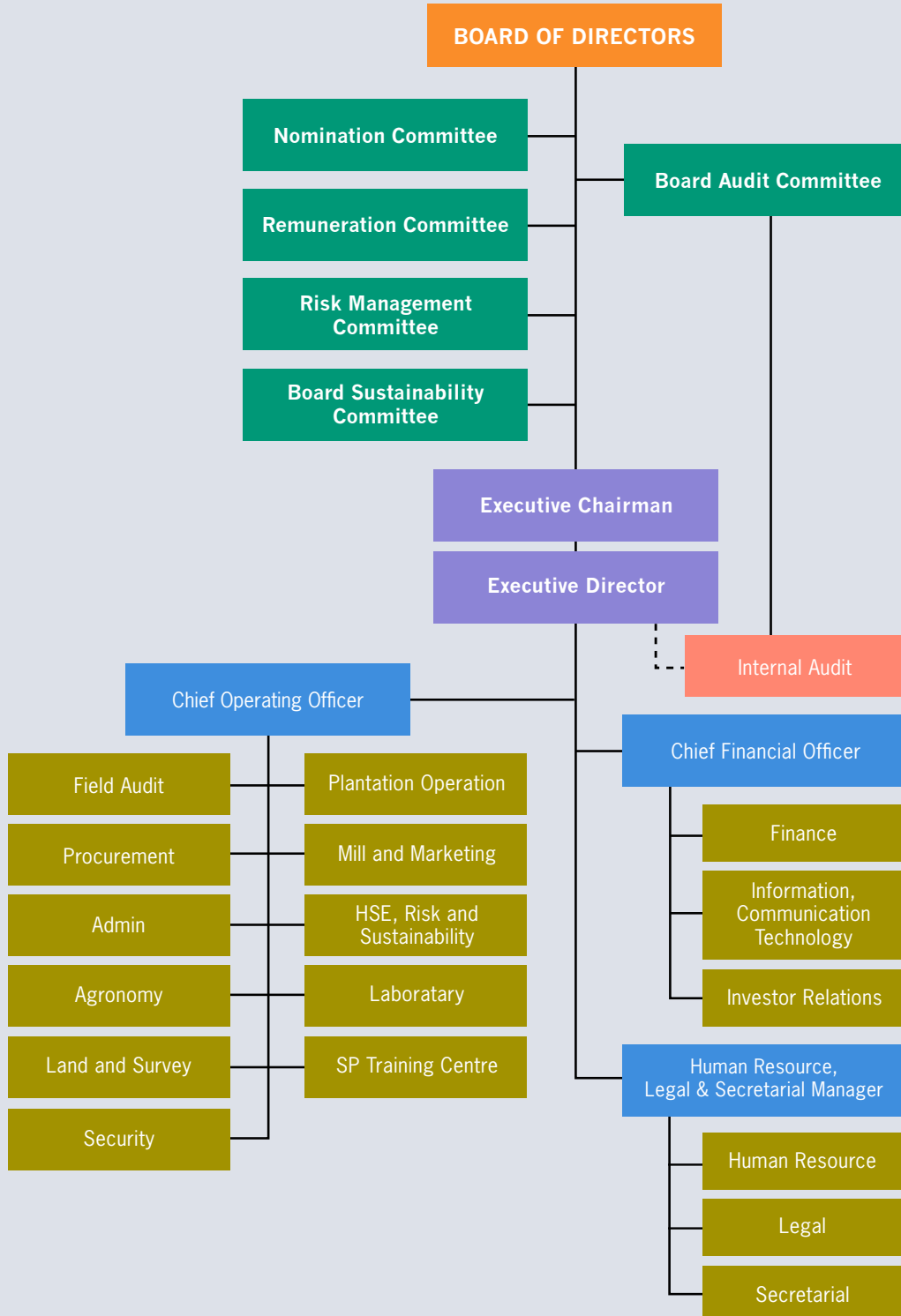
# ORGANISATIONAL STRUCTURE



## SARAWAK PLANTATION BERHAD

Registration No. 199701035877 (451377-P)

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# BOARD OF DIRECTORS

## **Datuk Amar Abdul Hamed Bin Sepawi** Non Independent Executive Chairman



Datuk Amar Abdul Hamed (male), aged 72, 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. He is the Chairman of our Board Sustainability Committee and a member of our Risk Management Committee.

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 has more than 31 years of experience in forestry and plantation management and the manufacturing of forest products. For the last 24 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. In particular, in the area of planting of oil palm in Sarawak, he has more than 22 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 oil palm 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 70, was appointed as our Executive Director on 28 March 2018. He is a member of our Board Sustainability Committee and Remuneration Committee.

Dato Wong has vast exposure and experience in both the timber and oil palm industries.

His persistence and drive for excellence has steered the Company to better performance. At the forefront of management, Dato Wong communicates well and has the learning agility to quickly adapt to the everchanging landscape of the oil palm industry. His leadership skills have also put the Group in good standing in the marketplace.

Since 1999, he has held the position of Group Managing Director/ Chief Executive Officer in Ta Ann Holdings Berhad ("Ta Ann"), a company listed on the Main Market of Bursa Malaysia.

# BOARD OF DIRECTORS

## Hasmawati Binti Sapawi

Non Independent Non-Executive Director



Hasmawati Sapawi (female), aged 53, was appointed as our Director on 25 November 2011. She is a member of our Nomination Committee.

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



**Datu Haji Soedirman Bin Haji Aini**  
Independent Non-Executive Director

Datu Haji Soedirman (male), aged 65, was appointed as our Director on 1 March 2019. He is the Chairman of our Board Audit Committee and a member of our Remuneration Committee, Nomination Committee and Risk Management Committee.

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 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 the 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.

# BOARD OF DIRECTORS

## Ali Bin Adai

Independent Non-Executive Director



Ali Adai (male), aged 65, was appointed as our Director on 27 February 2013. He is the Chairman of our Risk Management Committee, Remuneration Committee, Nomination Committee and a member of our Board Audit Committee.

He holds a Bachelor of Art from the University of Guelph Canada.

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 an Independent Non Executive Director of Dayang Enterprise Berhad and also an Independent Non Executive Director of ABM Fujiya Berhad., both of which are listed on the Main Market of Bursa Malaysia.



## BOARD OF DIRECTORS



**Brigadier General Dato' Muhammad Daniel Bin Abdullah (Retired)**  
Independent Non-Executive Director

Brigadier General Dato' Muhammad Daniel (male), aged 66, was appointed as our Director on 1 March 2019. He is a member of our Board Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

Brigadier General Dato' Muhammad Daniel had a distinguished career in the Malaysian Armed Forces for 39 years, before retiring from active military service on 15 June 2015. He served and held numerous Commands, Staff and Training appointments in the Malaysian Special Service Group, Malaysian Armed Forces and Ministry of Defence. He was also actively involved in a number of Civil Affairs activities, natural disaster relief activities, heart-and-mind and socio-communal activities notably amongst the indigenous tribes nationwide.

Internationally, Brigadier General Dato' Muhammad Muhammad Daniel was appointed the Liaison Officer of Kuwait while serving as a Military Observer under the United Nations International Monitoring Group in Kuwait and Iraq (UNIKOM 1993-1994).

Brigadier General Dato' Muhammad Daniel graduated from the Royal Military Academy at Sandhurst, United Kingdom and is also a graduate in Defence and Strategic Studies from University of Malaya.

# BOARD OF DIRECTORS

## Chia Chu Fatt

Independent Non Executive Director



Chia Chu Fatt (male), aged 67, was appointed as our Director on 5 April 2021.

An accountant by profession, Chia Chu Fatt is a Fellow of the Chartered Association of Certified Accountants (UK), a member of the Malaysian Institute of Accountants and a member of Chartered Tax Institute of Malaysia. He is also the proprietor of Andy Chia & Co., a chartered accountants firm which he established in 1987. He has 43 years of working experience in chartered accountants' firms, 4 of which were with a medium-sized firm in London, UK.

He was formerly a councillor of the Miri Municipal Council for 11 years. He served in various capacities as a Board Member of the Sarawak Land Development Board from 2008 to 2017, a former Chairman of the Miri Basketball Association and a former Sarawak State Legislative Council Assemblyman. Currently, he serves as Secretary of the Piasau Camp Miri Nature Park Society.

Chia Chu Fatt is also an Independent Non-Executive Director of Ta Ann Holdings Bhd., a company listed on the Main Market of Bursa Malaysia.

He was conferred the honorary Johan Bintang Sarawak (JBS) and Ahli Bintang Sarawak (ABS) by T.Y.T Yang di-Pertua Negeri Sarawak in 2010 and 1994 respectively.

# 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    |
|--|---|-------------------|
| <b>Datuk Amar Abdul Hamed bin Sepawi</b> |   |                   |
| 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<br>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                    | Operation of palm oil mill (Dormant)  | Palm oil products |
| PSS Oil Mill Sdn Bhd                     | Operation of palm oil mill  | 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 Product     |
|--|---|-------------------|
| <b>Dato Wong Kuo Hea</b>                 |   |                   |
| 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                    | Operation of palm oil mill (Dormant)  | Palm oil products |
| PSS Oil Mill Sdn Bhd                     | Operation of palm oil mill  | Palm oil products |
| <b>Chia Chu Fatt</b>                     |   |                   |
| Ta Ann Holdings Berhad                   | Investment holding (cultivation of oil palm and milling of palm oil via its subsidiaries) | 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 page 55 of this Annual Report.
- For our Directors' securities holdings in SPB, please refer to page 168 of this Annual Report.

## KEY MANAGEMENT PERSONNEL



**Dato Wong Kuo Hea**  
Executive Director

Dato Wong Kuo Hea (male), aged 70, was appointed as the Executive Director of the Company on 28 March 2018. He leads the Management in running and managing the day to day operation of the Group. 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 34, 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 currently serves as a member of the Programme Advisory Committee (PAC) for Focus Area of Mechanization and Automation of MPOB.

He does not hold any directorships in public companies.

# KEY MANAGEMENT PERSONNEL



**Koay Bee Eng**  
Chief Financial Officer

Koay Bee Eng (female), aged 52, 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 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.



**Trina Tan Yang Li**  
Human Resource, Legal and Secretarial Manager

Trina Tan Yang Li (female), aged 54, 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.

# KEY MANAGEMENT PERSONNEL



## **Dayang Nong Ajibah Awang Zaidi** Group Accounts Manager

Dayang Nong Ajibah binti Awang Zaidi (female), aged 50, 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 AM PLEASED TO  
PRESENT TO YOU THE  
COMPANY'S ANNUAL  
REPORT FOR THE  
FINANCIAL YEAR ENDED  
31 DECEMBER 2020.

## An extremely challenging yet fruitful year 2020

2020 was a distinctly different year from previous years, not just for us, but for the entire world as a whole.

The COVID-19 pandemic has greatly impacted many individuals and companies over the course of the last year, ours included, and reverberations from it will be felt for years to come. It shaped the landscape of Malaysian and global economies as well as business environment and with that there is much uncertainty in the market. Low crude palm oil (CPO) prices were experienced early of the year, followed by one of its highest peaks recorded in recent years, all within the span of a few months in 2020.

Under such circumstances, our team faced multiple challenges and difficulties in 2020 that we had not encountered before. In spite of that, we are proud to announce that we were able to weather through these difficult times, adapt to the new normal and persevere onwards.



# MESSAGE TO OUR SHAREHOLDERS

## 2020 Financial Performance

Despite all the challenging and uncertainties arising from the COVID-19 pandemic, our Group achieved a remarkable growth of 34% in revenue contributed by favourable CPO price coupled with notable growth in fresh fruit bunches (FFB) production. Revenue stood at RM465.7 million for the financial year 2020 compared to RM347.5 million for the financial year 2019.

Correspondingly, the Group's profit before tax increased from RM28.4 million in 2019 to RM83.1 million in 2020 whereas the net profit attributable to owners of the Company grew from RM20.9 million in 2019 to RM61.4 million in 2020. This net profit translated into an earnings per share of 22.01 sen per share for 2020, an impressive growth of 194% compared to 2019 of 7.49 sen per share.

## Dividends

Based on these impressive results, we declared two interim dividends of 5 sen per share each, totalling 10 sen per share for financial year 2020. This is the highest in the last five years. The dividends were paid on 6 August 2020 and 21 January 2021 respectively.

We recognise our shareholders' continued support and belief in us, even in these trying times. The dividends paid represent our appreciation to our valued shareholders for their unflagging confidence in the Group.

The Company will continue to have our shareholders' best interests in mind as we move forward.

## 2020 Operating Performance Review

Our FFB production increased by 22% in 2020. We produced 341,065 metric tonne (mt) of FFB in 2020 compared to 280,649 mt of FFB in 2019. The main contributor to this significant growth is our Central Region estates which recorded a notable increase of 44% in production compared to the previous year, 2019.

Considering all the circumstances in 2020, this growth and achievement is an outstanding feat. The FFB production growth is an important breakthrough in our progress and we are pleased to commemorate yet another milestone in our long journey. We will strive for even greater heights in the coming future.



# MESSAGE TO OUR SHAREHOLDERS

## Sustainability

The Group will continue to evolve and adjust to the competitive and dynamic business environment, while still placing its main priority in increasing FFB production and yield per hectare.

Though we have taken large strides in improving the overall production and efficiency of our operations, we will still persist and keep on developing and enhancing to grow ourselves into a Company to be reckoned with within this industry.

We wish to keep pushing ourselves beyond our comfort zone and raising our production levels to match those of the industry standard.

Productivity and yield remain the focus of our operations but we will not neglect the importance of a sustainable future for our Group.

Whilst we recognise that the COVID-19 pandemic is beyond our control, we remain committed to put emphasis on the safety and health of our stakeholders. We have taken every possible precautions and measures to safeguard our work force whilst at the same time minimise disruptions to our business and operations. In this context, E-communications and reporting have emerged as a new trend and an essential way in carrying out our business and operations.

In addition, we remain focused on adopting on going sustainable agricultural practices in conserving and protecting our environment.

These are all factors that we have taken into account before making any decisions in our operations. It is in our best interest that we are able to preserve a balance between all these aspects in the Group.

We are fully supportive of a work atmosphere where knowledge and experience are shared among our staff. We strive to maintain a work atmosphere where employees are able to contribute their ideas and innovations.

We make efforts to create an environment that propagates motivation and productivity, rather than conflict or hostilities among the staff. As we are currently, our team has been phenomenal at fostering this kind of environment at their workplace. Our team has weathered through many storms together, celebrated many landmark times together and have grown strong together, both as a team and a family.



Black Bunches on Productive Palm

# MESSAGE TO OUR SHAREHOLDERS



Our Surea DXP Seed

## Prospects and Outlook

The outlook for 2021 remains uncertain and hard to predict. Economic recovery and growth are dependent on the successful containment of the COVID-19 pandemic and rollout of vaccination globally and in Malaysia.

Nevertheless, it is believed that the outlook of the oil palm industry in 2021 is positive given the anticipating positive prospect demands.

Barring any unforeseen circumstances, greater milestones will be accomplished in near future and we believe this will cement our place amongst the strong plantation companies in Sarawak.

## Appreciation

On behalf of the Board of Directors, I would like to give my sincerest thanks to all our shareholders for putting their belief and trust in the Company and to all our stakeholders, Government and agencies, business partners and community neighbours who have provided us assistance and their collaboration throughout the years.

Words alone cannot express enough our appreciation and gratitude. As a token of appreciation, we have donated RM1 million to the Sarawak State Government to assist in the pandemic relief.

In addition, to all our directors and employees of SPB Group, they have our deepest gratitude for their persistent hard work and determination to excel. It is with their commitment that we are here today. Our journey's path is paved by the hard work and commitment of those who dedicated themselves fully to the Group.

To all these individuals and groups who contributed to our achievements, we cannot describe how grateful we are for your ongoing support and invaluable dedication to Sarawak Plantation Berhad (SPB), especially through these difficult times. We want you to know that you are also part of this success and we are honoured to have you on board.

**Datuk Amar Abdul Hamed Bin Sepawi**  
Executive Chairman

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## OVERVIEW OF BUSINESS AND OPERATION

### Oil Palm Business

Sarawak Plantation Group is primarily engaged in the cultivation of oil palm and processing of 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 16 oil palm estates. The total planted hectareage is 34,226 hectares (ha), representing 79% of the total land bank of 43,576 ha. In addition, the Group has 1 estate with planted size of 1,744 ha developed under the Native Customary Rights ("NCR") joint venture and another estate with the size of 412 ha (planted 408 ha) under a joint venture with one of the Sarawak State Agencies.

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.

### Other Activities

#### Seed Production Unit

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

#### Cattle Integration

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 2020, the Group has a total of around 800 heads of cattle.



# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR



Harvesting Machine

## OVERVIEW OF BUSINESS AND OPERATION (continued)

### 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 dependency on labour yet improving yield and productivity.

One of the key innovation projects is the development of prototype harvesting machines. The primary objective is to increase harvesting productivity and through that ultimately increase the income of the harvesters. Currently, this project is being funded by the Sarawak State Government.

## KEY HIGHLIGHTS OF THE YEAR

2020 was a unique year, to put it simply. The COVID-19 pandemic put the Group in an unfamiliar situation, and posed various challenges to the Group. The pandemic changed the way of doing business and operations not just in Malaysia, but worldwide.

In spite of the restrictions caused by the COVID-19 pandemic, the Group's accomplishments were nothing short of astonishing and we achieved more progress and milestones than was anticipated. This was only possible through the support from the Board of Directors and the committed employees.

### Continuous monitoring and prompt decision making amid COVID-19 pandemic

Quick, decisive action and strict supervision of the Group's plantation operations have always been one of the key success factors. The Board and the Management emphasize the importance of close and attentive supervision of the Group's operations at all times.

Physical operational meetings and field visits were carried out in full compliance with the standard operating procedures to mitigate COVID-19 risks and to ensure safety of the employees. When physical meetings were not possible to be conducted, meetings were held through virtual platforms and other mode of E-communications with the key management and key operational staff.

Operational audits were carried out by the Group's operational audit team with the aim to highlight key operational issues and enhance productivity and overall quality of the operations.

Monthly financial meetings were also held either physically or virtually to review costing and to resolve any financial related issues.

### Leverage of Information Technology

Since past years, the Group has recognised the importance of information technology and how it could help the Management to gather critical data for analysis and decision making purposes.

An integrated system namely Estate Management System (EMS) is used and is continuously enhanced for efficient and effective data and information gathering. This enables the Management to identify and resolve issues promptly.

In 2020, the Group made use of various telecommunication tools and engaged its stakeholders, customers and employees alike, through virtual meetings and discussions with minimal disruptions to its operations.

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## KEY HIGHLIGHTS OF THE YEAR (continued)

### Remarkable growth in FFB production

2020 recorded a remarkable growth in production, it being the highest production year since the listing of the Company on Bursa Malaysia. This can be attributed to the results of the transformation and reformation that was undertaken in 2018 and the arduous improvements and enhancements carried out in 2019 and 2020.

In 2020, the Group recorded a growth of 22% in FFB production compared to 2019. A determined, passionate and co-operative work force as well as support from the Board and Management have played an essential role for this continued improvement.

### Normalisation of enhancement areas

Since 2018, the Group has started to identify areas in need of improvement and enhancement and the respective issues faced by the said areas. The main problems faced in these enhancement areas were stunted palm growth, inaccessibility due to high weed, flooding and other upkeep issues. Production from these areas were minimal and were in desperate need for rehabilitation. It is also important to note that most of these enhancement areas were mainly young mature fields.

A total of approximately 6,000 ha were identified as enhancement areas since 2018. As of now, 54% of these areas have been normalized, inclusive of 1,000 ha normalized in 2020. This is a great success for the enhancement and rehabilitation programmes.

The rehabilitation and enhancement activities carried out in these areas have yielded positive results.

### Successful recovery of part of encumbered areas

It is strenuous and challenging for the Group to recover areas which have remained encumbered over a prolonged time.

Despite the COVID-19 pandemic situation, our dedicated team has been actively engaging with the locals at the encumbered areas of Mukah 1 and Mukah 3 Estates and successfully negotiated a win win deal with some of the locals.

Mutual agreements were signed for around 1,400 ha in 2020 for both estates.

These recovered areas are currently under replanting or rehabilitation and are expected to and will contribute favourably to the Group's FFB production in the near future.

Moving forward, our Group will continue to strive for recovery of all or at least a major part of the encumbered areas in Mukah 1 and Mukah 3 Estates.

### Replanting activities

During the year, the Group replanted around 1,000 ha. These replanted areas will contribute positively to the FFB production growth in the near future.

The Group sees the value of mechanisation of its operations, hence it has adopted replanting strategies that allows for future mechanisation whilst not compromising potential yield.



# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## KEY HIGHLIGHTS OF THE YEAR (continued)

### Human Resource Management

The Group has always put emphasis on the wellbeing of its employees. In the emergence of the COVID-19 pandemic, health and safety of the work force has been placed first and foremost as the Group's top priority. Various measures were implemented in the work place to mitigate the COVID-19 risks and to ensure the safety of all our employees.



The cessation of the foreign workers' intake due to the COVID-19 pandemic has worsen labour shortage issues for the oil palm industry. The Group is no exception to this issue.

The Group took several mitigating measures to manage worker shortage, including:

- Prioritizing harvesting works, focusing on high yielding blocks.
- Deploying highly productive harvesters to high yielding blocks.
- Deploying general workers for harvesting at scout harvesting and young mature fields.

Despite the COVID-19 pandemic situation, our staff maintained a positive mental attitude and remained optimistic. They stayed committed to deliver their utmost effort in these challenging times.

With cohesiveness and efficiency from the employees, the Group's current staff force stands at around 360, a reduction of 3% compared to prior year.

Delegation of authority with a clear line of reporting and responsibilities along with accountability are emphasized. Employees are encouraged to contribute their ideas for operational improvement and enhancements and also to propose viable process developments and upgrades for implementation.

Succession planning and talent management are vital in human resource management. The Group has a Succession Planning Policy in place which entails succession planning principles and processes. Our succession planning is set in place to provide continuity in the leadership within the Group.

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## REVIEW OF FINANCIAL PERFORMANCE

The Group achieved a 34% increase in revenue in 2020 compared to 2019. Revenue was RM465.7 million for the financial year ended 31 December 2020 and RM347.5 million for the financial year ended 31 December 2019. The increase was largely driven by higher average selling prices of CPO and palm kernel (PK) during the year coupled with growth in sale volume following higher FFB production.

In line with the growth in revenue, the Group achieved a remarkable operating profit before tax of RM67.2 million in year 2020 compared to RM25.1 million recorded in year 2019.

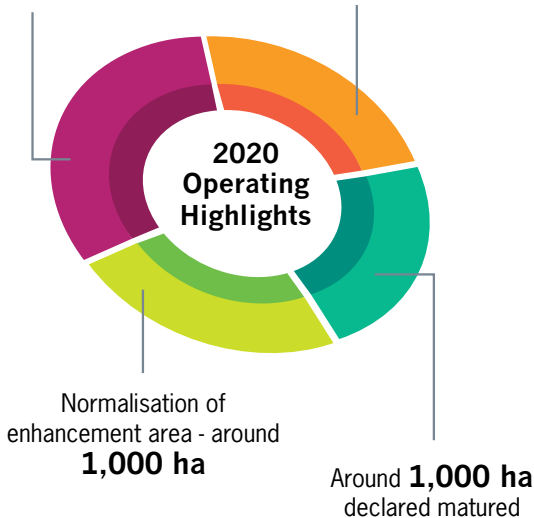
Following the increase in operating profit coupled with higher gain on fair value changes in biological assets, the Group achieved a threefold increase in profit before tax of RM83.1 million in 2020 compared to RM28.4 million in 2019.

Further details on the Group's financial performance are explained in the "Financial Review by the Chief Financial Officer" on pages 35 to 41.

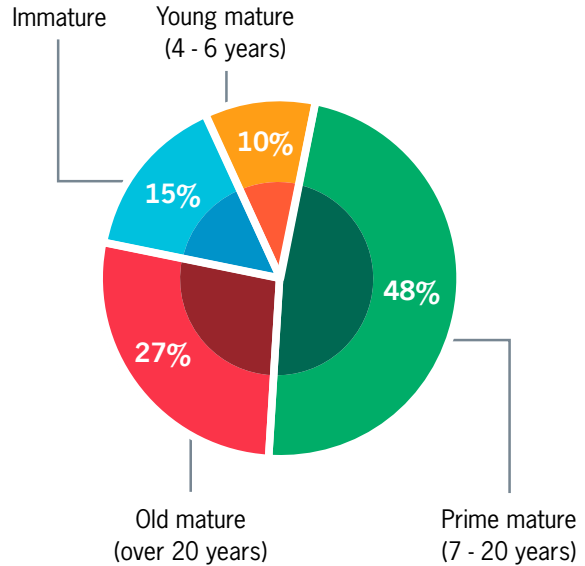
## REVIEW OF OPERATING PERFORMANCE

Mutual agreements signed for **1,400 ha** in encumbered areas

About **1,000 ha** replanted



## Estate Performance



Young and prime mature areas account for 58% of the total planted areas which will bring higher production in the years to come. As at end of 2020, 2,700 ha remains as enhancement areas and is expected to be normalised gradually throughout the coming two years.

Further, as at 31 December 2020, the matured areas remaining encumbered were around 3,700 ha. In addition, the estate under NCR Joint Venture of 1,744 ha (planted) remained encumbered.





# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## REVIEW OF OPERATING PERFORMANCE (continued)

### Estate Performance (continued)

#### FFB production and yield

| Region          | 2020<br>Harvestable<br>WHa | 2019<br>Harvestable<br>Ha | 2020<br>FFB<br>Mt | 2019<br>FFB<br>Mt | Changes<br>% |
|-----------------|----------------------------|---------------------------|-------------------|-------------------|--------------|
| Northern Region | 11,722                     | 11,919                    | 182,449           | 170,145           | 7            |
| Central Region  | 7,812                      | 5,644                     | 158,616           | 110,504           | 44           |
|                 | 19,534                     | 17,563                    | 341,065           | 280,649           | 22           |

| Region          | 2020<br>Yield<br>Mt/WHa | 2019<br>Yield<br>Mt/WHa | Changes<br>% |
|-----------------|-------------------------|-------------------------|--------------|
| Northern Region | 15.56                   | 14.27                   | 9            |
| Central Region  | 20.30                   | 19.58                   | 4            |
|                 | 17.46                   | 15.98                   | 9            |

FFB production grew notably by 22% from 280,649 mt in 2019 to 341,065 mt in 2020. This was mainly attributed to field improvements after rehabilitation and enhancement, palms coming to maturity coupled with progress into the higher yielding age.

FFB yield increased by 9%, compared to 2019. Newly matured areas coupled with normalization of enhancement areas contributed to the lower growth of FFB yield though FFB production growth was significant.

WHa - Weighted average

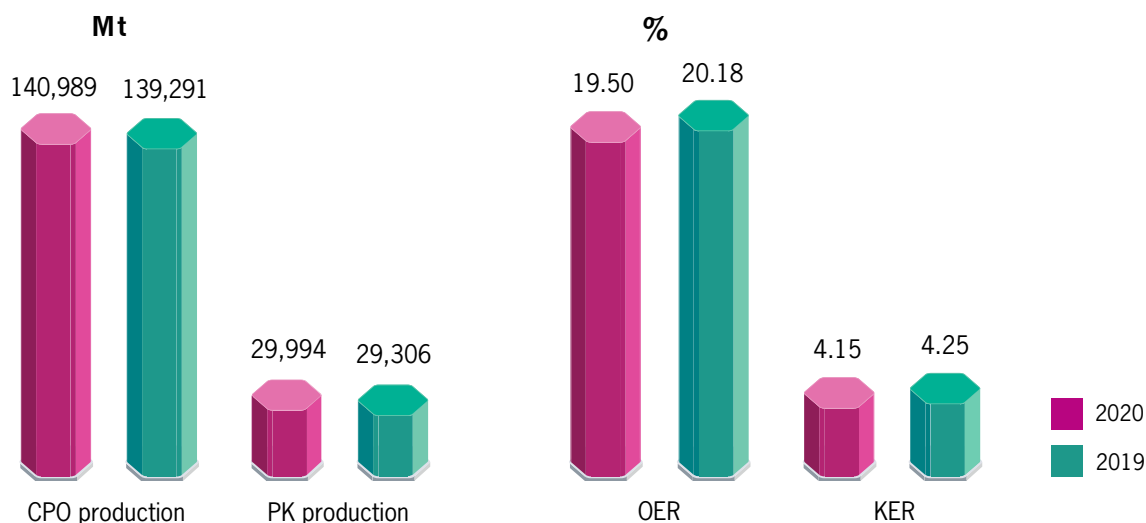


Management at field

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## REVIEW OF OPERATING PERFORMANCE (continued)

### Mill Performance



Total CPO and PK production increased by 1% and 2% respectively. Average oil extraction rate (OER) for 2020 was 19.50% and kernel extraction rate (KER) was 4.15%.

| Niah Palm Oil Mill |    | 2020    | 2019    | Changes (%) |
|--------------------|----|---------|---------|-------------|
| FFB processed      | Mt | 392,402 | 383,141 | 2           |
| CPO production     | Mt | 79,809  | 80,202  | -0.5        |
| PK production      | Mt | 15,671  | 15,607  | 0.4         |
| OER                | %  | 20.34   | 20.93   | -3          |
| KER                | %  | 3.99    | 4.07    | -2          |

FFB processed increased by 2% principally due to higher receipt of own crops and FFB purchases from external parties. OER decreased from 20.93% in 2019 to 20.34% in 2020.

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## REVIEW OF OPERATING PERFORMANCE (continued)

| Mukah Palm Oil Mill |    | 2020    | 2019    | Changes (%) |
|---------------------|----|---------|---------|-------------|
| FFB processed       | Mt | 330,734 | 307,104 | 8           |
| CPO production      | Mt | 61,180  | 59,089  | 4           |
| PK production       | Mt | 14,323  | 13,699  | 5           |
| OER                 | %  | 18.50   | 19.24   | -4          |
| KER                 | %  | 4.33    | 4.46    | -3          |

FFB processed grew by 8% principally attributed to the remarkable increase (47%) in FFB supplied from our Central Region's own estates. OER dropped from 19.24% in 2019 to 18.50% in 2020.



Crop Grading

# MANAGEMENT REVIEW & ANALYSIS BY THE EXECUTIVE DIRECTOR

## STRATEGIES

The Group will continue to put emphasis on raising productivity as a whole. The main goal is still to increase production and yield per hectare.

One of the main strategies that we have used is to mechanize and automate the operation of our mills and estates.

We feel that this adaptation is essential in our operations as it raises our potential for efficiency and productivity. With the acquisition of more modern equipment, we can fully maximise our output and remove the limiting factors that come with reliance on manpower. The recent pandemic has also highlighted the importance of mechanization of our estates and operation.

Relating to the pandemic, it has become our utmost priority to ensure a safe working environment and provide necessary facilities for the staff and workers. Before anything else, our staff and workers are working in conditions that comply with the Government's standard operating procedures and practice safety first. The Group is committed to managing operations and estates in sanitary and safe conditions.

As from previous years, we will continue the training and succession planning programmes for our Group with the goal to maintaining a set of competent and innovative employees.

## RISKS

Manpower shortages, the COVID-19 pandemic, the volatility of the commodity prices and weather have been our obstacles throughout the year.

The Group addresses all of these issues and plan accordingly to nullify or at the very least mitigate the risks presented by these issues. Our team is experienced and adaptive in dealing with these issues and has come up with redefined strategies to circumvent them.

We endeavor to ensure that we are as prepared as possible for any situation or condition. In the face of any issues, our response will be quick and appropriate in dealing with the matter.

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 2021

- Increase production and yield of existing and newly matured areas.
- Raise workers' productivity, focus on supervision and monitoring.
- Continue improving facilities and infrastructure of the estates and pursue mechanization and automation of our operations.
- Recovery and rehabilitation of more parts of enhancement areas.
- Continue replanting activities in areas with low yield and recover encumbered areas.
- Continue rehabilitation programmes at enhancement areas, emphasise on areas with stunted palm growth or flooding.
- Increase seed production and persist with the aggressive marketing strategies for the promotion of our seeds.
- Maintain quality control of crops through close supervision of operations and regular quality control practices and regular maintenance.
- Heighten aggressive marketing efforts to acquire more crops from external parties, thus achieving economy of scale through increased mill throughput.
- Focus on the succession plan and the development of internal staff, especially job training and supervision.
- Leverage on technological advancement in enhancing communications and reporting.

## PROSPECTS FOR 2021

We have overcome many adversities throughout these years. In 2020, the COVID-19 crisis has been our largest obstacle but with sheer perseverance we successfully dealt with it. We will be moving forward to achieve even greater success for the Group.

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 1. FINANCIAL RESULTS FOR THE YEAR - GROUP

|  | Note | 2020<br>RM'000 | 2019<br>RM'000 | Change<br>% |
|--|------|----------------|----------------|-------------|
| Revenue  | (a)  | 465,750        | 347,528        | 34          |
| Results from operating activities<br>(Operating profit)      | (b)  | 67,233         | 25,059         | 168         |
| Profit before tax  | (c)  | 83,055         | 28,409         | 192         |
| Profit attributable to Owners of the<br>Company (Net profit) |      | 61,421         | 20,918         | 194         |

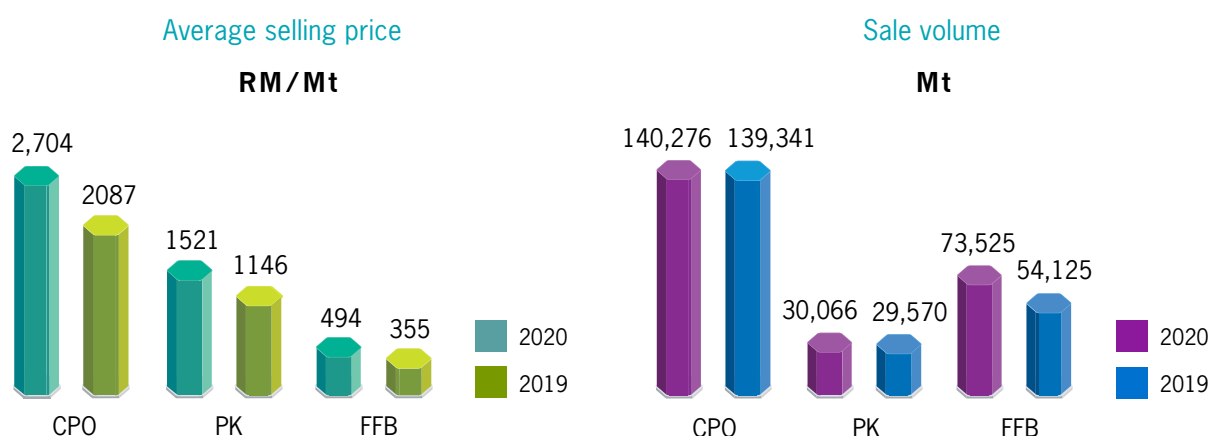
  

|                          | 2020<br>% | 2019<br>% | Change<br>% |
|--------------------------|-----------|-----------|-------------|
| Operating profit margin  | 14.4      | 7.2       | 100         |
| Profit before tax margin | 17.8      | 8.2       | 117         |
| Net profit margin        | 13.2      | 6.0       | 120         |

### (a) Revenue

99% of the Group's total revenue was mainly derived from the sale of CPO, PK and FFB.

The increase in revenue from RM347.5 million in 2019 to RM465.8 million in 2020 was mainly due to higher selling price of CPO and PK, coupled with growth in sale volume of FFB.



CPO, PK and FFB average selling prices increased by 30%, 33% and 39% respectively whereas CPO, PK and FFB sale volume grew by 1%, 2% and 36% respectively.

Majority of the FFB harvested from the Group's estates were delivered to its own mills at Niah and Mukah whilst some were sold to external mills. Sale of FFB from a few of the Group's estates to external mills contributed around 8% to the total revenue of the Group.

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

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

### (b) Results from operating activities (Operating profit)

For the financial year ended 31 December 2020, the Group recorded an operating profit of RM67.2 million, a profit margin of 14.4%, compared to 2019 of RM25.1 million or profit margin of 7.2%.

### (c) Profit before tax

The Group achieved a higher profit before tax of RM83.1 million or a profit margin of 17.8% for the current financial year, as compared to a profit before tax of RM28.4 million or a profit margin of 8.2% in the preceding year. Higher profit before tax for the current financial year compared against the preceding year was mainly due to the following:

|  | 2020<br>RM'000 | 2019<br>RM'000 | Particulars                                |
|--|----------------|----------------|--|
| Results from operating activities      | 67,233         | 25,059         |  |
| ADD: Other non-operating income        | 15,631         | 4,674          | Changes in fair value of biological assets |
| ADD/(LESS): Net finance income/(costs) | 191            | ( 1,324)       |  |
| Profit before tax                      | 83,055         | 28,409         |  |

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 2. FINANCIAL POSITION AS AT 31 DECEMBER 2020 - GROUP

### Analysis of major items

#### 2.1 TOTAL ASSETS

| Asset Type                    | Note  | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|-------------------------------|-------|----------------------|----------------------|-------------|
| Property, plant and equipment | 2.1.1 | 272,968              | 287,603              | -5          |
| Bearer plants                 | 2.1.2 | 328,840              | 312,761              | 5           |
| Right-of-use assets           | 2.1.3 | 97,285               | 99,204               | -2          |
| Investment properties         |       | 5,829                | 4,122                | 41          |
| Biological assets             | 2.1.4 | 42,890               | 26,359               | 63          |
| Inventories                   | 2.1.5 | 16,768               | 12,615               | 33          |
| Trade and other receivables   |       | 8,673                | 15,659               | -45         |
| Prepayment and other assets   |       | 6,426                | 5,733                | 12          |
| Current tax recoverable       |       | -                    | 34                   | -100        |
| Other investments             |       | 16,287               | 1,254                | 1,199       |
| Cash and cash equivalents     | 2.1.6 | 82,041               | 68,652               | 20          |
| <b>Total</b>                  |       | <b>878,007</b>       | <b>833,996</b>       | <b>5</b>    |

#### 2.1.1 Property, plant and equipment

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

|   | RM'000           |
|---|------------------|
| Additions                                 | 8,627            |
| LESS: Depreciation for the financial year | ( 17,420)        |
| LESS: Disposals/write off                 | ( 698)           |
| LESS: Expense off                         | ( 2,819)         |
| LESS: Adjustment                          | ( 366)           |
| LESS: Transfer to investment properties   | ( 1,959)         |
| <b>Net movement</b>                       | <b>( 14,635)</b> |

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 2. FINANCIAL POSITION AS AT 31 DECEMBER 2020 - GROUP (continued)

### 2.1 TOTAL ASSETS (continued)

#### 2.1.2 Bearer plants

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

|   | RM'000    |
|---|-----------|
| Additions                                 | 31,097    |
| LESS: Depreciation for the financial year | ( 15,018) |
| Net movement                              | 16,079    |

#### 2.1.3 Right-of-use assets

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

|   | RM'000   |
|---|----------|
| Additions                                 | 324      |
| LESS: Reversal                            | ( 100)   |
| LESS: Depreciation for the financial year | ( 2,143) |
| Net movement                              | ( 1,919) |

#### 2.1.4 Biological assets

Biological assets are as below:

|                     | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|---------------------|----------------------|----------------------|-------------|
| Fresh fruit bunches | 40,421               | 22,827               | 77          |
| Living Livestock    | 2,469                | 3,532                | -30         |
| Total               | 42,890               | 26,359               | 63          |



# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 2. FINANCIAL POSITION AS AT 31 DECEMBER 2020 - GROUP (continued)

### 2.1 TOTAL ASSETS (continued)

#### 2.1.5 Inventories

Inventories breakdown was as follows:

|                                | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|--------------------------------|----------------------|----------------------|-------------|
| Crude palm oil and palm kernel | 6,900                | 3,756                | 84          |
| Stores and consumables         | 5,366                | 5,879                | -9          |
| Oil palm nursery               | 2,051                | 2,024                | 1           |
| Oil palm seeds                 | 398                  | 309                  | 29          |
| Oil palm fresh fruit bunches   | 2,053                | 647                  | 217         |
| <b>Total</b>                   | <b>16,768</b>        | <b>12,615</b>        | <b>33</b>   |

#### 2.1.6 Cash and cash equivalents

Cash and cash equivalents comprise the following:

|  | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|--|----------------------|----------------------|-------------|
| Cash in hand and at banks                                    | 3,723                | 3,374                | 10          |
| Deposits with original maturities not exceeding three months | 78,318               | 65,278               | 20          |
| <b>Total</b>   | <b>82,041</b>        | <b>68,652</b>        | <b>20</b>   |

Increase in cash and cash equivalents by 20% were mainly due to higher profit from operation during the year 2020.

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 2. FINANCIAL POSITION AS AT 31 DECEMBER 2020 - GROUP (continued)

### 2.2 TOTAL LIABILITIES

| Liability type           | Note  | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|--------------------------|-------|----------------------|----------------------|-------------|
| Loans and Borrowings     | 2.2.1 | 103,706              | 119,377              | -13         |
| Deferred tax liabilities |       | 123,974              | 117,848              | 5           |
| Trade and other payables |       | 51,212               | 51,252               | -0.1        |
| Lease liabilities        |       | 2,543                | 2,042                | 25          |
| Current tax payable      |       | 7,483                | 2,084                | 259         |
| Dividend payable         |       | 13,952               | 0                    | 100         |
| <b>Total</b>             |       | <b>302,870</b>       | <b>292,603</b>       | <b>4</b>    |

Total liabilities increased by 4% from RM292.6 million in 2019 to RM302.9 million in 2020 principally due to increase in current tax payable and dividend payable.

#### 2.2.1 Loans and borrowings

| By type of facility |  | 31.12.2020<br>RM'000 | 31.12.2019<br>RM'000 | Change<br>% |
|---------------------|--|----------------------|----------------------|-------------|
| Term loans          |  | 83,789               | 99,853               | -16         |
| Revolving credits   |  | 13,200               | 10,000               | 32          |
| Hire purchase       |  | 6,717                | 9,524                | -29         |
| <b>Total</b>        |  | <b>103,706</b>       | <b>119,377</b>       | <b>-13</b>  |

# FINANCIAL REVIEW BY THE CHIEF FINANCIAL OFFICER

## 3. RATIO ANALYSIS - GROUP

|                            | 2020      | 2019     |
|----------------------------|-----------|----------|
| Liquidity                  |           |          |
| • Current Ratio            | 1.33      | 1.30     |
| Leverage                   |           |          |
| • Gearing                  | 18%       | 22%      |
| Profitability              |           |          |
| • Return on Assets (ROA)   | 7.0%      | 2.5%     |
| • Return on Equity (ROE)   | 10.5%     | 3.8%     |
| • Earnings per share (EPS) | 22.01 sen | 7.49 sen |
| Dividend                   |           |          |
| • Net Dividend per share   | 10 sen    | 5 sen    |
| • Dividend yield*          | 4.4%      | 2.4%     |
| Net assets per share       | RM2.09    | RM1.97   |

\* 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 2020.

The financial position of the Group remains healthy with the total assets of RM878.0 million and a total equity attributable to Owners of the Company of RM585.1 million.

Profitability of the Group for financial year 2020 has improved as compared to financial year 2019. Return on Assets (ROA) and Return on Equity (ROE) improved to 7.0% and 10.5% respectively. Earnings per share rose from 7.49 sen per ordinary share in 2019 to 22.01 sen per ordinary share in 2020.

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.

Following the notable improvements in the financial results for the current financial year, the Group's cash and cash equivalents increased by 20% and the gearing ratio declined from 22% to 18%. Current ratio of 1.33 is satisfactory as it indicates that the Group is able to meet its short term obligations. The Group has also taken 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 hire purchase to partly finance its capital expenditure and working capital. As of 31 December 2020, the debt-to-equity ratio is 0.18 which is below the loan covenant of 1.00.

# SUSTAINABILITY STATEMENT

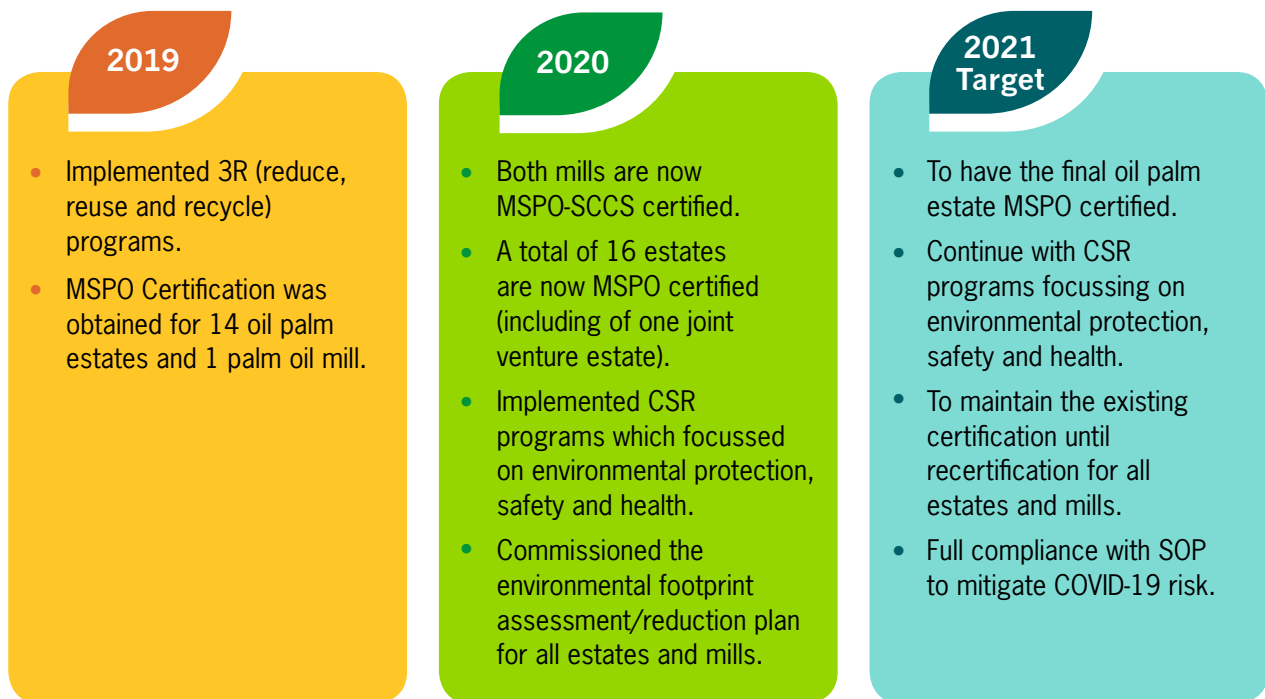
## 1. INTRODUCTION

### Our Approach to Sustainability

Sustainable practices are integrated into every aspect of our business activities. Our sustainability approach involves four pillars - environmental impact, working environment, marketplace engagement and community investment.

### Key Performance Highlight / Milestone

An overview of our achievements and progress is presented below, along with our targets for 2021.



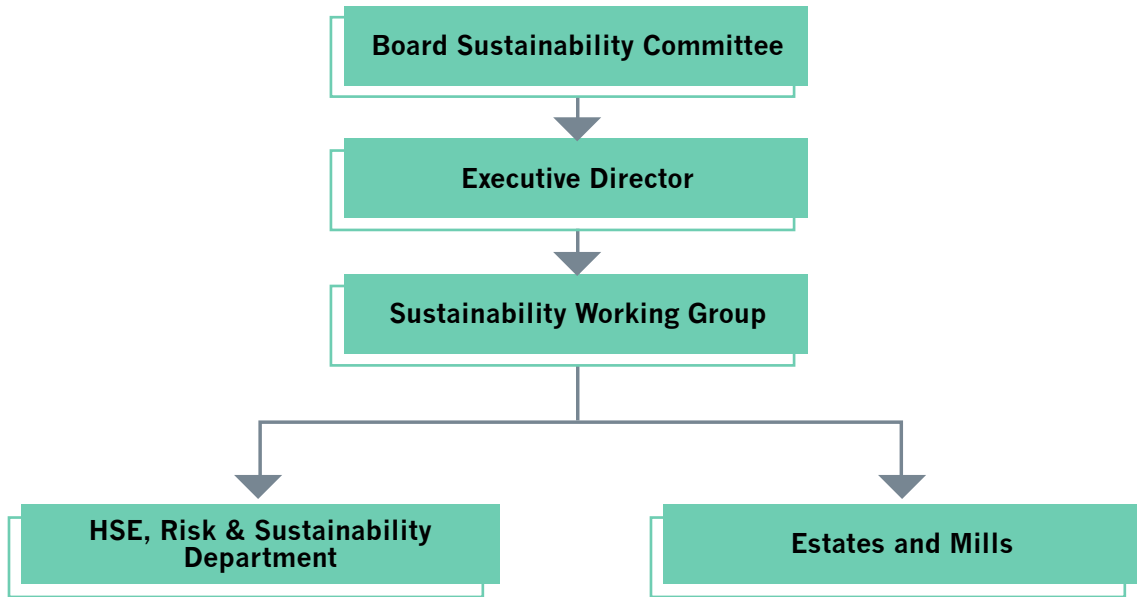
## 2. SUSTAINABILITY GOVERNANCE

The Board takes the lead role in overseeing sustainability matters of the Group. The Management led by the Executive Director formulates sustainability strategies and other material matters based on economic, environmental and social risks and opportunities that impact the Group. The strategies proposed are then further reviewed and endorsed by the Board Sustainability Committee, while the HSE, Risk & Sustainability Department together with estate and mill management, both an integral part of the management structure, implement sustainability strategies and programmes.

The rules and practices that govern our sustainability initiatives are built on transparency, fairness and accountability. The principles of good corporate governance are embedded in our policies and procedures to effectively and efficiently fulfil our sustainability responsibilities.

# SUSTAINABILITY STATEMENT

## 2. SUSTAINABILITY GOVERNANCE (continued)



## 3. MATERIALITY PROCESS

### Stakeholder Engagement

We recognise engagement with stakeholders as fundamental to the way we do business. We engage our stakeholders through multiple channels. Our key stakeholder groups have been identified and they include shareholders, employees, customers, local communities, government agencies, suppliers and contractors, and certification bodies. Our engagement approach is not only through formal meetings, but also informal means such as surveys, websites, social media and market research.

An overview of our engagement activities in the year 2020 and the issues/concerns raised are listed below:-

| Stakeholder  | Method of Engagement  | Issues/Concerns Raised in 2020   | Response to Issues and Outcomes  |
|--------------|---|--|--|
| Shareholders | <ul style="list-style-type: none"> <li>AGMs</li> <li>Corporate website</li> </ul> | <ul style="list-style-type: none"> <li>No issues were raised</li> </ul>  | <ul style="list-style-type: none"> <li>NA</li> </ul>   |
| Employees    | <ul style="list-style-type: none"> <li>Online training and meetings</li> </ul>    | <ul style="list-style-type: none"> <li>Company vision, strategy and direction</li> <li>Operational performance and productivity</li> <li>Anti Bribery and Anti Corruption</li> <li>Employee rights and well being</li> <li>Remuneration matters</li> <li>Health, safety and environment</li> </ul> | <ul style="list-style-type: none"> <li>Performance Review</li> <li>Briefing and training on sustainability, health and safety as well as sustainability direction</li> <li>Trainings and briefings on the effects of Section 17A MACC Act 2009 were carried out</li> <li>All staff were briefed and provided with the Company's Anti Bribery and Anti Corruption Policy</li> </ul> |

# SUSTAINABILITY STATEMENT

## 3. MATERIALITY PROCESS (continued)

### Stakeholder Engagement

| Stakeholder               | Method of Engagement  | Issues/Concerns Raised in 2020  | Response to Issues and Outcomes  |
|---------------------------|---|---|--|
| Local Communities         | <ul style="list-style-type: none"> <li>Regular telephone calls, text messages</li> <li>Meetings under strict SOPs</li> <li>Briefing on Company's policy and related procedures</li> <li>Volunteer programs</li> </ul> | <ul style="list-style-type: none"> <li>Community programme meeting</li> <li>Land-related matters</li> <li>Volunteerism</li> <li>Environmental impact</li> </ul>                 | <ul style="list-style-type: none"> <li>Encourage volunteerism and participation in community engagement amongst our employees</li> <li>Conduct continuous assessments such as Social Impact assessments</li> <li>Dialogues with locals under strict SOP</li> </ul> |
| Government Agencies       | <ul style="list-style-type: none"> <li>Meetings via video conference</li> <li>Correspondence via emails</li> <li>Support government transformation policies and initiatives</li> </ul>                                | <ul style="list-style-type: none"> <li>Compliance matters</li> </ul>  | <ul style="list-style-type: none"> <li>Enhance internal controls to ensure compliance</li> </ul>   |
| Customers                 | <ul style="list-style-type: none"> <li>Formal and informal briefings and meeting under strict SOPs</li> <li>Marketing plan via roadshows and events</li> </ul>  | <ul style="list-style-type: none"> <li>Product and service quality</li> <li>Health and safety</li> </ul>  | <ul style="list-style-type: none"> <li>Conduct continuous improvement activities towards enhancing customer experience and addressing customer needs</li> </ul>  |
| Suppliers and Contractors | <ul style="list-style-type: none"> <li>Contract/agreements</li> <li>Online meetings, emails, telephone calls</li> </ul>   | <ul style="list-style-type: none"> <li>Health and Safety</li> <li>Awareness on MSPO Standards</li> <li>Commitment towards MSPO requirements</li> <li>Anti Corruption</li> </ul> | <ul style="list-style-type: none"> <li>Provide continuous training to supplier and contractor on MSPO requirements</li> <li>Execution of Anti Corruption Declaration</li> </ul>  |
| Certification bodies      | <ul style="list-style-type: none"> <li>Remote Audit via video conference and Group WhatsApp</li> </ul>  | <ul style="list-style-type: none"> <li>Audit and certification</li> <li>Compliance with policies and latest changes in standards</li> </ul>                                     | <ul style="list-style-type: none"> <li>Audit report</li> <li>Management review meeting</li> </ul>  |

# SUSTAINABILITY STATEMENT

## 4. MANAGING MATERIAL SUSTAINABILITY MATTERS

Our sustainability performance is based on the four pillars of our approach to sustainability: environmental impact, working environment, marketplace engagement and community investment. It is explained in detail as follows:-

### *Environmental Impact*

SPB is committed to comply with all the applicable environmental laws and regulations. During the year under review, the Natural Resources and Environment Board conducted several site inspections to our oil palm estates. Sample of industrial effluent were collected to determine whether the quality of our palm oil mills' final discharge complies with the requirements. To date, all relevant reports have shown compliance with the applicable environmental requirements.

### *No Burning on Replanting*

As stated in our Sustainability Policy, no burning is allowed in all plantation activities, including replanting within the estates. For replanting which involves land clearing, the trunks are chipped along with the frond and stacked in the field so that they could decompose and subsequently be used as additional nutrients for the new plants. This contributes to soil fertility, limits agrochemical usage and also helps to reduce greenhouse gas emissions and air pollutions.



# SUSTAINABILITY STATEMENT

## 4. MANAGING MATERIAL SUSTAINABILITY MATTERS (continued)

### Waste Management

Scheduled waste generated from the operations are stored in a designated area and closely monitored. Only approved licensed providers by the Department of Environment are allowed to dispose waste as per regulation. As for carbon footprint and electricity consumption, we are committed to manage and reduce our energy usage, as well as to lower the impact of our operations on climate change. As a first step to address the impact on climate change, we record the usage of non-renewable energy in both our estates and mills.



### Working Environment

#### Workforce

As an employer, we want to be recognised as diverse and attractive by all, regardless of race, ethnicity or gender. In 2020, the breakdown of workforce in terms of race and gender is as follows:

#### Employees

|      | Race  |         |       | Gender |        |
|------|-------|---------|-------|--------|--------|
|      | Malay | Chinese | Dayak | Male   | Female |
| 2019 | 32%   | 9%      | 59%   | 72%    | 28%    |
| 2020 | 29%   | 11%     | 60%   | 70%    | 30%    |

#### Number of Women in Management Positions

|                           | Race  |         |       | Gender |        |
|---------------------------|-------|---------|-------|--------|--------|
|                           | Malay | Chinese | Dayak | Male   | Female |
| <b>Board of Directors</b> |       |         |       |        |        |
| 2019                      | 1     | -       | -     | 83%    | 17%    |
| 2020                      | 1     | -       | -     | 83%    | 17%    |
| <b>Management</b>         |       |         |       |        |        |
| 2019                      | 1     | 2       | -     | 40%    | 60%    |
| 2020                      | 1     | 2       | -     | 40%    | 60%    |
| <b>Executive</b>          |       |         |       |        |        |
| 2019                      | 6     | 2       | 9     | 82%    | 18%    |
| 2020                      | 6     | 5       | 8     | 79%    | 21%    |



# SUSTAINABILITY STATEMENT

## 4. MANAGING MATERIAL SUSTAINABILITY MATTERS (continued)

### Diversity and Equal Opportunities

At SPB, our employment policies and practices are inclusive and do not discriminate on the basis of gender, age, race or ethnicity. We also promote transparency between management and our employees through various open communication channels that strengthen inter-personal relationships in the workplace.

### Occupational Safety and Health

HSE is always the top priority for the Group and it is the target of the Group to ensure “Zero Harm to people, asset and to environment”. SPB’s Safety and Health policy safeguards our employees, customers, visitors and other relevant stakeholders against any unforeseen health and safety concerns. We fully comply with Malaysian laws when determining the composition of our Safety and Health Committees, which have representations from both management and non-management employees. During the year 2020, we conducted workplace risk assessment through Hazard Identification, Risk Assessment and Risk Controls (HIRARC). Our Emergency Response Plan provides the framework to respond to any occupational health or safety matters and environmental emergency incident in workplace.

SPB believes in a proactive approach in managing health and safety related issues. Our HSE, Risk and Sustainability Department continuously reviews the system that is in place, and if necessary, new measures are introduced to provide safer working conditions and/or minimise workplace accidents. SPB has also established a HSE Committee that has been tasked to improve safety conditions in all our operating units.

Training schedules are reviewed by our HSE, Risk and Sustainability Department on a regular basis. Workers and employees are assigned to relevant training schedules and are required to attend them. HSE annual training for the year 2020 are highlighted below:

| Name of training  | Content of training  | Frequency of training                                   | Attended by                |
|---|--|---|----------------------------|
| Awareness of Company policies and objectives (Safety and Health Policy) | Communicated and implemented Safety and Health Policy                  | Annually or upon recruitment                            | Staff and workers          |
| Awareness of Health, Safety and Environmental SOP                       | All HSE Standard Operating Procedures (SOP)/Safe Work Procedures (SWP) | Annually or where there are changes or upon recruitment | Staff and workers          |
| Basic First Aid and its inventory management                            | Basic First Aid and its inventory management                           | Annually  | Staff and workers          |
| HIRARC Awareness  | All HIRARC by work activity  | Annually or where there are changes or upon recruitment | Staff and workers          |
| Accident Investigation and Emergency Respond                            | Accident investigation and respond during emergency                    | Annually or where there are changes or upon recruitment | HSE Committee and ERT Team |

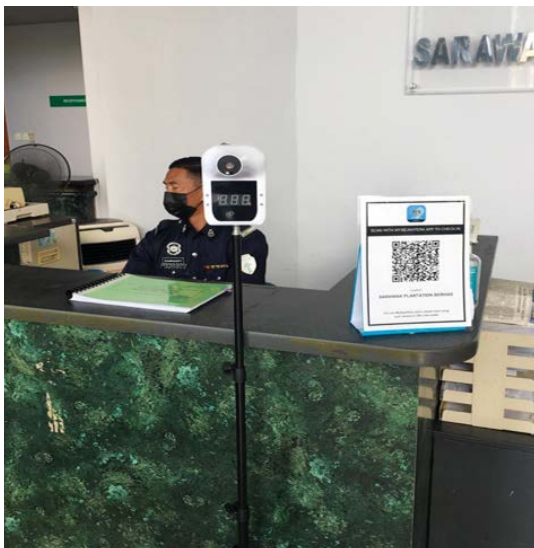
# SUSTAINABILITY STATEMENT

## 4. MANAGING MATERIAL SUSTAINABILITY MATTERS (continued)

### Business Continuity amid Covid-19 Pandemic

Despite the ongoing pandemic, business must go on but it is carried out under a new normal. SPB is committed to comply strictly with the SOP on COVID-19 established by the Kementerian Kesihatan Malaysia (KKM), Majlis Keselamatan Negara (MKN) as well as Jabatan Keselamatan Kesihatan Pekerja (JKKP/DOSH).

Control measures are taken seriously at all times. With no exception, employees and visitors scan SPB MySejahtera code before entering all SPB's premises, have their temperature checked at the entrance, wear face masks and practice social distancing within the office. They are also reminded to wash their hands frequently or sanitize them where washing of the hands is not convenient. A record of all incoming visitors is also kept in the Visitors' Log-book. For the employees' further awareness, the Company also distributes Circulars, Alerts, Posters and Reminders relating to COVID-19 matters constantly.



# SUSTAINABILITY STATEMENT

## 4. MANAGING MATERIAL SUSTAINABILITY MATTERS (continued)

### *Marketplace Engagement*

#### *Ethics*

SPB is committed to conducting its businesses in compliance with laws and regulations. A code of ethical conduct, which is included in our Employee Handbook sets out the standards of conduct and personal behaviour our employees are required to observe to ensure that the Group's commitment is upheld. With the coming into effect of Section 17A MACC Act 2009, the Company's Anti Bribery and Anti Corruption Policy has been put in place and the prohibition of anti bribery and anti corruption practices has been incorporated into the Employee Handbook.

SPB believes in operating its businesses based on the highest level of integrity, transparency, ethics and accountability and is against corruption in all forms. We have in place a grievance procedure to handle all complaints raised by employees and external parties on any misconduct. All complaints are investigated and such breaches may lead to disciplinary measures, including dismissal.

### *Community Investment*

SPB endeavours to invest into the local communities in the areas of social, environmental and culture. Amongst the things carried out were donations, hampers and assistance in road repair and maintenance for the local communities. As part of its social responsibility, the Group also provided face masks and hand sanitizers to schools.

#### *Other Community Projects*

Due to the restrictions imposed by the State of Sarawak to contain the spread of COVID-19, many activities could not be carried out in year 2020. However, SPB still remembered the underprivileged and marginalised communities. The Group celebrated the main festivals with the nearby communities by distributing festive goodies and fulfilling some of their wishes.

### *Towards Improvement of Sustainability Commitment*

SPB continues to support sustainable practices in all levels of its operation and business undertakings. Through our commitment, we hope to preserve environmental, social and economic values that are fundamental for our society and important to our long-term value creation. Moving forward, the Company will maintain adherence to its policies on environment, labour and human rights, anti-corruption as well as sustainable economic development.

# 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 2020.

## 1. MEMBERS AND MEETINGS

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

| No. | Name   | Status of Directorship                           | Independent | Appointment/Resignation    |
|-----|--|--|-------------|----------------------------|
| 1   | Datu Haji Soedirman bin Haji Aini                              | Chairman - Independent<br>Non Executive Director | Yes         | Appointed on 27 March 2019 |
| 2   | Ali bin Adai   | Member - Independent<br>Non Executive Director   | Yes         | Appointed on 24 April 2013 |
| 3   | Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) | Member - Independent<br>Non Executive Director   | Yes         | Appointed on 27 March 2019 |

During the financial year, the Committee conducted 7 meetings. The details are as follows:-

| No. | Name   | No. of Meetings Attended | Attendance |
|-----|--|--------------------------|------------|
| 1   | Datu Haji Soedirman bin Haji Aini                              | 7/7                      | 100%       |
| 2   | Ali bin Adai   | 7/7                      | 100%       |
| 3   | Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) | 7/7                      | 100%       |

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

The details of the Committee Members' profiles are found in the Board of Directors section of this Annual 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 authorized 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.

# AUDIT COMMITTEE'S REPORT

## 2. SUMMARY OF WORK (continued)

### ii. Internal Control and Statutory Compliance

- Reviewed the existing Internal Audit Charter and approved the updated version for implementation;
- 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, 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 relative of its plan and other matters;
- Evaluated and appraised the performance of the Internal Audit Manager.
- Made inquiries of the Management and the Internal Audit Manager to determine appropriateness of audit scope and ensured adequacy of resources;
- Ensured the internal audit 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 Standard Board (MASB).
- Met independently with the external auditors.

## 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:

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

The Internal Audit Manager is responsible for the organizational independence of the internal audit activity. 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 2020 amounted to RM302,232.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors remains committed to maintaining high standards of good corporate governance practices in the discharge of its duties and responsibilities towards the Company and its shareholders. The Board believes that good governance practices protect and enhance shareholders' value and financial performance of the Company. It also provides sustainability to the business.

This Overview Statement conveys how the Company has put in practice the principles and practices issued under the Malaysian Code of Corporate Governance (the Code) in respect of the financial year ended 31 December 2020. The Board will constantly review its conduct, processes and procedures in order to adhere to the Code.

The details of how the Code was applied during the financial year under review are set out in the Corporate Governance Report and is published on the Company's website at [www.spbgroup.com.my](http://www.spbgroup.com.my).

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is collectively responsible for the overall governance of the Group. It sets the vision and the strategies of the Company to achieve long term success and ultimately enhance shareholders' value and investors' confidence but without compromising good corporate governance practices.

To achieve the above, the Board sets the framework within which the Group shall operate, in particular, the areas of corporate governance, anti corruption, sustainability, internal controls, risk management, succession planning, business and investment strategies. The Board converges its diverse expertise and experience to render advice and mentoring to the Company to realise its visions and strategies.

With 24 years of experience, the Chairman of the Board is well versed in the oil palm sector. Hence, he is well qualified to lead the Board in the vision, strategic direction and business development of the Company. Hand in hand with independent directors of differing background on board, he can also be guided by their knowledge thus providing balance in the decision making process of the Board.

The Chairman is also the driver of the good governance practices within the Board and the Group. The Chairman ensures that information received by the Directors are complete, accurate and timely so that decisions made are based on the right premise.

The Chairman presides over every board meeting and ensures that the directors' opinions are heard. He allows sufficient time for each agenda to be deliberated and provides every director opportunity to actively participate in all discussions.

Key areas reserved for the Board's approval include the annual budget, dividend declaration, capital 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 Board Charter embodies the full details of the roles and responsibilities of the Board. It is available on the Company's website at [www.spbgroup.com.my](http://www.spbgroup.com.my). The Board Charter is reviewed periodically or as and when necessary so that it remains relevant to the expectations of the investing public and the shareholders of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

### I. Board Responsibilities (continued)

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

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

Prior to 25 March 2021, the Nomination Committee and the Remuneration Committee were joint and were known as the Remuneration and Nomination Committee.

These committees review matters within their terms of reference but the ultimate responsibility for the final decision rests with the Board.

The positions of the Chairman and the Executive Director / Chief Executive Officer are held by 2 different individuals with clear delineation of duties.

While the Board sets the policies and strategies, the implementation and management of the day to day administration and operation of the Group is delegated to the Executive Director and the Key Management Personnel. The Executive Director and the Key Management Personnel carry out the directives of the Board but are subject to the control of the Board.

In year 2020, the Executive Director and the Key Management Personnel were constrained by the COVID-19 pandemic and could not meet physically for the monthly field visits, operation meetings and financial meetings for a better part of the year. But by means of various online platforms, emails, telephone calls and text messages, the Executive Director and Key Management Personnel continued to meet and discussed operational and financial issues. The inability to meet physically did not have any negative impact on the performance of the Group. Instructions were still effectively communicated to the staff and issues continued to be addressed and resolved swiftly. The Executive Director, Key Management Personnel and staff weathered the challenging year with sheer perseverance and determination and overcame the obstacles to achieve success.

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. To further enhance good governance, the Anti Bribery and Anti Corruption Policy, Whistle Blowing Policy, Safety and Health Policy, Environmental and Biodiversity Policy, Social Policy, Sustainability and Succession Planning Policy have also been established.

Sustainable practices are inherent across all segments of the business operations of the Group, particularly at the estates and the mills. The Management Discussion and Analysis section and the Sustainability Statement set out in this Annual Report give further details on 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, compliance, accountability and transparency.

The Company Secretary also attends all Board and Board Committee meetings and takes the minutes of these meetings. These minutes are circulated to the directors on the same day as the day the meetings are held.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

### I. Board Responsibilities (continued)

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                              | - Naim Corporate Retreat (What's Forward in Changing Time)  |
| Dato Wong Kuo Hea  | - None attended due to exigencies of work   |
| Hasmawati binti Sapawi   | - Corporate Directors' Training Programme Fundamental 3.0 + Cyber Security Awareness  |
| Datu Haji Soedirman bin Haji Aini                              | - ACI Virtual Roundtable 2020<br>- Anti Money Laundering, Anti Terrorism Financing and Corporate Liability under MACC Act<br>- Fraud Risk Management Workshop |
| Ali bin Adai   | - ACI Virtual Roundtable 2020   |
| Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) | - ACI Virtual Roundtable 2020<br>- Fraud Risk Management Workshop   |
| Chia Chu Fatt<br>(Appointed on 5 April 2021)                   | - n/a   |

### II. Board Composition

The Board is comfortable with its size and level of effectiveness. The diverse background of the 7 members on Board gives it a right mix of skills, knowledge, experience and independence to maintain the Company on a competitive edge. The profile of each of the Directors is set out in this Annual Report.

The different background of the directors allows various perspectives of any proposal put before the Board to be adequately considered thus leading to a balanced decision. 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, more than half the Board comprises of independent directors.

The Board is aware that the Code prescribes that the tenure of an independent director should not exceed a cumulative term limit of 9 years. The Company currently does not have any independent director who has served more than a cumulative term limit of 9 years.

The Board Charter stated that the tenure of an independent director may not exceed a cumulative term of 9 years. Upon completion of the 9 years, if an independent director continues to serve on the Board, it will be in the capacity of a non-independent director. If the Board intends to retain an independent director beyond 9 years, it will justify and seek annual shareholders' approval. If the Board continues to retain the independent director beyond the 12th year, it will seek shareholders' approval annually through a 2 tier voting process.

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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

### II. Board Composition (continued)

Below shows the details of the attendance of all the directors at Board Meetings held in 2020:

| Name of Director   | Designation                            | Meetings Attended |     |
|--|--|-------------------|-----|
|  |  | Number            | (%) |
| Datuk Amar Abdul Hamed bin Sepawi                              | Executive Chairman                     | 4/4               | 100 |
| Dato Wong Kuo Hea  | Executive Director                     | 4/4               | 100 |
| Hasmawati binti Sapawi   | Non Independent Non Executive Director | 4/4               | 100 |
| Datu Haji Soedirman bin Haji Aini                              | Independent Non Executive Director     | 4/4               | 100 |
| Ali bin Adai   | Independent Non Executive Director     | 4/4               | 100 |
| Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) | Independent Non Executive Director     | 4/4               | 100 |
| Chia Chu Fatt (Appointed on 5 April 2021)                      | Independent Non Executive Director     | n/a               | n/a |

Members of the Board and Key Management Personnel are appointed after thorough assessment by the Remuneration and Nomination Committee through a formal and transparent process. The Remuneration and Nomination Committee will make its recommendation to the Board on the suitability of the candidates and the Board will have the final say in the appointment of the candidate.

In assessing a potential candidate, the Remuneration and Nomination Committee will take the following factors into account:

- Skills, knowledge, expertise and experience;
- Professionalism;
- Character and integrity;
- Potential to contribute to achieve the Company's goal and objectives; and
- Where candidates are to be appointed as Independent Non Executive Directors, the Remuneration and Nomination Committee will also assess the candidates' ability to discharge his/her responsibilities as required of an Independent Non Executive Director.

As a potential candidate must possess the above qualities, the Board has not established a formal policy on gender, ethnicity and age group thus far. The Board believes that the Group is not disadvantaged in any manner without this policy as it is committed to provide fair and equal opportunities to all.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

### II. Board Composition (continued)

On 25 March 2021, the Board resolved that the Remuneration and Nomination Committee be separated into 2 committees, namely the Nomination Committee and Remuneration Committee. Hence with effect from 25 March 2021, the above role is performed by the Nomination Committee.

The Nomination Committee comprises exclusively of non executive directors, the majority of whom are independent. They are:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Hasmawati binti Sapawi (Member).

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

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

- a. 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;
- b. Reviewed the adequacy of the skills of the Directors such that the Board can carry out its duties effectively; and
- c. Reviewed the appointment of the new Independent Non Executive Director.

### III. Remuneration

The Remuneration and Nomination Committee was established on 1 May 2007. It has in place remuneration policies which attract, maintain and retain a set of Directors and Key Management Personnel of requisite caliber to move the Company towards greater prospects and growth.

On 25 March 2021, the Board resolved that the Remuneration and Nomination Committee be separated into 2 committees, namely the Remuneration Committee and the Nomination Committee.

The Remuneration Committee comprises a majority of independent directors. They are:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Dato Wong Kuo Hea (Member).

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

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

- a. Reviewed the remuneration of the Executive Directors and the Key Management Personnel.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

### III. Remuneration

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

|   | Directors' fees |                    | Meeting allowance |                    | Salaries           | Other benefits     | Total   |
|---|-----------------|--------------------|-------------------|--------------------|--------------------|--------------------|---------|
|   | Company<br>RM   | Subsidiaries<br>RM | Company<br>RM     | Subsidiaries<br>RM | Subsidiaries<br>RM | Subsidiaries<br>RM |         |
| Datuk Amar Abdul Hamed Bin Sepawi (Executive Chairman)  | 81,750          | 34,000             | 2,500             | -                  | 402,000            | 33,500             | 553,750 |
| Dato Wong Kuo Hea (Executive Director)  | 81,750          | 22,000             | 500               | -                  | -                  | 240,000            | 344,250 |
| Hasmawati Binti Sapawi (Non Independent Non Executive Director)                                     | 81,750          | -                  | 500               | -                  | -                  | -                  | 82,250  |
| Datu Haji Soedirman bin Haji Aini (Independent Non Executive Director)                              | 81,750          | 18,000             | 4,000             | -                  | -                  | -                  | 103,750 |
| Ali bin Adai (Independent Non Executive Director)   | 81,750          | 2,000              | 4,500             | -                  | -                  | -                  | 88,250  |
| Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Independent Non Executive Director) | 81,750          | -                  | 2,000             | -                  | -                  | -                  | 83,750  |
| Chia Chu Fatt (Independent Non Executive Director) (Appointed on 5 April 2021)                      | n/a             | n/a                | n/a               | n/a                | n/a                | n/a                | n/a     |

The Company's directors' remuneration was approved by the shareholders at the 23rd Annual General Meeting of the Company held on 29 July 2020.

# 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, Datu Haji Soedirman bin Haji Aini.

The Audit Committee comprises exclusively of independent directors, namely:

- a. Datu Haji Soedirman bin Haji Aini (Chairman);
- b. Ali bin Adai (Member); and
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member).

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 3 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 as set out in this Annual Report. The Terms of Reference of the Audit Committee are found on the Company's Website.

### II. Risk Management and Internal Control Framework

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 risk areas which include business, corruption, business continuity, 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 4 directors, namely:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Datuk Amar Abdul Hamed bin Sepawi (Member).

The Risk Management Committee meet twice during the year to review the Group's risk profile. It paid closer attention to risk areas like corruption and business continuity in view of the coming into force of Section 17A MACC Act and the COVID-19 pandemic which impacted business continuity and sustainability.

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 as set out in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

### I. Communication with Stakeholders

Recognizing 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 online discussions, announcements through Bursa Link and disclosures on the Company's website. Due to the COVID-19 pandemic, face to face discussions and estate and mill visits were suspended. These will resume when they are allowed.

Further the investing community, comprising individuals, analysts, fund managers and other stakeholders also engage with the Company's representatives on a regular basis through telephone calls or other online platforms. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Company. Such discussions 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 means used by the Board to disseminate information on major corporate developments and events and also a forum 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 25 March 2021.

# 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 a risk management framework which is an ongoing process for identifying, evaluating and managing the 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 & FRAMEWORK

The Group established its Risk Management Policy and Framework in 2008. The Group's approved Risk Management Policy and Framework outline the policies and procedures for implementing, reviewing, evaluating and monitoring the risk profile of the Group.

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

The Group's Risk Management Policy and Framework are applied and implemented in the routine day to day processes at all levels of the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTERNAL CONTROLS

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

- **Authority and Responsibilities**

There is a defined organization 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, administration, procurement, corruption 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.

In view of the exceptional circumstances in 2020 whereby the Group was not spared the effects of the COVID-19 pandemic, the physical monthly operational meetings and visits could not be conducted. In its place, the Management carried out online meetings, discussions via video and phone calls and exchanges through emails. The Management also leveraged on technology, eg. drones, to monitor conditions in the field and also to identify key operational issues. It is undeniable that the restrictions imposed by the COVID-19 pandemic made operation difficult but it was not impossible. The Management overcame the obstacles and the Group performed well despite it all. Through these new normal communication methods, the Executive Director and the Management continued to engage with the staff. When the situation eased a little towards the end of 2020, physical visits and meetings in smaller groups were conducted but it was with strict adherence to the Standard Operating Procedures issued by the Sarawak Government.

Monthly financial meetings continued to be conducted by the Management via the various online platforms to review and analyse the financial performance.

## INTERNAL AUDIT AND BOARD AUDIT COMMITTEE

The Internal Audit Department reports directly, on a quarterly basis, to the Board Audit Committee on 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 operational audit function is handled by the Operational Audit Department which reports directly to the Chief Operating Officer.

The Board Audit Committee receives reports from both internal and external auditors. The Audit Committee 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 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.

The Board has received assurance from the Executive Director, the 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 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 2020 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 25 March 2021.