

# 2009

ANNUAL REPORT



**NPC** Resources Berhad (502313-P)



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# Notice Of The Tenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Friday, 25 June 2010 at 11.00 am to transact the following business:

## AGENDA

### ORDINARY BUSINESS

- |    |  |  |
|----|--|--|
| 1. | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon.  | <b>Resolution 1</b>                        |
| 2. | To declare a final single tier dividend of 3.0 sen per share in respect of the financial year ended 31 December 2009.  | <b>Resolution 2</b>                        |
| 3. | To consider and if thought fit, to pass the following resolutions:<br><br>" That pursuant to Section 129(6) of the Companies Act, 1965, the following directors be and are hereby re-appointed as Directors of the Company to hold office until the conclusion of the next Annual General Meeting:<br><br>a) Mr Loo Ngin Kong<br>b) Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood " | <b>Resolution 3</b><br><b>Resolution 4</b> |
| 4. | To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:<br><br>a) Dato' Loo Pang Kee<br>b) Mr Lim Ted Hing  | <b>Resolution 5</b><br><b>Resolution 6</b> |
| 5. | To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2009.   | <b>Resolution 7</b>                        |
| 6. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>Resolution 8</b>                        |



## Notice Of The Tenth Annual General Meeting (cont'd)

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution:

#### **Resolution 9**

##### **Ordinary Resolution**

##### **Authority to issue shares pursuant to Section 132D, Companies Act, 1965**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. "

8. To consider and if thought fit, to pass the following resolution:

#### **Resolution 10**

##### **Ordinary Resolution**

##### **Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

" THAT, approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of the Circular to Shareholders dated 3 June 2010 with the related parties described therein provided such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

## Notice Of The Tenth Annual General Meeting (cont'd)

THAT, such approval shall continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- (c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT the directors be and are hereby authorized to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution. "

9. To consider and if thought fit, to pass the following resolution:

### **Resolution 11**

#### **Ordinary Resolution**

#### **Proposed Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Issued And Paid Up Share Capital**

" THAT subject to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all other applicable laws, rules, regulations, and orders and the approvals of all relevant regulatory authorities, the Company is hereby authorized to purchase and/or hold such amount of ordinary shares of RM1.00 each ("Shares") in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid up share capital of the Company and that an amount of the funds not exceeding the retained profits of the Company, be utilized for Share buy-back ("Proposed Share Buy-Back Authority");

AND THAT such Shares purchased may be retained as treasury shares and/or distributed as dividends and/or resold on the market of Bursa Securities and/or be cancelled, as the Directors may deem fit and expedient in the interest of the Company;



## Notice Of The Tenth Annual General Meeting (cont'd)

AND THAT such authority hereby given shall take effect immediately and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by a resolution passed by the Shareholders in a general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors be hereby authorised to do all such acts and things as may be required by the relevant authorities (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation. "

10. To consider and if thought fit, to pass the following Resolution:

### **Resolution 12**

#### **Special Resolution**

#### **Proposed Amendment to the Articles of Association in relation to eDividend**

" THAT the existing Article 176 be deleted in its entirety and that the following new Article 176 be adopted:

- Article 176. Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the holder or by directly crediting the shareholders' dividend entitlements into their bank accounts as provided to the Depository from time to time. Every such cheque or warrant or direct crediting shall be made payable to the order of the person to whom it is sent. Where the shareholders have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts. Every such cheque or warrant or direct crediting shall be sent or made at the risk of the person entitled to the money thereby presented. "
- Payment by post and discharge

## Notice Of The Tenth Annual General Meeting (cont'd)

11. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board  
**NPC Resources Berhad**

**Dorothy Luk Wei Kam (MAICSA 7000414)**  
**Tan Yun Su (MIA 8095)**  
Company Secretaries

Kota Kinabalu, Sabah  
Dated: 3 June 2010

### Notes:

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company.
- b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.
- d) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

### Explanatory Notes On Special Business

- (a) **Ordinary Resolution Pursuant To The Proposed Authority To Directors To Issue New Shares Under Section 132D Of The Companies Act, 1965**

The proposed Resolution No. 9, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 25 June 2009. The Company did not utilize the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.



## Notice Of The Tenth Annual General Meeting (cont'd)

**(b) Ordinary Resolution In Relation To The Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

The proposed Resolution No. 10, if passed will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to the Circular to Shareholders dated 3 June 2010 for more information.

**(c) Ordinary Resolution In Relation To The Proposed Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Issued And Paid Up Share Capital**

The proposed Ordinary Resolution 11, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding ten percent (10%) of its issued and paid up share capital from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to the Circular to Shareholders dated 3 June 2010 for more information.

**(d) Special Resolution In Relation To The Proposed Amendment To The Articles of Association**

The proposed Special Resolution 12, if passed, shall amend the Company's Articles of Association in line with the amendments in the Listing Requirements of Bursa Malaysia Securities Berhad in relation to eDividend.

## Statement Accompanying Notice Of Tenth Annual General Meeting

1. The Directors who are standing for re-appointment and re-election at the Tenth Annual General Meeting are:
  - (a) Mr Loo Ngin Kong
  - (b) Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood
  - (c) Dato Loo Pang Kee
  - (d) Mr Lim Ted Hing
2. The details of the abovementioned Directors who are standing for re-appointment or re-election are disclosed in the Directors' Profiles appearing on pages 10 to 12. The abovementioned Directors' interests in shares of the Company are disclosed under Shareholding Statistics on page 111.





## Corporate Information

### BOARD OF DIRECTORS

Loo Ngin Kong  
*(Executive Chairman)*  
Dato' Seri Tengku Dr Zainal Adlin Bin  
Tengku Mahamood  
*(Independent Non-Executive Deputy Chairman)*  
Dato' Loo Pang Kee  
*(Executive Director/Group Managing Director)*  
Wong Siew Ying  
*(Executive Director)*  
Lim Ted Hing  
*(Independent Non-Executive Director)*  
Dr Edmond Fernandez  
*(Independent Non-Executive Director)*  
Dato' Sri Koh Kin Lip, JP  
*(Non-Independent Non-Executive Director)*  
Tan Vun Su  
*(Executive Director)*

### AUDIT COMMITTEE

Lim Ted Hing  
*(Chairman)*  
Dr Edmond Fernandez  
*(Member)*  
Dato' Koh Kin Lip  
*(Member)*

### COMPANY SECRETARIES

Dorothy Luk Wei Kam  
(MAICSA 7000414)  
Tan Vun Su  
(MIA 8095)

### REGISTERED OFFICE

Lot 9, T3  
Taman Tshun Ngen  
Mile 5, Jalan Labuk  
90000 Sandakan, Sabah  
Tel : 089-274488  
Fax : 089-226711

### SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.  
Block D13, Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301, Petaling Jaya, Selangor

Tel : 03-78418000  
Fax : 03-78418008

### INDEPENDENT AUDITORS

Ernst & Young  
Chartered Accountants  
16th Floor, Wisma Khoo Siak Chiew  
Jalan Buli Sim Sim  
90000 Sandakan  
Sabah

### PRINCIPAL BANKERS

RHB Bank Berhad  
CIMB Bank Berhad  
Public Bank Berhad  
Hong Leong Bank Berhad

### SOLICITORS

M.F. Poon, Hiew & Associates  
Advocates & Solicitors  
Mezzanine Floor, Lot 1 & 2,  
Block B, Taman Grandview,  
Jalan Buli Sim-Sim.  
90000 Sandakan, Sabah

### STOCK EXCHANGE LISTING

Main Board of the  
Bursa Malaysia Securities Berhad

## Directors' Profile

**LOO NGIN KONG**, a Malaysian citizen, aged 73, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 30 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

**DATO' SERI TENGKU DR. ZAINAL ADLIN BIN TENGKU MAHAMOOD**, a Malaysian citizen, aged 70, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management, and in 1995 was conferred Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot in the late fifties and early sixties. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service and had served in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded from the Home and Diplomatic Service to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the newly formed Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director, Group Deputy Managing Director and Corporate Advisor. He is the appointed Chairman of the Sabah Tourism Board by the Sabah State Government since May 2000 to date. He is the Vice President Emeritus and Past Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

**DATO' LOO PANG KEE**, a Malaysian citizen, aged 41, was appointed as Group Managing Director of NPC on 31 January 2002. He is an alumnus of Harvard Business School. He has over twenty (20) years of working experience in the field of plantation-based activities. His responsibilities include overseeing the overall management activities of the Group, the expansion of the Group's business ventures and the formulation and implementation of the Group's business strategies. In 2007, he completed the Executive Education - Owner/President Management Program organised by Harvard Business School, the United States of America. He is the son of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.



## Directors' Profile (cont'd)

**WONG SIEW YING**, a Malaysian citizen, aged 56, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the expansion of the NPC group of companies over the last 20 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, she has no other conflict of interest with the Company. She has never been convicted for any offence within the past 10 years. She attended all the five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

**LIM TED HING**, a Malaysian citizen, aged 55, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of public accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad, a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. Other than his business interest in Tekala Group, he also sits on the board of several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

**DR. EDMOND FERNANDEZ**, a Malaysian citizen, aged 55, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura Sdn. Bhd. ("KESB") and he was appointed as the Director of KESB in 1995. In 2001, he obtained his Licentiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmaster Club. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

## Directors' Profile (cont'd)

**DATO' SRI KOH KIN LIP, JP**, a Malaysian citizen, aged 61, was appointed as the Non-Independent Non-Executive Director of NPC on 12 July 2007. He was subsequently appointed as an Audit Committee member on 27 February 2008. He received his early education in Sabah prior to his pursuit of higher education in Plymouth Polytechnic, United Kingdom. Upon completion, he was awarded a Higher National Diploma in Business Studies and a Council's Diploma in Management Studies. He returned to Malaysia in 1977 and joined The Standard Chartered Bank, Sandakan as a trainee assistant. In 1978, he joined his family business and was principally involved in administrative and financial matters of the family business. In 1985, he assumed the role as a Chief Executive Officer for the family business. In 1987 he was pivotal and instrumental in the formation of Rickoh Holdings Sdn. Bhd., the flagship company of the family business which engaged in various core business activities ranging from properties investments, properties letting, securities investments, oil palm plantations, sea and land transportation for crude palm oil and palm kernel, information technology, property development, hotel business, trading in golf equipment and accessories, and quarry operations. He is also involved in similar enterprises in his personal capacity with some of his business associates. He is holding numerous directorships in most of these companies. He also sits on the boards as a non-independent non-executive director of Malaysia AE Models Holdings Berhad, a company listed on the Main Market of Bursa Malaysia and H-Display (MSC) Berhad, a company listed on the ACE Market of Bursa Malaysia and as an independent non-executive director of Daya Materials Berhad, a company listed on the ACE Market of Bursa Malaysia and Cocoland Holdings Berhad, a company listed on the Main Market of Bursa Malaysia. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.

**TAN VUN SU**, a Malaysian citizen, aged 43, was appointed as Executive Director of NPC on 7 November 2008. He joined the NPC Group in October 1998 as Group Accountant. After completing his G.C.E. 'A' Level at Raffles Junior College, Singapore in 1986, he returned to Malaysia and joined KPMG, Sandakan Office as an audit trainee in 1987. He obtained his professional qualification in Accountancy with the Malaysian Association of Certified Public Accountants ("MACPA") in June 1992. He is also a member of the Malaysian Institute of Accountants. In 1987, he started his career with KPMG as an audit trainee by signing a four (4) year articleship with the firm to undertake the professional examinations of MACPA. He has about seven (7) years of audit working experience serving a wide variety of clients and was seconded to KPMG, Kuala Lumpur Office from 1990 to 1991 to gain more audit exposure. In 1994, he joined Coopers and Lybrand, Kota Kinabalu as an Assistant Audit Manager before joining Sabah Shipyard Sdn. Bhd., Labuan as Accountant in 1995. In 1997, he joined TimberMaster Timber Complex (Sabah) Sdn. Bhd. as Accountant where he was in charge of the finance and account department prior to joining the NPC Group of companies. He is currently overseeing the finance and accounting functions of the NPC Group. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2009 to 31 December 2009.



## Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Financial Statements for the Group and also the Company for the financial year ended 31 December 2009.

### BACKGROUND

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), provision of transportation services, property letting, fish rearing and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

The Group currently operates approximately 8,774 hectares of plantation land and two palm oil processing mills which have a combined production capacity of 120 tonnes of FFB per hour, all of which are located in the state of Sabah. The palm oil processing mills owned by the Group are located at Kilometre 87, Sandakan-Lahad Datu Highway, Segaliud Lokan in the district of Kinabatangan ("SROPP mill") and at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

Todate, the Group has proposed to acquire 27,650 hectares of plantation land in Kalimantan Timur, Indonesia, 8,482 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates").

### INDUSTRY TREND AND DEVELOPMENT

The year 2009 was a challenging one for the Malaysian palm oil industry amid the lingering effects of a weak global economy and issues on sustainability and environment associated with oil palm cultivation. Nevertheless, the industry still remains resilient, recording a satisfactory performance with exports of oil palm products rising by 2.9%, although export earnings declined by 24.0% to reach RM 49.6 billion because of the relatively lower oil palm product prices traded in 2009.

The total oil palm planted area in the country increased by 4.5% to 4.69 million hectares in 2009. Among the regions, Sarawak registered the largest increase in planted area with a growth of 12.8%, followed by Peninsular Malaysia 3.3% and Sabah 2.1%. Sabah is still the largest oil palm planted State, accounting for 1.36 million hectares or 29% of the total planted area in the country.

Crude palm oil (CPO) production declined by 1.0% to 17.56 million tonnes. Production was affected by the biological stress from the bumper production of the previous year and the effects of heavy rainfall early this year in Sabah and Sarawak, which curbed the output of fresh fruit bunches (FFB). The national average FFB yield per hectare fell 4.9% to 19.2 tonnes. On a regional basis, Sabah was the worst affected with average FFB yields declining by 8.1%, followed by Sarawak 5.7% and Peninsular Malaysia 1.4%. However, good agricultural and milling practices saw improvements in the average oil extraction rate (OER) achieved, which rose to 20.49% as against 20.21% in 2008. All in all, the average oil yield per hectare declined by 3.7% to 3.93 tonnes on account of lower FFB yields.

## Chairman's Statement (cont'd)

CPO prices traded at RM2,241.50/tonne during the first half of the year, supported by positive sentiments related to higher crude oil prices and supply tightness of vegetable oils in the world market as well as the low domestic palm oil stocks. However, during the second-half of the year bearish sentiments prevailed in the market influenced by the sharp decline in crude oil price as well as that of other vegetable oils prices, coupled with high palm oil stocks and fears of a continued global recession. This resulted in the monthly average CPO price declining below the RM 2,200/tonne level since September, 2009. The average CPO price in 2009 decreased by 19.2% or RM533.00 to RM2,244.50 against RM2,777.50 in the previous year. Palm oil prices traded quite widely during the year, with the highest monthly average CPO price recorded in May at RM2,743.50 and the lowest attained in January at RM1,842.00.

The average price of palm kernel in 2009 declined by 35% or RM577.00 to RM1,070.00 from RM1,647.00 in the previous year because of lower CPKO prices in the domestic market. The average price of CPKO declined by 31.9% or RM1,095.50 to RM2,341.50 from RM3,437.00 in the previous year as a result of lower lauric oil prices in the world market. In the case of FFB, its average price at 1% OER was down by 25% to RM22.62 from RM30.16 in the previous year in tandem with lower CPO and PK prices. Based on the national OER, the average price of FFB in 2009 is equivalent to RM465/tonne as against RM610/tonne in the previous year.

CPO production is forecast to rise by 3.1% to 18.1 million tonnes in 2010 because of a recovery in FFB yields and an expansion in matured area. The outlook for palm oil prices continues to remain strong in view of the global oils and fats tightness, coupled with the increase in vegetable oils demand amid improving global economic situation.

(Source: Overview of the Malaysian Oil Palm Industry 2009 by the MPOB)

### GROUP PERFORMANCE

For the financial year ended 2009, the average CPO price realised by the Group was RM2,367 per tonne representing a 17% decline as compared to RM2,855 per tonne realised in 2008 and the average palm kernel (PK) price realised was RM1,010 per tonne, representing a 36% decline as compared to RM1,579 per tonne realised in 2008. The Group achieved total CPO production of 114,733 tonnes and PK production of 27,333 tonnes for the financial year ended 2009 as compared to the CPO production of 117,387 tonnes and PK production of 27,233 tonnes in 2008. The total FFB processed by the Group for 2009 was 538,743 tonnes as compared to 564,291 tonnes in previous financial year. The lower CPO production and lower average CPO and PK price realised contributed to a lower Group turnover of RM314,646,693 for 2009 as compared to RM401,755,051 for 2008.

The CPO and PK extraction rates of the Group for 2009 had improved to 21.30% and 5.07% for 2009 as compared to 20.80% and 4.83% respectively for 2008. However, the decline in CPO and PK average price realised and the decline in FFB production from the Group's plantations contributed to lower profit after tax of RM36,902,496 recorded for 2009 as compared to RM43,045,776 recorded for 2008.

### SIGNIFICANT EVENTS

- (a) On 18 December 2009, a wholly-owned subsidiary, Permata Alam Sdn. Bhd. ("PERMATA") entered into a Conditional Sale and Purchase Agreement with Mr Ir. Ikhsanudin and Mr Firdaus ("the Vendors of ABS") in relation to the Proposed Acquisition of 2,375 fully paid up shares of IDR 100,000 each representing 95% equity interest in PT Agronusa Bumi Sejahtera ("ABS") at a maximum purchase consideration



## Chairman's Statement (cont'd)

of USD3,160,518.90 ("the Proposed Acquisition of ABS"). The total purchase price shall be satisfied in five (5) progress payments upon fulfillment of the conditions as stipulated in the Conditional Sale and Purchase Agreement. The intended principal business activity of ABS is operation of oil palm plantation. ABS possesses Location Permit for Oil Palm Plantation and the Grant of Plantation Business Permit for Oil Palm Plantation with a total land area of approximately 8,338 hectares located at Kalimantan Timur, Indonesia. On 5 March 2010, PERMATA entered into an Amendment Agreement to the Conditional Share Sale and Purchase Agreement and an Amendment Agreement to the Service Provision Agreement ("the Amendment Agreements") with the Vendors of ABS in relation to the Proposed Acquisition of ABS. The Amendment Agreements were entered into to facilitate the transfer of all rights and obligations of PERMATA under the original Conditional Share Sale and Purchase Agreement and Service Provision Agreement ("the Original Agreements") entered into on 18 December 2009 to MIASA.

- (b) On 5 March 2010, a wholly-owned subsidiary, Miasa Plantation Sdn. Bhd. ("MIASA") entered into a Conditional Sale and Purchase Agreement with Mr Ir. Ikhsanudin and Mr Budiman in relation to the Proposed Acquisition of 500 fully paid up shares of IDR 250,000 each in PT Nala Palma Cadudasa ("NALA") at a maximum purchase consideration of USD4,321,170.00 ("the Proposed Acquisition of Nala"). The total purchase price shall be satisfied in five (5) progress payments upon fulfillment of the conditions as stipulated in the Conditional Sale and Purchase Agreement. The intended principal business activity of NALA is operation of oil palm plantation. NALA possesses Location Permit for Oil Palm Plantation and the Grant of Plantation Business Permit for Oil Palm Plantation with a total land area of approximately 10,830 hectares located at Kalimantan Timur, Indonesia. Upon completion of the Proposed Acquisition of Nala, NALA shall become a 95% owned subsidiary of MIASA with the balance of 5% of the equity interest in NALA to be allocated to a local Indonesian party to be identified by MIASA according to prevailing Indonesia government's regulations.

### DIVIDENDS

- (a) For the financial year ended 31 December 2008, the final single-tier dividend of 3.0 sen per share amounting to RM3,600,000 which was approved by the shareholders at the Annual General Meeting on 25 June 2009 was paid on 13 August 2009.
- (b) An interim single tier dividend of 3.0 sen per share amounting to RM3,600,000 for the financial year ended 31 December 2009 which was approved by the Board on 6 November 2009 was paid on 9 December 2009.
- (d) At the forthcoming Annual General Meeting, a final single tier dividend of 3.0 per share in respect of the financial year ended 31 December 2009 amounting to RM3,600,000 will be proposed for shareholders' approval.

### CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group adopts the following practices as part of its environmental conservation efforts:-

- (a) zero burning in land development and re-development activities;
- (b) soil and water conservation methods tailored to the topography and drainage characteristics of the land;
- (c) recycling of empty fruit bunches ("EFB");

## Chairman's Statement (cont'd)

- (d) self-sufficiency in energy inputs in our palm oil mills; and
- (e) where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.

### GROUP PROSPECTS

The future prospects of the Group are expected to be reasonably good mainly due to the following reasons:-

- (a) 96.88% of the Group's current 7,544 hectares of planted oil palms are matured (have been planted for four (4) years or more). 56.36% of the total planted area consists of prime mature trees aged between eight (8) to sixteen (16) years old. The oil palms normally reach their peak in terms of yield and oil extraction rate at the age of between eight (8) to sixteen (16) years old. It is expected that in view of the high percentage of prime maturity of the plantations, it will pave the way for higher FFB production growth beyond 2009;
- (b) the Proposed Acquisitions of three Indonesian companies with a total plantation land area of 27,650 hectares namely, PT Enggang Alam Sawita, PT Agronusa Bumi Sejahtera and PT Nala Palma Cadudasa present opportunities to the Group to expand its oil palm plantation activities in Indonesia. The Proposed Acquisition of PT Enggang Alam Sawita with a plantation land area of 8,482 hectares which has been issued with HGU certificates, is expected to be completed by second quarter of 2010;
- (c) the continuing efforts by the management to improve the operating efficiency of its plantations and palm oil processing mills through enhancement of yield and extraction productivity with the implementation of mill machineries upgrading, continuous estate roads gravelling, effective human resource management, close supervision of its oil palm plantations and effective cost control policy. These measures are aimed to sustain high profitability beyond 2009;
- (d) for the hotel segment, the renovation and upgrading of hotel facilities and attractive promotion package offers by the Group's Palace Hotel are expected to increase the hotel's patronage and occupancy rate; and
- (e) for the fishery segment, the possession of technical know-how of fish fry breeding and rearing and the ongoing upgrading of fish fry breeding facilities by the subsidiary, Better Prospects Sdn. Bhd., provides the opportunity and competitive edge for the Group's fishery segment to expand its fish breeding and rearing capacities without dependence on external supply of fish fry.



## Chairman's Statement (cont'd)

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation during the year.

I would also like to express our sincere appreciation for the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your continuous support to the Group.

Thank you.

**Loo Ngin Kong**  
Executive Chairman



# Statement On Corporate Governance

## A. BOARD OF DIRECTORS

### Board responsibilities

The Board and Management are committed to ensuring good corporate governance are observed throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group.

Other key responsibilities of the Board include the following:-

- (a) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- (b) approving the Group's budget and reviewing the Group's actual results against budget; and
- (c) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To facilitate the Board in carrying out their responsibilities, the Board has drawn up and approved the approval guidelines for group transactions, specifying the approval limits with regards to type and quantum or threshold of transactions to be entered into.

### Board Committees

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on pages 28 to 31 of this Annual Report.

### Board Balance

The Board of Directors comprises eight members comprising four Executive Directors, one Non-Independent Non-Executive Director and three Independent Non-Executive Directors. The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognizes the importance and contribution of its non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level.

The Directors combined in them expertise and experience in various fields such as palm oil industry, investment, public services and accounting. Their expertise, experience and background result in



## Statement On Corporate Governance (cont'd)

thorough examination and deliberations of the various issues and matters affecting the Group. The profile of each Director is presented on pages 10 to 12 of this Annual Report. In addition, all the members of the Board have attended the Mandatory Accreditation Program as required and prescribed by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Pursuant to best practices, Mr. Lim Ted Hing has been identified and appointed as the Senior Independent Non-Executive Director, to whom any concerns pertaining to the Group may be conveyed.

### Board Meetings

The Board had held 5 meetings during the financial year ended 31 December 2009. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	4	5
2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Dato' Sri Koh Kin Lip, JP	4	5
8. Tan Vun Su	5	5

At the board meetings, the Board had among others:-

- (a) reviewed and approved the Unaudited Quarterly Financial Results of the Group;
- (b) reviewed and approved the year end Financial Statements and Annual Report of the Company together with the Reports of the Directors and Auditors;
- (c) reviewed the Internal Auditors' Report;
- (d) reviewed each quarter's related party transactions;
- (e) reviewed and approved the Group's Annual Budget;
- (f) reviewed management reports on business operations; and
- (g) deliberated, and in the process evaluated the viability of business propositions and corporate proposals.

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

## Statement On Corporate Governance (cont'd)

### Supply of information

The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issue formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. All Directors have access to the advice and services of the Management and Company Secretaries together with all information within the Group whether as full board members or in their individual capacity, in furtherance of their duties. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.

### Appointments

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members. The Committee is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting regulatory requirements.

In making recommendations and performing its annual review, the Committee considers the directors'

- (a) mix of skills, knowledge, expertise and experience;
- (b) professionalism and integrity; and
- (c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The full Committee met once during the financial year. On 24 April 2009, the Committee met to consider and recommend the:-

- (a) re-appointment of Mr Loo Ngin Kong retiring as director pursuant to Section 129(6) of the Companies Act, 1965 at the Ninth Annual General Meeting;
- (b) re-election of Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood and Madam Wong Siew Ying retiring as directors pursuant to Article No. 93, at the Ninth Annual General Meeting; and
- (c) re-election of Mr Tan Vun Su retiring as director pursuant to Article No. 100, at the Ninth Annual General Meeting.



## Statement On Corporate Governance (cont'd)

### Reappointment/Re-election

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

### B. DIRECTOR'S REMUNERATION

#### The Level and Make -Up of Remuneration

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director)
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Board as a whole determines the remuneration of the Directors with individual Directors abstaining from decisions in respect of their own remuneration.

#### Procedure

The Committee is delegated with the following duties in accordance with its approved terms of reference:

- to annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and
- to recommend to the Board the Company's framework for retaining and rewarding the Executive Directors.

The Committee shall ensure that the Company attracts and retains the Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the performance of the Directors and business, whilst the Non-executive Directors are to be rewarded to reflect their experience and level of responsibilities.

The full Committee met once during the financial year. The meeting on 24 February 2009 was to review and recommend revision to Executive Directors' remuneration for financial year 2009 with regards to Group performance and the industry norm for remuneration to Executive Directors.

## Statement On Corporate Governance (cont'd)

### Disclosure

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2009 are as follows:

Directors' Remuneration	Executive Directors RM	Non-Executive Directors RM
Fees	40,000	40,000
Emoluments	2,750,110	224,172
Benefits-in-kind	45,725	-
<b>Total</b>	<b>2,835,835</b>	<b>264,172</b>

The number of Directors whose remuneration during the financial year ended 31 December 2009 falls within the following bands is as follows:

Directors' Remuneration	NUMBER OF DIRECTORS	
	Executive	Non-Executive
<b>RM</b>		
Below 50,000	-	1
50,001 to 100,000	-	3
100,001 to 350,000	-	-
350,001 to 400,000	1	-
400,001 to 500,000	-	-
500,001 to 550,000	1	-
550,001 to 700,000	-	-
700,001 to 750,000	1	-
750,001 to 1,200,000	-	-
1,200,001 to 1,250,000	1	-

### C. DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are required to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.



## Statement On Corporate Governance (cont'd)

Details of training attended by the Directors for the financial year ended 31 December 2009 are as follows:

Training Programme	Attended by:
Blue Ocean Strategy Workshop for Decision Makers organised by Sedaya Training & Development Centre (Sabah) Sdn Bhd	Dato' Loo Pang Kee
Development of Islamic Banking in Malaysia: Impact and Implications organised by OCBC Al-Amin Bank Berhad	<ul style="list-style-type: none"> <li>Loo Ngin Kong</li> <li>Wong Siew Ying</li> </ul>
Various presentations and briefings on Sabah Tourism	<ul style="list-style-type: none"> <li>Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood</li> </ul>
Cost Reduction & Profit Improvement Strategies organised by Malaysian Institute of Accountants	<ul style="list-style-type: none"> <li>Lim Ted Hing</li> </ul>
2010 Budget Seminar organised by Malaysian Institute of Accountants	
Preparing for convergence: Understanding International Financial Reporting Standards & International Accounting Standards organised by Malaysian Institute of Accountants	
1st Borneo Occupational Safety and Health Convention and Exhibition organised by Institut Keselamatan & Kesihatan Pekerjaan Negara Malaysia	<ul style="list-style-type: none"> <li>Dr Edmond Fernandez</li> </ul>
The Seventh SOEM – MMA & Ministry of Health Workshop on Enhancing Health and Safety in the Use of Pesticides in Plantations organised by Society of Occupational and Environmental Medicine and Malaysian Medical Association	
Directors' Training: Getting Up To Speed With Governance organised by The Institute of Internal Auditors Malaysia	<ul style="list-style-type: none"> <li>Dato' Sri Koh Kin Lip, JP</li> </ul>
Seminar on Year 2010 Budget Proposals and Recent Tax Developments organised by Ernst & Young Tax Consultants Sdn Bhd	
Bursa Malaysia Mandatory Accreditation Programme	<ul style="list-style-type: none"> <li>Tan Vun Su</li> </ul>

## Statement On Corporate Governance (cont'd)

### D. SHAREHOLDERS

#### Dialogue between Companies and Investors

The Board believes in clear and regular communication with its shareholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Eighth Annual Report to provide shareholders with an overview of the Group's performance and its business activities.

The Board recognises the importance of timely and equal dissemination of information to shareholders. As such, it strictly adheres to the disclosure requirements of the Bursa Malaysia.

To provide regular research coverage of the Company to existing and prospective investors, the Company is a participating company in the CMDF – Bursa Research Scheme II.

#### Annual General Meeting ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

### E. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 26 of this annual report.

#### Internal Control

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Internal Control laid out on pages 33 to 34 of this annual report.



## Statement On Corporate Governance (cont'd)

### Relationship with Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 28 to 31 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on page 31 of this annual report.

### Compliance statement

The Group had substantially complied with the Best Practices of the Code throughout the financial year.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 23 April 2010.



## Directors' Responsibility Statement In Respect Of The Preparation Of The Audited Financial Statements

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The Directors are also responsible for taking steps that are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.





## Additional Compliance Information

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

- 1. Utilisation of Proceeds Raised From Corporate Proposals**  
This was not applicable during the financial year.
- 2. Share Buybacks**  
During the financial year, there were no share buybacks by the Company.
- 3. Options, Warrants or Convertible Securities**  
There were no options, warrants or convertible securities issued during the financial year.
- 4. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme**  
During the financial year, the Company did not sponsor any ADR or GDR programme.
- 5. Imposition of Sanctions/Penalties**  
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.
- 6. Non-Audit Fees**  
The amount of non-audit fees paid to an associate of the auditors for the year is RM104,500.
- 7. Profit Estimate, Forecast or Projection**  
No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2009.
- 8. Profit Guarantee**  
During the financial year, there were no profit guarantee given by the Company.
- 9. Material Contracts**  
There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.
- 10. Revaluation Policy on Landed Properties**  
Landed properties of the Company are not revalued and are stated at cost less accumulated depreciation.
- 11. Recurrent Related Party Transactions**  
The details of the related party transactions are set out in note 29 to the financial statements.

# Audit Committee Report

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

NAME	DESIGNATION	DIRECTORSHIP
(a) Lim Ted Hing	Chairman	Independent Non-Executive Director
(b) Dr. Edmond Fernandez	Member	Independent Non-Executive Director
(d) Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

The Company has complied with the Malaysian Code of Corporate Governance (Revised 2007) and Paragraph 15.10 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be non-executive directors.

## Terms of reference

The Audit Committee is governed by the following terms of reference:

### 1. Composition of the audit committee

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
  - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.



## Audit Committee Report (cont'd)

No alternate director shall be appointed as a member of the audit committee.

### 2. Authority

The Audit Committee is authorised by the Board of Directors to:

- (a) investigate any activities within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information and documents relevant to its activities;
- (d) have direct communication channels with the internal and external auditors and senior management of the Group;
- (e) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

### 3. Duties

The duties of the Committee should include the following:

- (a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
- (b) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
- (c) to review the assistance given by the Company and its officers to the external and internal auditors;
- (d) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
- (e) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
  - (i) any changes in or implementation of major accounting policies and practices;
  - (ii) significant and unusual events;
  - (iii) significant adjustments arising from the audit;
  - (iv) the going concern assumption; and
  - (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the external auditors' audit report, management letter and management's response;
- (h) to perform the following in respect of the internal audit function:
  - (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

## Audit Committee Report (cont'd)

- (ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
    - (iii) review any appraisal or assessment of the performance of the internal audit function;
    - (iv) approve any appointment or termination of internal auditors; and
    - (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;
  - (i) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - (j) to consider the major findings of internal investigations and management's response; and
  - (k) to report the above to the Board and consider other topics as defined by the Board.
4. Quorum and procedures for meetings

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.



## Audit Committee Report (cont'd)

### 5. Retirement and resignation

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.10(1) of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

### 6. Review of the audit committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

## INTERNAL AUDIT

The Company has outsourced its internal audit function to an independent accounting firm, which reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

- (a) to review the key internal controls relating to the harvesting program, manuring program and fire / crisis management in a selected estate division of the Group;
- (b) to review the key internal controls relating to estate road maintenance of selected estate divisions of the Group; and
- (c) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement of Internal Control.

## MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Dr. Edmond Fernandez	5	5
Dato' Sri Koh Kin Lip, JP	4	5

The main activities undertaken by the Committee were as follows:

- (a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
- (b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia;
- (c) reviewed each quarter's related party transactions and report the same to the Board;
- (d) reviewed the audit plans and service charter presented by the external auditors; and

## Audit Committee Report (cont'd)

- (e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by each Audit Committee member are disclosed on page 23 of the Statement on Corporate Governance.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 23 April 2010.





## Statement On Internal Control

### Responsibility

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, present throughout the financial year under review and up to date of approval of the annual report and financial statements, and is in accordance with the guidance as contained in the publication – Statement on Internal Control Guidance for Directors of Public Listed Companies.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

### Risk Management Framework and Control Self - Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the principal risks of the Group identified, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

### Other Key Elements of Internal Control

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving, any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

## Statement On Internal Control (cont'd)

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

### **Internal Audit Function**

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing shareholder value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The amount of internal audit fees paid to the internal auditors for the year is RM18,000.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board confirms that its system of internal control was operational throughout the financial year and up to the date of approval of the Annual Report.