



Annual Report
2014

NEGRI SEMBILAN OIL PALMS BERHAD

(Company No. 592-D)
(Incorporated in Malaysia)

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FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHTS - GROUP

	2014 RM'000	2013 RM'000
Revenue	89,057	74,672
(Loss)/profit before tax	(7,722)	28,984
Income tax credit/(expense)	2,720	(6,713)
(Loss)/profit net of tax	(5,002)	22,271
(Loss)/profit net of tax attributable to owners of the parent	(3,579)	18,292
(Loss)/profit net of tax attributable to non-controlling interests	(1,423)	3,979
Dividends	6,318	6,318
Issued and paid-up share capital	70,202	70,202
Equity attributable to owners of the parent	380,541	387,431
(Loss)/earnings per stock unit		
- Basic	(5.10) sen	26.06 sen
- Diluted	(5.10) sen	26.06 sen
Dividends		
- First interim dividend	5% single tier	4% single tier
- Second interim dividend	4% single tier	5% single tier
Dividend cover (times)	N/A	2.90
Net assets per stock unit attributable to owners of the parent	RM5.42	RM5.52

FINANCIAL CALENDAR

Financial year	1 January 2014 to 31 December 2014
Announcement of results	
First financial quarter ended 31 March 2014	29 May 2014
Second financial quarter ended 30 June 2014	28 August 2014
Third financial quarter ended 30 September 2014	27 November 2014
Fourth financial quarter ended 31 December 2014	26 February 2015
Dividends payment	
First interim	30 June 2014
Second interim	31 December 2014
Despatch of 2014 Annual Report	29 May 2015
Eighty Third Annual General Meeting	25 June 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighty Third Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Thursday, 25 June 2015 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2014 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2014 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Resolution 3)
 - (ii) Mr Gho Lian Chin (Resolution 4)
4. To re-appoint the following directors pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) Mr Goh Eng Chew (Resolution 5)
 - (ii) Mr Wong Aun Phui (Resolution 6)
 - (iii) Dato' Ong Bok Lim (Resolution 7)
 - (iv) Mr Goh Pock Ai (Resolution 8)
 - (v) Mr Keong Choon Keat (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following resolutions: -
 - 6.1 Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with a related party (Resolution 11)
 - 6.2 To retain the following directors as Independent Non-Executive Directors of the Company: -
 - (i) Mr Sio Sit Po (Resolution 12)
 - (ii) Dato' Ong Bok Lim (Resolution 13)
 - (iii) Mr Keong Choon Keat (Resolution 14)
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary
Kuala Lumpur
29 May 2015

NOTES:

1. A depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 18 June 2015 issued by Bursa Malaysia Depository Sdn Bhd ('Bursa Depository') upon request by the Company in accordance with the rules of Bursa Depository.
2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
5. For Item 6.1, further information are set out in the Circular to Shareholders dated 29 May 2015 which is despatched together with the 2014 Annual Report.
6. For item 6.2, further information are set out in Statement Accompanying Notice of Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of directors who are standing for re-election and re-appointment at the Eighty Third Annual General Meeting:-

- (a) Mr Goh Tju Kiang @
Gho Tju Kiang @
Gho Tju Kiong - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 7 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (b) Mr Gho Lian Chin - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 7 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (c) Mr Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (d) Mr Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (e) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (f) Mr Goh Pock Ai - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.
- (g) Mr Keong Choon Keat - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 90 and 91 for his shareholdings in the Company and the subsidiaries.

At the annual general meeting ('AGM') held on 20 June 2014, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM. The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the forthcoming AGM until the conclusion of the next AGM. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interest of the Company. Additionally, they fulfill the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Chairman
(Non-Independent)**

Goh Eng Chew

**Executive Directors
(Non-Independent)**Goh Pock Ai
Wong Aun Phui
Goh Wei Lei**Non-Executive Directors
(Independent)**Sio Sit Po
Dato' Ong Bok Lim
Keong Choon Keat
Gho Eng Liong**Non-Executive Directors
(Non-Independent)**Goh Yeok Beng
Gho Lian Chin
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong**Alternate Director**

Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE**Chairman
Members**Keong Choon Keat
Dato' Ong Bok Lim
Sio Sit Po**NOMINATION COMMITTEE &
REMUNERATION COMMITTEE****Chairman
Members**Gho Lian Chin
Dato' Ong Bok Lim
Keong Choon Keat
Gho Eng Liong**COMPANY SECRETARY**

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

REGISTERED OFFICESuite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733**AUDITORS**Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur**SHARE REGISTRAR AND
MANAGING AGENT**Sin Thye Management Sdn Bhd
Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733**LEGAL FORM AND DOMICILE**Public Limited Liability Company
Incorporated and Domiciled in Malaysia**WEBSITE**www.nsop.com.my**STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Eng Chew (Executive Chairman)

83-year-old Mr Goh, a Singaporean, has extensive plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Goh Pock Ai (Senior Executive Director)

74 years of age, Singaporean. Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Wong Aun Phui (Executive Director)

93 years of age, Malaysian. Has extensive plantation and banking experience. Appointed to the Board on 15 July 1968. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Goh Wei Lei (Executive Director)

46 years of age, Singaporean. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He was later appointed as Executive Director on 1 June 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

PROFILE OF DIRECTORS**Sio Sit Po (Independent Non-Executive Director)**

66 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Dato' Ong Bok Lim (Independent Non-Executive Director)

77 years of age, Malaysian. Appointed to the Board on 31 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has vast experience and knowledge in the oil palm plantation industry. He is also a director of Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Keong Choon Keat (Independent Non-Executive Director)

70 years of age, Malaysian. Appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are Chin Teck Plantations Berhad, Crest Builder Holdings Berhad and UniAsia General Insurance Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Gho Eng Liong (Independent Non-Executive Director)

55 years of age, Malaysian. Appointed to the Board on 25 November 2011. He is a member of the Nomination Committee and Remuneration Committee. Holds a Bachelor of Science, Mechanical Engineering, from The Pennsylvania State University, State College, Pennsylvania, USA. Since graduation, he worked as Project Development Engineer with National Iron & Steel Mills, Singapore, as Section Head, Mechanical Maintenance with Matsushita Denshi, Singapore, as Manufacturing Engineer with General Motors, Singapore, as Packaging Development Engineer with AT&T Microelectronics, Singapore and as Sales Manager with Kestronics (S) Pte Ltd. Presently, he is managing his own business. Other public companies in which he is a director are Eng Thye Plantations Berhad and Chin Teck Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

PROFILE OF DIRECTORS

Goh Yeok Beng (Non-Independent Non-Executive Director)

66 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm and rubber plantation industries. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Gho Lian Chin (Non-Independent Non-Executive Director)

67 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the oil palm and rubber plantation industries. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2014: 4 out of 4

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)

68 years of age, Singaporean. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2014: 4 out of 4

Gho Bun Tjin (alternate to Gho Lian Chin)

65 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 95 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I present the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2014.

During the first half of the financial year under review, the average selling prices of ffb, crude palm oil and palm kernel were strong. However, the selling prices decreased significantly in the second half of the financial year. Since the end of the financial year under review, the selling prices remain weak mainly due to higher production resulting in high levels of inventory.

Financial and operation review of the Group

Revenue of the Group for the financial year 2014 increased by 19.26% to RM89,057,139 from RM74,671,885 a year ago.

This was mainly due to increases in the average selling prices and sales volume of ffb, crude palm oil and palm kernel.

There was a decrease of RM17,900,000 in the fair value of biological assets. In the previous financial year, it was an increase of RM17,500,000 in the fair value of biological assets.

An overall profit of RM910,810 in share of results of associates was mainly due to profit contributed by an associate engaged in trading in stocks and shares.

The Group suffered an overall loss of RM1,107,076 in share of results of a joint venture as the harvesting of young matured palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate.

Overall, the Group suffered a loss after tax of RM5,002,348 as compared with a profit after tax of RM22,270,648 mainly due to the decrease in fair value of biological assets of RM17,900,000.

However, excluding the changes in fair value of biological assets, profit after tax of the Group decreased by 5.95% to RM8,601,652 from RM9,145,648.

Production of ffb decreased by 4.11% to 113,364 m/t. Purchases of ffb increased by 112.54% to 51,628 m/t. Overall, production of crude palm oil increased by 12.72% to 24,610 m/t and production of palm kernel increased by 10.32% to 6,337 m/t. The decrease in production of ffb was mainly due to additional areas of old and low yield palms being replanted.

During the financial year 2014, an additional 678 hectares of old and low yield palms were replanted. Replanting of approximately 394 hectares of old and low yield palms will take place during the financial year 2015.

Dividends

Total single tier dividends of 9% in respect of the financial year ended 31 December 2014 were paid during the financial year, i.e. a first interim single tier dividend of 5% was paid on 30 June 2014 and a second interim single tier dividend of 4% was paid on 31 December 2014. The amount of dividend paid for financial year 2014 of RM6,318,177 was similar to that for financial year 2013 even though the Group suffered an overall loss attributable to owners of the Company. Excluding the changes in fair value of biological assets, profit net of tax attributable to owners of the Company decreased marginally by 0.58% to RM7,033,956 from RM7,075,031 and the dividend payout for the current financial year was 89.82%.

In view of the payment of the interim dividends, the Board do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2014.

Joint venture on oil palm plantation in Indonesia

As reported previously, the harvesting of young matured palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate. The joint venture has maintained its existing staff force to enable it to commence harvesting which is pending clearance by the relevant authorities.

CHAIRMAN'S STATEMENT

Recurrent related party transactions

The Company announced on 11 May 2015 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature with a related party at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolution pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

Outlook for Year 2015

The selling prices of ffb and crude palm oil have weakened since the end of the financial year 2014. Should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 December 2015.

Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence and commitment. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for their patience and support.

Goh Eng Chew
Executive Chairman

22 May 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

Description of business

Negri Sembilan Oil Palms Berhad (‘Company’) was incorporated on 30 March 1928.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The subsidiaries of the Company are Eng Thye Plantations Berhad (83.3% owned) and Timor Oil Palm Plantation Berhad (58.0% owned). The principal activities of the subsidiaries are the cultivation of oil palms and production and sale of crude palm oil and palm kernel and investment holding.

The Group currently has four estates, namely, Ladang Senama, Ladang Ibam, Ladang Gula and Ladang Maran with a total land bank of approximately 7,683 hectares.

The Group also owns two mills with a total milling capacity of 40 m/t per hour.

Through joint venture, the Group also has interest in oil palm plantation in Indonesia.

Financial review

Revenue of the Group for the financial year 2014 increased by 19.26% to RM89,057,139 from RM74,671,885 a year ago.

This was mainly due to increases in the average selling prices and sales volume of ffb, crude palm oil and palm kernel.

Average selling prices per tonne:-

	Financial year		
	2014	2013	+/-
	RM	RM	%
Fresh fruit bunches	481	463	+3.89
Crude palm oil	2,417	2,398	+0.79
Palm kernel	1,730	1,289	+34.21

Overall operating expenses increased by 27.54% to RM85,066,704 from RM66,700,410 mainly due to increases in purchase of ffb and replanting and administrative expenses.

Interest income decreased by 1.17% to RM2,677,585 from RM2,709,255.

Dividend income increased by 5.08% to RM2,302,019 from RM2,190,640.

Other income decreased by 33.27% to RM1,404,086 from RM2,104,165 mainly due to lesser amount of unrealised gain on foreign exchange.

There was a decrease of RM17,900,000 in the fair value of biological assets. In the previous financial year, it was an increase of RM17,500,000 in the fair value of biological assets.

An overall profit of RM910,810 in share of results of associates was mainly due to profit contributed by an associate engaged in trading in stocks and shares.

The Group suffered an overall loss of RM1,107,076 in share of results of a joint venture as the harvesting of young matured palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate.

Income tax credit of RM2,719,793 was mainly due to the recognition of deferred tax relating to origination and reversal of temporary differences.

Overall, the Group suffered a loss after tax of RM5,002,348 as compared with a profit after tax of RM22,270,648 mainly due to the decrease in fair value of biological assets of RM17,900,000.

However, excluding the changes in fair value of biological assets, profit after tax of the Group decreased by 5.95% to RM8,601,652 from RM9,145,648.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial review (cont'd.)

Cash and bank balances decreased by 7.30% to RM118,345,720 mainly due to a decrease in net cash flows generated from operating activities and an increase in net cash flows used in investing activities. .

The amount of dividend paid for financial year 2014 of RM6,318,177 was similar to that for financial year 2013 even though the Group suffered an overall loss attributable to owners of the Company. Excluding the changes in fair value of biological assets, profit net of tax attributable to owners of the Company decreased marginally by 0.58% to RM7,033,956 from RM7,075,031 and the dividend payout for the current financial year was 89.82%.(2013: 89.30%)

The Group did not have any borrowings in the current financial year and its strategy in the current financial year, which was unchanged from previous financial year, was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

Equity attributable to shareholders of the Company decreased by 1.78% to RM380,540,809 from RM387,430,652 mainly due to a decrease in retained profits. Net assets per stock unit attributable to shareholders of the Company decreased by 1.81% to RM5.42 from RM5.52.

Operational review

During the financial year 2014, the total average planted area was 7,179 hectares of which 84.66% or 6,078 hectares are mature area and 15.34% or 1,101 hectares are immature area.

	Hectares	
Mature area		
Age in years		
Above 25	224	3.12%
21 – 25	2,189	30.49%
16 – 20	1,560	21.73%
11 – 15	1,179	16.42%
6 – 10	314	4.37%
Below 6	612	8.53%
	<u>6,078</u>	<u>84.66%</u>
Immature area	<u>1,101</u>	<u>15.34%</u>
	<u>7,179</u>	<u>100.00%</u>

During the financial year 2014, an additional 678 hectares of old and low yield palms were replanted. Replanting of approximately 394 hectares of old and low yield palms will take place during the financial year 2015.

The Group has a replanting schedule covering a period of ten years and this schedule is reviewed quarterly which will ensure progressive replanting on a yearly basis. At each review, prevailing conditions and circumstances are taken into consideration to determine the replanting programme.

Production of ffb decreased by 4.11% to 113,364 m/t. Purchases of ffb increased by 112.54% to 51,628 m/t. Overall, production of crude palm oil increased by 12.72% to 24,610 m/t and production of palm kernel increased by 10.32% to 6,337 m/t. The decrease in production of ffb was mainly due to additional areas of old and low yield palms being replanted.

Annual ffb yield per hectare is 18.80 m/t. The mills processed 126,684 m/t of ffb during the financial year 2014. The overall average oil and kernel extraction rates of the mills are 19.43% and 5.00% respectively.

The Group faces shortage of labour in Malaysia. Measures such as improving incentives and welfare are implemented to attract workers. Furthermore, the Group is also recruiting foreign workers from various sources rather than depending on a single source.

The Group has also taken measures to plant better yielding seedlings during its replanting programme.

Good agriculture and milling practices are constantly being implemented with the aim to improve productivity and efficiency.

In an effort to optimise the utilisation of land, the Group is studying the possibility and feasibility of planting other cash-crops in areas that are not suitable for planting of oil palms.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Joint venture on oil palm plantation in Indonesia

As reported previously, the harvesting of young matured palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate. The joint venture has maintained its existing staff force to enable it to commence harvesting which is pending clearance by the relevant authorities. As such, it is judged that impairment is not necessary at this juncture.

Prospects

The selling prices of ffb and crude palm oil have weakened since the end of the financial year 2014. Should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 December 2015.

The Group remains optimistic about the long term prospects of palm oil business. Palm oil is one of the vital oils in meeting the world's dietary and energy requirements. Besides its nutritional values, palm oil is widely available and affordable. Palm oil also has vast potential as a renewable energy source. Hence, the global demand for palm products should continue to grow.

STATEMENT ON CORPORATE GOVERNANCE

The Board is committed to ensure that good corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board is mindful of the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012). The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the principles and recommendations as set out in MCCG 2012 wherever applicable in the best interests of the shareholders of the Company.

The Board considers that it has generally applied the principles and recommendation of the MCCG 2012 to the extent described in this statement.

1. Board of Directors

Board Charter

The Board has formulated and adopted a charter ('Board Charter') which set out its functions inter-alia the following:-

- Board composition
- Duties and responsibilities of the Board
- Duties and responsibilities of the management
- Board committees - Audit Committee, Nomination Committee and Remuneration Committee
- Board meetings
- Supply of information
- Code of conduct
- Directors' training
- Directors' remuneration
- Shareholders and other communication
- Financial reporting
- Social responsibilities

The Board Charter is reviewed periodically to ensure its relevance and compliance and is accessible through the Company's website.

Board responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Three Executive Directors
- Four Independent Non-Executive Directors
- Three Non-Independent Non-Executive Directors

There is also an alternate director on the Board.

STATEMENT ON CORPORATE GOVERNANCE

1. Directors (cont'd.)

Composition of the Board (cont'd.)

The Executive Chairman and Executive Directors have vast experience and extensive knowledge in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessment and opinion.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two directors or one third of the Board, whichever is higher, to be independent directors.

Besides, the Board believes that the interests of shareholders are best served by the Executive Chairman, who will act in the best interests of the shareholders as a whole since he is representing a major shareholder who has substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.

All concerns regarding the Company can be conveyed to any one of the directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board acknowledges the importance of board diversity, including gender diversity. The Board believes that for it to function effectively, the requisite skills, experience, knowledge and independence needed is vital regardless of gender. Therefore, female representation will be considered when vacancies arise and suitable candidates are indentified.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit committee
- Nomination committee
- Remuneration committee

The report on audit committee for the financial year ended 31 December 2014 is set out on pages 22 to 24 of the annual report.

Details of the nomination committee and remuneration committee are set out on pages 15 to 17 of the annual report.

Four meetings of directors were held during the financial year ended 31 December 2014. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The directors participated in the discussion and comments were considered before a decision was made.

STATEMENT ON CORPORATE GOVERNANCE

1. Directors (cont'd.)

Composition of the Board (cont'd.)

The attendances of the directors were as follows: -

Name	Number of meetings attended
Goh Eng Chew	4
Goh Pock Ai	4
Wong Aun Phui	4
Goh Wei Lei	4
Sio Sit Po	4
Dato' Ong Bok Lim	4
Keong Choon Keat	4
Gho Eng Liong	4
Goh Yeok Beng	4
Gho Lian Chin	4
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	4

Supply of Information

Each director receives monthly financial statements, which contain information on financial performance and plantation statistics.

Agenda of Board meeting and Board papers for each agenda item are sent to the directors prior to Board meeting. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of its quoted investments, summary of budget and capital expenditure, proposals for major acquisitions and disposals and corporate issues, if any.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

Appointments to the Board

The nomination committee was established on 21 May 2001. The members of the nomination committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committee
 - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
 - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
 - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The directors have direct access to the services of the company secretary who is responsible for ensuring that 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 the requirements of the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

One meeting of Nomination Committee were held during the financial year ended 31 December 2014. All members of the Nomination Committee attended the meeting.

STATEMENT ON CORPORATE GOVERNANCE

2. Directors (cont'd.)

Directors' Training

The Board recognises the importance of continuous training for its members. The directors are encouraged to attend various training programmes and seminars.

All directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 December 2014, the directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	Goods and Services Tax ('GST')	1/2 day
Goh Pock Ai	Goods and Services Tax ('GST')	1/2 day
Wong Aun Phui	Goods and Services Tax ('GST')	1/2 day
Goh Wei Lei	Goods and Services Tax ('GST')	1/2 day
Sio Sit Po	Goods and Services Tax ('GST')	1/2 day
Dato' Ong Bok Lim	Goods and Services Tax ('GST')	1/2 day
Keong Choon Keat	Goods and Services Tax ('GST')	1/2 day
	Share Capital at No Par Value, Share Buybacks and Redeemable Preference Shares: Accounting Implications	1 day
Goh Yeok Beng	Goods and Services Tax ('GST')	1/2 day
Gho Lian Chin	Goods and Services Tax ('GST')	1/2 day
Goh Tju Kiang @	Goods and Services Tax ('GST')	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Eng Liong	Goods and Services Tax ('GST')	1/2 day
Gho Bun Tjin	Goods and Services Tax ('GST')	1/2 day

Re-election of directors

In accordance with the articles of association of the Company, all directors who are appointed by the Board are subject to re-election by shareholders at the first annual general meeting after their appointment.

The articles of association of the Company provides that one-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least every three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

At the annual general meeting ('AGM') held on 20 June 2014, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM.

The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the forthcoming AGM until the conclusion of the next AGM. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interest of the Company. Additionally, they fulfill the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

STATEMENT ON CORPORATE GOVERNANCE

2. Directors' remuneration

It is the Company's policy that the level of directors' remuneration is sufficient to attract and retain the directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The remuneration committee was established on 21 May 2001. The members of the remuneration committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- Independent Non-Executive Director

The primary duty and responsibility of the remuneration committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of remuneration committee was held during the financial year ended 31 December 2014. All members of the remuneration committee attended the meeting.

The shareholders at the annual general meeting approve the annual fees payable to the directors. To commensurate with the increased responsibilities, directors who serve as Chairman and/or members of Board committees are remunerated with additional fees. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2014 are as follows:-

	No. of directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	82,000	468,000	73,920	24,000	647,920
	1	58,000	336,000	54,568	24,000	472,568
	1	58,000	300,000	47,747	24,000	429,747
	1	58,000	180,000	18,584	24,000	280,584
	4	256,000	1,284,000	194,819	96,000	1,830,819
Non-Executive Directors						
	1	42,000	144,000	13,873	18,000	217,873
	1	70,000	-	-	30,000	100,000
	1	60,000	-	-	36,000	96,000
	1	56,000	-	-	30,000	86,000
	1	54,000	-	-	30,000	84,000
	1	48,000	-	-	24,000	72,000
	1	26,000	-	-	12,000	38,000
	7	356,000	144,000	13,873	180,000	693,873
	11	612,000	1,428,000	208,692	276,000	2,524,692

STATEMENT ON CORPORATE GOVERNANCE

3. Shareholders

Dialogue between the Company and investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. The annual reports are despatched to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefings sessions or investors forums for analysts and fund managers.

Annual general meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the annual general meeting and the annual report are despatched to shareholders. Notice of the annual general meeting is also published in a leading English newspaper. At the annual general meeting, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session prior to the resolution to receive and adopt the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration. As a good corporate governance practice, resolutions tabled at annual general meetings are voted by poll.

Dividend payment

The Board is mindful of its responsibility to enhance shareholders' value and will use its best endeavours to ensure a steady dividend payment although the actual amount and timing of dividend payment would depend on the financial performance.

4. Accountability and audit

Financial reporting

In presenting the annual and quarterly financial statements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The statement by directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 35 of the annual report and the statement explaining the directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 26 of the annual report.

Internal control

The directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure in achieving business objectives.

The directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

Internal audit

The internal audit function has been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

Relationship with the independent auditors

The Company has always maintained a formal and transparent relationship with its independent auditors.

The role of the Audit Committee in relation to the independent auditors is set out in the report on audit committee on pages 22 to 24 of the annual report.

STATEMENT ON CORPORATE GOVERNANCE

5. Code of Conduct

The Board has established a code of business conduct ('Code of Conduct') to be complied with by the directors and members of the management. The Code of Conduct is in addition to any other obligations that are imposed on the directors by any applicable rules, laws and regulations.

The Code of Conduct covers the following:-

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality

The Code of Conduct is reviewed by the Board periodically.

6. Strategies for sustainability

It is the aspiration of the Board to manage its plantation operations in a socially and environmentally responsible manner.

Sustainable strategies and practices have been outlined for implementation:-

- Zero burning policy
- Effective water management
- Soil enrichment and conservation
- Pest management
- Health and safety at work place
- Human resource development
- Maintaining a debt free capital structure and to pay steady amount of dividends to shareholders

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to present the statement about the risk management and internal control of the Group comprising the Company and its subsidiaries.

Responsibility

The Board has overall responsibility for maintaining an effective and sound system of risk management and internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of risk management and internal control.

The system of risk management and internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed to rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, risk management and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of managing risk and control procedures should not outweigh or exceed the expected benefits.

Risk management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of risk management and the system of internal control.

Key elements of internal control

- **Organisational structure**

The Group is headed by the Executive Chairman and assisted by three Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policy manual**

There is a Policy Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit committee and internal audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control systems to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. Internal audit reports were prepared by J. S. Lim & Co. chartered accountants (Malaysia), and presented to the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covered the follow-up by the management on implementation of recommendations in their earlier reports.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key elements of internal control (cont'd.)

- **Financial report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Group, the market value of its quoted investments, the sales of fresh fruit bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantation statistics and progress of oil palm planting and financial performance of the joint venture on oil palm plantation in Indonesia are presented to the Board at the Board meetings.

- **Estates visits**

Executive Directors and members of management team regularly visit the Group's estates and mills to monitor the state of affairs of the estates and mills. During the visits, the estate managers and mills engineers report on the progress and performance of the respective estates and mills and discuss and resolve estates and mills operational and key management issues.

- **Review of recurrent related party transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

Conclusion

Based on the foregoing as well as the inquiries and information provided, the Executive Chairman has assured the Board that the risk management process and system of internal control is operating adequately and satisfactory in all material aspects to meet the business objectives of the Group for the year under review and up to the date of approval of this statement.

Review of the statement by external auditors

As required by Paragraph 15.23 of Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement of Risk Management and Internal Control. The review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report on the Audit Committee for the financial year ended 31 December 2014.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2014 are as follows:-

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

Terms of Reference

The Terms of Reference of the Audit Committee are as follows: -

1. Formation
 - 1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.
2. Membership
 - 2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members all of whom shall be independent directors.
 - 2.2 At least one (1) member of the Audit Committee: -
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
 - (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (b) 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.
 - 2.3 No alternate director can be appointed as a member of the Audit Committee.
 - 2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
 - 2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.
 - 2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.
3. Meeting
 - 3.1 Meetings of Audit Committee shall be held at least four (4) times a year.
 - 3.2 In order to form a quorum in respect of a meeting of an Audit Committee, at least two members must be present.
 - 3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.
 - 3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.
 - 3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.
 - 3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.
 - 3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

4. Authority

- 4.1 The Audit Committee is authorised to investigate any activity within its term of reference.
- 4.2 The Audit Committee shall have the resources, which are required to perform its duties.
- 4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.
- 4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.
- 4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

5. Duties and functions

- 5.1 The duties and functions of the Audit Committee shall be: -
 - (a) to review with the external auditors, the audit plan.
 - (b) to review with the external auditors, their evaluation of the system of internal controls.
 - (c) to review with the external auditors, their audit report.
 - (d) to review the assistance given by the employees to the external auditors.
 - (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
 - (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
 - (g) to review any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
 - (h) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
 - any change in or implementation of accounting policies and practices
 - the going concern assumption
 - significant and unusual events
 - significant adjustments arising from the audit
 - compliance with accounting standards and other legal requirements
 - (i) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - (j) 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)
 - (k) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.
 - 5.2 To consider other topics as defined by the Board.
- #### 6. Minutes
- 6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.
 - 6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
 - 6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

- 7. Reporting of breaches to Bursa Malaysia Securities Berhad.
 - 7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
- 8. Review of the Audit Committee
 - 8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

Number of meetings of Audit Committee held during the financial year ended 31 December 2014 and attendance of each member of Audit Committee

During the financial year ended 31 December 2014, a total of four meetings were held.

The attendance of each member is as follows: -

	<u>Number of Meetings Attended</u>
Keong Choon Keat	4
Dato' Ong Bok Lim	4
Sio Sit Po	4

Summary of the activities of the Audit Committee during the financial year ended 31 December 2014

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 December 2014: -

- (a) Meeting with external auditors twice without the presence of executive directors.
- (b) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review of the audit report and any internal control weaknesses report and recommendations made by the external auditors as well as internal audit reports and recommendations made by internal auditors.
- (d) Review of the audit plans for the financial year prepared by the external and internal auditors as well as the recommendations of their respective fees to the Board.
- (e) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (f) Review the transactions with related parties as disclosed in the annual financial statements.

Internal audit functions

The internal audit functions have been outsourced to J. S. Lim & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Group. The internal auditors prepared internal audit reports and presented these to the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covered the follow-up by the management on implementation of recommendations in their earlier reports. The internal auditors attended the meetings of Audit Committee twice during the financial year under review. The total cost of internal audit for the financial year under review amounted to RM80,500.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

The Group is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving "Zero Accident" at work place. To achieve this objective, the Group has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers at the work place are provided with safety equipment and working procedures. They are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for preventing or reducing accidents in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

To further improve safe and healthy working conditions, existing health and safety procedures and measures are regularly being reviewed and additional procedures and measures are being introduced, workers at work place are also regularly being briefed on the importance of health and safety procedures and measures.

Environmental Management

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The mill advisor and visiting engineer review environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

Human Resource Development

The Group believes that proper training and development programme is necessary in developing and upgrading workers' skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers' school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

Community

Additionally, the Group also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE PREPARATION OF ANNUAL AUDITED FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 ('Act') to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and their financial performance and cash flows for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors consider that the financial statements set out on pages 38 to 88 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 36 and 37.

This statement is made in accordance with a resolution of the Board of Directors dated 26 February 2015.

GROUP FINANCIAL PROFILE

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	86,612	113,165	85,349	74,672	89,057
Cost of sales	(38,120)	(40,823)	(38,810)	(41,435)	(55,999)
Gross profit	48,492	72,342	46,539	33,237	33,058
Interest income	1,917	2,524	2,705	2,709	2,677
Dividend income	1,236	2,042	1,697	2,191	2,302
Other income	109	1,045	1,839	2,104	1,404
Fair value adjustment of biological assets	5,500	(4,400)	(17,400)	17,500	(17,900)
Selling expenses	(1,365)	(1,385)	(1,429)	(1,717)	(1,756)
Administrative expenses	(11,797)	(14,654)	(16,718)	(18,471)	(21,061)
Replanting expenses	(2,621)	(3,232)	(4,323)	(5,059)	(6,243)
Other expenses	(429)	(194)	-	(19)	(7)
Share of results of associates	26	(611)	830	313	911
Share of results of a joint venture	(902)	764	1,456	(3,804)	(1,107)
Profit/(loss) before tax	40,166	54,241	15,196	28,984	(7,722)
Income tax (expense)/credit	(10,244)	(13,087)	(2,628)	(6,713)	2,720
Profit/(loss) net of tax	29,922	41,154	12,568	22,271	(5,002)
Attributable to:					
Owners of the parent	25,650	33,318	10,147	18,292	(3,579)
Non-controlling interests	4,272	7,836	2,421	3,979	(1,423)
	29,922	41,154	12,568	22,271	(5,002)
Dividends	16,848	22,114	15,269	6,318	6,318
Earnings/(loss) per stock unit (sen)					
Basic	36.54	47.46	14.45	26.06	(5.10)
Diluted	36.54	47.46	14.45	26.06	(5.10)
Net dividend (sen per stock unit)					
First interim	11.25	13.50	7.50	4.00	5.00
Second interim	12.75	18.00	10.50	5.00	4.00
Special	-	-	3.75	-	-
	24.00	31.50	21.75	9.00	9.00
Dividend cover (times)	1.52	1.51	0.66	2.90	N/A
Dividend payout - %	65.69	66.37	150.48	34.54	N/A
Gross profit margin - %	55.99	63.93	54.53	44.51	37.12

GROUP FINANCIAL PROFILE

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	147,013	217,013	218,051	219,064	219,927
Biological assets	60,600	56,200	38,800	56,300	38,400
Investments in associates	19,507	19,284	20,587	21,617	22,690
Investment in a joint venture	22,914	24,443	25,006	19,652	19,357
Investment securities	40,901	41,088	49,782	58,903	70,616
	<u>290,935</u>	<u>358,028</u>	<u>352,226</u>	<u>375,536</u>	<u>370,990</u>
Current assets					
Inventories	1,461	2,298	3,490	2,254	2,181
Receivables	6,140	5,196	4,502	6,304	5,149
Income tax recoverable	1,279	1,176	855	555	2,005
Cash and bank balances	109,982	125,325	129,903	127,659	118,346
	<u>118,862</u>	<u>133,995</u>	<u>138,750</u>	<u>136,772</u>	<u>127,681</u>
Total assets	<u>409,797</u>	<u>492,023</u>	<u>490,976</u>	<u>512,308</u>	<u>498,671</u>
Equity and liabilities					
Current liabilities					
Payables	5,939	7,072	8,656	8,874	8,356
Income tax payable	965	395	403	479	-
	<u>6,904</u>	<u>7,467</u>	<u>9,059</u>	<u>9,353</u>	<u>8,356</u>
Non-current liabilities					
Deferred tax liabilities	25,967	34,273	29,597	36,648	31,875
	<u>25,967</u>	<u>34,273</u>	<u>29,597</u>	<u>36,648</u>	<u>31,875</u>
Total liabilities	<u>32,871</u>	<u>41,740</u>	<u>38,656</u>	<u>46,001</u>	<u>40,231</u>
Equity attributable to owners of the parent					
Share capital	70,202	70,202	70,202	70,202	70,202
Share premium	4,336	4,336	4,336	4,336	4,336
Other reserves	70,869	119,010	122,662	120,796	123,057
Retained profits	172,115	183,794	179,398	192,097	182,946
	<u>317,522</u>	<u>377,343</u>	<u>376,598</u>	<u>387,431</u>	<u>380,541</u>
Non-controlling interests	59,404	72,940	75,722	78,876	77,899
Total equity	<u>376,926</u>	<u>450,283</u>	<u>452,320</u>	<u>466,307</u>	<u>458,440</u>
Total equity and liabilities	<u>409,797</u>	<u>492,023</u>	<u>490,976</u>	<u>512,308</u>	<u>498,671</u>
Net assets per stock unit attributable to owners of the parent (RM)					
	4.52	5.38	5.36	5.52	5.42
Current ratio	17.2	17.9	15.3	14.6	15.3
Return on equity attributable to owners of the parent - %					
	8.08%	8.83%	2.69%	4.72%	-0.94%

GROUP FINANCIAL PROFILE

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Net cash flows from operating activities	26,545	42,207	21,415	8,855	5,073
Net cash flows used in investing activities	(10,778)	(3,133)	(803)	(4,736)	(7,229)
Net cash flows used in financing activities	(18,333)	(24,335)	(16,753)	(7,287)	(7,276)
Net increase/(decrease) in cash and cash equivalents	(2,566)	14,739	3,859	(3,168)	(9,432)
Effects of exchange rate changes on cash and cash equivalents	(429)	588	706	910	108
Cash and cash equivalents at beginning of year	112,650	109,655	124,982	129,547	127,289
Cash and cash equivalents at end of year	109,655	124,982	129,547	127,289	117,965
Deposits pledged for banks guarantee facilities	327	343	356	370	381
Cash and bank balances	109,982	125,325	129,903	127,659	118,346

PLANTATIONS STATISTICS

	2010	2011	2012	2013	2014
Malaysia					
Planted Area -Hectares					
Mature	6,678	6,360	6,106	6,179	6,078
Immature	482	800	1,064	1,000	1,101
	<u>7,160</u>	<u>7,160</u>	<u>7,170</u>	<u>7,179</u>	<u>7,179</u>
Mature area					
Age in years					
Above 25	2.59%	2.69%	5.55%	5.96%	3.38%
21 - 25	33.65%	42.15%	38.55%	37.66%	34.77%
16 - 20	22.45%	13.47%	18.36%	20.91%	25.87%
11 - 15	23.29%	21.64%	17.23%	22.17%	19.55%
6 - 10	14.75%	15.49%	18.11%	6.99%	5.21%
Below 6	3.27%	4.56%	2.20%	6.31%	11.22%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production (m/t)					
ffb					
- own estates	126,975	131,985	123,244	118,223	113,364
- purchased	17,018	16,622	12,021	24,291	51,628
	<u>143,993</u>	<u>148,607</u>	<u>135,265</u>	<u>142,514</u>	<u>164,992</u>
Crude palm oil	<u>20,831</u>	<u>22,217</u>	<u>19,934</u>	<u>21,833</u>	<u>24,610</u>
Palm kernel	<u>5,554</u>	<u>5,892</u>	<u>5,340</u>	<u>5,744</u>	<u>6,337</u>
ffb yield per mature hectare, m/t per hectare	<u>19.01</u>	<u>20.75</u>	<u>20.18</u>	<u>19.13</u>	<u>18.80</u>
Extraction Rate (%)					
Crude palm oil	19.25	19.36	18.93	18.98	19.43
Palm kernel	5.13	5.13	5.07	4.99	5.00
	<u>19.92</u>	<u>2,213</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>
Joint venture in Indonesia					
Planted Area -Hectares					
Mature, below 6 years	-	315	702	1,969	1,969
Immature	1,992	1,898	1,951	684	684
	<u>1,992</u>	<u>2,213</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms and the process and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
(Loss)/profit net of tax	(5,002,348)	3,174,990
Attributable to:		
Owners of the parent	(3,579,140)	3,174,990
Non-controlling interests	(1,423,208)	-
	<u>(5,002,348)</u>	<u>3,174,990</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since 31 December 2013 were as follows:

	RM
In respect of the financial year ended 31 December 2014:	
First interim single tier dividend of 5%, on 70,201,962 ordinary stock units, declared on 29 May 2014 and paid on 30 June 2014	3,510,098
Second interim single tier dividend of 4%, on 70,201,962 ordinary stock units, declared on 27 November 2014 and paid on 31 December 2014	<u>2,808,079</u>
	<u>6,318,177</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

Directors

The names of directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eng Chew
 Goh Pock Ai
 Wong Aun Phui
 Goh Wei Lei
 Goh Yeok Beng
 Gho Lian Chin
 Sio Sit Po
 Dato' Ong Bok Lim
 Keong Choon Keat
 Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
 Gho Eng Liong
 Gho Bun Tjin (alternate to Gho Lian Chin)

DIRECTORS' REPORT

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units in the Company and shares in its related corporations during the financial year were as follows:

	<----- Number of ordinary stock units of RM1 each ----->			
	1 January 2014	Bought	Sold	31 December 2014
The Company				
Direct interest:				
Goh Pock Ai	401,100	-	-	401,100
Wong Aun Phui	645,850	-	-	645,850
Goh Yeok Beng	400,000	-	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	608,968	-	-	608,968
Gho Bun Tjin	2,200	-	-	2,200
Gho Eng Liong	400,000	-	-	400,000
Indirect interest:				
Goh Eng Chew	39,101,009	-	-	39,101,009
Wong Aun Phui #	59,785	-	-	59,785
Gho Lian Chin	38,852,673	-	-	38,852,673

	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2014	Bought	Sold	31 December 2014
Eng Thye Plantations Berhad - Subsidiary				
Direct interest:				
Wong Aun Phui	3,500	-	-	3,500
Dato' Ong Bok Lim	35,000	-	-	35,000
Gho Eng Liong	3,500	-	-	3,500
Indirect interest:				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250

DIRECTORS' REPORT

Directors' interests (cont'd.)

	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2014	Bought	Sold	31 December 2014
Timor Oil Palm Plantation Berhad - Subsidiary				
Direct interest:				
Goh Eng Chew	10,000	-	-	10,000
Goh Pock Ai	10,000	-	-	10,000
Wong Aun Phui	1,000	-	-	1,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
Indirect interest:				
Goh Eng Chew	6,112,300	-	-	6,112,300
Wong Aun Phui #	39,000	-	-	39,000
Gho Lian Chin	6,112,300	-	-	6,112,300
Tiong Thye Company Berhad - Holding company				
Direct interest:				
Gho Lian Chin	1,000	-	-	1,000
Gho Bun Tjin	1,000	-	-	1,000
Indirect interest:				
Goh Eng Chew	13,650,000	-	-	13,650,000
Gho Lian Chin	5,670,000	-	-	5,670,000

Interest by virtue of the interests of children

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the holding company, are also deemed interested in the stock units and shares of all its subsidiaries to the extent the holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT**Other statutory information (cont'd.)**

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2015.

Goh Eng Chew

Wong Aun Phui

STATEMENT BY DIRECTORS**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 38 to 88 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

Other matters

The supplementary information set out in Note 33 on page 89, have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance").

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2015.

Goh Eng Chew

Wong Aun Phui

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 89 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Gan Kok Tiong
at Kuala Lumpur in the Federal Territory
on 26 February 2015.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

We have audited the financial statements of Negri Sembilan Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 88.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Company Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

Other reporting responsibilities

The supplementary information set out in Note 33 on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

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No. 2991/05/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
26 February 2015

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	4	89,057,139	74,671,885	19,534,939	18,443,353
Cost of sales	4	(55,999,023)	(41,434,946)	(7,002,682)	(6,430,121)
Gross profit		33,058,116	33,236,939	12,532,257	12,013,232
Other items of income					
Interest income		2,677,585	2,709,255	1,124,435	1,119,517
Dividend income	5	2,302,019	2,190,640	3,307,027	4,449,828
Other income	6	1,404,086	2,104,165	196,540	93,719
Fair value adjustment of biological assets	14	(17,900,000)	17,500,000	(2,200,000)	2,400,000
Other items of expense					
Selling expenses		(1,756,473)	(1,717,398)	(362,643)	(493,759)
Administrative expenses		(21,060,801)	(18,470,775)	(8,515,526)	(6,834,948)
Replanting expenses		(6,243,039)	(5,058,435)	(3,180,046)	(2,440,618)
Other expenses		(7,368)	(18,856)	(7,242)	-
Share of results of associates		910,810	312,984	-	-
Share of results of a joint venture		(1,107,076)	(3,804,225)	-	-
(Loss)/profit before tax	7	(7,722,141)	28,984,294	2,894,802	10,306,971
Income tax credit/(expense)	10	2,719,793	(6,713,646)	280,188	(2,447,488)
(Loss)/profit net of tax		(5,002,348)	22,270,648	3,174,990	7,859,483
Attributable to:					
Owners of the parent		(3,579,140)	18,292,031	3,174,990	7,859,483
Non-controlling interests		(1,423,208)	3,978,617	-	-
		(5,002,348)	22,270,648	3,174,990	7,859,483
(Loss)/earnings per stock unit attributable to owners of the parent (sen per stock unit)					
Basic	11	(5.10)	26.06		
Diluted	11	(5.10)	26.06		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
(Loss)/profit net of tax		(5,002,348)	22,270,648	3,174,990	7,859,483
Other comprehensive (loss)/income:					
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		907,300	(840,403)	-	-
Net gain/(loss) on fair value changes of available-for-sale investment securities		3,436,864	3,265,549	(902,632)	1,035,442
- Transfer to profit or loss upon disposal		(996,113)	(824,369)	(80,995)	-
- Gain/(loss) on fair value changes		4,432,977	4,089,918	(821,637)	1,035,442
Net gain on fair value changes of available-for-sale investments in subsidiaries	15	-	-	24,003,735	47,105,541
Effect of change in tax rates on deferred tax		-	(3,428,847)	-	(909,308)
Share of other comprehensive income of an associate		6,564	7,107	-	-
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		4,350,728	(996,594)	23,101,103	47,231,675
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of a joint venture, representing total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		60,952	-	-	-
Total other comprehensive income/(loss)		4,411,680	(996,594)	23,101,103	47,231,675
Total comprehensive (loss)/income for the year		(590,668)	21,274,054	26,276,093	55,091,158
Attributable to:					
Owners of the parent		(571,666)	17,150,745	26,276,093	55,091,158
Non-controlling interests		(19,002)	4,123,309	-	-
		(590,668)	21,274,054	26,276,093	55,091,158

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Assets					
Non-current assets					
Property, plant and equipment	13	219,926,599	219,064,321	91,787,216	91,262,405
Biological assets	14	38,400,000	56,300,000	15,500,000	17,700,000
Investments in subsidiaries	15	-	-	277,021,177	253,017,442
Investments in associates	16	22,689,666	21,616,932	11,063,584	11,063,584
Investment in a joint venture	17	19,357,507	19,651,691	13,781,480	13,781,480
Investment securities	18	70,616,061	58,903,461	8,189,377	8,377,309
		<u>370,989,833</u>	<u>375,536,405</u>	<u>417,342,834</u>	<u>395,202,220</u>
Current assets					
Inventories	19	2,181,193	2,254,178	236,722	627,755
Receivables	20	5,149,372	6,304,386	1,714,461	2,283,645
Income tax recoverable		2,005,251	554,868	274,480	55,295
Cash and bank balances	21	118,345,720	127,658,507	39,075,676	41,930,046
		<u>127,681,536</u>	<u>136,771,939</u>	<u>41,301,339</u>	<u>44,896,741</u>
Total assets		498,671,369	512,308,344	458,644,173	440,098,961
Current liabilities					
Payables	22	8,356,488	8,873,936	2,091,696	2,609,678
Income tax payable		-	479,119	-	-
		<u>8,356,488</u>	<u>9,353,055</u>	<u>2,091,696</u>	<u>2,609,678</u>
Non-current liabilities					
Deferred tax liabilities	26	31,875,014	36,648,669	14,574,679	15,469,401
Total liabilities		40,231,502	46,001,724	16,666,375	18,079,079
Equity attributable to owners of the parent					
Share capital	23	70,201,962	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840	4,335,840
Other reserves	24	123,057,031	120,795,880	296,139,651	273,384,131
Retained profits	25	182,945,976	192,096,970	71,300,345	74,097,949
		<u>380,540,809</u>	<u>387,430,652</u>	<u>441,977,798</u>	<u>422,019,882</u>
Non-controlling interests		77,899,058	78,875,968	-	-
Total equity		458,439,867	466,306,620	441,977,798	422,019,882
Total equity and liabilities		498,671,369	512,308,344	458,644,173	440,098,961

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2014 Group	Note	Equity, total RM	Equity attributable to owners of			Non-distributable				Non-distributable				Non- controlling interests RM
			Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Employee benefits plan reserve of a joint venture RM			
Opening balance at 1 January 2014		466,306,620	387,430,652	70,201,962	4,335,840	192,096,970	120,795,880	105,534,524	1,509,320	13,752,036	-	-	-	78,875,968
Loss for the year		(5,002,348)	(3,579,140)	-	-	(3,579,140)	-	-	-	-	-	-	-	(1,423,208)
Other comprehensive income		4,411,680	3,007,474	-	-	-	3,007,474	-	-	2,156,820	797,872	52,782	-	1,404,206
Revaluation reserve of leasehold land realised		-	-	-	-	746,323	(746,323)	(746,323)	-	-	-	-	-	-
Transaction with owners		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests		(957,908)	-	-	-	-	-	-	-	-	-	-	-	(957,908)
Dividends	12	(6,318,177)	(6,318,177)	-	-	(6,318,177)	-	-	-	-	-	-	-	-
Dividends, representing total transaction with owners		(7,276,085)	(6,318,177)	-	-	(6,318,177)	-	-	-	-	-	-	-	(957,908)
Closing balance at 31 December 2014		458,439,867	380,540,809	70,201,962	4,335,840	182,945,976	123,057,031	104,788,201	2,307,192	15,908,856	52,782	-	-	77,899,058

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D.)

2013 Group	Note	Equity attributable to owners of the parent, total		Distributable			Non-distributable			Non-controlling interests RM
		Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	
Opening balance at 1 January 2013		452,319,677	70,201,962	4,335,840	179,398,055	122,662,227	109,366,685	2,181,379	11,114,163	75,721,593
Profit for the year		22,270,648	-	-	18,292,031	-	-	-	-	3,978,617
Other comprehensive (loss)/income		(996,594)	-	-	-	(1,141,286)	(3,107,100)	(672,059)	2,637,873	144,692
Revaluation reserve of leasehold land realised		-	-	-	725,061	(725,061)	(725,061)	-	-	-
Transaction with owners		-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	12	(968,934)	-	-	-	-	-	-	-	(968,934)
Dividends		(6,318,177)	-	-	(6,318,177)	-	-	-	-	-
Dividends, representing total transaction with owners		(7,287,111)	-	-	(6,318,177)	-	-	-	-	(968,934)
Closing balance at 31 December 2013		466,306,620	70,201,962	4,335,840	192,096,970	120,795,880	105,534,524	1,509,320	13,752,036	78,875,968

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D.)

2014 Company	Note	Equity, total RM	Non-distributable			Distributable			Non-distributable		
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM		
Opening balance at 1 January 2014		422,019,882	70,201,962	4,335,840	74,097,949	273,384,131	51,272,636	217,164,791	4,946,704		
Profit for the year		3,174,990	-	-	3,174,990	-	-	-	-		
Other comprehensive income/(loss)		23,101,103	-	-	-	23,101,103	-	24,003,735	(902,632)		
Revaluation reserve of leasehold land realised		-	-	-	345,583	(345,583)	(345,583)	-	-		
Transaction with owners		-	-	-	-	-	-	-	-		
Dividends, representing total transaction with owners	12	(6,318,177)	-	-	(6,318,177)	-	-	-	-		
Closing balance at 31 December 2014		441,977,798	70,201,962	4,335,840	71,300,345	296,139,651	50,927,053	241,168,526	4,044,072		

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D.)

2013 Company	Note	Equity, total RM	Distributable			Non-distributable			Non-distributable		
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM		
Opening balance at 1 January 2013		373,246,901	70,201,962	4,335,840	72,221,032	226,488,067	52,517,555	170,059,250	3,911,262		
Profit for the year		7,859,483	-	-	7,859,483	-	-	-	-		
Other comprehensive income/(loss)		47,231,675	-	-	-	47,231,675	(909,308)	47,105,541	1,035,442		
Revaluation reserve of leasehold land realised		-	-	-	335,611	(335,611)	(335,611)	-	-		
Transaction with owners		-	-	-	-	-	-	-	-		
Dividends, representing total transaction with owners	12	(6,318,177)	-	-	(6,318,177)	-	-	-	-		
Closing balance at 31 December 2013		422,019,882	70,201,962	4,335,840	74,097,949	273,384,131	51,272,636	217,164,791	4,946,704		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Operating activities				
(Loss)/profit before tax	(7,722,141)	28,984,294	2,894,802	10,306,971
Adjustments for:				
Depreciation of property, plant and equipment	4,055,085	3,511,748	1,378,703	1,203,384
Fair value decrease/(increase) in biological assets	17,900,000	(17,500,000)	2,200,000	(2,400,000)
Gain on sale of property, plant and equipment	(25,000)	-	(25,000)	-
Gross dividend income	(2,302,019)	(2,190,640)	(3,307,027)	(4,449,828)
Interest income	(2,677,585)	(2,709,255)	(1,124,435)	(1,119,517)
Net fair value gain on available-for-sale securities (transferred from equity on disposal)	(996,113)	(824,369)	(80,995)	-
Property, plant and equipment written off	7,242	18,856	7,242	-
Share of results of associates	(910,810)	(312,984)	-	-
Share of results of a joint venture	1,107,076	3,804,225	-	-
Unrealised gain on foreign exchange	(108,012)	(909,267)	(1,105)	(2,189)
Total adjustments	16,049,864	(17,111,686)	(952,617)	(6,768,150)
Operating cash flows before changes in working capital	8,327,723	11,872,608	1,942,185	3,538,821
Changes in working capital				
Decrease/(increase) in inventories	72,985	1,235,619	391,033	(164,631)
Decrease/(increase) in receivables	1,172,772	(1,781,836)	565,600	(372,271)
(Decrease)/increase in payables	(517,448)	218,016	(517,982)	129,353
Total changes in working capital	728,309	(328,201)	438,651	(407,549)
Cash flows from operations	9,056,032	11,544,407	2,380,836	3,131,272
Taxes paid	(3,983,364)	(2,689,071)	(833,719)	(875,000)
Net cash flows from operating activities	5,072,668	8,855,336	1,547,117	2,256,272
Investing activities				
Interest received	2,659,827	2,689,327	1,128,019	1,118,509
Net dividends received	2,161,263	1,744,330	3,257,903	3,217,156
Purchase of property, plant and equipment	(4,924,605)	(4,544,127)	(1,910,756)	(878,914)
Purchase of investment securities	(12,052,279)	(8,048,047)	(698,579)	(20,500)
Proceeds from sale of property, plant and equipment	25,000	-	25,000	-
Proceeds from sale of investment securities	4,913,412	3,436,822	113,998	-
Placement of fixed deposits pledged to banks	(11,206)	(14,364)	(6,551)	(6,340)
Net cash flows (used in)/generated from investing activities	(7,228,588)	(4,736,059)	1,909,034	3,429,911
Financing activities				
Dividends paid to owners of the parent	(6,318,177)	(6,318,177)	(6,318,177)	(6,318,177)
Dividends paid to non-controlling interests	(957,908)	(968,934)	-	-
Net cash flows used in financing activities	(7,276,085)	(7,287,111)	(6,318,177)	(6,318,177)
Net decrease in cash and cash equivalents	(9,432,005)	(3,167,834)	(2,862,026)	(631,994)
Effects of exchange rate changes on cash and cash equivalents	108,012	909,267	1,105	2,189
Cash and cash equivalents at 1 January	127,288,219	129,546,786	41,712,635	42,342,440
Cash and cash equivalents at 31 December (Note 21)	117,964,226	127,288,219	38,851,714	41,712,635

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014**

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company of the Company is Tiong Thye Company Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding. The principal activities of the subsidiaries are the cultivation of oil palms and the process and sale of crude palm oil and palm kernel. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted Amendments to FRS and IC Interpretation which are mandatory for financial periods beginning on or after 1 January 2014 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted for the first time the following amended FRS and IC Interpretation:

Effective for financial period beginning on or after 1 January 2014:

Amendments to FRS 10, FRS12 and FRS 127	Investment Entities
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of the above amended standards and IC Interpretation did not have any effect on the financial performance or the financial position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and IC Interpretations that are issued but not yet effective up to the date of the issuance of the Group's and of the Company's financial statements are discussed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Effective for annual period beginning on or after 1 July 2014:

Amendments to FRS 2, 3, 8, 116, 124 and 138	Annual Improvements to FRSs 2010 - 2012 Cycle
Amendments to FRS 3, FRS 13 and 140	Annual Improvements to FRSs 2011 - 2013 Cycle
Amendments to FRS 119	Defined Benefit Plans: Employee Contributions

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Effective for annual period beginning on or after 1 January 2016:

Amendments to FRS 5, 7, 119	Annual Improvements 2012 - 2014 Cycle
Amendments to FRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11 FRS 14	Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferred Accounts
Amendments to FRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements

Effective for annual period beginning on or after 1 January 2018:

FRS 9	Financial Instruments
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Except for the changes in accounting policies and disclosure arising from the adoption of the below revised standards, the directors expect that the adoption of the standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on the adoption of these standards are as described below:

Amendments to FRS 10 and 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate or a joint venture of assets that constitute a business, between is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016, with earlier application permitted.

Amendments to FRS 127 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are to be applied retrospectively from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 2 September 2014, MASB announced that it will permit Transitioning Entities to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards (FRS) Framework for additional two years. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2017. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

Under the FRS Framework, the Group's and the Company's accounting policy for biological assets are disclosed in Note 2.11. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) using either the cost model or revaluation model (after maturity). The amendments also require that agricultural produce, which is the harvested produce of an entity's biological assets will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between accounting standards under the FRS Framework and MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2014 could be different if prepared under the MFRS Framework.

The Group and the Company consider that they are achieving their scheduled milestones and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2017.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company meets all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, over vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Company loses control of a subsidiary, a gain or loss calculated as the difference between

- (i) aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets and liabilities of the subsidiaries and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date of control is lost is regarded as the cost on initial recognition of the investment.

Business combination

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects on a transaction-by-transaction basis, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014****2. Summary of significant accounting policies (cont'd.)****2.5 Non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions as described in Note 2.4.

2.6 Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee as further described in Note 2.4.

In the Company's separate financial statements, investments in subsidiaries are classified as available-for-sale financial assets in accordance with FRS 139. These financial assets are measured at fair value. Any gains or losses from changes in fair value are recognised in other comprehensive income except that impairment losses are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when such investment is derecognised.

On derecognition of such investments, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using equity method. Under the equity method, the investments in associates are measured in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairments as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.