

ANNUAL REPORT

2019

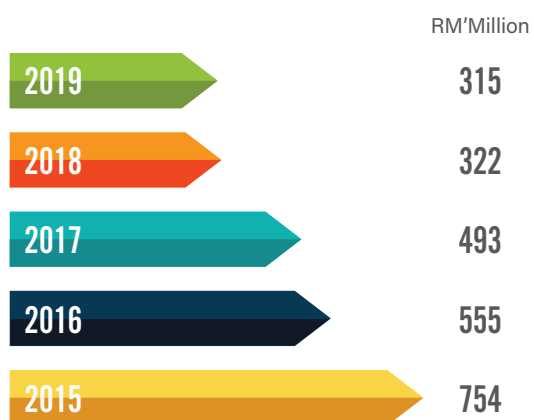


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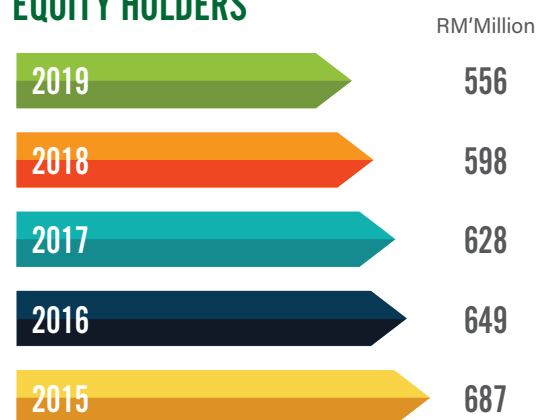
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FINANCIAL HIGHLIGHTS

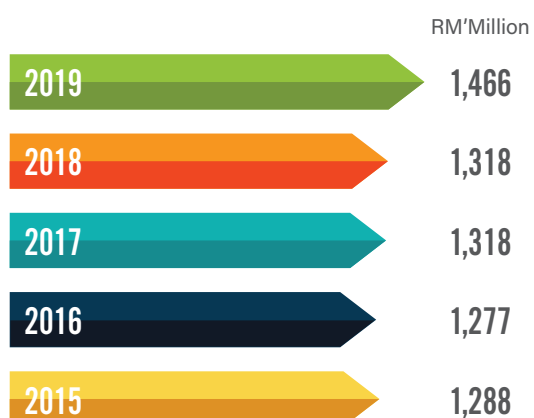
REVENUE



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS



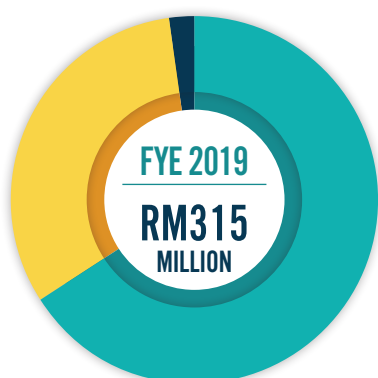
TOTAL ASSETS



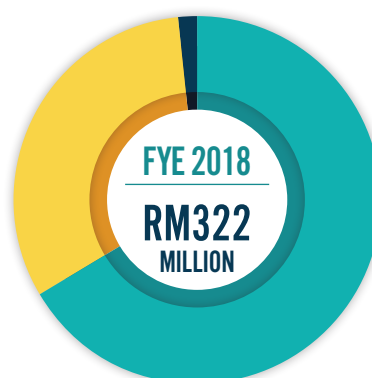
NET ASSETS PER SHARE



BREAKDOWN OF REVENUE BY SEGMENT

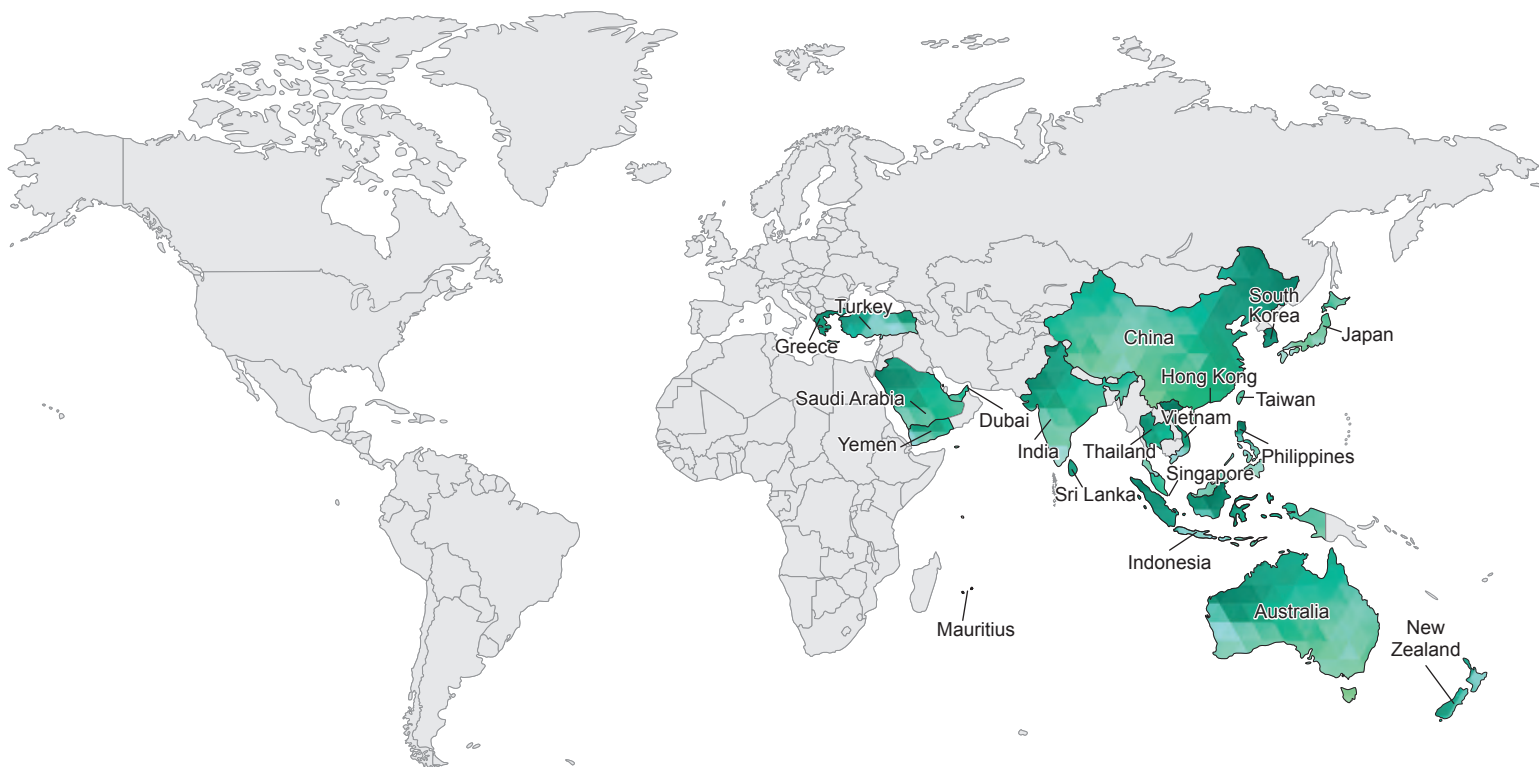


- 66% Timber Operations and Reforestation
- 32% Oil Palm Operations
- 2% Others

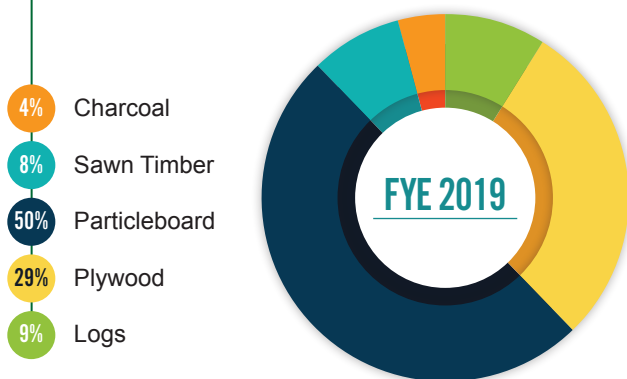


- 67% Timber Operations and Reforestation
- 32% Oil Palm Operations
- 1% Others

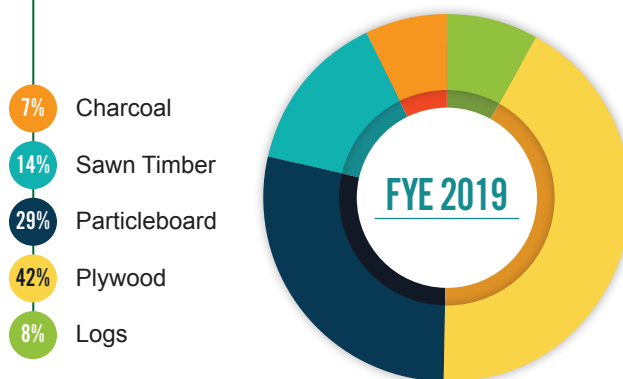
EXPORT MARKET HIGHLIGHTS



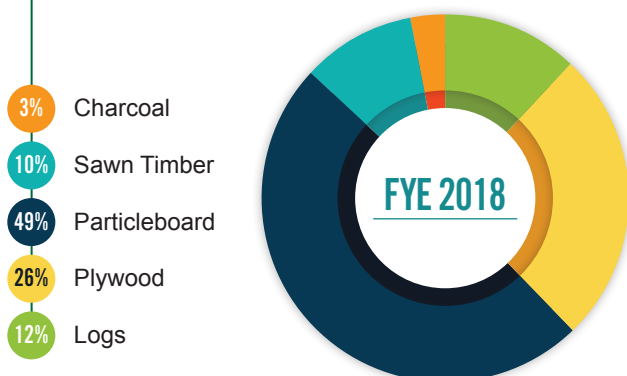
EXPORT VOLUME IN %



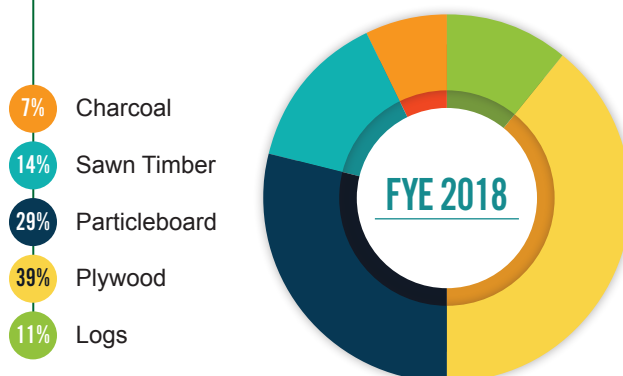
EXPORT VALUE IN %



EXPORT VOLUME IN %



EXPORT VALUE IN %



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tiong Kiong King

Chairman, Non-Independent Non-Executive Director

YBhg. Dato' Tiong Ing

Managing Director

Mdm. Ngu Ying Ping

Senior Independent Director

Mr. Tiong Ing Ming

Independent Director

Mr. Poh Kee Eng

Independent Director

AUDIT COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

NOMINATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Kiong King

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

REMUNERATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Kiong King

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

COMPANY SECRETARIES

Mdm. Ling Chieh Min (MIA 18531)

Ms. Voon Jan Moi (MAICSA 7021367)

REGISTERED OFFICE

No. 66-78, Pusat Suria Permata, Jalan Upper Lanang

C.D.T. 123, 96000 Sibu, Sarawak

Tel : 084-211 555

Fax : 084-211 545

E-mail : info@suburtiasa.com

Website : www.suburtiasa.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.

Registration No 199601006647 (378993-D)

(Formerly known as Symphony Share Registrars Sdn. Bhd.)

11th Floor, Menara Symphony,

No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13,

46200 Petaling Jaya, Selangor, Malaysia

Tel : 03-7890 4700

Fax : 03-7890 4670

PRINCIPAL BANKERS

Affin Bank Berhad

Ambank (M) Berhad

Bank of China (Malaysia) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

AUDITORS

Crowe Malaysia PLT (LLP0018817-LCA & AF1018)

Chartered Accountants

1st Floor No. 1

Lorong Pahlawan 7A2

Jalan Pahlawan

96000 Sibu, Sarawak

Tel : 084-211 777

Fax : 084-216 622

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock name

SUBUR

Stock Code

6904

PROFILE OF DIRECTORS

MR. TIONG KIONG KING

Chairman

Non-Independent Non-Executive Director

Age 72, Malaysian, Male

Mr. Tiong Kiong King was appointed to the Board of Directors ("Board") of Subur Tiasa Holdings Berhad on 21 June 1997 and was subsequently appointed as Chairman of the Board on 19 March 2013. He is also a member of the Nomination and Remuneration Committees of the Company.

Mr. Tiong Kiong King has more than 48 years of managerial experience in the timber industry in various capacities. Presently, Mr. Tiong also holds key posts in several non-government organisations. Among them, he is

the Life Honorary President for Sibuan Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Life Honorary President of Persekutuan Persatuan-Persatuan Foochow Sarawak, Honorary Chairman of the World Zhang Clan Association Limited and Chairman of Persatuan Klan Zhang Negeri Sarawak. He is also the Vice Chairman of a public listed company, Rimbunan Sawit Berhad.



YBHG. DATO' TIONG ING

Managing Director

Age 62, Malaysian, Female



YBhg. Dato' Tiong Ing was first appointed to the Board of Subur Tiasa Holdings Berhad on 25 July 2001 and was subsequently appointed as the Managing Director on 1 October 2003.

YBhg. Dato' Tiong Ing holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Manitoba, Canada. She has more than 38 years hands on experience, in-depth knowledge and extensive market network in the timber industry and more than 14 years exposure in the oil palm plantation industry.

On 19 July 2007, YBhg. Dato' Tiong Ing was conferred with Darjah Sultan

Ahmad Shah Pahang (D.S.A.P) which carries the title "Dato". Between 2009 and 2011, YBhg. Dato' Tiong Ing was appointed as director of EON Bank Berhad and sat on the Bank's Board Group Credit Committee. YBhg. Dato' Tiong Ing has been actively involved as a Council member of Sarawak Timber Association ("STA") which has more than 400 members from companies involved in timber, timber related industries and trades. She also acts as Chairperson of STA Log Marketing Committee for 2018 and 2019. YBhg. Dato' Tiong Ing has been an Industry Advisory Council member of University College Technology Sarawak since April 2016.



PROFILE OF DIRECTORS (CONT'D)

MDM. NGU YING PING

Senior Independent Director
Age 59, Malaysian, Female

Mdm. Ngu Ying Ping joined the Board of Subur Tiasa Holdings Berhad on 29 June 2009. She was subsequently appointed as the Chairperson of Audit, Nomination and Remuneration Committees of the Company on 19 March 2013.

Mdm. Ngu Ying Ping graduated with Bachelor of Economics (Major in Accounting) from Monash University,

Melbourne, Australia. She is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation, Fellow Member of the CPAs Australia and Affiliate of Malaysian Institute of Chartered Secretaries and Administrators. She does not hold directorship in any other public company.



MR. TIONG ING MING

Independent Director
Age 62, Malaysian, Male

Mr. Tiong Ing Ming joined the Board of Subur Tiasa Holdings Berhad on 19 March 2013 and he is a member of the Audit, Nomination and Remuneration Committees of the Company.

Mr. Tiong Ing Ming graduated with a Bachelor of Building (Hons) from University of Melbourne, Australia

in 1982 and began his career in a consulting quantity surveying practice since 1994. He is a registered quantity surveyor of the Board of Quantity Surveyors, Malaysia and a member of the Institution of Surveyors Malaysia. He also sits on the Board of a public listed company, Rimbunan Sawit Berhad.





PROFILE OF DIRECTORS (CONT'D)

MR. POH KEE ENG

Independent Director
Age 70, Malaysian, Male

Mr. Poh Kee Eng joined the Board of Subur Tiasa Holdings Berhad on 14 September 2015 and he is a member of the Audit, Remuneration and Nomination Committees of the Company.

Mr. Poh Kee Eng graduated with a Bachelor of Science (Hons) and Diploma in Education from University of Malaya in 1975 and began his career as a teacher, and subsequently as a School Inspector of Sarawak Education Department

Kuching and then a School Principal from 1976 to 2005. He joined Subur Tiasa Holdings Berhad as a Human Resources Manager in 2005. He then served as Senior Manager, Administration and Human Resources Department and was also in charge of Corporate Social Responsibility from 2007 to 2014. He had extensive exposure to logging, manufacturing and oil palm operations. He also has vast experience in management and training. He does not hold directorship in any other public company.



OTHER INFORMATION OF DIRECTORS:

- (i) **Family Relationship**
None of the Directors have any family relationship with each other or the major shareholders of the Company, except as disclosed below:
- Mr. Tiong Kiong King is a brother of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and an uncle to YBhg. Dato' Tiong Ing, who is the Managing Director of the Company.
 - YBhg. Dato' Tiong Ing is the daughter of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a niece to Mr. Tiong Kiong King who is also a Director of the Company.
- (ii) **Conflict of Interest**
None of the Directors has been involved in situation that will create a conflict of interest with the Company.
- (iii) **List of Convictions for Offences**
None of the Directors has been convicted of any offence, other than traffic offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.
- (iv) **Attendance of Directors at Board Meetings**
There were five (5) Board Meetings held during the financial year ended 31 July 2019. Details of attendance of each Director at Board Meetings are as stipulated in the Corporate Governance Overview Statement set out on page 33 of this annual report.
- (v) **Securities holdings in the Company and its subsidiaries**
The Directors' shareholdings as at 23 October 2019 are as disclosed on page 147 of this annual report.

PROFILE OF KEY SENIOR MANAGEMENT

MR. TENG KING HUAT

Chief Operating Officer
Age 56, Malaysian, Male

Mr. Teng King Huat was appointed as Chief Operating Officer of Subur Tiasa Holdings Berhad on 1 September 2015.

Mr. Teng King Huat graduated with a Bachelor of Engineering (Chemical) degree from University of Adelaide, Australia. Prior to his appointment as Chief Operating Officer of Subur Tiasa Holdings Berhad, he had also served as Personal Assistant to Managing Director, Dato' Tiong Ing since 2008. During his tenure with Rimbunan Hijau Group and Subur Tiasa Holdings Berhad, he has acquired extensive exposure in businesses of chemical, logging, timber based manufacturing and oil palm. He has more than 20 years of diversified experience in strategic and operational management.

He does not hold directorship in any public companies and listed issuer. He has not been involved in situation that will create a conflict of interest with the Company and has no conviction for offences within the past five (5) years. There was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year under review.



CORPORATE STRUCTURE AS AT 23 OCTOBER 2019



SUBUR TIASA HOLDINGS BERHAD (341792-W)



TIMBER OPERATIONS AND REFORESTATION

- 100% • AA Plywood Sdn. Bhd. (752393-M)
- 100% • Borneo Lumber Industries Sdn. Bhd. (34515-V)
- 100% • Diamond Biowood Sdn. Bhd. (750284-A)
- 100% • Excel Logging Sdn. Bhd. (1267334-K)
- 100% • Excellence Timber Sdn. Bhd. (761744-T)
- 100% • Grace Million Sdn. Bhd. (624862-D)
- 100% • Homet Raya Sdn. Bhd. (189955-D)
- 100% • JPH Logging Sdn. Bhd. (809224-M)
- 100% • R H Timber Processing Industries Sdn. Bhd. (48217-K)
- 100% • Saraju Holding Sdn. Bhd. (179762-K)
- 100% • Sarawak Plywood (M) Sdn. Bhd. (012934-U)
- 100% • Semarak Veneer & Plywood Sdn. Bhd. (230578-K)
- 100% • Subur Tiasa Forestry Sdn. Bhd. (323421-T)
- 100% • Subur Tiasa Particleboard Sdn. Bhd. (198523-K)
- 100% • Subur Tiasa Plywood Sdn. Bhd. (167681-D)
- 100% • Trimogreen Sdn. Bhd. (190362-D)



OIL PALM OPERATIONS

- 100% • Blessings Palm Sdn. Bhd. (776528-A)
- 100% • Fruitful Palm Sdn. Bhd. (1057611-U)
- 100% • Infrapalm Sdn. Bhd. (769262-T)
- 100% • Palmyln Sdn. Bhd. (614569-U)
- 100% • Tiasa Mesra Sdn. Bhd. (938319-P)
- 100% • Tiasa Palm Sdn. Bhd. (809230-X)
- 100% • United Superland Sdn. Bhd. (1090607-K)
- 100% • Victory Round Sdn. Bhd. (751569-X)
- 60% • Victory Pelita Kabah Sdn. Bhd. (1015888-K)
- 75% • Hahn Fert Sdn. Bhd. (1185250-K)



OTHERS

- 100% • Allied Asiatic Sdn. Bhd. (734184-M)
- 100% • Blessings Realty Sdn. Bhd. (775270-M)
- 100% • Dchord Sdn. Bhd. (formerly known as Merri Marketing Sdn Bhd) (1067349-P)
- 100% • Enerrich Sdn. Bhd. (formerly known as Merri Mee Sdn Bhd) (1067347-D)
- 100% • Honeybrix Sdn. Bhd. (1019826-W)
- 100% • Joyful Realty Sdn. Bhd. (770831-M)
- 100% • JPH Enterprise Sdn. Bhd. (771097-V)
- 100% • LX Photonics Sdn. Bhd. (1167330-X)
- 100% • Mamo Sdn. Bhd. (1012769-P)
- 100% • Momospace Sdn. Bhd. (1014468-D)
- 100% • Momaworld Sdn. Bhd. (1032328-H)
- 100% • Momawater Sdn. Bhd. (1033245-V)
- 100% • MOMA Marketing Pte. Ltd. (201623094H)
- 100% • Subur Global Pte. Ltd. (201539306M)
- 100% • Subur Properties Sdn. Bhd. (1151173-H)
- 100% • Tiasa Heights Sdn. Bhd. (1151223-H)
- 100% • Prestige Superland Sdn. Bhd. (1151205-M)
- 100% • Subur Tiasa R&D Sdn. Bhd. (1157521-A)
- 100% • Supreme Standard Development Sdn. Bhd. (717556-V)
- 100% • Tiasa Cergas Sdn. Bhd. (935519-H)
- 100% • T.Q. Oriental Sdn. Bhd. (257848-D)

CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 31 JULY 2019



MR. TIONG KIONG KING CHAIRMAN

Dear fellow shareholders,

On behalf of the Board of Directors of Subur Tiasa Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 July 2019.

FINANCIAL PERFORMANCE

The Group recorded positive earnings before interest, taxation, depreciation and amortization (“EBITDA”) of RM32.7 million in the financial year (“FY”) 2019 despite the challenging operating landscape and downward trend of Crude Palm Oil (“CPO”) price. The group revenue was RM314.6 million whereas loss before tax was RM28.3 million. This was mainly due to reduction in CPO price by 20% from RM2,510 per metric tonne to RM1,999 per metric tonne in FY2019. Net assets per share stood at RM2.98 as at end of FY2019.

The Group's financial and operational performance will be further reported in the Management Discussion & Analysis section.

CHAIRMAN'S STATEMENT (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

CORPORATE DEVELOPMENT

During the year, the Group has completed the acquisition of Simunjan Estate in October 2018. This has expanded our land bank by another 15,000 hectares for oil palm plantation and sustainable tree planting. The successful acquisition marked another milestone achieved by the Group to transform and expand its oil palm plantation as the core business.

On 3 July 2018, our Group has signed a Memorandum of Understanding with Sarawak Timber Industry Development Corporation ("STIDC") on the development of bamboo plantation and bamboo integrated industry. To promote biodiversity, we have since then intensified our collaboration efforts with STIDC on the research and development of bamboo. This augurs well with our undertaking to advance the sustainability of raw materials.

GOING FORWARD

Our Group will focus on creating values for all stakeholders with the regular evaluation of the effectiveness of the Group strategies. This will improve the core business models and achieve sustainable profitability in the long run. In order to ensure the Group stays resilient in this challenging business environment, the Group is committed to transforming our businesses via reengineering, optimization, yield improvement and cost competitiveness programs.

APPRECIATION

My heartfelt thanks go to my fellow Board members for their invaluable advice and contributions. I am also very grateful to the resilient and resourceful management team under the leadership of Managing Director, Dato' Tiong Ing and the staff for their commitment, hard work and concerted efforts.

On behalf of the Board, I wish to extend my gratitude and appreciation to our valued shareholders, customers, suppliers, financial institutions, business associates and various regulatory bodies for your continuous support and confidence placed in us. We will continue to increase momentum in our transformation journey to strive for better results and deliver values to our stakeholders.

Tiong Kiong King
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS BY GROUP MANAGING DIRECTOR

OVERVIEW OF THE GROUP’S BUSINESS AND OPERATIONS

During the year in review, oil palm and timber remain as the two core business divisions of Subur Tiasa Holdings Berhad Group (“The Group”).

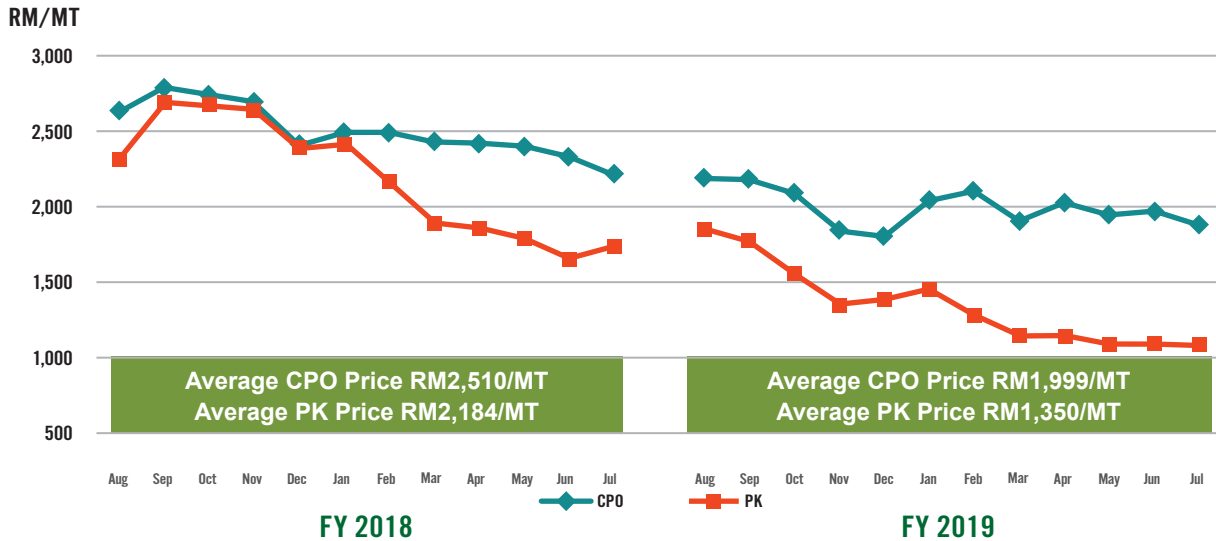
The Group improves profitability by increasing production volumes in the oil palm segment with lower operation costs. Good Agricultural Practices (“GAP”) are implemented to improve the yield of fresh fruit bunches (“FFB”). Currently, we have successfully obtained Malaysian Sustainable Palm Oil (“MSPO”) certification for two estates. All estates are expected to be MSPO certified by the end of 2019.

The Group’s downstream manufacturing faces challenges of increasing production costs due to the tight supply of raw material. To stay ahead, we re-engineered the business process to improve productivity, reduce operation costs without affecting the quality of outputs. We automate and innovate timber processes to increase productivity and reduce labour cost. We also train and educate workers on multi-tasking at the production line.

OIL PALM SEGMENT

The oil palm plantation segment contributed 32% of the total revenue of the Group for the financial year ended 31 July 2019 (“FY2019”). The Group has recorded significant improvement in sales volume of FFB by 25% from 213,915 metric tonnes (“MT”) to 268,377 MT. Our FFB yield from our various estates surpassed the average yield in the respective regions. Subur Tiasa has emerged as one of the leading oil palm plantations which achieved remarkable yield improvement in the year.

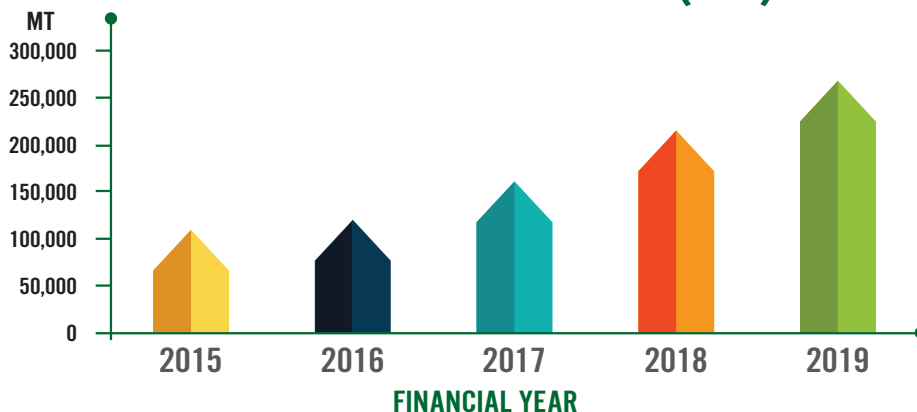
CPO PRICE AND PK PRICE TREND



The weakening of crude palm oil (“CPO”) price of 20% from RM2,510 per MT in FY2018 to RM1,999 per MT in FY2019 has impacted on the revenue and profit contribution of our oil palm plantation segment. Our oil palm segment contributed earnings before interest, taxation, depreciation and amortization (“EBITDA”) of RM11.3 million in FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

FRESH FRUIT BUNCHES (MT)



Our oil palm estates are located in Sibul, Mukah, Samarahan and Kapit regions. Total land bank of the Group has expanded to 44,000 hectares upon the completion of the acquisition of Simunjan Estate in October 2018. The weighted average palm age is 7.5 years old. The Group expects a better performance with improvement in FFB yield in line with the growth of the palm age profile from young mature to prime age.

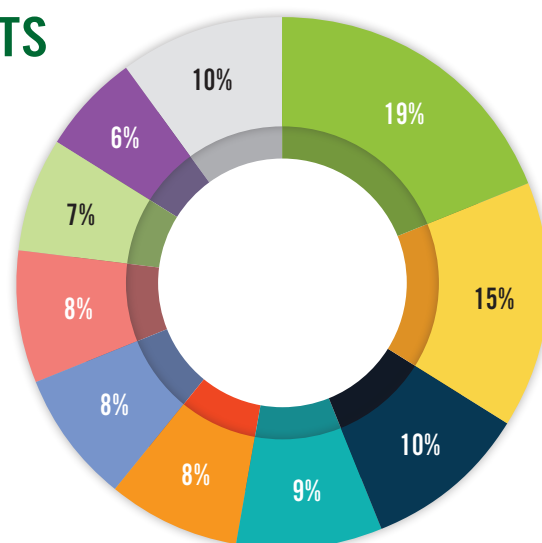
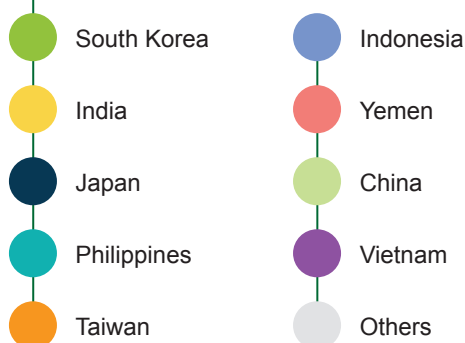
TIMBER SEGMENT

The Group's timber segment consists of upstream logging operation, reforestation and downstream manufacturing. Our downstream manufacturing products comprise plywood, particleboard, sawn timber and charcoal.

Our logging operations and reforestation are located in Sibul, Bintulu and Kapit regions. Our downstream manufacturing hubs are located in Sibul, Bintulu and Tanjung Manis, Sarawak.

India remains the main export market for our logs. South Korea, Japan and the Philippines are the key export markets for our timber products. We continue to develop and penetrate new or niche markets globally for our value-added products.

TIMBER AND TIMBER PRODUCTS KEY MARKET



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

Logging

Log sales contributed about 15% of the total revenue of the Group. The average export selling price remained strong due to the tightening of the tropical hardwood supply from Sarawak.

Under the Malaysian Timber Certification Scheme, the Group remains steadfast in its undertaking to pursue Forest Management Certification (“FMC”). We expect to obtain FMC in the near future.

Reforestation

Reforestation secures the sustainable supply in raw material for downstream manufacturing. We conducted research and development of tree species cultivation in order to improve the planting quality, to achieve optimum growth and marketable value of our tree plantation.

The Group signed a Memorandum of Understanding (“MOU”) in July 2018 with Sarawak Timber Industry Development Corporation. The MOU encompasses research and development of bamboo and bamboo integrated industry. This collaboration signifies the Group’s commitment to promoting bamboo, the 21st Century “Green Steel”, as a new source of eco-friendly and sustainable raw material.

Downstream Manufacturing of Timber Products

Plywood

Plywood accounted for 18% of the total Group revenue in FY2019. Export market share was about 93%.

Particleboard

Particleboard contributed 15% of the total Group revenue in FY2019. Export market made up 78% of the total sales volume.

FINANCIAL REVIEW

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	754,031	554,603	492,636	322,163	314,569
Profit / (Loss) Before Tax	16,449	(31,739)	4,438	(9,449)	(28,313)
Profit / (Loss) After Tax	16,422	(32,871)	(17,402)	(21,086)	(35,840)
EBITDA	135,830	79,259	67,446	49,193	32,720
Equity Attributable to Equity Holders	687,376	648,869	627,547	598,366	555,825
Total Assets	1,287,843	1,277,335	1,318,132	1,318,180	1,466,114
Net Assets Per Share (RM)	3.58	3.45	3.35	3.20	2.98

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

The Group recorded revenue of RM314.6 million in FY2019, as compared to RM322.2 million reported in the previous year. Timber and oil palm plantation segments accounted for 66% and 32% respectively of the Group's revenue. The Group reported loss before tax of RM28.3 million as compared to loss of RM9.4 million in the preceding year. Loss after tax was RM35.8 million. The financial performance was mainly attributed to the followings:

Oil Palm Segment

- FFB annual sales volume increased by 25%, resulting from improved yield due to operational efficiency and more matured palm trees.
- Nevertheless, year-on-year revenue and profit before tax decreased mainly due to reduction in CPO and FFB average selling prices by 20% and 27% respectively.

Timber Segment

- Operating performance improved as compared to preceding financial year, mainly supported by improved average selling prices of timber products and implementation of cost optimization measures.

FINANCIAL POSITION

Property, plant and equipment ("PPE")

The PPE increased by RM133.7 million as compared to FY2018. Total PPE addition of RM196.2 million was partially offset by depreciation charged for the year of RM46.8 million and disposal of non-productive machinery of RM15.7 million. The increase in PPE was largely in relation to the acquisition of Simunjan Estate and reclassification of plantation development expenditure to bearer plants, in line with MFRS 141 and 116. The proceeds from disposal were then re-invested into productive business assets. Some properties have been reclassified as investment properties.

Biological assets

Biological assets of the reforestation and the planted trees are classified as non-current assets while the agricultural produce such as FFB is classified as current assets at fair value, in line with the requirements of MFRS 141 and 116. The net increase in biological assets of RM16.7 million from FY2018 was mainly due to a fair value gain of RM8.8 million as well as the addition of RM7.9 million during the year.

Inventories

There was an increase in inventories of RM8.7 million as compared to FY2018. It was mainly attributed to the increase of timber products and work-in-progress towards the current financial year-end.

Trade and other receivables

The decrease in trade and other receivables of RM59.9 million as compared to FY2018 was mainly due to the refund of deposits and debt collection efforts.

Trade and other payables

The trade and other payables increased by RM10.4 million as compared to FY2018. It was mainly due to down payment received from customers towards the financial year-end.

Working capital and liquidity

The Group remains resilient with a healthy financial position backed by closing cash and cash equivalents amounting to RM9.7 million. During the year, our operations generated positive cash flows of RM63.2 million which was used to finance partially the plantation expenditure in the oil palm estates.

Capital commitment

The approved and contracted capital expenditure of RM1.8 million is in relation to the balance of the construction costs of the oil palm estates' quarters and purchase of machinery.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

DIVIDEND

The Board of Directors does not recommend any dividend in respect of the financial year ended 31 July 2019.

ANTICIPATED OR KNOWN RISK

Risk management remains an integral part of the Group's day-to-day operations. The Group adopts a robust risk management framework to mitigate risks.

Industrial wide shortage of labour remains one of the primary operating risks in oil palm business. The Group has increased productivity and boosted workers' morale across the estate. In terms of regulatory risk, any changes in government policy of foreign workers levy and minimum wages, for instance, could have substantial impact on the Group's operating costs. The Group is committed to adopting proactive measures to mitigate such risks and to improve cost competitiveness.

FORWARD LOOKING

The Group expects a better performance in oil palm segment with improvement in FFB yield and increasing area of more matured palm trees in prime age category. We are confident that our FFB production and oil extraction rate can be further boosted through operational efficiencies. Barring unforeseen circumstances, CPO price is expected to recover gradually in anticipation of the decline in palm oil inventory and higher demand from key importers.

Our Group expects to obtain Forest Management Certification in the near future. The impending certification will enhance the sustainability of our forest and competitiveness of our timber products.

The Group will continue to support local communities and contribute to poverty alleviation through provision of job opportunities, trainings, sponsorships, donations and community-based activities.

