



ANNUAL REPORT 2014



CONTENTS

Corporate Information	02
Profile of Directors	03
Chairman's Statement	07
Corporate Governance Statement	09
Statement on Corporate Responsibility	22
Statement on Risk Management and Internal Control	24
Audit Committee Report	25
Statement of Directors' Responsibilities	30
Directors' Report	31
Statement by Directors	35
Statutory Declaration	35
Independent Auditors' Report	36
Statements of Comprehensive Income	38
Statements of Financial Position	39
Statements of Changes in Equity	41
Statements of Cash Flows	43
Notes to the Financial Statements	45
Shareholdings Structure	95
Notice of Annual General Meeting	97
Statement Accompanying Notice of Annual General Meeting	101
Proxy Form	

Directors

Datuk Hj. Majin Hj. Ajing

Independent Non-Executive Chairman

Datuk (Dr.) Kelvin Tan Aik Pen

Managing Director

Datuk Sam Mannan @ Sham Mannan

Non-Independent Non-Executive Director

Datuk Jaswant Singh Kler

Independent Non-Executive Director

Puan Ainahwati Binti Abd Sani

Non-Independent Non-Executive Director

Datuk Hj. Othman Bin Walat

Non-Independent Non-Executive Director

Lim Fook Hin

Executive Director

Tan Aik Kiong

Alternate Director to
Datuk (Dr.) Kelvin Tan Aik Pen

Hj. Rosely Bin Kusip

Alternate Director to Lim Fook Hin

Secretaries

Dorothy Luk Wei Kam
(MAICSA 7000414)

Chan Ai Hoon
(LS 0000393)

Audit Committee

Datuk Hj. Majin Hj. Ajing
Datuk Jaswant Singh Kler
Puan Ainahwati Binti Abd Sani

Nomination Committee

Datuk Hj. Majin Hj. Ajing
Datuk Jaswant Singh Kler

Remuneration Committee

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler

Executives' Share Option Scheme ("ESOS") Committee

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler
Lim Fook Hin

Risk Management Committee

Puan Ainahwati Binti Abd Sani
Lim Fook Hin
Dalil Pakan

Auditors

Ernst & Young
MPT 4604, Lot 17-28, 3rd Floor, Block B,
Bandaran Baru, Jalan Baru,
91000 Tawau, Sabah.
Tel: 089-774233 Fax: 089-762950

Principal Bankers

United Overseas Bank (M) Berhad
Malayan Banking Berhad
AmBank (M) Berhad

Registered Office

6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
Tel: 088-326415 Fax: 088-432104

Registrar

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7841 8000/03-7849 0777 (Helpdesk)
Fax: 03-7841 8151/8152

Stock Exchange Listing

Bursa Malaysia Securities Berhad
(Main Market)

Website

www.innoprise.com.my





Datuk Hj. Majin Hj. Ajing

Aged 66 years, a Malaysian, was appointed as an Independent Non-Executive Director on 1 May 2005. He serves as a Chairman of the Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. He graduated with Bachelor of Arts from University of Malaya in 1974. He served with the Sabah State Government from 1974 to 1999 before starting his own business. During his tenure in the State Civil Service, he held various senior posts amongst others Secretary of Internal Affairs and Security (1982 - 1984), Permanent Secretary to the Ministry of Industrial Development (1984 - 1994), General Manager of Sabah State Railway (1994 - 1999) and Director of Sabah Archives (1999). He was Director of Gold Coin Malaysia Bhd ("GCM"), Chairman of Sarawak Flour Mill Sdn Bhd (a subsidiary of GCM), Director of Sabah Gas Industries Sdn Bhd, Director of Sabah Economic Development Corporation and Sabah Forest Industries Sdn Bhd.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Datuk (Dr.) Kelvin Tan Aik Pen

PGDK, DPMP, aged 57 years, a Malaysian, is the Managing Director of Innoprise Plantations Berhad and serves as a member of the Remuneration Committee and ESOS Committee. He was appointed to the Board of Directors of the Company on 7 December 2006. He is also the Chairman of TSH Resources Berhad and Ekowood International Berhad. He sits on the board of a list of private companies.

Datuk (Dr.) Kelvin Tan has more than twenty eight (28) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 to 2004 and trustee of the Borneo Conservation Trust Sabah, from 2010 to 2013. He serves as Honorary Director of Sabah Chinese High School. As recognition for the many contributions to environmental conservation and forestry, Datuk (Dr.) Kelvin Tan was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Tan Aik Kiong. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.





Datuk Sam Mannan @ Sham Mannan

Aged 57 years, a Malaysian, was appointed as a Non-Independent Non-Executive Director of the Company on 10 August 2005. He graduated with a Bachelor of Forestry Science from University of Canterbury, New Zealand in 1979. He joined the Forestry Department, Sabah since 1980 and held various senior positions in the Forestry Department. He was appointed as the Director of Forestry Department in 2004.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Puan Ainahwati Binti Abd Sani

Aged 41 years, a Malaysian, appointed as a Non-Independent Non-Executive Director on 3 November 2008. She serves as a member of the Audit Committee and Risk Management Committee. She graduated from International Islamic University Malaysia and holds MBA (International Business) from Universiti Malaysia Sabah. She joined the Sabah Foundation in 1997 as a Senior Audit Officer and since 2006 she is appointed as Group Company Secretary.

She has no family relationship with any of the directors or substantial shareholders of the Company. She has no directorship in any other public listed company. She has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Datuk Jaswant Singh Kler

Aged 74 years, a Malaysian, was appointed as an Independent Non-Executive Director on 7 December 2006. He serves as a member of Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. He is an Associate member of the Incorporated Society of Planters and continues to play active role as senior member of the planting fraternity in Malaysia and sits on the Board of TSH Resources Berhad. He holds directorship positions in various subsidiary companies of TSH Group and several other private limited companies.

Notably, he was the Chairman of the East Malaysia Planters' Association from 1985 to 2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and Executive Director of Bena Plantation Sdn. Bhd. when he left in 2006 and 1984 respectively. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd. He is also an advisor for Incorporated Society of Planters Sabah, Tawau Branch.

He participates actively as a committee member of Malaysian International Chamber of Commerce & Industry of Sabah Branch and is a Committee Member for Human Resources and also on the Home Affairs of MICCI Standing Committee. He is a member of the Institute Development Studies (Sabah) and also a life member of Agricultural Institute of Malaysia.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Datuk Hj. Othman Bin Walat

Aged 65 years, a Malaysian, was appointed as a Non-Independent Non-Executive Director on 7 December 2006. He graduated with a Diploma in Agriculture from University Pertanian Malaysia in 1970. He started with Federal Land Development Authority (FELDA) in 1972 as Assistant Manager and was promoted to Project Manager in 1973.

He joined Kumpulan Guthrie Berhad as Estate Manager in 1974, and held various senior positions of the Group (1983-2004), and as Group Controller in 1996. He became Group Director Plantation (2003-2004). He served as Chief Executive Officer of Sabah Softwoods Berhad from 2004 to 2008. He is now the Group Managing Director to Sawit Kinabalu Group since 2008.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Lim Fook Hin

Aged 65 years, a Malaysian, was appointed as an Executive Director on 7 December 2006. He serves as a member of the Risk Management Committee and ESOS Committee. He is currently the Executive Director of TSH Resources Berhad and Ekowood International Berhad. He also sits on the board of some subsidiary companies within the TSH Group and also holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' Management Consultancy Services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as the Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as the Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was the Chief Executive of United Palm Oil Industries PLC ('UPOIC'), a company listed on the Stock Exchange of Thailand before joining TSH Resources Berhad in 1997.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.





Tan Aik Kiong

Aged 55, a Malaysian, was appointed as an Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen on 16 December 2014. He also sits on the board of various subsidiary companies of TSH Resources Berhad and also holds directorship in other private limited companies. He obtained a Master degree in Civil Engineering, majoring in Construction Management, from the Oklahoma State University, United States of America. Prior to joining TSH Resources Berhad, he was attached with Prudential Bache Ltd., an established brokerage and commission house and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore. He is currently the Group Executive Director of TSH Resources Berhad.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Hj. Rosely Bin Kusip

Aged 63 years, a Malaysian, was appointed as an Alternate Director to Lim Fook Hin on 6 September 2010. He graduated with a Diploma from Serdang Agriculture College. He sits on the Board of Sime Darby Plantations Sdn. Bhd. and holds directorship in other private limited companies.

Hj. Rosely is an experience planter and started his career with Kumpulan Guthrie Berhad, now part of Sime Darby Plantation, in 1972 where he rose to the rank of General Manager Estate in charge of all of Guthrie's Malaysian and Liberian Plantations. He was promoted to Plantation Director and is overall in charge of Guthrie's Indonesian P.T. Manimas Plantations Group and President Director. He joined TSH Resources Berhad in 2004 as Plantation Director to start their Indonesian plantation venture.

He does not have any family relationship with any of the directors or other major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.



Chairman's Statement

On Behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2014.



Financial Performance

The Group registered a turnover of RM57.816 million for the period under review compared to the previous year of RM32.541 million. Pretax profit for the year was RM10.217 million against RM4.151 million for the preceding year.

Higher turnover was due to higher FFB crop and higher volume of timber logged. Total volume logged for 2014 was 51,537 m³ as compared to 19,631 m³ for 2013.

Turnover from oil palm segment was significantly higher as total FFB production for 2014 increased to 115,253 mt compared to 74,519 mt for 2013. Despite lower palm product prices, operating profit for this segment improved 137% to RM13.913 million in 2014 from RM5.882 million in 2013 due to higher FFB production.

Sales of Crude Palm Oil and Palm Kernel commenced in December 2014 with the commencement of palm oil mill operations.

Corporate And Business Development

The construction of the 60/90 mt FFB/hr palm oil mill by our subsidiary, Serijaya Industri Sdn Bhd (SJI), was completed, commissioned and commenced commercial operation on 18 December 2014. Oil extraction rates in the initial months were most encouraging.

The Sabah Forestry Department has extended the rights for SJI to use the forest land for oil palm operation to 60 years from the original term of 30 years. The extension is in recognition of the responsible policies and procedures that the Company has adopted in its oil palm development operations including measures to conserve environment and protect endangered wild life species.

Total area planted with oil palm at the end of 2014 was 11,701 hectares. For the year 2014, management's primary focus and major effort was to consolidate previous years' plantings involving supplying of vacant points and infilling at dry valleys to improve stand per hectare with the view to enhance future yield per hectare.

Sustainability Overview

The Group has over the years made every reasonable endeavour to ensure that our operations are carried out in an environmentally friendly manner and to ensure long term sustainability.

Our initiatives include:-

- Eco-logging using the Reduces Impact Logging System implemented in 2011.
- Continued strict observance of riparian reserve and non-development of land above 20 degree slope for bio-diversity.
- No hunting or culling of protected wild life species.
- Soil conservation measures to prevent soil erosion.
- Develop human capital through in-house staff training and external courses.
- Provide good housing and amenities for staff and workers.
- Integrated pest management adopted to reduce chemical usage.
- To undertake a methane gas emission capture and utilization project to reduce methane gas emission from palm oil mill effluent.

The Group will continue silvicultural treatment program on 500 hectares per year of degraded forest.



Prospect

Another 2,679 hectares of the Group's oil palm are deemed to be matured on 1 January 2015 bringing total mature area to 8,080 hectares. A further 1,562 hectares will come into scout harvesting during the year. Your Board is confident that oil palm segment contribution will improve further in 2015 with higher FFB yield. Operation of the palm oil mill will also help to improve segmental profitability with significant transport cost saving and as the Group moves into higher value chain.

Eco-logging contract will continue to contribute to the Group's profit despite the uncertain weather conditions. Management will work closely with the sub-contractor to mobilize more machinery and improve execution process.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders, business associates, bankers and Government agencies for their continuing support and confidence in the Group. I also wish to express my sincere appreciation to fellow directors, management and staff of the Group for their dedication, commitment and hard work for the past year.

I would like to welcome Mr. Tan Aik Kiong who joined the Board in 2014. My sincere appreciation goes to Datuk Hajah Mary @ Mariati Robert who did not seek for re-election at the last Annual General Meeting.

DATUK HJ. MAJIN HJ. AJING
Chairman