

## • REVIEW OF OPERATIONS •



*ASIATIC Sri Gading Estate*



*Newly acquired estate and oil mill*  
- ASIATICMewah Estate (above)  
- ASIATICMewah Oil Mill (below)

### PLANTATION

Backed by a workforce of more than 4,500 employees and contract field workers with operations ranging from managing a total land bank of over 57,000 hectares to the processing and marketing of palm oil products, the Plantation Division continued to be the key profit earner for the Group accounting for a hefty 87% of the total revenue. Plantation earnings soared 237% higher than that of last year to a recent high of RM104.1 million under firmer palm oil prices for most part of the year.

The year under review also saw the Division further expanding its land bank in Sabah with the acquisition of Asiatic Mewah Estate, a 5,611-hectare oil palm estate located near Bukit Garam, Kinabatangan District, with 79% prime yielding areas. This estate together with a 35 tonnes per hour palm oil mill was purchased for a cash consideration of RM134.0 million. The acquisition was completed in late September 2002. It had since contributed positively with a 3-month fresh fruit bunches ("FFB") production of 23,149 tonnes. Furthermore, as reported in the last annual report, the Group continued to acquire contiguous parcels of vacant agricultural land at Pulau Jambongan, an island off the coastal town of Kanibongan, northeast of Sabah. It added some 1,173 hectares at a cost of RM5.6 million during the year to bring the total area in its possession to about 2,118 hectares. The Group plans to commence oil palm cultivation on the island by 2004 when it had procured a sizeable area.

Crude palm oil ("CPO") prices were fairly robust throughout the year, due largely to the tightening of supplies of soybean and other competing oil seeds including that of

palm oil caused by unusual disruption of weather pattern. With external demand from traditional markets remaining stable, the prices of CPO staged a commendable rally to breach past RM1,700 per tonne towards year end. The Group was able to capitalise on the buoyant sentiment and achieved an average CPO selling price of RM1,352 per tonne representing 53% increase in comparison to 2001's level of RM883 per tonne.

Likewise, palm kernel ("PK"), which shared similar sentiment, witnessed its achieved selling price surged to RM665 per tonne, a substantial 52% upturn over that of the previous corresponding period of RM438 per tonne.

FFB production for 2002 amounted to 707,863 tonnes, a nominal increase of 1% over 2001 partly attributable to contribution from the newly acquired estate. Despite the moderate improvement in FFB harvest, the average yield

the acquisition of Asiatic Mewah Oil Mill which has a milling capacity of 35 tonnes per hour, the Group's combined processing capacity was increased from 155 tonnes per hour to 190 tonnes per hour. With the enlarged FFB intake, the milling throughput increased the capacity utilisation somewhat to 86% as against 84% in 2001.

Maintaining the yearly incremental trend, the average oil extraction rate for the Group further improved to 20.2% against 19.2% achieved in 2001. This increase is due mainly to the changing age profile of the palms and the better control on harvesting standards exerted at ground level.

Following SIRIM's accreditation of the ISO9002(1994) Quality Management System for Asiatic Ayer Item Oil Mill in April 2001, a conversion exercise to update to the ISO9001(2000) was carried out in October 2002.



*Land preparation in progress at ASIATIC Indah and ASIATIC Permai Estates, Tongod, Sabah*

per mature hectare for the Group dropped slightly to 20.9 tonnes which is about 2.3% lower than 2001. It is however noteworthy that the decline is milder as compared to the reported yield deterioration of some 6.2% experienced by the general plantation industry as a result of the debilitating drought effect. The yield reduction was partly cushioned by the good showing of our Asiatic Tenegang Group of Estates in Sabah with young maturing profile progressing into higher yielding brackets. These estates achieved an average FFB yield per hectare of 21.0 tonnes, an improvement of 4% over the previous year.

FFB processed by the Group's oil mills in 2002 including outside FFB purchases increased to 764,152 tonnes, some 8% higher than that achieved in 2001. Arising therefrom, CPO production for the year climbed to 153,772 tonnes or 14% jump from last year whilst PK registered a 9% growth amounting to 40,313 tonnes. Meanwhile, with

In view of increasing crop production for the coming years and to minimise disruption to estate harvesting and CPO despatches in our Sabah operations, the CPO storage capacity was further increased with an additional 1,000-tonne bulking tank constructed at the mill.

The Group continued with its field mechanisation exercise by upgrading the machinery and field roads in Peninsular Malaysia whilst in Sabah, the Buffalo Assisted Collection programme is promoted for in-field FFB evacuation.

As planned, the Group has accelerated the planting programme for the 8,830-hectare agricultural land acquired in 2001 near Sungai Tongod, District of Kinabatangan, Sabah (the "Land"). As at year end, about 4,196 hectares were being cleared whilst 3,044 hectares have been fully planted with oil palm. An amount of RM11.2 million was expended during the year. However, it