

REVIEW OF OPERATIONS



Genting Jambongan Estate, Sabah



The inaugural members of the 30MT Club



New signage reflecting change of name to Genting Plantations Berhad

PLANTATIONS

Malaysia

The global economic downturn was a major drag on commodity prices in 2009 and palm oil was no exception. The average Malaysian Palm Oil Board crude palm oil ("CPO") price in 2009 was RM2,245 per metric tonne, a drop of 19% from the 2008 average as the market took its cue from declining soyoil and fossil fuel prices.

To exacerbate matters, while selling prices faced downward pressure, the palm oil industry was hit by a dip in production. Excessively heavy rainfall in Sabah in the first quarter of 2009 – around double the usual volumes – severely crimped yields across the state throughout much of the year. Weaker prices and lower production meant the Malaysian palm oil industry suffered a setback, with export earnings for the year falling to RM49.6 billion from RM65.2 billion in the previous year.

The Group's Plantations - Malaysia Division performed along similar lines, affected by the weather-induced deterioration in yields and the drop in palm oil prices. Revenue was at RM675.4 million, down from RM936.5 million in 2008, while pre-tax profit was lower at RM291.0 million compared with the all-time high of RM462.4 million registered in 2008.

The average CPO price achieved in 2009 was RM2,236, a decline of 21% from the RM2,822 achieved in 2008. The average palm

kernel price achieved was also lower at RM1,063, down 33% from the RM1,595 achieved in the previous year.

The inclement weather conditions in Sabah in early 2009 had a prolonged biological effect on crop productivity state-wide. For the Group, the impact was especially pronounced since more than 70% of the Group's planted landbank is located in Sabah. Consequently, total Group production of fresh fruit bunches ("FFB") fell to 1.16 million metric tonnes from 1.23 million metric tonnes in 2008. Yield per mature hectare declined to 21.0 metric tonnes from 22.6 metric tonnes a year earlier.

Total area planted with oil palms rose marginally to 60,007 hectares as at 31 December 2009. The Division enlarged its workforce by 3% to nearly 8,000 as at the end of 2009 to meet its growing requirements for labour to tend new plantings and to work the additional fields coming into maturity.

To address the persistent labour shortage faced by the plantation industry, the Group has stepped-up the monitoring of harvesters' out-turn to ensure increased productivity and maximisation of output. Recruitment of workers, especially skilled tall palm harvesters, has also been intensified in response to the increasingly critical industry-wide scarcity of experienced harvesters.



Genting Indah Oil Mill, Sabah

Automated mill processes at Genting Indah Oil Mill - process synchronisation & automation system

The Group also continued to expand its efforts across its plantation operations to reduce its dependence on labour, mainly through the implementation of mechanical assisted collection, mechanical assisted fertilisation application, mechanical assisted spraying as well as buffalo-assisted collection.

On the processing front, the Group marked a pivotal milestone in 2009. Genting Indah Oil Mill ("GIOM"), the Group's most technologically-advanced oil mill, was commissioned in April 2009 and officially launched on 21 July 2009. The 30-metric tonne per hour mill, which is located in Tongod, Sabah, features a number of efficiency-enhancing innovations and was designed with the critical area of responsible environment management as a primary consideration. The addition of the state-of-the-art GIOM takes the total number of mills owned by the Group to six, with combined processing capacity of 265 metric tonnes per hour.

The commissioning of GIOM, along with improved harvesting practices helped raise the Group's oil extraction rate ("OER") to 20.90% in 2009, up from 20.63% in 2008. Kernel extraction rate was slightly lower at 4.85% compared with 4.92% in 2008. As a result of lower FFB production, CPO and palm kernel production declined to 243,788 metric tonnes and 56,530 metric tonnes respectively in 2009, from 252,609 metric tonnes and 60,273 metric tonnes in 2008.

As an organisation that constantly strives for progress, the Group underscored its seriousness in pursuing continual operational improvements by launching, on 7 May 2009, the 30MT Club and 22.5% OER Club to recognise estates that achieve annual yields of 30 metric tonnes of FFB, and mills that achieve average annual OER of 22.5% respectively. These two clubs were established with the aim of cultivating a culture of excellence and fostering healthy competition among operating units. Three estates – Genting Cheng Estate, Genting Tanah Merah Estate and Genting Tebong Estate – were inaugurated into the 30MT Club for achieving yields of above 30 metric tonnes FFB in the previous year, the first time in the Group's history that the 30 metric tonne barrier has been broken.

The Group also embarked on an improvement drive for its oil mills. Training schools for engineers were set up at GIOM and Genting Ayer Item Oil Mill ("GAIOM") while various programmes to enhance OER were introduced, including the restructuring of oil mill processes through the adoption of new technologies. Additionally, GAIOM began implementing its transition from ISO 9001:2000 to ISO 9001:2008 Quality Management Systems accreditation. Projects designed for ISO 14001:2004 Environmental Management Systems and MS 1722:2005 Occupational Safety and Health Management Systems certification were also initiated at all the Group's oil mills.

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Groundbreaking ceremony at PT SMA



Mulia Estate, Kalimantan Barat



Establishment of nurseries at PT SMA (top) and Kapuas Estates (below)



Office at Ketapang, Kalimantan Barat (left) and Palangkaraya, Kalimantan Tengah (right)



PLANTATIONS

Indonesia

The progress achieved by the Group in the development of new areas in Indonesia in 2009 could be described as commendable, particularly in the light of the gloomy economic backdrop.

New plantings completed over the course of the year across all the Group's ongoing projects in both West and Central Kalimantan covered an aggregate area of 11,214 hectares, equivalent to more than double the plantings carried out in 2008.

PT Sepanjang Intisurya Mulia ("PT SISM"), the Group's first Indonesian joint venture in Kabupaten Ketapang, Kalimantan Barat, planted an additional 3,228 hectares in 2009, taking its total planted area as at 31 December 2009 to 9,375 hectares, representing a 53% increase over the planted area at the end of the previous year. A major milestone is set to be commemorated in mid-2010 when harvesting gets underway, marking the Group's maiden production in Indonesia.

In a further boost to the Group's plantation development in West Kalimantan, planting activities commenced in October 2009 at PT Sawit Mitra Abadi ("PT SMA"), the second joint venture project in Kabupaten Ketapang. A groundbreaking ceremony was held on 9 August 2009, officiated by the *Bupati*, or Regency, of Ketapang. *Hak Guna Usaha* has been secured for an area of 8,374 hectares. By 31 December 2009, a total of 756 hectares had been planted.

Elsewhere, in Kabupaten Kapuas, Kalimantan Tengah, the Group's joint venture significantly stepped up planting activities in 2009, its first full year of operations. New plantings carried out in 2009 totalled 7,230 hectares, adding to the 308 hectares

that were planted in the previous year following the start of development in October 2008.

The accelerated pace of expansion in 2009 brought the Group's total planted landbank in Indonesia as at 31 December 2009 to 17,669 hectares, close to three times larger than the planted landbank at the end of 2008. To support this growth in plantation activities in Indonesia, the workforce was increased from 1,307 at end 2008 to 3,508 as at the end of 2009. Along with this, various infrastructure and amenities were also being progressively added to meet the needs of the workers and local communities.

Paving the way for the setting up of the Group's first oil mill in Indonesia, the Group proceeded in 2009 to apply for the relevant approvals and to finalise the details of the project. Construction of the mill, which will be located in PT SISM, Kabupaten Ketapang with an initial capacity of 45 metric tonnes per hour, is expected to start later in 2010 and targeted to be completed in two years.

Amidst the Group's growing presence in Indonesia, the wellbeing of the local people has not been neglected. Ever-respectful of cultural sensitivities, the Group maintains active engagement with local communities and seeks to work in partnership through initiatives such as the Plasma scheme, a programme in which plantation companies assist smallholders in developing new plantations. At PT SISM, the Group's proposed Plasma scheme remains on track. The first smallholders cooperative, incorporated in March 2009, is the management entity for 406 families, while a second cooperative is in the process of being established.



Genting Indahpura Sales Office



Diamond II, Genting Indahpura



Double-storey shop offices (left) and double-storey terrace houses (right), Genting Pura Kencana

PROPERTY

As a sector most closely-linked to the state of consumer sentiment, the Malaysian property industry continued to bear the brunt of the anaemic economic environment in 2009 as investor confidence ebbed.

The year saw consumers generally adopting a wait-and-see attitude, especially when it came to purchasing big-ticket items like properties. The mood of caution that prevailed in 2009, coupled with more stringent lending conditions imposed by financial institutions in the wake of the global credit crisis, suppressed property sales in the country. In response to the sluggish market conditions, which was especially evident in secondary locations outside of the Klang Valley, property developers took a more cautious approach, preferring to downsize their existing stocks than to launch new ones.

The Property Division registered a decline in revenue and pre-tax profit to RM80.2 million and RM6.8 million respectively in 2009, down from RM99.5 million and RM12.4 million in the previous year.

Genting Pura Kencana, in Sri Gading, Batu Pahat, Johor, was the top revenue contributor for the second year running. The project generated total sales of RM26.5 million, with RM22.2 million recorded from sales of residential and commercial units under construction, while the balance were from sales of new launches.

Genting Indahpura, the Group's flagship development in Kulaijaya, Johor was the second biggest revenue contributor, registering sales of RM23.6 million. The sales were derived mainly from commercial and residential properties under construction, with both categories contributing combined sales value of RM16.6 million. The remaining RM7.0 million was generated from the sale of inventories comprising industrial lots, commercial properties and residential properties.

Genting Cheng Perdana in Melaka, the Group's maiden project which has reached the tail-end of development, recorded RM5.1 million in sales in 2009. As for Genting Permaipura in Kedah, sales value of RM1.1 million were registered from the sale of inventories comprising single- and double-storey terrace houses. Elsewhere, the performance of The Permaipura Golf and Country Club remained satisfactory despite strong competition from other clubs.

In a landmark event, the Group signed an agreement on 29 September 2009 with Chelsea Malaysia, LLC, a division of Simon Property Group, Inc. to form a joint venture to establish and operate Premium Outlet Centres® in Malaysia. The first project under development is the Johor Premium Outlets® ("JPO"), strategically located on a site in Genting Indahpura at the intersection of two major highways. Slated for a grand opening in 2011, JPO is set to become not only a major regional attraction, but also one of global repute in the arena of premier upscale outlet shopping.

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**BIOTECHNOLOGY**

The Biotechnology Division, spearheaded by ACGT Sdn Bhd (“ACGT”) aims to harness the knowledge encoded in plant genomics to create superior crops to feed and fuel the world in a sustainable manner.

ACGT believes that the oil palm and jatropha have such potential and has completed the full sequencing, assembly as well as annotation for both the oil crops’ genomes. Following these achievements, ACGT has moved into the application phase of its research and development (“R&D”) work, involving the use of its genomics data for product development. The research being undertaken by ACGT is not confined merely to the improvement of plant varieties. It is also in isolating microbes that live around plants that can help promote plant growth and health.

ACGT’s vision is to be a leader in the genomics industry. Towards this end, several important milestones were achieved in 2009, starting with the setting up of a re-sequencing facility in early 2009. This facility, the first of its kind in Malaysia, will allow ACGT to perform end-to-end re-sequencing locally.

The ACGT Genomics Network Supercomputer (AGNeS) also began operations in early 2009. In yet another first-of-a-kind for Malaysia, the establishment of AGNeS makes ACGT the nation’s first privately-funded life sciences organisation to have such

a facility. A supercomputer like AGNeS is integral to genomic research because of its high data input and also enables the computation of intensive algorithms for data mining and analysis.

ACGT’s pioneering work in oil palm genomics progressed further in 2009. Having been recognised as the first to complete the sequencing and assembly of the oil palm genome in May 2008, ACGT completed the third pass annotation of the oil palm genome, with 98% coverage, in September 2009.

ACGT has also made a significant R&D breakthrough for jatropha. On 20 May 2009, it announced the completion of the first draft of the jatropha genome and has since completed the third pass annotation of the jatropha genome, with 98% coverage.

On 2-3 November 2009, ACGT, together with Genting Plantations Berhad, Applied Agricultural Resources Sdn Bhd, FELDA, CIRAD and NEIKER-TECNALIA jointly organised the “Genetic Linkage Mapping, QTL Analyses and Marker Assisted Selection in Plant Species Workshop”, a workshop from the Oil Palm Genome Project (“OPGP”). The workshop, attended by 26 participants from Spain, France, Columbia, Indonesia and Malaysia, was opened only to members of the OPGP Consortium, a network of organisations from the plantation industry.



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Participants of the OPGP Workshop

Meanwhile, as part of the Group-wide rebranding exercise, the 'ACGT Jatropha Experimental Station' was renamed 'The Gasoline Tree™ Experimental Research Station, *Jatropha Division*', to better reflect the focus of its R&D activities.

During the year, ACGT expanded its scientific team to 38 scientists. ACGT also continued to collaborate with Synthetic Genomics, Inc. and the J. Craig Venter Institute, and on 24 July 2009, ACGT renewed its Memorandum of Understanding with the Malaysian Palm Oil Board to collaborate on oil palm genomics research.



The Gasoline Tree™ Experimental Research Station, *Jatropha Division*, in Sepang, Selangor

1. ACGT scientists loading gel sets at the genomics laboratory
- 2-5. ACGT Laboratories are equipped with the facilities to perform end-to-end re-sequencing and also has bioinformatics capabilities, including a high performance supercomputer.
6. Tissue culture isolation
7. ACGT Genomics Network Supercomputer (AGNeS)