

## ESTATE OPERATIONS

## INDONESIA



to more fields attaining maturity i.e. from 822 hectares last year to 1,648 hectares in FYE2019.

CPO and CPKO production during the year under review were 47,966 MT and 4,434 MT respectively (FYE2018: 51,887 MT and 4,013 MT respectively) in line with the decline in FFB production and lower third party crop. Average CPKO price was RM3,015 per MT, compared with RM4,431 per MT in the prior year. Meanwhile, the Group's oil extraction rate ("OER") average of 22.34% was slightly higher compared to 22.09% OER recorded last year.

On 23 August 2018, we had announced that the Mahkamah Agung Republik Indonesia, vide its written decision dated 21 August 2018, has allowed PTNJL's appeal and ruled that the Ministerial Order revoking PTNJL's HGU be annulled. The Mahkamah Agung also ordered the Menteri Agraria dan Tata Ruang/ Kepala Badan Pertahanan Nasional Republik Indonesia ("Defendant") to simultaneously:

- i. issue an order cancelling PTNJL's HGU rights over the areas overlapping with third party interests measuring 3,500 hectares; and
- ii. issue a new HGU certificate in favour of PTNJL for an area measuring 16,474.130 hectares, (which is 19,974.130 hectares less the 3,500 hectares referred to in paragraph (i) above).

Arising therefrom, the impairment of property, plant and equipment previously affected by the Ministerial Order was reversed in Q2 of FYE2019.

We had also announced in February 2019 that the Defendant had subsequently made a judicial review application to set aside the decision. This was followed by PTNJL filing a counter-memorandum in March 2019 in response thereof. Our Indonesian solicitors have advised that based on normal timelines for judicial review, we could expect the decision to be made in six to twelve months from the date PTNJL's counter-memorandum was filed. Further, commencement of the judicial review proceedings do not prevent the implementation of the Mahkamah Agung's written decision as aforementioned.

During the year, PTNJL commenced construction of a "terminal khusus" (specific terminal) at the estate. The terminal which was completed in this current financial year has locational advantages as it will allow for more efficient loading and dispatch of PTNJL's CPO and CPKO thereby reducing transport costs as well as PTNJL's environmental footprint.