



ANNUAL REPORT  
**2016**



## **CORPORATE VISION**

To be Malaysia's leading producer of renewable and sustainable quality oil palm and wood based products.

## **CORPORATE MISSION**

To create a strong, viable corporate entity, a first choice employer, continuously improving by harnessing our resources of people, processes and technology contributing to the nation's development.



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# FINANCIAL HIGHLIGHTS

## FINANCIAL STATISTICS PERFORMANCE

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	1,023,367	1,032,209	1,033,342	1,054,098	1,183,684
Profit Before Taxation	82,232	52,567	79,949	31,269	224,874
Profit After Taxation	56,995	34,445	55,619	22,271	170,666
Profit Attributable to Equity Holders	54,162	31,635	53,133	21,138	168,739
EBITDA	229,647	186,541	190,130	141,533	356,331
Equity Attributable to Equity Holders	1,814,259	1,769,069	1,751,939	1,708,483	1,393,248

## CORPORATE RATIOS

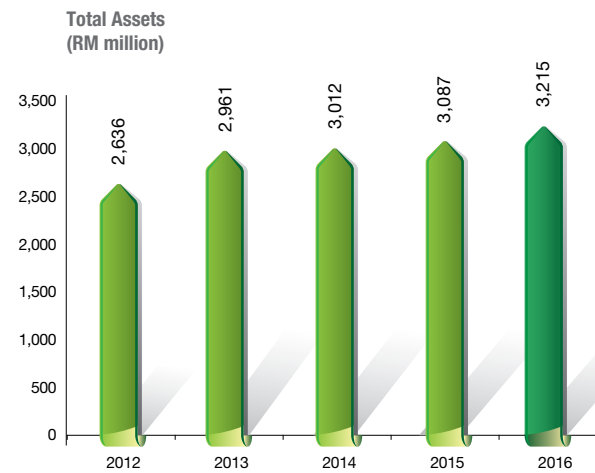
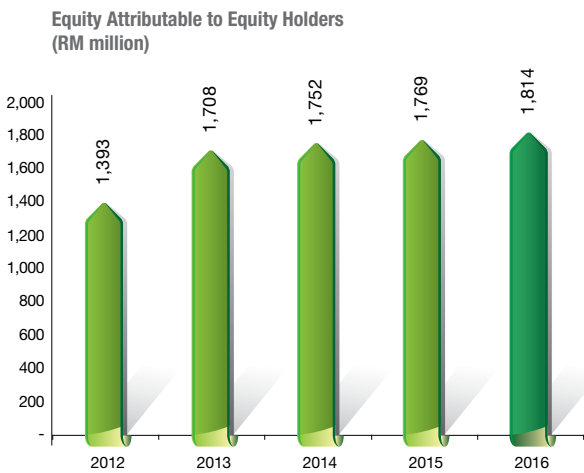
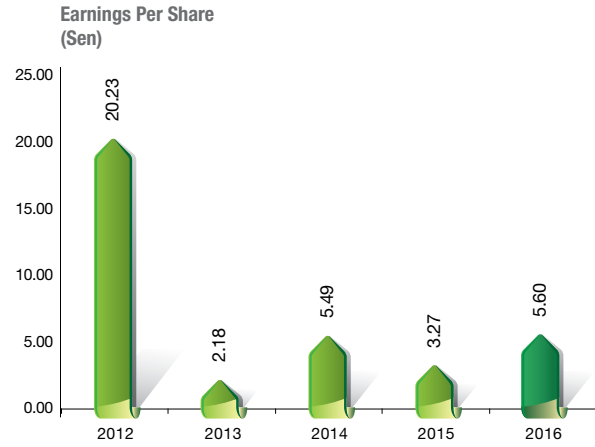
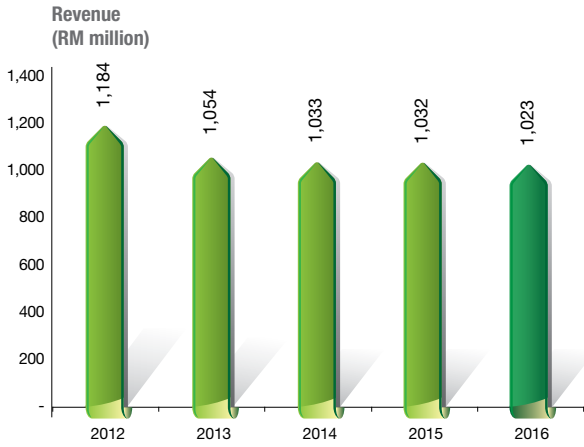
Net Earnings Per share (sen)	5.60	3.27	5.49	2.18	20.23
Net Assets Per Share Attributable to Equity Holders (RM)	1.87	1.83	1.81	1.76	4.97
Net Tangible Assets Per Share (RM)	1.81	1.76	1.73	1.66	4.56
Return on Equity (%)	3.0	1.8	3.0	1.2	12.1
Return on Total Assets (%)	1.7	1.0	1.8	0.7	6.4
Gross Dividend (sen)	1.30	1.0	1.5	1.0	5.2
Gearing Ratio (%)	36	34	31	32	38

## PROFIT/(LOSS) BEFORE TAX BY BUSINESS SEGMENTS

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Timber Operations and Reforestation	97,808	74,642	49,826	33,470	73,799
Oil Palm Operations	(17,173)	(21,495)	33,486	(2,097)	150,848
Others	1,597	(580)	(3,363)	(104)	227
	82,232	52,567	79,949	31,269	224,874



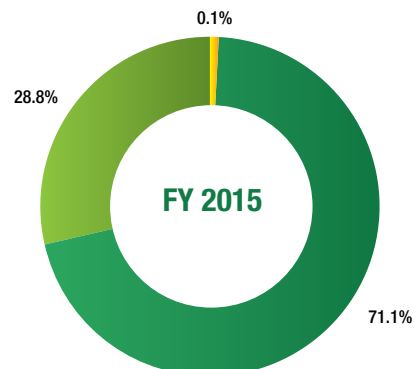
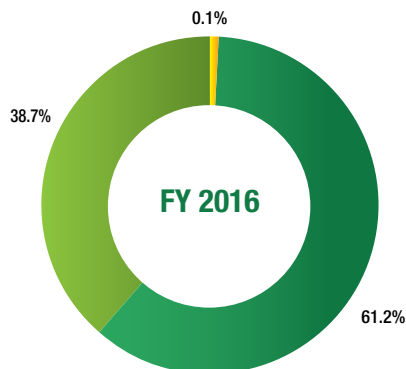
FINANCIAL HIGHLIGHTS  
(cont'd)



**Breakdown of Revenue by Segment**

2016: RM1,023 million  
2015: RM1,032 million

■ Timber Operations ■ Oil Palm Operations ■ Others





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**GEN TAN SRI ABDUL RAHMAN BIN ABDUL HAMID (RTD)**

Independent Non-Executive Chairman

**DATO' SRI TIONG CHIONG HOO**

Deputy Executive Chairman

**DATO' WONG SIE YOUNG**

Chief Executive Officer

**DATO' SRI DR. TIONG IK KING**

Non-Independent Non-Executive Director

**MDM TIONG CHOON**

Non-Independent Non-Executive Director

**MR TIONG CHIONG HEE**

Non-Independent Non-Executive Director

**MR JOHN LEONG CHUNG LOONG**

Independent Non-Executive Director

**DATO' WONG LEE YUN**

Independent Non-Executive Director

**DATUK TALIB BIN HAJI JAMAL**

Independent Non-Executive Director

## AUDIT COMMITTEE

Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)

- Chairman

Mr John Leong Chung Loong

Dato' Wong Lee Yun

Datuk Talib Bin Haji Jamal

## NOMINATING COMMITTEE

Datuk Talib Bin Haji Jamal - Chairman

Mr John Leong Chung Loong

Dato' Sri Dr. Tiong Ik King

## REMUNERATION COMMITTEE

Mr John Leong Chung Loong - Chairman

Datuk Talib Bin Haji Jamal

Dato' Sri Dr. Tiong Ik King

## CHIEF FINANCIAL OFFICER

Mr Hii Khing Siew

(MIA 8414)

## COMPANY SECRETARY

Ms Ngu Ung Huong

(MAICSA 7010077)

## REGISTERED OFFICE

No.1-9, Pusat Suria Permata

Lorong Upper Lanang 10A

96000 Sibul, Sarawak

Tel : 084-213255

Fax : 084-213855

E-mail: [inquiry@jayatiasa.net](mailto:inquiry@jayatiasa.net)

Website: [www.jayatiasa.net](http://www.jayatiasa.net)

## AUDITORS

Ernst & Young

Chartered Accountants

Room 300-303, 3rd Floor

Wisma Bukit Mata Kuching

Jalan Tunku Abdul Rahman

93100 Kuching

Tel : 082-243233

Fax : 082-421287

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : 03-7849 0777

Fax : 03-7841 8151/52

## PRINCIPAL BANKERS

AmBank Berhad

RHB Bank Berhad

CIMB Bank Berhad

OCBC Bank (Malaysia) Berhad

Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

Main Market Bursa Malaysia Securities Berhad

Stock Name: JTIASA

Stock Code: 4383

Sector: Industrial Product

## PLACE AND DATE OF INCORPORATION

Incorporated in Malaysia on 01 April 1960



## PROFILE OF DIRECTORS

### GEN TAN SRI ABDUL RAHMAN BIN ABDUL HAMID (RTD)

*Independent Non-Executive Chairman  
78 years of age, Malaysian, Male*

Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) was appointed to the Board on 27 March 1995. He serves as chairman of the Board and the Audit Committee.

He graduated from the Royal Military College, Malaysia and Army Staff College, Camberlay, United Kingdom.

Tan Sri was the Chief of the Malaysian Army and Defence Force between 1992 and 1994 and was the Acting Governor of Penang in 1994. From 1958 to 1994, he served in various capacities and appointments covering field command, staff development and foreign services including serving 2 years as Defence Attache in the Embassy of Malaysia in the Philippines.

Presently, he is the Chairman of Halex Holdings Berhad, Key Alliance Group Berhad (an ICT company listed on the ACE Market) and AXA Affin Life Insurance Berhad (a joint-venture company of Lembaga Tabung Angkatan Tentera). He is also the Chairman and Director of a few other multinational and private companies incorporated in Malaysia.

Tan Sri has no family relationship with any Director and/or major shareholder of the Company.



### DATO' SRI TIONG CHIONG HOO

*Deputy Executive Chairman  
56 years of age, Malaysian, Male*

Dato' Sri Tiong Chiong Hoo was appointed the Executive Director on 27 March 1995, re-designated as the Managing Director and Deputy Executive Chairman on 26 April 1995 and 1 January 2013 respectively.

He holds a Bachelor of Law and a Bachelor of Economics degrees from Monash University, Australia and is a registered barrister.

Dato' Sri is a businessman with extensive experience and in-depth knowledge in timber and plantation industries. He is responsible for developing the corporate/business strategy and attaining the long-term growth objectives of the Group.

He is the son of Tan Sri Datuk Sir Tiong Hiew King, a major shareholder of the Company. His uncle Dato' Sri Dr Tiong Ik King, sister Mdm Tiong Choon and cousin brother Mr Tiong Chiong Hee are also members of the Board.





## PROFILE OF DIRECTORS (cont'd)



### **DATO' WONG SIE YOUNG**

*Chief Executive Officer*

*57 years of age, Malaysian, Male*

Dato' Wong Sie Young was appointed the Chief Executive Officer (CEO) on 01 January 2013. He is the chairman of the Risk Management Committee.

He graduated with a Bachelor of Science in Electrical Engineering degree from University of Arkansas, USA in 1984.

Dato' Wong actively oversees the operations of the Company and the Group. Prior to his appointment as CEO, he has served in various senior positions within the Group for more than 25 years during which time he has acquired extensive experience in the running of the Group's operations. He has been involved in the designing and setting up of all the timber processing plants, the construction projects at the oil palm estates and the designing and construction of all the palm oil mills.

He has no family relationship with any Director and/or major shareholder of the Company.



### **DATO' SRI DR TIONG IK KING**

*Non-Independent Non-Executive Director*

*66 years of age, Malaysian, Male*

Dato' Sri Dr Tiong Ik King joined the Board on 27 March 1995. He is a member of the Remuneration Committee and the Nominating Committee.

Dato' Sri Dr Tiong graduated with a M.B.B.S degree from the National University of Singapore in 1975 and subsequently obtained his M.R.C.P. from the Royal College of Physicians, UK in 1977.

Dato' Sri Dr Tiong has extensive experience in many industries including media and publishing, information technology, timber, plantation and manufacturing industries.

Currently, he also serves on the Board of Media Chinese International Limited, a listed company in both Hong Kong and Malaysia, and RH Petrogas Limited, a listed company in Singapore.

Dato' Sri Dr Tiong is the brother of Tan Sri Datuk Sir Tiong Hiew King, a major shareholder of the Company. His nephews, Dato' Sri Tiong Chiong Hoo and Mr Tiong Chiong Hee and his niece Mdm Tiong Choon are also members of the Board.



PROFILE OF DIRECTORS  
(cont'd)**MDM TIONG CHOON**

*Non-Independent Non-Executive Director  
47 years of age, Malaysian, Female*

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Mdm Tiong Choon was appointed to the Board on 3 May 1999.

She holds a Bachelor of Economics degree from Monash University, Australia. She has been with Rimbunan Hijau Group since 1991 and served in various managerial and senior positions in plantation and hospitality sectors.

Currently, she is a non-independent and non-executive director of Media Chinese International Limited, a listed company in both Hong Kong and Malaysia.

She is the daughter of Tan Sri Datuk Sir Tiong Hiew King, a major shareholder of the Company. Her uncle Dato' Sri Dr Tiong Ik King, brother Dato' Sri Tiong Chiong Hoo and cousin brother Mr Tiong Chiong Hee are also members of the Board.

**MR TIONG CHIONG HEE**

*Non-Independent Non-Executive Director  
42 years of age, Malaysian, Male*

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Mr Tiong Chiong Hee was appointed to the Board on 14 May 1999.

He holds a Bachelor of Commerce degree from University of Melbourne, Australia.

He is the Managing Director of Mafrica Corporation Sdn Bhd, a company with operations in logging (both in Malaysia and Overseas), oil palm plantations and aquaculture prawn farming since 1997.

He is the nephew of Tan Sri Datuk Sir Tiong Hiew King, a major shareholder of the Company. His uncle Dato' Sri Dr Tiong Ik King, cousin brother Dato' Sri Tiong Chiong Hoo and cousin sister Mdm Tiong Choon are also members of the Board.





PROFILE OF DIRECTORS  
(cont'd)



**MR JOHN LEONG CHUNG LOONG**

*Independent Non-Executive Director  
69 years of age, Malaysian, Male*

Mr John Leong Chung Loong was appointed to the Board on 28 March 2002. He serves as the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee.

He holds a Bachelor of Economics degree majoring in Accounting from Sydney University, NSW, Australia.

He is an Approved Company Auditor and a member of several professional bodies, including the Australian Society of Certified Practising Accountants, Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Malaysian Institute of Taxation (Associate). He started his career as an Accountant in Tractors Malaysia Berhad, Sandakan Branch in 1972 and left in 1973 to join John Liaw & Co as an audit manager. He was a Partner of Liaw, Leong, Wong & Co from 1986 to 1997 and a Partner of Ernst & Young from 1997 to 2001.

He has no family relationship with any Director and/or major shareholder of the Company.



**DATO' WONG LEE YUN**

*Independent Non-Executive Director  
63 years of age, Malaysian, Female*

Dato' Wong Lee Yun was appointed to the Board on 21 June 2007. She is a member of the Audit Committee.

She is a Certified Public Accountant by profession.

She has extensive experience in investment banking, finance and strategic planning for large investment projects, as well as acquisition of strategic businesses. She was a Corporate Finance Manager at Permata Chartered Merchant Bank and Vice President at Chase Manhattan Bank. From 1991 to 1996, she was Director of Finance and Strategy for the Renong Group of Companies. She became the Chief Executive of Jaya Tiasa Holdings Berhad from 1997 to 2000. She was also a Director of Sin Chew Media Corporation Bhd from 2004 to early 2008. In addition, she holds directorship in several private limited companies.

She has no family relationship with any Director and/or major shareholder of the Company.



## PROFILE OF DIRECTORS (cont'd)

### DATUK TALIB BIN HAJI JAMAL

*Independent Non-Executive Director  
65 years of age, Malaysian, Male*

Datuk Talib Bin Haji Jamal was appointed to the Board on 12 November 2007. He is the Chairman of the Nomination Committee and is a member of the Audit Committee and Remuneration Committee.

Datuk Talib holds a Master of Science in Mechanical Engineering from Cranfield Institute of Technology, England, United Kingdom.

Datuk Talib has served in various senior capacities and positions in the Police Diraja Malaysia for more than 30 years. He was the Commissioner of Police, Sarawak from 2004 until his retirement in November 2007. He was the Director of Police Cooperatives for 10 years and the Director of Bank Kerjasama Rakyat for 2 years.

Datuk Talib has no family relationship with any Director and/or major shareholder of the Company.



#### Further Information on Directors

- None of the Directors has been convicted for any offences within the past 5 years other than traffic offences and there was no public sanction or penalty imposed on any of them by the relevant regulatory bodies during the financial year.
- None of the Directors has been involved in situation that will create a conflict of interest with the Company.

## KEY SENIOR MANAGEMENT

### DATO' SRI TIONG CHIONG HOO

*Deputy Executive Chairman*

### DATO' WONG SIE YOUNG

*Chief Executive Officer*

*The profiles of Dato' Sri Tiong Chiong Hoo and Dato' Wong Sie Young are listed under Profile of Directors on pages 5 and 6 respectively of this annual report.*



# KEY INFORMATION

## Forest Concessions

Extraction Quota: 78,000m<sup>3</sup> monthly

Main Species: Meranti, Kapor, Keruing, Selangan Batu, Jelutong, Melapi, Mersawa, Nyatoh, Arau, Penyau, Bindang and MLH (mixed light hardwood).

## Oil Palm Plantation

Total Land Area: 83,483 hectares

Planted Area\*: 69,589 hectares

Matured Area\*: 63,837 hectares

## Reforestation

Total Land Area: 235,859 hectares

Estimated Plantable Area: 140,377 hectares

Planted Area\*: 32,678 hectares

## PRODUCTION CAPACITY

Crude Palm Oil	Installed Capacity (MT per hour)
JT Oil Palm Development Sdn Bhd (Wealth Houses CPO Mill)	90
Maujaya Sdn Bhd (Daro Jaya CPO Mill)	60
Maxiwealth Holdings Sdn Bhd (Lassa CPO Mill)	120

Timber Products	Jaya Tiasa Plywood Sdn Bhd	Rimbunan Hijau Plywood Sdn Bhd	Jaya Tiasa Timber Products Sdn Bhd	Total Annual Production Capacity
Plywood	180,000	120,000	96,000	396,000M3
Rotary Veneer	324,000	-	-	324,000M3
Sawntimber	84,000	26,400	-	110,400M3
Blockboard	-	12,000	-	12,000M3
Film-Overlay Plywood	-	6,000	-	6,000M3

Notes: \* As at 30 September 2016

MT – metric tonnes

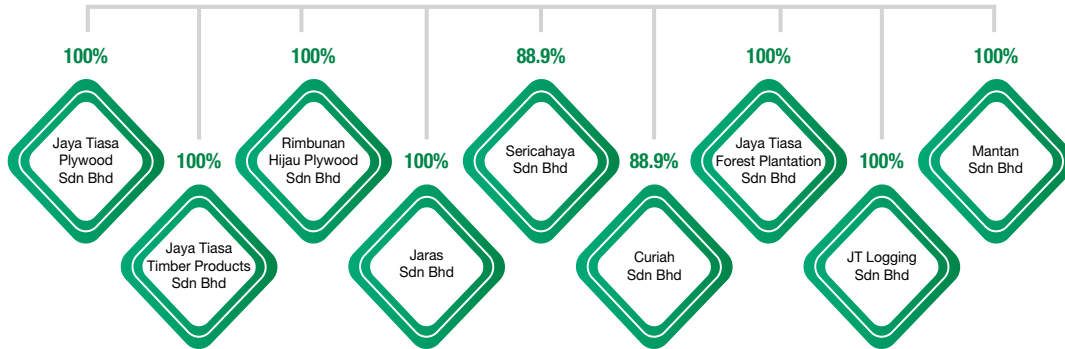
M3 – cubic metre



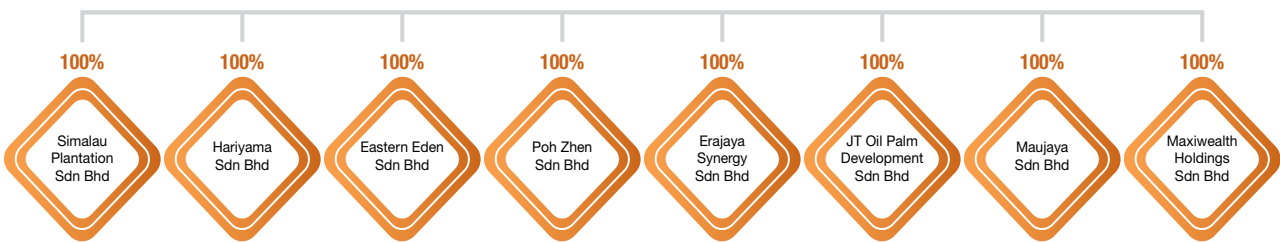
# CORPORATE STRUCTURE



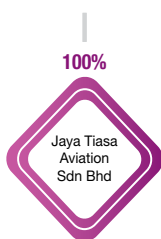
## Timber Division



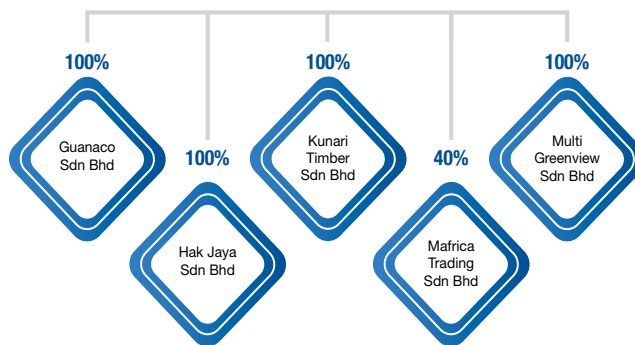
## Oil Palm Division



## Private Flight Operations



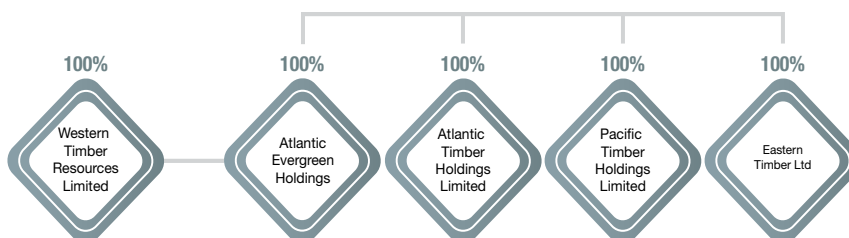
## Marketing, Trading and Investment



## Research and Development



## Non-Trading or Dormant





# CHAIRMAN'S STATEMENT

*On behalf of the Board of Directors of Jaya Tiasa Holdings Berhad, I am pleased to present to you the Annual Report and Audited Financial Statement of the Group for the Financial Year Ended 30 June 2016.*

## ECONOMY OVERVIEW

It has been a rather challenging year for the global economy. Rising international debt, dramatic fall in oil prices and lower than expected GDP growth heightened fears that the world is settling into a mediocre of slow growth. Euro zone exhibited unspectacular growth and the impact from Brexit remain uncertain while emerging markets like China and India are managing healthy growth despite slowdown in their economy. According to IMF, the sluggish advanced industrialized economies are expected to gain small GDP growth in the coming year.

On the domestic front, Malaysian Ringgit remains weak. The sharp downturn in oil prices, threat of rate hike in the US and political risks have added concerns to the nation. Overall, Malaysia economy is relatively stable with the government strenuously committed to fiscal reform despite still being far from achieving a balanced budget.

## GROUP PERFORMANCE

Our Group has also a mixed performance in FY2016. Timber division outperformed by contributing 61% and 119% of the group's revenue and profit before tax respectively. The profit before tax increased significantly by 31% despite 15% drop in revenue. Log price manage to sustain due to the tight supply and the favorable exchange rate contributed to the better performance.

Comparing to last Financial Year, our loss in oil palm division has narrowed to RM17.2 million. Crude Palm Oil (CPO) price increased by 4.1% to RM2,255 per Metric Tonnes (MT) while fresh fruit bunches (FFB) price increased by 4.4% to RM417 per MT. FFB productions increased significantly by 26% to 931,745MT. The loss was mainly due to high field input cost.

## FINANCIAL PERFORMANCE

We closed the year with revenue of RM1,023 million, a slight 1% drop from last year primarily due to lower sales volume from timber division. Profit before tax increased by 56% to RM82 million and net profit was RM57 million, a 65% increase. Earning per share rose to 5.60 sen from 3.27 sen recorded last financial year. Shareholders' fund improved to RM1,814 millions compared to RM1,769 million achieved for the preceding financial year. Net tangible assets per share stood at RM1.81 for the year ended 30 June 2016.

## DIVIDEND

To enhance shareholders' return, the Board of Directors has maintained its dividend policy of paying out not less than 20% of its net profit, subject to not compromising the Group's ability to support its pursuit for long term growth. The Board of Directors has recommended a first and final single-tier dividend of 1.3 sen per share representing about 22% of after tax profit in respect of the Financial Year Ended 30 June 2016 for approval by the shareholders at the forthcoming Annual General Meeting to be held on 24 November 2016.

## REVIEW OF OPERATION

### Logging

The logging division contributed about 27% of the total Group's revenue. Dry weather and low water level continued to impede the transportation of logs for processing mills and exports. Average export price for logs remained strong, hovering around USD220 per cubic metre (m<sup>3</sup>) largely due to the tightening log supply and the continuing sustained demand from India. More stringent controls by government also help to stabilize log prices.



CHAIRMAN'S STATEMENT  
(cont'd)



As mentioned, India remained the largest log export market for the group for consecutive years with sales accounting for 72% of the Group's total log export sales in US Dollars. Demand from the country remains robust despite the challenging economy and competition from other regions.

**Logging Outlook and Strategy**

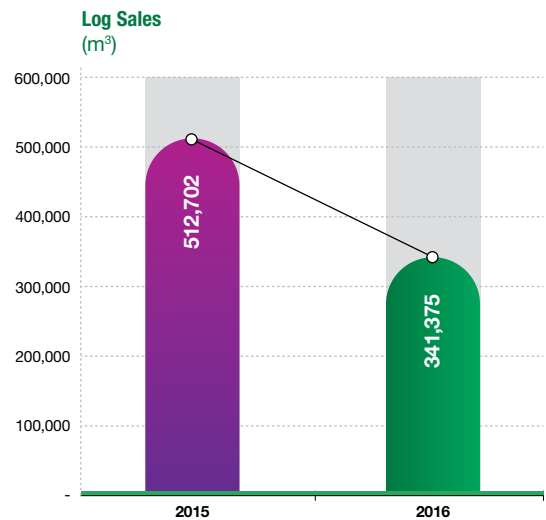
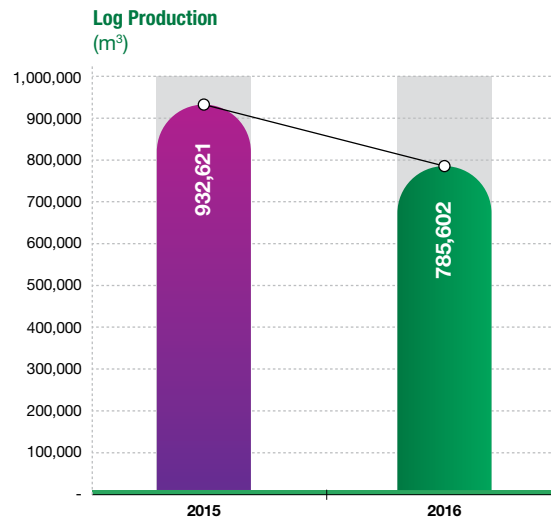
We foresee the market demand for tropical logs to remain robust despite the slow global growth. The Group will continue to export logs in the coming financial year at prices that are likely to be sustained due to supply constraint.

To better manage our forest, we will select species with higher value for harvesting and maintain vigilant controls on the cost of production. Increased attention will also be given to logistical planning to ensure that logs extracted are delivered within the shortest time frame possible to preserve their freshness and maintain their quality for premium prices.

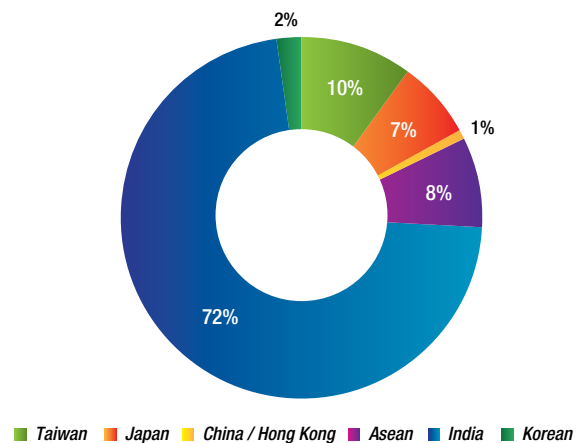
**Plywood**

In FY2016, the plywood division contributed about 23% to the total revenue of the Group. Plywood sales volumes decreased by 25% YoY, while the average selling prices decreased by 12%. The market conditions remain challenging. To maximize our revenue and profit as well as to maintain our existing markets, we maintained our strategy in producing more high value products.

During the year, South Korea continued as our largest export destinations, accounting for 42% of total plywood exports of the group in US Dollar terms. The reduced anti-dumping duty rate from previous 6.43% to current 3.08% has worked us favor. Other major exports markets were China / Hong Kong, Taiwan and Japan.



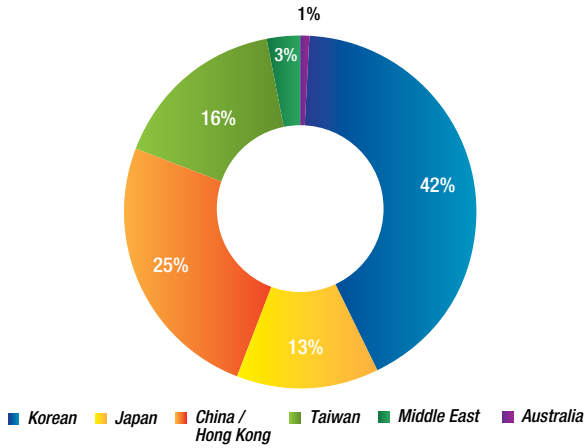
**Log Export by Destination 2016**





CHAIRMAN'S STATEMENT  
(cont'd)

Plywood Export by Destination 2016

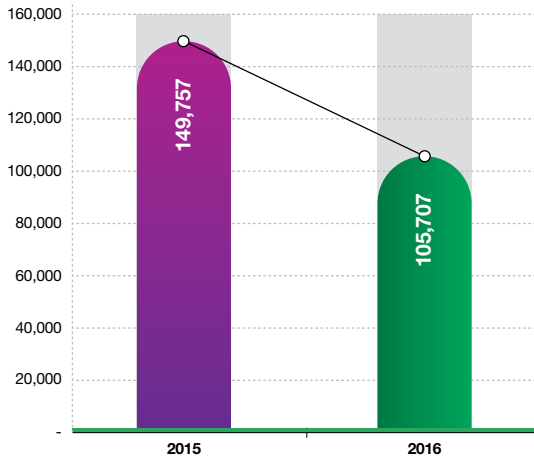


**Plywood Outlook and Strategy**

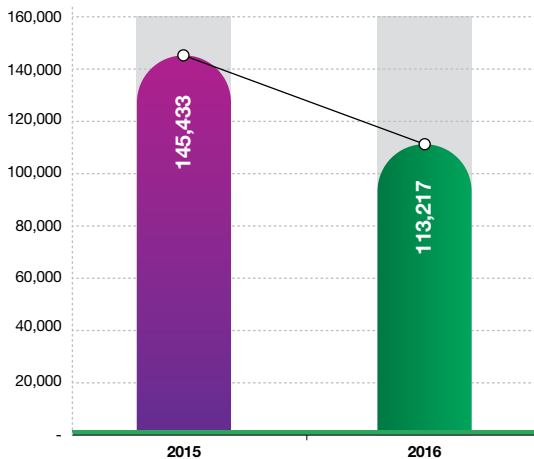
Demand for plywood is expected to stabilize at current level in our key markets namely South Korea, Taiwan, China / Hong Kong and Japan.

The group will adopt a dynamic strategic approach in an increasingly competitive global environment, taking into account the scarcity of resources, the volatility of foreign exchange rates and volatile crude oil prices. The group will strengthen its current measures to maintain and enhance its competitive edge, and these include harnessing its existing production technology towards improving operational efficiency and product quality, and being innovative in producing more value-added products for niche markets to enhance margins.

Plywood Production (m<sup>3</sup>)



Plywood Sales (m<sup>3</sup>)



**Oil Palm**



The division was affected by the unexpected poor performance in third quarter during the year under review. Nonetheless, we managed to narrow the pre-tax loss to RM17.2 million, from the RM21.5 million losses reported in previous year. Revenue for the year was RM396 million, a 33% increase compared to previous year.

As at 30 June 2016, the group's planted areas stood at 69,587 hectares (Ha) spreading over 10 plantations in Sarawak. Our matured area increased slightly to 60,787 Ha, a 3% increase. FFB production for the year had increased significantly by 26% to 931,745 MT from the previous year's 740,013 MT as 54% of our trees have reached their prime age.

The group's palm oil mill produced approximately 120,000 MT of CPO and 21,000 MT of palm kernel (PK). There are currently three mills in operation with total processing capacity of 210 MT per hour, while another mill with designed capacity of 60 MT is scheduled to be commissioned by the end of Year 2016. Upon full operation, the mills are expected to contribute significantly to profitability.





CHAIRMAN'S STATEMENT  
(cont'd)

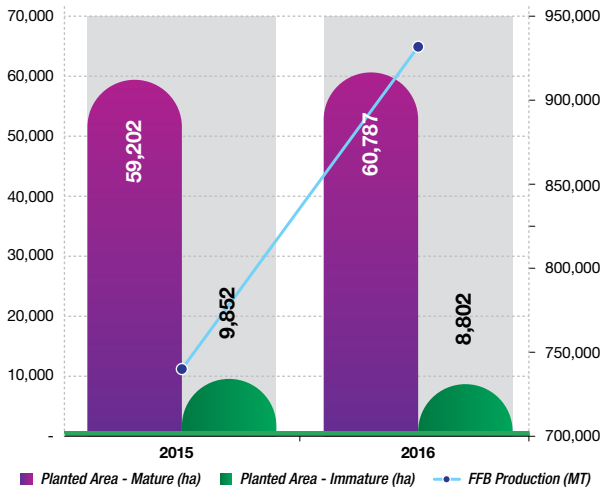
**Oil Palm Outlook and Strategy**

As at 30 June 2016, the weighted average of our palm age is just above 7 years. We expect our FFB yield (MT) per hectare to continue to improve and consequently reducing our cost of production. Labor shortage will continue to be a plantation issue nationwide and we are no exception. In order to cope with this challenging operating environment, we have increased mechanization so we can optimize the deployment of labor.

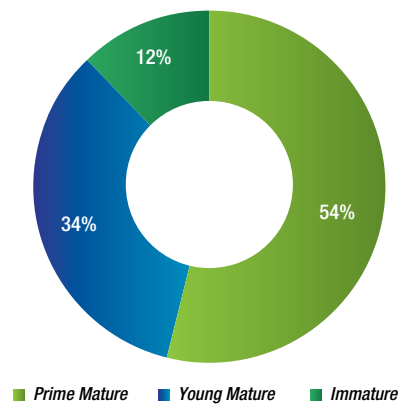
We will continue to improve our Oil Extraction Rate (OER) from CPO mills by imposing stringent control over operation efficiency and FFB input quality. With further fine tuning, we expect production volume and efficiency to improve in next financial year.



**Oil Palm Planted Area/FFB Production**

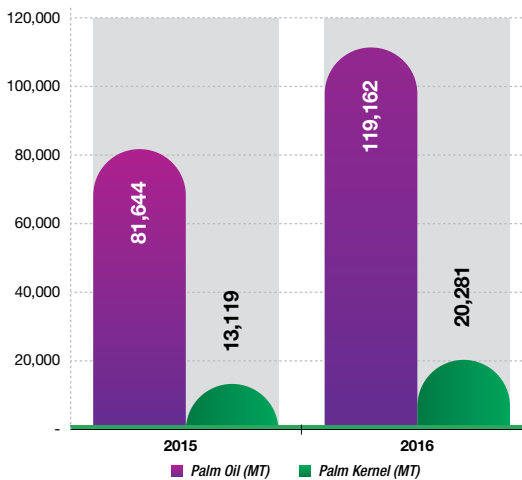


**Palm Age Profile As At 30 June 2016**



We remain optimistic about the long term prospects for the palm oil industry despite current weakness in CPO price. We will endeavor to lower our cost of production by enhancing our harvesting yield and productivity so that we are poised to reap the profits in the event CPO prices start to trend upwards.

**Mill Production**



**Reforestation**

We are progressively planting in our reforestation areas with fast-growing tree species such as Eucalyptus Deglupta (Kamarere), Eucalyptus Pellita and Kelampayan planted across the plantation areas, the group's forest planted area has been expanding and will continue to trend up steadily.



## CHAIRMAN'S STATEMENT (cont'd)



### Reforestation Outlook and Strategy

We are committed to plant forest in line with State Governments commitment on forest sustainability and the world's move towards conservation of natural forests. The division is not expected to contribute to earnings in the short term given that the planted forest has a gestation period of 12 to 15 years before it can be ready for commercial harvesting. The challenge of the group is to improvise silvicultural practices and place greater emphasis on stringent quality control over new plantings and its maintenance so as to improve the survival rate and optimum growth of planted trees.

### GOING FORWARD

The International Monetary Fund (IMF) expects the global economy to see tepid growth and cuts its forecast this year and next to 3.4% due to Brexit which creates a wave of uncertainty amid already fragile business and consumer confidence. Malaysian economy's performance is expected to be modest and gradual.

Prices for timber products especially logs are expected to remain firm in view of restricted supply and the stable demand from importing countries. We are optimistic that FY2017 will continue to be a profitable year for the timber division.

FFB yield will continue to improve as more palm trees are reaching their prime. Better utilization resulting from higher FFB production and with additional CPO mill will boost our CPO production while expanding vertical integration should contribute positively to the palm oil division in the next financial year.

### APPRECIATION

The Group is prepared to embrace changes in tandem with the global and local economic demands and challenges. We have in place a clear strategy, focus on uplifting operations to deliver productivity and growth.

On behalf of the board, I wish to convey our sincere thanks to my management team and all employees of the Group for their undivided support commitment and dedication to the Group. I would also like to extend my gratitude to you, our shareholders, customers, business partners, bankers and the relevant authorities and members of the community for your invaluable support and unwavering trust in the Group.

**GEN TAN SRI ABDUL RAHMAN BIN ABDUL HAMID (RTD)**  
Chairman



# CORPORATE SOCIAL RESPONSIBILITY

Jaya Tiasa recognizes the inseparable need to be socially and environmentally responsible to remain economically sustainable in its operations in the long term. Corporate Social Responsibility (CSR) and sustainability are important aspects of long-term business success. During the year under review, we continue to maintain our commitment to CSR and promote sustainability by embedding our approach more fully into the day-to-day management of the business. We continue taking responsibility towards stakeholders, protecting the environment, and being a good employer, business partner, and member of the community. Our approach to CSR is primarily conducted in four areas, the so-called pillars: Environment, Workplace, Community and Marketplace.

## ENVIRONMENT

Our operations have always adopted a fully integrated approach, including efficient use of raw materials and energy, protection of the environment, and compliance with the environmental laws and regulations. Because our business activities are closely related to natural resources, we endeavour to never strive for financial success at the expense of the future generation. This means that we take responsibility for identifying and minimising the impact on the environment at every step of the process. We have a system in place to ensure that all operations reach the highest environmental standards.

### Sustainable Forest Management

In line with our efforts to reduce the impact of harvesting operations on the environment, we have already embarked on Forest Management Certification for all our timber licences in the Heart of Borneo. We are also using the Reduce Impact Logging (RIL) harvesting system to reduce soil disturbance, and minimise damage to residual stands and effects on wildlife.

### Improved Forest Productivity

As we are well aware of the dire consequences of global warming, preserving the environment has always been our top agenda. The establishment of well-managed forest plantations of the Group aims to conserve biodiversity, protect the environment, and provide sustainable raw material for downstream wood processing in a balanced way. Forests play an important role in moderating climate change. By regenerating forests through reforestation, we hope to contribute towards reducing the effect of global warming. An ongoing forest plantation project of the Group is being carried out in Kapit, Sarawak and we are currently developing a total area of more than 235,000 ha.



Children Home Visit

### Good Agricultural Practice

The Group's oil palm division is in the process of obtaining Malaysia Sustainable Palm Oil (MSPO) certification and will continue to monitor procedures and systems to ensure that good agronomic practices are prevalent throughout the plantation. Several practices adopted by the Group include a zero burning technique in land clearing and good agricultural practices in water management, manuring and weeding. In controlling pests, our biological and Integrated Pest Management (IPM) practice which involves light traps and planting of beneficial plants, has vastly reduced dependency on the usage of chemical pesticides.

### Recycle And Reuse By-Products

By-products from our palm oil mill, such as Mesocarp fibre and palm kernel shells, are also utilised as feedstock for power generation in our palm oil mill. Empty fruit bunches (EFB) are recycled for application in the fields as mulch, whereas palm oil mill effluents (POME) are biologically treated before it is discharged to the watercourse. In addition, we have installed a composting plant at our existing CPO mill to turn oil mill wastes composed mainly of EFB and POME into bio-organic fertilizers.



Staff Training



# CORPORATE SOCIAL RESPONSIBILITY (cont'd)

## WORKPLACE

To meet future challenges and remain competitive, we strive to be an attractive employer with the ability to recruit, develop, and retain the best people. Competent employees with great dedication to drive change and go beyond what is required to deliver on Group strategy and performance objectives are crucial to the continued growth of our business. We seek to develop our employees through training and education, respect individual integrity and human rights, offer fair pay and advancement opportunities, and maintain a safe and motivating working environment. As at 30 June, 2016, the Group has a workforce of around 7,100 employees with a diverse mix of backgrounds, experience and expertise across its operations.

### Skills Development

The Group aims to provide a supportive working environment in which all employees receive training relevant to their work to enable them to effectively perform their duties as well as prepare them for career progression. Apart from in-house training, our employees are encouraged to attend the Group's sponsored external seminars and workshops to keep them updated with the latest developments in the respective subjects and profession. Field training is also organized frequently to upgrade the technical and functional skills of workers at the operating units. The Training and Development Department (TDD) has been active all year round with adequate fund allocated to ensure the Group has people with the required knowledge and skills in key roles to meet the Group's business goal. With TDD, each employee's need for professional development and further training is determined to help employees fulfill their career aspirations in the Group.



Safe & Health Campaign



Staff training



Bowling Competition



Health Check

### Performance Oriented Culture

We make every effort to create a working environment that stimulates employee engagement and nurtures a high performing culture. Regular performance appraisals and evaluations are carried out to enable due rewards for high performers and promote motivation and performance upgrading for the rest. We review compensation and benefits on a regular basis to ensure that our remuneration packages are competitive in the marketplace. In addition to a fixed base salary, we offer both short and long-term incentives to further motivate staff at every level, and the success of our approach is reflected in the low staff turnover rate.

### Work-Life Balance And Healthy Living

Our corporate mantra to be "an employer of choice" is evident in our drive to develop and maintain a balanced, healthy, and conducive work environment for continuous learning and personal growth. Through the Group's sports and recreation club, we regularly organise recreational events and sports activities aimed at promoting rapport and fostering closer teamwork among employees as well as to encourage work-life balance and healthy living. These include educational trips to the Group's operations, annual dinners, festive gatherings, sporting competitions, and vacation trips to some of our local tourist attractions. To generate health awareness among staffs, the Group coordinates with different bodies to give different types of health screening services at special rate for our employees. In addition, we invest in workforce welfare by providing quality environment and accompanying facilities and building of quarters, playgrounds, recreational and medical facilities, which cater to the estate and mill workers.



## CORPORATE SOCIAL RESPONSIBILITY (cont'd)

### Health And Safety At Work

Occupational safety in the workplace continues to be a non-negotiable priority of the Group. During the year under review, we maintained our commitment to enforce workplace health and safety excellence not just for our employees but also for our contractors, customers and visitors. We are working continuously to reduce the number of work-related accidents and injuries and to prioritize preventive efforts, particularly in the areas where the challenge is greatest. To achieve our goal, a series of in-house training programmes on safety and health have been conducted with the assistance of external experts. Emergency exercises including fire-fighting drills are practised. We ensure that appropriate resources and support are accessible to maintain high standards of safety and cultivate a positive safety culture and awareness. Our Safety & Health Department was active throughout the year under review by conducting frequent quality audits and safety checks at individual sites to ensure that all safety requirements and precautions were strictly observed.

### Workforce Diversity Policy

We do not have a policy on workforce diversity of gender, ethnicity and age. However, we are committed to providing fair opportunity to all existing and prospective employees, and to promote a climate of diversity and inclusiveness via our non-discriminatory recruitment processes. We value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional service to an equally diverse community.

## COMMUNITY

We support communities in many ways. We contribute significant funding and other resources towards enhancing the social well-being of the community through supporting

initiatives related to health care, arts and culture, sports, community development, the underprivileged, disability groups and more.

### Giving Back To The Society

We encourage our employees to participate in community and charitable activities. Over the last 12 months, our efforts included charity drives for the school and other local society care centres. In addition to this area of focus, our blood donation drives are conducted yearly to meet the continuous need for blood supply at hospitals and blood banks.

### Supporting Local Communities

The Group strongly believes that its business success can only be sustained when local communities grow and prosper together with the Group. The Group continues to support the local communities associated with its operations, and FY2016 was no exception. We have established a symbiotic relationship with the local communities and make every endeavour to bring about mutual benefits. We have been consistently rendering support in monetary terms and in-kind to ensure that the basic needs and expectations of the surrounding communities are attended to.

## MARKETPLACE

We place great importance on high standards of quality in our products, ethical business conduct and are conscious of safeguarding environmental and social values. We are committed to cultivate the best practices in complying with all laws and regulations as well as and the standards of all certification for the markets we serve.



Staff Orientation



Donation



SKF Fund Raising



Job Fair Participation



Annual Dinner



Staff Training



# CORPORATE SOCIAL RESPONSIBILITY (cont'd)

## Environmentally Responsible Products

It is our ongoing policy to ensure that our products and their sources comply with all regulatory criteria and adhere strictly to sustainable forestry and plantation practices. Research shows that competitiveness is strengthened as consumers increasingly choose products they perceive as “ethical” and “environmental-friendly.” We have established strong customer loyalty as we strive to ensure that our manufactured products are of the highest quality that meets the stringent quality assurance and control, product safety standards, and environmental requirements. A reflection of the Group’s commitment towards this is manifested in its efforts to achieve green certification for its products which include:

### CE Marking

The CE marking certifies that our plywood product has met European Union health, safety, and environmental requirements, which ensure consumer safety. CE marking now provides product access to 27 countries with a population close to 500 million.

### Japanese Agricultural Standards (JAS) certification

The quality of our plywood product meets the specific standards requirements of JAS for use in Japan. The JAS certification issued by the Japanese Ministry of Agriculture, Forestry and Fisheries is based on the law concerning standardization and proper labeling of Agricultural and Forestry products for acceptance into Japan.

### California Air Resources Board (CARB) certification

This certification verifies that our composite wood products (hardwood plywood) are in compliance with strict formaldehyde emission standards as stipulated in the California Code of Regulations.

## Wood Packaging Material Treatment Providers certification

Our wood packaging material has been awarded the certification that aims to reduce the spread of timber pests associated with solid timber packing material. It is issued by the Sarawak Department Agriculture Plant Protection and Quarantine Branch in accordance with International Standards for Phytosanitary Measures, Publication No.15 (ISPM 15) standards.

In the financial year 2016, we continued our sustainability journey by passing the surveillance audits for the above certification. The group is committed to work towards continuous improvement in the quality of its products and services through implementation of feedback from our customers, suppliers and employees together with internal and external audits. We believe that we have an obligation to go beyond certification and compliance and invest in continued improvements.

## Highest Principles Of Integrity

Our investor relations programme aims to establish and maintain open communications with shareholders and investors so as to provide timely information and ensure the best possible transparency. We keep the investment communities well-versed with our key business activities, strategies, and performance through annual general meetings, analyst and press briefings, and road shows. In addition, our corporate website at [www.jayatiasa.net](http://www.jayatiasa.net) provides the latest financial results, statutory announcements, corporate news, and a wide range of information on the Group.

CSR and sustainability are about continuous improvement and we must ensure that this mindset is embedded across the Group. As we progress towards our long-term sustainability goals, the commitments we have made for sustainable operation will continue to benefit the communities in which we operate, both environmentally and socially.

