







## VISION

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

## 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.

## CORE VALUES

At Jaya Tiasa, we are guided by a set of core values in everything we do. These values form an integral part of our culture, and are the key drivers towards delivering long-term success:

- **Integrity**

We uphold professionalism, accountability, transparency and honesty always.

- **Diligence**

We seek better way of doing everything, embrace change in adapting our business model to the market or environment and walk extra miles to get the desired results.

- **Team Spirit**

We work and collaborate in unity, believing and trusting each other in pursuing our goals. We motivate achievement of our goals through recognition of every contribution towards the Company's success.

- **Building Relationship**

We cultivate and maintain mutually beneficial relationship with our stakeholders.



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Annual Report online.

## 59<sup>th</sup> ANNUAL GENERAL MEETING JAYA TIASA HOLDINGS BERHAD

Thursday  
28 November 2019  
9.00 a.m.

The Auditorium,  
Ground Floor, No.62, Lorong Upper  
Lanang 10A, 96000 Sibul, Sarawak



# 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

### JOHN LEONG CHUNG LOONG

Independent  
Non-Executive Director

### DATO' WONG LEE YUN

Independent  
Non-Executive Director

## AUDIT COMMITTEE

Dato' Wong Lee Yun (*Chairperson*)

Gen Tan Sri Abdul Rahman  
Bin Abdul Hamid (Rtd)

John Leong Chung Loong

## NOMINATING COMMITTEE

Dato' Wong Lee Yun (*Chairperson*)

John Leong Chung Loong

Mdm Tiong Choon

## REMUNERATION COMMITTEE

John Leong Chung Loong (*Chairman*)

Dato' Wong Lee Yun

Mr Tiong Chiong Hee

## REGISTERED ADDRESS/ PRINCIPAL PLACE OF BUSINESS

No.1-9, Pusat Suria Permata  
Lorong Upper Lanang 10A  
96000 Sibul, Sarawak  
Tel: 084-213255  
Fax: 084-213855  
Email: [inquiry@jayatiasa.net](mailto:inquiry@jayatiasa.net)

## SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan.  
Tel: 03-7890 4700  
Fax: 03-7890 4670  
Email: [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

## COMPANY SECRETARY

Ngu Ung Huong  
*FCIS (CS) (CGP)*

## AUDITORS

Ernst & Young (AF: 0039)  
Chartered Accountants

## LISTING

Listed on Main Market of Bursa  
Malaysia Securities Berhad  
Stock Name : JTIASA  
Stock Code : 4383

## WEBSITE

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

## DIRECTORS' PROFILE



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

*Independent Non-Executive Chairman*

Aged 81, Malaysian, Male

Board Committee : Audit Committee - Member

Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) was appointed to the Board on 27 March 1995 and has been serving as the Chairman of the Board since then.

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, defence planning, training and development staff, and foreign services including serving 2 years as Defence Attache in the Embassy of Malaysia in the Philippines.

Presently, he is 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 shareholders of the Company.



### DATO' SRI TIONG CHIONG HOO

*Deputy Executive Chairman*

Aged 59, Malaysian, Male

Dato' Sri Tiong Chiong Hoo was appointed as 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 Bachelor of Economics degrees from Monash University, Australia and is a registered barrister.

Dato' Sri is responsible for developing the corporate/business strategy and attaining the long-term growth objectives of the Group. His relevant

experience and knowledge in timber and plantation industries gained over time and familiarity with markets of our products have enabled him to address strategic issues and risks relating to the Group's businesses. His long standing experience with the regulatory authorities' policies are invaluable to 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, Mr Tiong Chiong Hee are also members of the Board.

## DIRECTORS' PROFILE



### DATO' WONG SIE YOUNG

*Chief Executive Officer*  
Aged 60, Malaysian, Male

Dato' Wong Sie Young was appointed as the Chief Executive Officer (CEO) on 1 January 2013.

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

Dato' Wong manages the daily business operations and ensures effective implementation of the strategic plans and policies established by the Board. Prior to his appointment as CEO, he has served in various senior positions within the Group for more than 25

years during which 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 is well equipped to manage the Group due to his familiarity and in-depth knowledge of the many facets of the Group's operations.

He has no family relationship with any Directors and/or major shareholders of the Company.



### DATO' SRI DR TIONG IK KING

*Non-Independent Non-Executive Director*  
Aged 69, Malaysian, Male

Dato' Sri Dr Tiong Ik King joined the Board on 27 March 1995.

Dato' Sri Dr Tiong graduated with an 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 is the Non-Executive Chairman of both Media Chinese International Limited (a listed company in both Hong Kong and Malaysia) and RH Petrogas Limited (a listed company in Singapore). He is a Trustee of Yayasan Sin Chew, a foundation that carries out charitable activities.

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.



**MDM TIONG CHOON**

*Non-Independent Non-Executive Director*  
Aged 50, Malaysian, Female

Board Committee: Nominating Committee - Member

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 has served in various managerial and senior positions in plantation and hospitality sectors.

Currently, she is an Executive Director of Media Chinese International Limited, a listed company in both

Hong Kong and Malaysia and the Chairman of One Media Group Limited, a company listed in Hong Kong Stock Exchange. She also serves on the Board of Sin Chew Media Corporation Berhad.

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, Mr Tiong Chiong Hee are also members of the Board.



**MR TIONG CHIONG HEE**

*Non-Independent Non-Executive Director*  
Aged 46, Malaysian, Male

Board Committee : Remuneration Committee - Member

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, cousins, Dato' Sri Tiong Chiong Hoo and Mdm Tiong Choon are also members of the Board.



## DIRECTORS' PROFILE



### JOHN LEONG CHUNG LOONG

*Independent Non-Executive Director*  
Aged 72, Malaysian, Male

Board Committee : Audit Committee - Member  
Nominating Committee - Member  
Remuneration Committee - Chairman

Mr John Leong Chung Loong was appointed to the Board on 28 March 2002.

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 Directors and/or major shareholders of the Company.



### DATO' WONG LEE YUN

*Independent Non-Executive Director*  
Aged 66, Malaysian, Female

Board Committee : Audit Committee - Chairperson  
Nominating Committee - Chairperson  
Remuneration Committee - Member

Dato' Wong Lee Yun was appointed to the Board on 21 June 2007.

She is a Certified Public Accountant by profession.

She has extensive experience in investment banking, finance and strategic planning for large investment projects, acquisition of strategic businesses, fund raising and investor relations. She was a Corporate Finance Manager at Permata Chartered Merchant Bank and Vice President at Chase Manhattan Bank. From 1991 to 1996, she was the 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. She is the chairman for Malaysia for TC Capital, a regional investment bank based in Singapore. She actively invests in businesses and holds directorships in several private limited companies which she founded.

She has no family relationship with any Directors and/or major shareholders of the Company.

#### 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.
- has been involved in situation that will create a conflict of interest with the Company.



## KEY MANAGEMENT PROFILE



**DATO' WONG PACK**

*Chief Operations Officer,  
Wood Manufacturing Operations*  
Aged 59, Malaysian, Male



**THOMAS HII KHING SIEW**

*Chief Financial Officer*  
Aged 54, Malaysian, Male



**DR PETER LIM KIM HUAN**

*Chief Operations Officer,  
Plantation Operations*  
Aged 71, Malaysian, Male

Dato' Wong Pack graduated with a Bachelor of Economics degree from Monash University in 1984. He is also a member of the Institute of Approved Company Secretaries.

Dato' Wong Pack worked in the banking sector prior to joining Jaya Tiasa Holdings Berhad in August 1989. He served as a Factory Operations Manager before his appointment as Chief Operations Officer, Wood Manufacturing Operations of the Group on 1 June 2001.

Thomas Hii is a Chartered Accountant and holds a Master of Business Administration (Finance) from University of Leicester, UK. He is also an ASEAN Chartered Professional Accountant, CPA Australia and Fellow of the Chartered Tax Institute Malaysia.

Thomas Hii was trained in an international audit firm prior to joining Jaya Tiasa Holdings Berhad in 1995, and was responsible for the setting up of the internal audit department. Thereafter, he had served in various capacities and functions in the Group, including financial reporting, corporate taxation and finance, risk management and investor relations before his appointment as Chief Financial Officer on 1 January 2011.

Dr Peter Lim Kim Huan was appointed as Chief Operations Officer, Plantation Operations of the Group on 29 May 2017.

Dr Peter Lim holds a Bachelor degree in the Agricultural Science from University of Malaya, a Master's degree in Soil Science and a Doctorate degree in Agricultural Sciences from the State University of Ghent, Belgium.

He started his career as a Lecturer in the Agricultural Faculty, University of Malaya. Since 1982, he worked in the oil palm plantation industry in several big companies in Malaysia and Indonesia. He has more than 35 years of experience in oil palm operations, agronomy and sustainability.



## KEY MANAGEMENT PROFILE



**MR TEOH KHENG HOCK**

*Chief Operations Officer,  
Oil Milling Operations*  
Aged 61, Malaysian, Male



**JENNY WONG NANG HUNG**

*General Manager, Forest Planning*  
Aged 55, Malaysian, Female

*None of the Key Senior Management:*

Mr Teoh Kheng Hock was appointed as Chief Operations Officer, Oil Milling Operations of the Group on 6 October 2016.

Mr Teoh Kheng Hock graduated with a Diploma in Rubber Research Institute of Malaysia and a Diploma in Palm Oil Milling Technology and Management from the Palm Oil Research Institute of Malaysia. He had also obtained a 1st Grade Steam Engineer in year 2003.

He started his career in rubber and latex industry from 1985 to 1996. Subsequently, he joined the palm oil mill industry and held various senior positions in several big companies in Kuala Lumpur and Sabah. He has more than 20 years of experience in palm oil milling operations.

Jenny Wong Nang Hung graduated with a Bachelor of Science degree in Computer Science from University of New South Wales in 1986.

Prior to joining Jaya Tiasa Holdings Berhad in March 1999, Jenny Wong worked in two other companies in various capacities including Head of Computer Department and Deputy Registrar. She served in various senior positions in the Group, from a System Analyst Manager to an Assistant General Manager in the Managing Director's Office before her appointment as General Manager in the Chief Executive Officer's Office on 1 January 2015.

- *holds any directorship in public company and listed issuer.*
- *has family relationship with any director and/or major shareholder of the Company .*
- *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.*
- *has been involved in situation that will create a conflict of interest with the Company.*



# CORPORATE STRUCTURE



**Oil Palm**



**Timber**



**Others**



**Oil Palm Plantation**

100% Eastern Eden Sdn Bhd

100% Erajaya Synergy Sdn Bhd

100% Poh Zhen Sdn Bhd

100% Simalau Plantation Sdn Bhd



**Oil Mill**

100% Hariyama Sdn Bhd  
*(Plantation & Oil Mill)*

100% JT Oil Palm Development Sdn Bhd

100% Maxiwealth Holdings Sdn Bhd

100% Maujaya Sdn Bhd



**Logging**

88.9% Curiah Sdn Bhd

100% Mantan Sdn Bhd



**Wood Manufacturing**

100% Jaya Tiasa Plywood Sdn Bhd



**Marketing**

100% Jaya Tiasa Timber Products Sdn Bhd

100% Hak Jaya Sdn Bhd



**Reforestation**

100% Jaya Tiasa Forest Plantation Sdn Bhd



**Production of Coconut Seedlings**

100% Jaya Tiasa R&D Sdn Bhd



**Fabrication & Workshop Services**

100% Rimbunan Hijau Plywood Sdn Bhd



**Private Flight Operation**

100% Jaya Tiasa Aviation Sdn Bhd



**Investment**

100% Multi Greenview Sdn Bhd



**Management of Logistic Services**

100% Kunari Timber Sdn Bhd



**Bird Nest**

100% Guanaco Sdn Bhd

**Note:**

Non-operating or dormant companies are not included.



## FINANCIAL HIGHLIGHTS

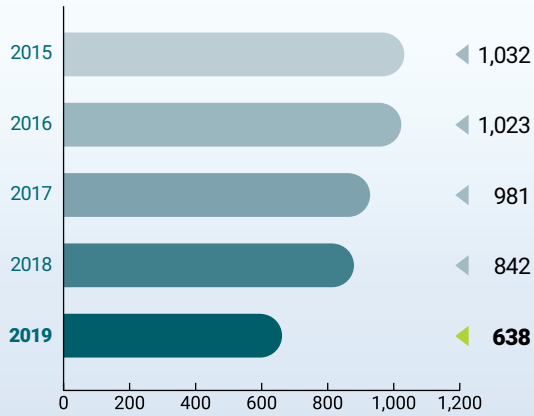
FINANCIAL STATISTICS	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
<b>PERFORMANCE</b>					
Revenue	<b>637,744</b>	841,689	980,829	1,023,367	1,032,209
Profit Before Taxation	<b>(191,012)</b>	(79,686)	50,039	82,232	52,567
Profit After Taxation	<b>(265,264)</b>	(69,834)	14,559	56,995	34,445
Profit Attributable to Equity Holders	<b>(266,037)</b>	(71,080)	12,123	54,162	31,635
EBITDA	<b>42,872</b>	145,486	212,343	229,647	186,541
Equity Attributable to Equity Holders	<b>1,170,044</b>	1,459,220	1,528,840	1,814,259	1,769,069
<b>CORPORATE RATIOS</b>					
Net Earnings Per Share (sen)	<b>(27.48)</b>	(7.34)	1.25	5.60	3.27
Net Assets Per Share Attributable to Equity Holders (RM)	<b>1.21</b>	1.51	1.58	1.87	1.83
Net Tangible Assets Per Share (RM)	<b>1.21</b>	1.51	1.58	1.81	1.76
Return on Equity (%)	<b>(22.7)</b>	(4.9)	0.8	3.0	1.8
Return on Total Assets (%)	<b>(11.1)</b>	(2.7)	0.4	1.7	1.0
Gross Dividend (sen)	-	0.5	0.5	1.3	1.0
Gearing Ratio (%)	<b>45</b>	39	40	36	34

PROFIT/(LOSS) BEFORE TAX BY BUSINESS SEGMENTS	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Timber Operations and Reforestation	<b>(58,901)</b>	(30,351)	(56,054)	97,808	74,642
Oil Palm Operations	<b>(126,835)</b>	(11,767)	104,827	(17,173)	(21,495)
Others	<b>(5,276)</b>	(37,568)	1,266	1,597	(580)
	<b>(191,012)</b>	(79,686)	50,039	82,232	52,567

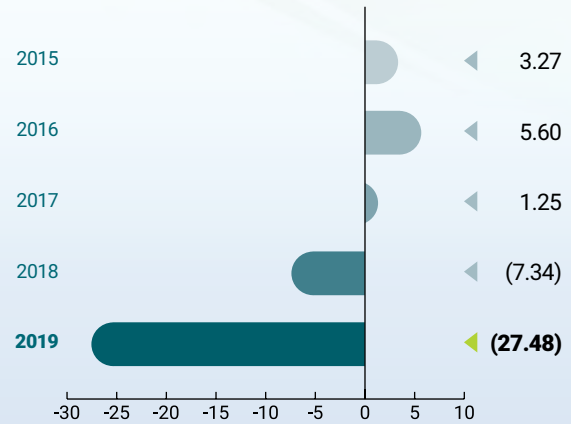


## FINANCIAL HIGHLIGHTS

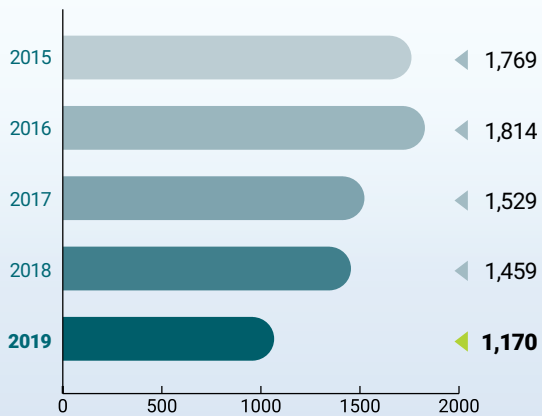
### Revenue (RM million)



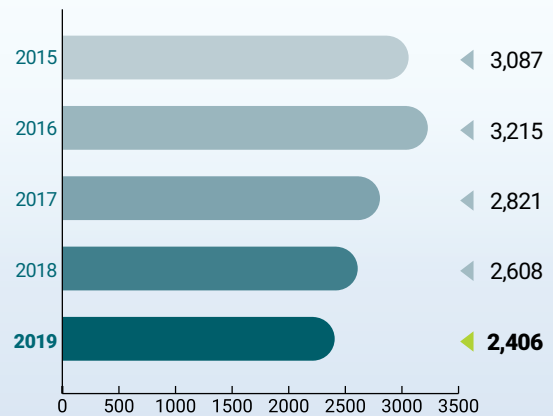
### Earnings Per Share (Sen)



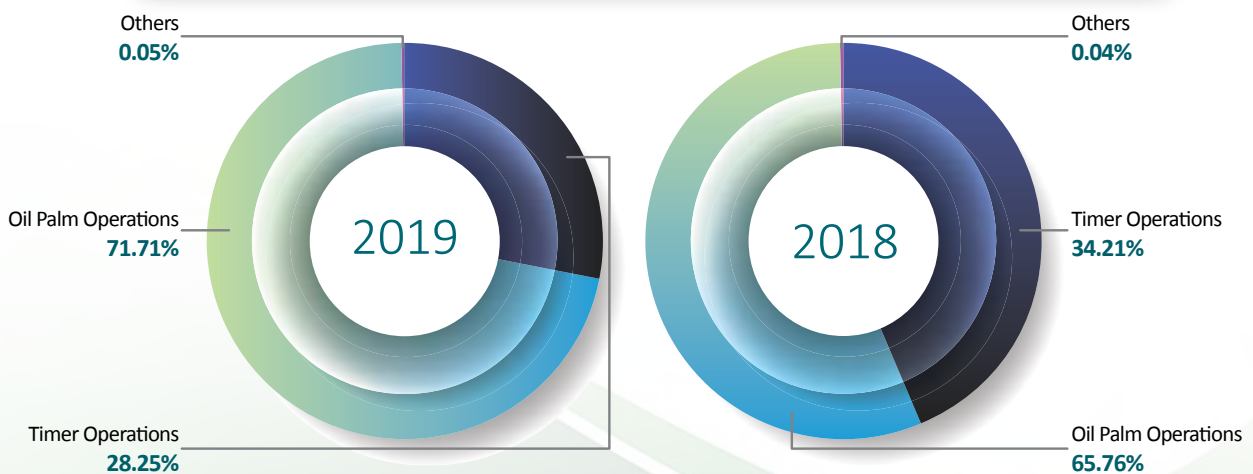
### Equity Attributable to Equity Holders (RM million)



### Total Assets (RM million)



### Breakdown of Revenue by Segment



# 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 2019.



## ECONOMY OVERVIEW

FY2019 was a flagging economic year for the oil palm and timber business, plagued by disconcerting developments both internationally and locally.

Sustainability issues and negative perceptions in the global markets hampered the local industries affecting production and sales. Spillover repercussions from the ongoing trade wars between the major economies saw weaker demands and lower pricing for both of the oil palm and timber products.

The European Commission proposed anti-palm oil use in the production of biodiesel by 2021 saw Crude Palm Oil (CPO) plummeting to a decade-low price of RM1,770 per metric tonne towards the end of 2018.

Another hike in the timber premium in January 2019 after a hefty jump in July 2017 pushed up further the production cost. The timber business was further inhibited by a lower export quota and reduced production inventory following on-going Sustainable Forest Management Certification (SFMC) implementation.

High labour intensive oil palm and timber industries were gravely affected by the imposition of higher minimum wages in January 2019, shifting of levy payment from the workers to the employers together with a 6% service tax on foreign workers recruitment fee and a 10% withholding tax, all of which contributed to an increased production cost but with depressing selling prices for palm oil.

The combination of reduced volume in production and high costs exacerbated losses in the timber division at a time when selling prices were lower.

## FINANCIAL REVIEW

We closed the year with revenue of RM637.7 million, a 24% drop from previous year's RM841.7 million. There was a Net

Loss of RM265.3 million down from the previous Net Loss of RM69.8 million. The reason for the widening loss were due to 23% lower CPO selling price, significant lower sales volume for our timber products, and the derecognition and reversal of deferred tax assets on unabsorbed tax losses in loss making subsidiaries amounting to RM80 million recognized during the year. Loss per share was 27.48 sen compared to 7.34 sen in the previous year. Shareholder funds decreased to RM1,170 million compared to RM1,459 million achieved during the preceding financial year. Net tangible assets per share stood at RM1.21 for the year ended 30 June 2019.

## PERFORMANCE REVIEW

Several unpredictable global developments had affected the FY2019 results. Although the FFB and CPO production increased respectively by 2% and 16% with OER at an average of 18.1%, the division recorded a loss before tax of RM126.8 million from the previous RM45.0 million profit before tax mainly due to the weakened commodity pricing compared to the previous year. The average FFB selling price was RM379 per MT, a sharp 23% decrease, while the CPO price decreased by 23% to RM1,935 per MT.

Following selective logging and ongoing SFMC implementation, there was a 26% contraction of the log production volume resulting in the reduction of the plywood and veneer production volume by 16% and 28% respectively. The stagnant global demand especially from China with spillover effect to other countries resulted in lower sales volume for logs, plywood and veneer by 45%, 39% and 29% respectively. This translated to the division's loss of RM58.9 million in this reporting year as compared to RM30.4 million loss last year.

Further details on the Group's financial performance and Certification can be found in the Management Discussion & Analysis section on pages 14 - 19.



### DIVIDEND

Our dividend policy is to pay 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. In view of the unsatisfactory financial performance, the Board does not recommend payment of dividend for the Financial Year Ended 30 June 2019.

### SUSTAINABILITY

The Board will continue to uphold our commitment to promote sustainability by embedding the principles more fully in approaching the day-to-day management of the business. We will ensure on-going efforts to protect the environment and be conscientious toward our stakeholders as a good employer, business partner and member of the community. An overview of our sustainability initiatives are covered under the "Sustainability Statement" section in this annual report starting from pages 20 - 37.

### GOING FORWARD

With ensuing uncertainties in both the local and global arena, we expect our business environment to become more challenging in the year ahead. Under such prevailing economic situation, the ability to maximize the available

resources and control the costs of production becomes paramount.

Our FFB production and CPO mill utilization are expected to improve as more palms are reaching their prime production age. Despite some forecasted slight improvement in the commodity prices by analysts, the oil palm business will remain challenging with greater efforts needed to impose more stringent cost control and ensure satisfactory production growth in this segment in the next financial year.

The Group will also rein in efforts to optimise its timber operations and implement strategic cost rationalisation measures to strengthen the performance of this division. With selective extraction of timber to concentrate on harvesting profitable species and sizes, we envisage improvement in the production volume in this division in the coming year.

### APPRECIATION

On behalf of the Board, we would like to convey our gratitude to our staff for their dedication and commitment especially in this challenging economic time. We look to all our stakeholders to lend us their unwavering support and thank them for their trust as we leverage on all opportunities and overcome all challenges to ensure a strong and sustainable future for all.

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





# MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders, the aim of the Management Discussion and Analysis (MD&A) is to provide shareholders with an overview of the business operations of the Group, the financial review for the financial year ended 30 June 2019 and the Group's expectations on the business going into 2020.

## OVERVIEW OF BUSINESS & OPERATIONS

Jaya Tiasa Group began as a downstream wood processing company in 1987. During the years when our timber operations were able to sustain the group, we diversified into palm oil business in 2002. That diversification served us well and today we are one of Malaysia's preferred producers of renewable and sustainable quality oil palm and wood based products.

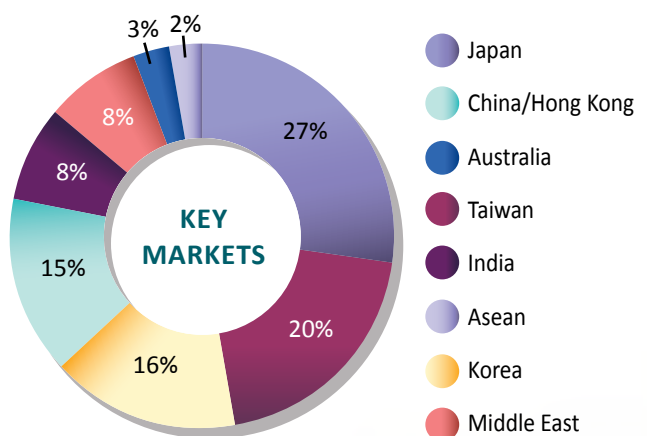
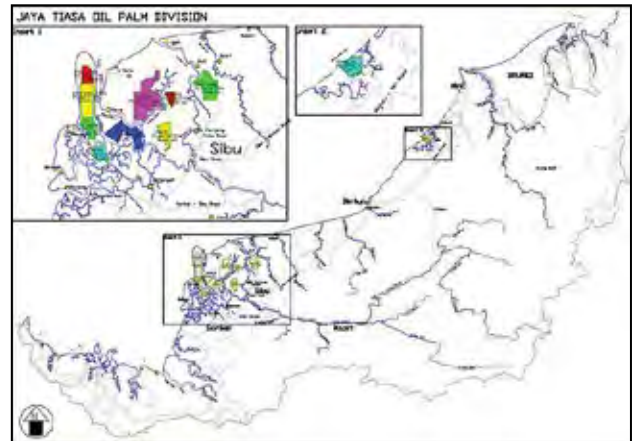
Our total land bank for oil palm plantations is over 83 thousands hectares in the state of Sarawak, Malaysia. As at 30 June 2019, the Group's planted areas at 69,589 hectares (Ha) spreading over 10 plantations in Sarawak have all matured. Four (4) CPO mills are in operation, all strategically located and are able to process 1,782,000MT per annum of FFB.

Our main timber products include logs, veneer, and plywood which are both sold locally and delivered to several major markets in the world. Most of our customers are loyal clients who have established long-term relationship and trust in us, a criterion which we believe is essential to maintain our track record.

Overall, the export demand for plywood and veneer are slowing down amidst the challenging economy following the ongoing trade war between the economic giants and competition in supply from other regions. Japan was our key export market for our timber products in the last financial year. Our other important markets for our timber products include Taiwan, Korea, China / Hong Kong, and India.

We have rationalized our downstream wood processing activities following a decrease in logs supply by downsizing plywood production capacity from the previous 420,000m3 to 180,000m3 per annum since year 2017. By matching our factory operations to the curtailed available resources, we aim to operate our factories at the optimal production level for long-term sustainability.

In terms of sustainable development, we engage in good environmental practices to help protect our environment and wildlife. In view of that, we are currently managing a total area of 120,395 Ha for reforestation.





## MANAGEMENT DISCUSSION AND ANALYSIS

LPF	Gross Area (Ha)	Plantable Area (Ha)	Planted to date (Ha)
LPF0023	42,573	24,114	11,815
LPF0024	58,897	32,419	15,308
LPF0028	18,925	8,473	8,473
<b>Total</b>	<b>120,395</b>	<b>65,006</b>	<b>35,596</b>

### OBJECTIVES AND STRATEGIES

Most of our CPO mills and estates have obtained Malaysia Sustainable Palm Oil (MSPO) certification apart from Hariyama CPO mill which is pending issuance of the certificate and the estates in Pulau Bruit which are pending approval. We address the environmental, social and economic aspects of the oil palm production, and ensure that the best practices are followed consistently in order to achieve our vision of producing sustainable quality oil palm products.

In line with our vision of producing renewable and sustainable wood-based products, we have enhanced our Forest Management Plan (FMP) to gear towards sustainable forest management. This is founded on three (3) pillars, namely environmentally responsible, socially compatible and economically viable. The refined FMP has incorporated the latest scientific and research findings. These findings shall form the basis of developing standard operating procedures and will be systematically executed by our competent staffs at all levels. We strongly believe sustainable forest management is the only way forward for forest resource sustainability.

Our manufacturing processes are governed by strict protocol, and we adhere to international standards and guidelines to ensure our products are best in class. The CE marking certifies that our wood products have met the European Union health, safety, and environmental requirements, which ensure consumer safety. The other recognition is the Japanese Agricultural Standards (JAS) certification.

We are committed to replanting the forest as an investment for the future viability of the Group and supporting the world's move towards the conservation of natural forests. With fast-growing tree species such as Eucalyptus Deglupta (Kamarere), Eucalyptus Pellita, Albizia falcataria (Batai) and Kelampayan planted across the plantation areas and with the revised planting programs in place, the Group's forest planted area is expected to continue to expand steadily.

### REVIEW OF FINANCIAL RESULTS

The Group's revenue of RM637.7 million was 24% lower than RM841.7 million reported in the previous year mainly attributed to the following:

#### Oil Palm

- 17% decrease in revenue due to 23% lower of FFB and CPO price despite 2% and 16% increase in FFB and CPO production respectively.

#### Timber

- 37% decrease in revenue was caused by reduction of sales volume. Sales volume in the logging division dropped by 45% while plywood division dropped by 39%. The reductions were due to 26% and 16% decrease in production volume respectively.

Loss before tax widened to RM191.0 million for the current year from RM79.7 million restated in the previous financial year. This is mainly due to operating loss suffered in the oil palm segment. Despite an increase in FFB production, the revenue generated from the oil palm segment dropped by RM96.2 million from the previous year's RM553.5 million to current year's RM457.3 million, a direct consequence of the weak CPO price and increased production cost from an increase in the direct and indirect labour cost.

Selling and distribution cost reduced by 30% in line with the lower sales volume from the timber divisions. Finance cost increased by 3% to RM55 million while total interest bearing loans and borrowings reduced by RM9.9 million. Our cash flow from Operating Activities decreased by 57% to RM67.2 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATING ACTIVITIES

#### OIL PALM

Oil palm division contributed 72% of the Group's revenue. The division recorded a loss before tax of RM126.8 million which is 66% of the Group's total. Weak CPO price and increased labour cost largely affected our performance in this segment. The average FFB price was RM379 per MT, a decrease of 23% while CPO price averaged at RM1,935 per MT, a 23% decrease.

	Average Selling Price (RM/MT)		OER / KER (%)	
	FY19	FY18	FY19	FY18
CPO	1,935	2,504	18.1%	18.0%
PK	1,342	2,096	3.6%	3.3%
FFB	379	495		

FFB production for the year increased by 2% to 1,095,575 metric tonnes (MT) from the previous year's 1,069,340 MT. Nonetheless, we expect to improve our FFB yield of 15.7MT per hectare.

CPO Mills	Capacity (MT per annum)	FY2019		FY2018	
		FFB Input (MT)	Utilization %	FFB Input (MT)	Utilization %
Wealth Houses CPO Mill	486,000	314,684	65%	277,061	57%
Daro Jaya CPO Mill	324,000	259,026	80%	248,761	77%
Lassa CPO Mill	648,000	347,196	54%	282,083	44%
Hariyama CPO Mill	324,000	194,245	60%	162,978	50%
<b>Total</b>	<b>1,782,000</b>	<b>1,115,152</b>		<b>970,883</b>	

The Group's palm oil mills produced 202,076 MT of CPO and 39,710 MT of palm kernel (PK). Mills' utilization rate will continue to improve in line with the gradual increment of our FFB production. With better quality of FFB input from more matured trees, we expect the production volume and Oil Extraction Rate (OER) to improve further while imposing stringent control over operational efficiency to ensure better performance in the next financial year.

During the reporting year, we had taken various initiatives such as targeted spending per hectare for each estate to improve cost effectiveness. We also underwent internal organization restructuring to ensure better productivity from our workforce. These measures have enabled the division to reduce the cost of production of FFB resulting in lower operating losses from the palm oil division in the last quarter. We will continue to initiate more measures to reduce the overall cost of production further in the coming financial year. Also, we will consider hedging in order to lock in future price should the right opportunity arises.

We remain optimistic about the long term prospects of the palm oil industry despite the current low CPO price. By enhancing our yield and reducing our cost, we are poised to reap better profits in the event the CPO prices start to trend upwards.

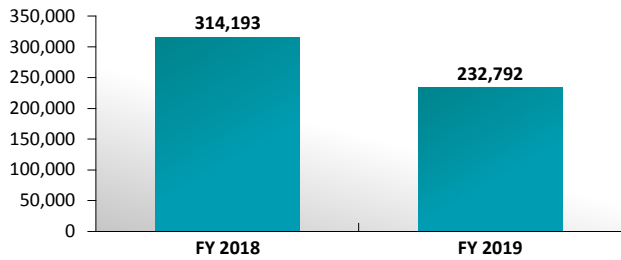


## MANAGEMENT DISCUSSION AND ANALYSIS

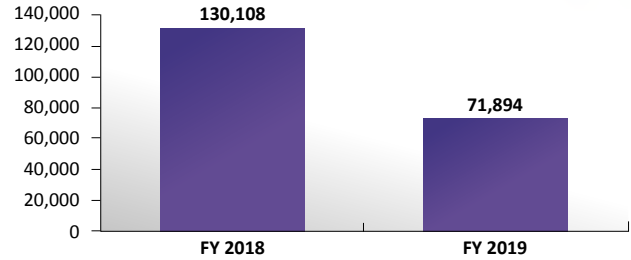
### LOGGING

Sales of logs contributed about 8% of the total Group's revenue. The average export price for logs dropped by 21% to USD217 per m3. Weaker demand from our key market segments, reduced production output and an increase in labour cost impacted performance. Log price is expected to remain weak impacted by ongoing trade wars between the economic giants.

#### LOG PRODUCTION



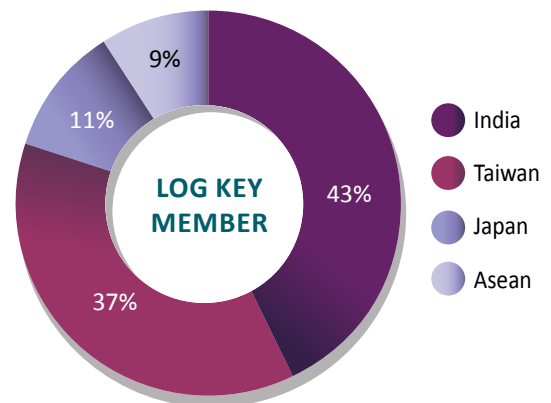
#### LOG SALES



Log production decreased by 26% following selective harvesting of profitable species and sizes and amidst ongoing Sustainable Forest Management Certification implementation. We encountered operation challenges such as appointment of new contractor, mobilization of machineries and transportation of timbers during transitional period which affected log production.

During the year, India continues to be our largest log export destination with 43% of export sales. The rest of the market was shared by Taiwan, Japan and other Asean countries.

We will continue to prioritise the export of logs in the coming financial year as the USD against MYR is expected to remain strong in the near future which is favorable to our export sales in terms of currency exchange.

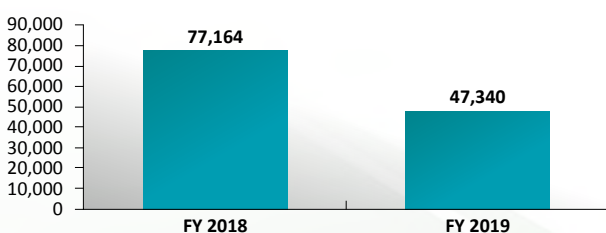


To better manage our forest, we will continue to select profitable species and log sizes for harvesting and maintain vigilant controls on the cost of production. Increased attention will also be given to logistical planning to ensure that logs extracted are delivered within the shortest time frame possible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

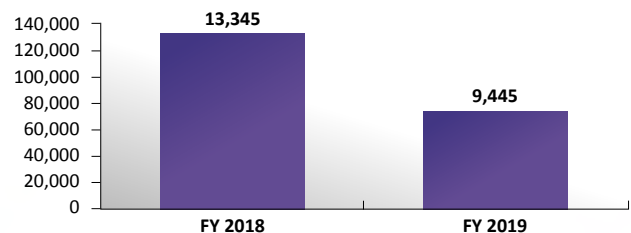
### WOOD MANUFACTURING

The division contributed about 20% to the total revenue of the Group. Plywood sales volumes decreased by 39% YoY, while the average selling prices increased by 2%. For Veneer, sales volume decreased by 29% and the average selling prices decreased by 3%.

#### PLYWOOD SALES



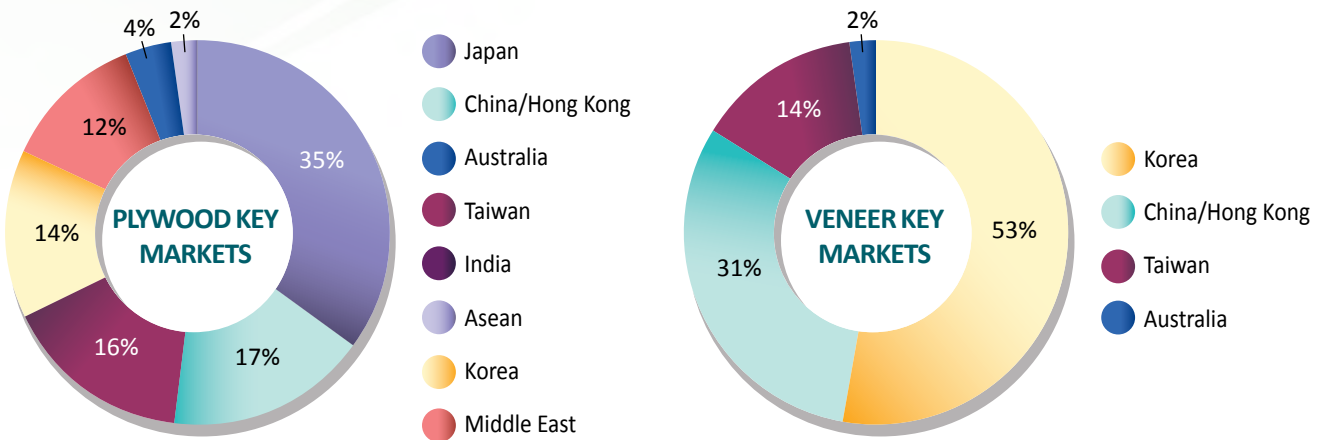
#### VENEER SALES



The production volume for plywood and veneer decreased primarily due to log supply constraint. This coupled with the rising cost of operation resulted in the increase in our unit cost of production.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, Japan was our largest export destination, accounting for 35% of the total plywood exports of the Group, followed by China and Taiwan. Other markets include Korea, Middle East, Australia and other Asean countries.



The market for plywood and veneer has been challenging ever since the economic downturn. To maximize our revenue and to retain our existing markets, we maintained our strategy in producing more high value products mix. The downsizing of our plywood manufacturing facility was in response to market conditions and limited timber resources.

Our focus will be on large importing countries such as South Korea, Japan, and China / Hong Kong. The Group will adopt a dynamic strategic approach in an increasingly competitive global environment, taking into account the decreasing resources, the volatility of foreign exchange rates and crude oil prices. The Group will strengthen its current measures to maintain and enhance its competitive edge. 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 performance.

### REFORESTATION

The Group has planted 35,596 hectare of forest plantation. During the financial year, the progress of tree planting and maintenance works were carried out according to our planned work schedules. A total of 1,862,448 seedlings were planted under the Industrial Tree Planting Method and the new chemical weed control regime. The average survival rate of the E. Pellita seedlings at one month is above 90%.

		No of Seedlings	Areas (Ha)
LPF0023	EP/AF	422,976	959.1
LPF0024	EP/AF	1,439,472	2,988.9
LPF0028	EP/AF	-	-
		<b>1,862,448</b>	<b>3,948.0</b>

The division is not expected to contribute to earnings in the short term given that the planted forest has a gestation period of 11 to 14 years before it can be ready for commercial harvesting. The challenge of the Group is to improvise silvicultural practices, better wood properties, pest and disease control and recruitment of field workers. We place great emphasis on stringent quality control over new plantings and their maintenance so as to improve the survival rate and optimum growth of planted trees.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ANTICIPATED OR KNOWN RISK

The increase in labour costs following an increase in the minimum wages and other indirect labour costs and shortage of manpower are our main challenges in our oil palm business. Extreme weather caused by global warming is another risk that will impact the productivity of the palm trees. To mitigate this, we will use better water management to ensure our trees get adequate water supply throughout the year.

Global demand are slowing down, and with increased competition from other regions, our logging business will be affected. The ongoing trade war will affect timber price and demand. Production has dropped as we are undertaking Sustainable Forest Certification. To mitigate this risk, we will select species and log sizes with higher value for harvesting and maintain vigilant controls on the cost of production.

Liquidity risk caused by the European Union ban on the use of our palm oil for biodiesel production together with prolonged low CPO price despite recent uptrend will impact our Group's cash flow and ultimately affect our day-to-day operations. To mitigate this, we will monitor all divisions within the organization and restructure to increase productivity together with ongoing cost control measures.

### FORWARD LOOKING

CPO Price has started to gradually trend upwards since July 2019 with the B20 biodiesel implementation drive by the government. FFB yield will continue to rise with the maturity of the trees. CPO production will be boosted as a result while expanding vertical integration should contribute positively to the oil palm division in the next financial year. In the face of such challenges facing both our core business, we recognize the necessity to adapt to the ever changing business environment.

The timber business will remain subdued with regards to export log price due to ongoing trade wars which will ultimately impact the performance of the company.

**DATO' WONG SIE YOUNG**  
Chief Executive Officer





# SUSTAINABILITY STATEMENT

## Managing Sustainability

The Jaya Tiasa Group remains committed to its vision of being Malaysia’s preferred producer of renewable and sustainable quality oil palm and wood based products. A testament to this is the several initiatives established to manage our commitment towards sustainability.

To achieve its vision, the Group strives to achieve the following:

Economic	Corporate Governance	<ul style="list-style-type: none"> <li>• Practice sustainable, responsible and ethical businesses</li> <li>• Comply with all laws, regulations and guidelines</li> <li>• Practice fair, responsible and honest engagement with stakeholders.</li> </ul>
Environmental	Environmental Stewardship	<ul style="list-style-type: none"> <li>• Undertake the best agricultural practices to reduce the direct and indirect environmental impacts of our operations</li> <li>• Commit to utilize natural resources prudently</li> <li>• Setup waste and effluent management plan</li> </ul>
Social	Workplace  Community Care	<ul style="list-style-type: none"> <li>• Encourage work-life balance with emphasis on the health, safety and well-being of employees</li> <li>• Continuously develop and train employees</li> <li>• Human resource management</li> <li>• Improve the quality of life of surrounding communities through the offering of job opportunities, financial aid in kind or money and humanitarian efforts</li> <li>• Conduct charitable activities and donation drives</li> </ul>

## Scope of Sustainability Statement

The scope of this Sustainability Statement encompasses Jaya Tiasa’s oil palm plantations and palm oil mill operations and focuses on the things that are most material to both our organization and stakeholders for the financial year ended 30th June 2019.

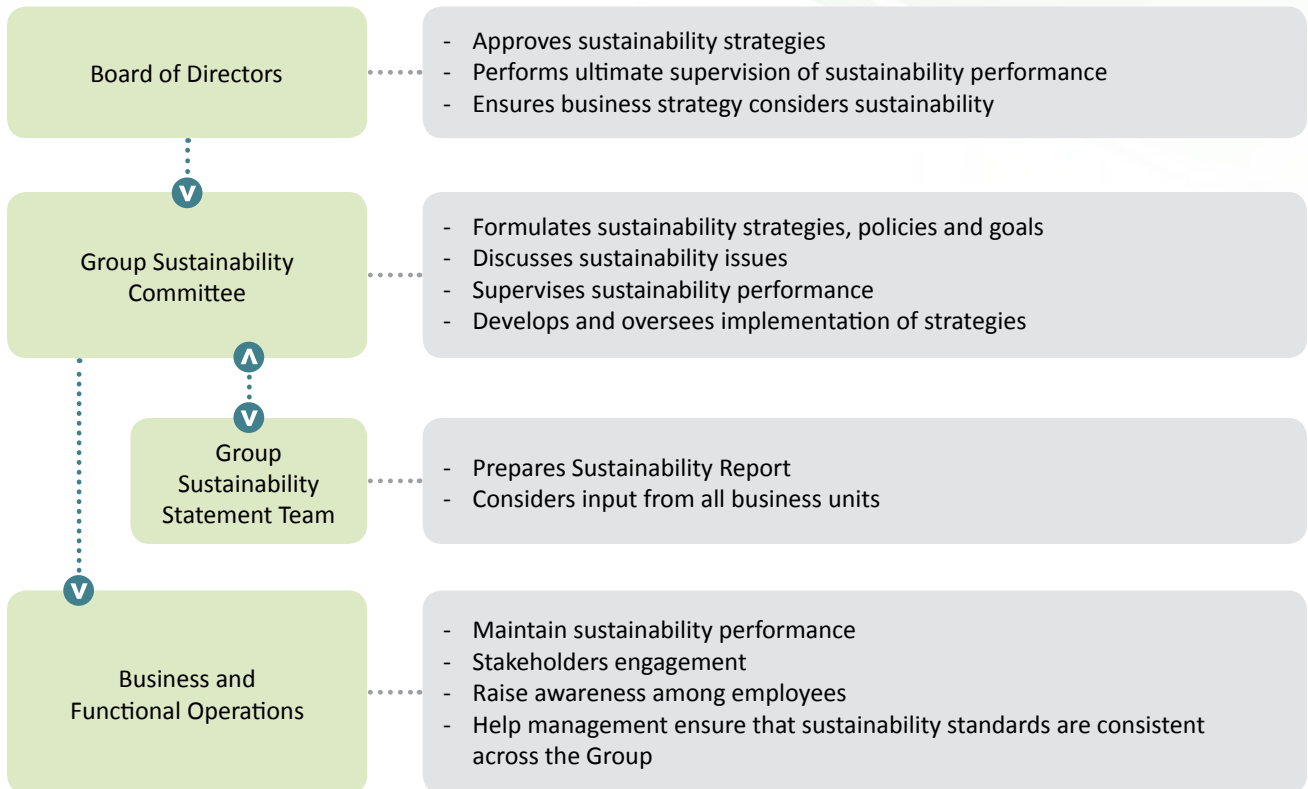
## Corporate Governance

Effective governance and robust risk management policies and procedures combined with our core values are keys to achieving long term success. The Board of Directors receives and approves a formal Sustainability Report at least once a year before it is released to the shareholders and public. In relation to Jaya Tiasa’s overall sustainability objectives, targets and priorities, the Board of Directors has delegated the responsibility to the Sustainability Committee headed by the Group’s Chief Executive Officer to formulate sustainability strategies, policies and goals, discuss sustainability issues and review sustainability performance. In addition, the Sustainability Statement Team collates all information and responses collected from the Sustainability Committee and stakeholders, and prepares a Sustainability Statement.





## Sustainability Governance Management Structure



## Regulatory Compliance and Ethical Business Conduct

At Jaya Tiasa, it is our utmost priority that we practise and uphold high standards of corporate conduct. We strive to ensure that all business and operational affairs are carried out ethically, with integrity, and accountability, and in full compliance with the laws and regulations.

The signing of the Corporate Integrity Pledge (CIP) with MACC echoed our commitment towards creating a business environment that upholds the Anti-corruption Principles in the conduct of our business. Our employees are reminded that any form of fraud, corruption, and unethical behavior will not be tolerated under any circumstances.

Our whistle-blowing mechanism enables all employees and stakeholders to report any irregularities, grievances and concerns without fear of reprisal.

For the Financial Year ended 30 June 2019, the Group was not subject to any of the following incidents:

- Non-compliance with laws and regulations in the social and economic area;
- Non-compliance with environmental laws and regulations; and
- Non-compliance with the financial standards and frameworks.

## SUSTAINABILITY STATEMENT

### Targets & Achievements

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
<b>Target 1: Economics</b>				
FFB Yield per Hectare (MT/HA)	18.2	Continuous Improvement	Product Quality, Economic Performance	28
Oil Extraction Rate:				
• Crude Oil Extraction	18.95%	Continuous Improvement	Product Quality, Economic Performance	28
• Palm Kernel Extraction	3.72%	Continuous Improvement	Product Quality, Economic Performance	28
• Planted Forest for FYE2019	3,000 Ha	Achieved	Economic Performance	28

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
<b>Target 2: Environmental</b>				
No new development carried out on peatlands	All Plantations	Ongoing	GHG emissions, discharge and waste management	29
Installation of Biomass boilers for energy generation	All CPO mills	Achieved	GHG emissions, discharge and waste management	31
Measurement of GHG emissions per year for the Group	All Operations	Ongoing	GHG emissions, discharge and waste management	31
Assessment of Flora and Fauna Biodiversity	All Plantations	Ongoing	Biodiversity and conservation	31
Management of effluent discharge	Within requirement (<50mg/L)	Ongoing	GHG emissions, and waste Management	30
Set up methane capture plant in all CPO millsmills	All CPO	Ongoing	GHG emissions, discharge and waste management	31
No land development through open burning	All Plantations	Ongoing	GHG emissions, discharge and waste management	29

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
<b>Target 3: Community</b>				
Improve life of smallholders & local communities	Continuous Improvement	Ongoing	Poverty free / Good health & well-being	35



## SUSTAINABILITY STATEMENT

### Targets & Achievements

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
<b>Target 4: Employees</b>				
No child labour	No breaches of laws and regulations	Achieved	Human & Workers Rights	33
No forced labour	No breaches of laws and regulations	Achieved	Human & Workers Rights	33
No work related fatalities	Zero fatality	Achieved	Occupational Safety & Health	36
Reduce work related lost time	Improved awareness	Continuous Improvement	Occupational Safety & Health	37

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
<b>Target 5: Certification</b>				
Achieve MSPO certification for all 4 CPO mills	By December 2019	3 mills certified 1 mill awaiting issuance of certificate	Certification	28
Achieve MSPO certification for all plantations	By December 2019	7 plantations certified 3 plantations ongoing	Certification	28
Attain Forest Management Certification	By 2022	1 FMU certified 3 FMU ongoing	Certification	29
Attain Sarawak Timber Legality Verification System for all forest plantation	By 2020	Ongoing for LPF	Legality Verification	29

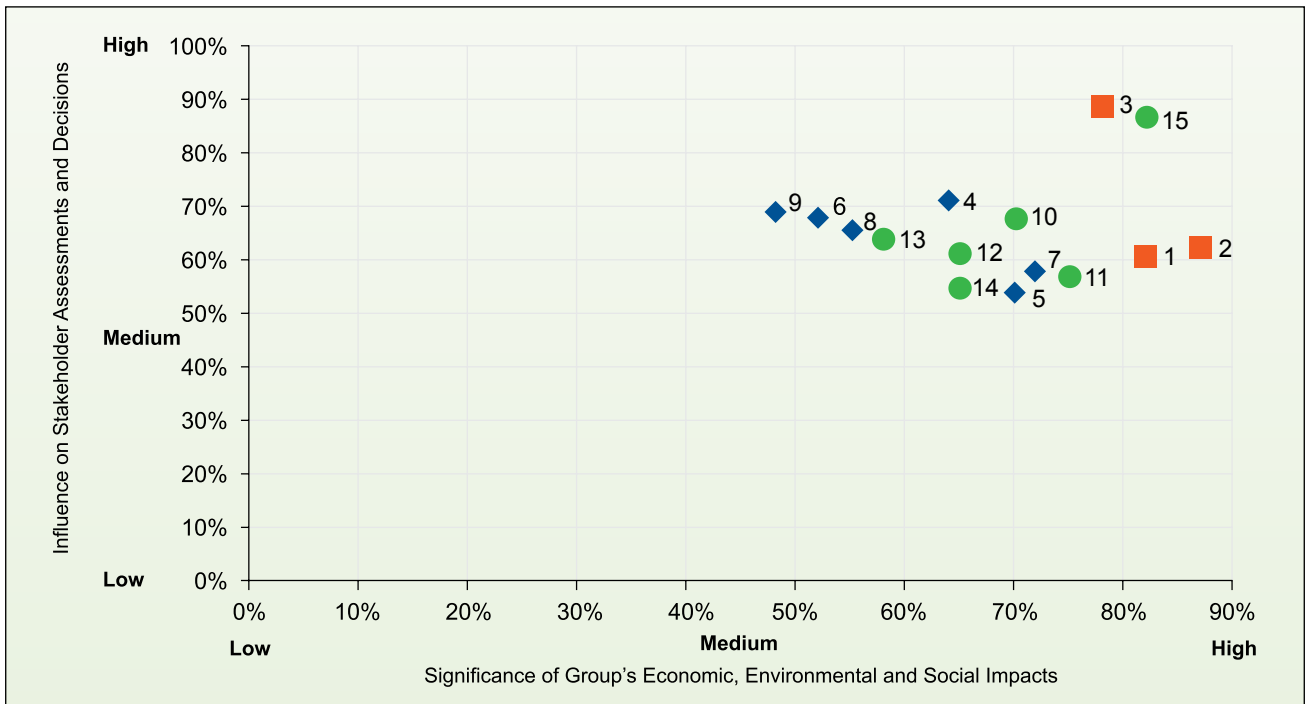
# SUSTAINABILITY STATEMENT

## Materiality Matrix

For the current year’s Sustainability Statement, we relied on information from various internal sources for our materiality risk assessment. The Sustainability Committee has reviewed key Economic, Environment and Social (EES) issues for potential financial, operational and reputational impacts that these issues may have on the Group.

From the evaluation of the Group’s Sustainability Risk and Opportunities, we have identified numerous key material issues that are of high concern to stakeholders and of high significance for our Group in year 2019. These material issues have been prioritized through our materiality assessment process and mapped onto our materiality matrix. Material issues identified are then assessed to establish if proper policies and procedures are implemented to manage and monitor these issues.

Jaya Tiasa Materiality Matrix 2019



## SUMMARY OF MATERIALITY MATTERS

 <b>Economic Performance</b>	 <b>Environmental Stewardship</b>	 <b>Workforce and Community</b>
<ol style="list-style-type: none"> <li>1. Product Quality</li> <li>2. Economic Performance</li> <li>3. Certification</li> </ol>	<ol style="list-style-type: none"> <li>4. Peatland Management &amp; Fire Prevention</li> <li>5. Water Management &amp; Safeguarding</li> <li>6. Effluent &amp; Waste Management</li> <li>7. Carbon Footprint</li> <li>8. Biodiversity Protection</li> <li>9. Pesticide, Chemical and Fertilizer Usage</li> </ol>	<ol style="list-style-type: none"> <li>10. Human &amp; Workers Rights</li> <li>11. Recruitment, Retention &amp; Development</li> <li>12. Fair Pay &amp; Performance Oriented</li> <li>13. Diversity &amp; Equal Opportunity</li> <li>14. Social Care &amp; Workers Welfare</li> <li>15. Safety &amp; Health</li> </ol>



## Engagement with Stakeholders

The stakeholder groups which have significant influence and impact on the Group's businesses are carefully identified and engaged at various platforms and intervals throughout the year. We prioritize honest and open communications with our internal and external stakeholders to fully understand their sustainability concerns and issues with a view to ensuring that their key interests are aligned with those of the Group.

### Overview of Stakeholder Engagement Conducted in FYE 2019

Stakeholder Group	Areas of interest	Address by Materiality Matters	Methods	Frequency	Outcomes
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>• MSPO certification</li> <li>• Future plans</li> <li>• Progress and compliance with sustainability standards</li> <li>• Pollution</li> <li>• Deforestation</li> <li>• Pesticide and chemical usage</li> </ul>	<ul style="list-style-type: none"> <li>• 1 / 3</li> <li>• 2</li> <li>• 1 / 8</li> <li>• 6 / 7</li> <li>• 4</li> <li>• 9</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly meeting</li> <li>• Annual general meeting</li> <li>• Company website</li> <li>• Engagement survey</li> </ul>	<ul style="list-style-type: none"> <li>• Every 3 months</li> <li>• Once a year</li> <li>• Periodic</li> <li>• Once a year</li> </ul>	<ul style="list-style-type: none"> <li>• Positive reputation and a better understanding of Jaya Tiasa's sustainability status, progress and initiatives</li> <li>• Good relationship with shareholders</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Opportunity for employment</li> <li>• Complaints and grievances</li> <li>• Smallholders</li> <li>• Community development</li> <li>• Waste management</li> </ul>	<ul style="list-style-type: none"> <li>• 2</li> <li>• 10</li> <li>• 2</li> <li>• 14</li> <li>• 5 / 6</li> </ul>	<ul style="list-style-type: none"> <li>• Grievances and complaints channel</li> <li>• Formal and informal meetings</li> <li>• Social impact assessments</li> <li>• Community programs</li> </ul>	<ul style="list-style-type: none"> <li>• As and when necessary</li> <li>• Periodic</li> <li>• Once a year</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Employment for qualified and eligible locals</li> <li>• Improved road access</li> <li>• Contributions to the community and local schools</li> <li>• Better social relation with Group</li> </ul>
<b>Workers</b>	<ul style="list-style-type: none"> <li>• Occupational health &amp; safety</li> <li>• Working conditions, facilities, safety and training</li> <li>• Wages / remuneration</li> <li>• Complaints and grievances</li> <li>• Employee social and welfare care</li> </ul>	<ul style="list-style-type: none"> <li>• 15</li> <li>• 11</li> <li>• 12</li> <li>• 10</li> <li>• 14</li> </ul>	<ul style="list-style-type: none"> <li>• Management meeting</li> <li>• Morning roll-call</li> <li>• Regular training</li> <li>• Notices</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Daily</li> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Better understanding of company policies</li> <li>• Safer working environment</li> <li>• Improved awareness of health &amp; safety issues</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Job satisfaction and development</li> <li>• Remuneration</li> <li>• Health and safety</li> <li>• Communication of company's policies and practices</li> </ul>	<ul style="list-style-type: none"> <li>• 11</li> <li>• 12</li> <li>• 15</li> <li>• 1 / 13</li> </ul>	<ul style="list-style-type: none"> <li>• Annual appraisals</li> <li>• Training sessions</li> <li>• Workshop for discussions</li> <li>• Sports and recreation club</li> <li>• Company intranet, newsletters</li> </ul>	<ul style="list-style-type: none"> <li>• Once a year</li> <li>• As required</li> <li>• As required</li> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Employee retention</li> <li>• Better understanding of the company's policies and values</li> </ul>

## SUSTAINABILITY STATEMENT

Stakeholder Group	Areas of interest	Address by Materiality Matters	Methods	Frequency	Outcomes
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>• Compliance with legal requirements</li> <li>• Support government transformation policies and initiatives</li> <li>• Occupational Safety and Health</li> </ul>	<ul style="list-style-type: none"> <li>• 4 / 6 / 7</li> <li>• 2 / 3</li> <li>• 15</li> </ul>	<ul style="list-style-type: none"> <li>• Formal dialogues and meetings</li> <li>• Annual reports</li> <li>• Site Visits</li> <li>• Engagement survey</li> </ul>	<ul style="list-style-type: none"> <li>• As and when necessary</li> <li>• Once a year</li> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Supportive of the Government's policies and initiatives</li> <li>• Protection of the environment</li> <li>• Positive reputation amongst investors</li> </ul>
<b>Suppliers / Smallholders</b>	<ul style="list-style-type: none"> <li>• Compliance with sustainability requirements</li> <li>• Product quality</li> <li>• On time delivery</li> </ul>	<ul style="list-style-type: none"> <li>• 1 / 3</li> <li>• 1</li> <li>• 1</li> </ul>	<ul style="list-style-type: none"> <li>• Formal and informal meetings</li> <li>• Dialogues and appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable production</li> <li>• On time delivery of materials</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality of products</li> <li>• Compliance with sustainability standards</li> <li>• Supply chain and traceability of product</li> <li>• Deforestation</li> </ul>	<ul style="list-style-type: none"> <li>• 1</li> <li>• 3</li> <li>• 3</li> <li>• 4 / 8</li> </ul>	<ul style="list-style-type: none"> <li>• Networking sessions</li> <li>• One on one meetings</li> <li>• Annual reports</li> <li>• Company website</li> <li>• Visit to estates and mills</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Periodic</li> <li>• Once a year</li> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Positive reputation</li> <li>• Customer retention</li> <li>• Increased market share</li> </ul>
<b>Certification bodies</b>	<ul style="list-style-type: none"> <li>• Occupational safety and health</li> <li>• Human and consumer rights</li> <li>• Social and environment impact</li> </ul>	<ul style="list-style-type: none"> <li>• 15</li> <li>• 10</li> <li>• 6 / 9 / 14</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement surveys and dialogues</li> <li>• Site visits and inspection</li> <li>• Constructive partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Once a year</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Increase market share</li> <li>• Compliance with policies</li> <li>• Audit and certification</li> <li>• Knowledge sharing</li> </ul>





## How our Material Issues Relate to the UN Sustainable Development Goals (SDGs)

The United Nations (UN) adopted 17 Sustainable Development Goals (SDGs) with the aim to call for actions to end poverty, protect the planet, tackle climate change, improve health and education, reduce inequality and ensure that all people enjoy peace and prosperity. With our strong commitment towards sustainable development, we have performed a review and evaluation on how our diverse businesses can contribute to SDGs and have since prioritized eight SDGs that are considered most relevant to the Group and incorporated them into our Sustainability Framework.



### SDGs Relevant to our Material Issues

#### Economic

- SDG 8 - Decent work and economic growth
- SDG 12 - Responsible consumption and production

#### Environmental

- SDG 6 - Clean water and sanitation
- SDG 13 - Climate action
- SDG 15 - Life on land

#### Social

- SDG 1 - No poverty
- SDG 3 - Good health and well-being
- SDG 10 - Reduced inequalities

# SUSTAINABILITY STATEMENT

## ECONOMIC

### 1) Product Quality (SDGs-12 Responsible Consumption and Production)

It is the policy of the Jaya Tiasa Group to produce quality palm oil and timber related products to the satisfaction of our valued customers.

Our quality focus starts from every aspect of our best agricultural practices and milling activities right until our products are delivered to the satisfaction of our valued customers. We continued to invest in the latest technology and high-end machineries to ensure higher efficiency and continue to produce high quality products for our customers. In each of our mills, we have fully equipped laboratory to monitor the quality of our finished products.

### 2) Economic Performance (SDGs -8 Decent Work and Economic Growth)

In the reporting year, our employees (through their various services in the Group) were recipients of RM122 million in employee benefits. The Government collected RM3.88 million through taxes and cesses while the Sarawak State Government managed to collect RM18.7 million in the form of Sarawak Sales Tax imposed based on the Crude Palm Oil prices.

From the total revenue of RM637.7 million, 24% or RM152 million was channeled to the purchase of motor vehicles, machineries, fertilizers, utilities and office supplies to meet the needs of the overall business. Inevitably, this has helped the local economy both directly and indirectly. The Group also actively purchased FFB from surrounding plantations and smallholders to the tune of RM32.2 million during the year.

### 3) Certification (SDGs -12 Responsible Consumption and Production)

Most of the Group's plantations and mills have undergone the MSPO certification and shall be fully certified before the stipulated time frame.

#### i) Malaysian Sustainable Palm Oil (MSPO)

MSPO is a national sustainability scheme created by the Malaysian government and developed for oil palm plantations, smallholders and downstream facilities. The requirements for MSPO standards include: -

- the production of safe, high quality oil palm fruits;
- the protection of the environment;
- the safeguarding of social and economic conditions of owners;
- support the surrounding community;
- enforce workplace health and safety excellence; and
- the implementation of best practices.

Name of Mill / Estate	MSPO Certification Status
<b>Lassa CPO Mill</b> Supply base: - Lassa Estate - Kabang Estate	MSPO - Certified MSPO - Certified MSPO - Certified
<b>Daro Jaya CPO Mill</b> Supply base: - Daro Jaya Estate - Sawai Estate - Lepah Estate	MSPO - Certified MSPO - Certified MSPO - Certified MSPO - Certified
<b>Wealth Houses CPO Mill</b> Supply base: - Wealth House Estate - Lepah Estate - Eastern Eden Estate - Poh Zhen Estate	MSPO - Certified MSPO - Stage 2 Audit Completed MSPO - Certified MSPO - Stage 2 Audit Completed MSPO - Stage 2 Audit Completed
<b>Hariyama CPO Mill</b> Supply base: - Hariyama Estate	MSPO - Awaiting certificate issuance MSPO - Certified
<b>Simalau Plantation</b>	MSPO - Certified



ii) **Forest Management Certification**

Forest Management Certification (FMC) is an internationally recognized system to verify responsible forest management. The Sarawak State Government has made it mandatory for all long-term forest timber licenses to obtain FMC by 2022. Pursuant to this policy, the Certification Unit is established towards managing and obtaining the certification for all of our timber license areas.

Forest Management Unit (FMU)	Status as at 30.06.2019
T/3236 (Bahau-Kahei FMU)	FMC – Certified
T/3371 (Baleh-Balui FMU)	FMC – Preparing for Stage 1 Audit
T/3370 (Penuan-Lebuwai FMU)	FMC – Preparing for Stage 1 Audit
T/3372 (Menggiong-Entulu FMU)	FMC – Pending Forest Management Plan Approval

iii) **Sarawak Timber Legal Verification System (STLVS)**

STLVS covers licensing, harvesting, transporting, manufacturing and trading of logs and timber products in accordance with the laws, regulations and procedures pertaining to forestry and trade in Sarawak by 2020. As of 2019, the Group’s preparation for this is ongoing for our LPF (License for Planted Forest).

**ENVIRONMENT**

As our business is closely associated with natural resources, we recognized the importance of practicing responsible stewardship of the environment. To this end, environmental protection measures and considerations have long been embedded in our manufacturing processes and day-to-day operations.

4) **Peatland Management and Fire Prevention (SDGs – 13 Climate Action)**

In view of the frailty and the importance of peatland when it comes to carbon storage and its other multiple benefits such as biodiversity maintenance, carbon water storage and regulation, the Group has taken the stance to strictly prohibit the clearance and development of peatlands for new plantations regardless of depth.

To conserve and for better management of water and drainage in the peatland , a series of weirs and water gates were constructed across the collection drains to regulate the water level in the field and significantly reduce carbon emission. To comply with the MSPO standards, the water level in the collection drain is maintained at a range of 35cm to 60cm and at 30cm to 50cm for groundwater table in the field.

**Deforestation**

The Group ensures that our agricultural operations comply with the following:-

- No planting on land with high biodiversity value;
- No planting on protected and forest reserve land;
- No new development on peatland regardless of depth; and
- No development in high carbon stock forest.

For the Financial Year ended 2019, the Group did not clear any land for new development.

**Fire and haze prevention**

The impacts of fire can be catastrophic, including commercial loss, loss of life, air pollution and loss of biodiversity. Fires possess long-term commercial risk and the potential losses to the Group are high. Wider risks of fire include threats to climate change goals and could easily derail the Group from achieving economic and environmental sustainability.

**Zero Burning Policy**

In compliance with environmentally friendly practices as well as the principles and criteria set out in the MSPO standards, the Group adheres to a strict zero burning policy and is enforced without exception.

**Monitoring**

During the dry seasons, employees in all our plantations are directed to vigilantly look out for any fire breakouts in the surrounding vicinity. Employees are continuously trained (extensive mock fire drills are conducted regularly) on how to control and manage fires. We have set up weather stations throughout the plantations to gather micro-climate information for regular fire safety risk assessment and ensure that adequate fire safety measures are put in place. Our continuous efforts have proven to be fruitful as there were no fire related incidents for two consecutive years.

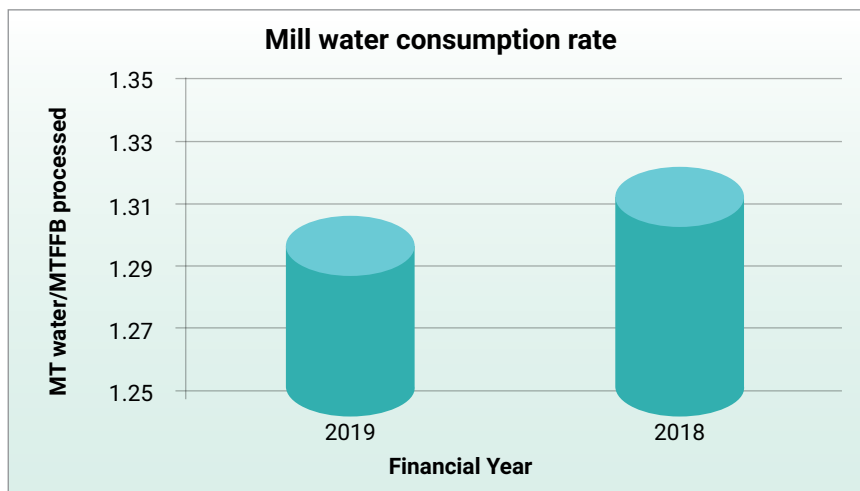
## SUSTAINABILITY STATEMENT

### 5) Water Management and Safeguarding (SDGs -6 Clean Water and Sanitation)

The Group's water management strategies centers on the optimization of water usage, increasing the number of water sources, the reduction of water consumption and the identification of water pollution sources.

In accordance with the water management strategies, the following measures were put in place: -

- The installation of water gates to control and maintain water levels for palm tree irrigations. In addition, water level was maintained at an optimum level in anticipation of a potential shortfall of rain and to counter the risk of fire;
- The establishment of ponds and water catchment to store rain water;
- The fitting of worker's housing with water tanks to harvest and store rain water;
- The setting up of a plant to treat water for milling usage and daily consumption;
- The strict prohibition of the discharge of chemicals, solid wastes and used lubricants into the waterways;
- The practice of water sampling twice a year to monitor water quality in line with EIA measures and to ascertain it is potable (safe for drinking) and other daily usages;
- The maintenance of buffer zones along the natural waterways where spraying and manuring operations are strictly prohibited; and
- The maintenance of strict water efficiency in milling.



### 6) Effluent and Waste Management (SDGs -6 Clean Water and Sanitation, 13 Climate Action)

#### **Effluent Management**

Palm Oil Mill Effluent (POME) is the waste water discharged from the processing of FFB. POME has high acidity, high biological oxygen demand (BOD) and high levels of organic matters which can pollute the waterways if left untreated. By using the aerobic and anaerobic ponding system, the treated water can be discharged safely into the environment. In 2019, 100% of the POME discharge from our mills was treated to meet local regulatory requirements (<50mg/L) prior to discharge.

There is no incident where our POME discharge is over the limit and harming the waterways.

#### **Waste Management**

The Group strictly observes the best practices in the handling and managing of waste at our sites. We take full precaution in disposing all waste products including domestic waste, agricultural waste, biomass or byproducts generated by our oil palm plantations or oil palm milling sectors.

Biomass fuels such as press fiber and palm kernel shell are burnt in boiler to generate electricity (Note 7). Recycling of nutrient rich biomass such as Empty Fruit Bunch (EFB) and POME sludge is a common practice within The Group. These EFB and sludge can be further processed to become bio-fertilizers thus reducing the need to acquire expensive agrochemicals which in turn save costs.

Another useful byproduct of EFB is bunch ash. As peat soil is highly deficient in potassium (K), external application of high amounts of K is required. Using bunch ash as a source of K is more advantageous and preferable since it helps to neutralize soil acidity (Gurmit et al. Mohd Tayeb, 2002).



By-products generated and recycled from milling operations:

By-products	Total Quantity Generated and Recycled (MT)	Method of recycling
EFB compost	7,356	Organic fertilizer
Bunch Ash	8,390	Organic fertilizer
Press Fiber	144,980	Biomass fuel for boiler
Palm Kernel Shell	7,243	Biomass fuel for boiler

Scheduled wastes generated from the operations and biohazard wastes from the clinic are stored, labelled and disposed of by licensed contractors in adherence to the government regulations.

7) Carbon Footprint (SDGs -13 Climate Action)

**Greenhouse Gas Management**

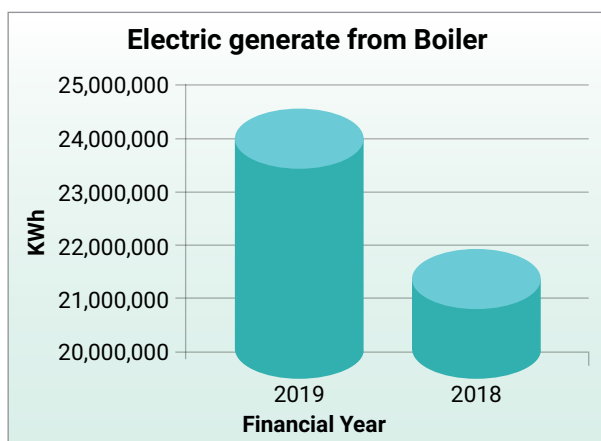
Our biggest source of emissions comes from POME. The discharged water produced methane gas which has 21 times more Global Warming Potential compared to other gases. To reduce methane gas emissions, Jaya Tiasa has a biogas plant constructed in the mills. These biogas plants help to trap the methane gas.



In view of the scarce human resource especially for the physical demanding field tasks, Jaya Tiasa has tested and implemented in-field mechanization. While mechanization improved the process efficiency (e.g. harvesting, loading and unloading of FFB), it increases the carbon trails.

**Energy Consumption**

To be sustainable, our management is committed to energy conservation and the reduction of fossil fuel usage. We recycle oil palm and oil mill by-products such as press fiber and palm kernel shells for use as biomass fuel in the mills boiler. For FY2019, the boilers in our mills generated 24.6 million KWh of electricity. That is equivalent to electricity generated from burning 7.38 million liters of diesels. The use of these biomass fuels significantly reduces the consumption of non-renewable fossil fuels and generates greater cost savings as they are cheaper.



Mill boiler with Press Fiber as bio-fuel.

8) Biodiversity Protection (SDGs -15 Life on Land)

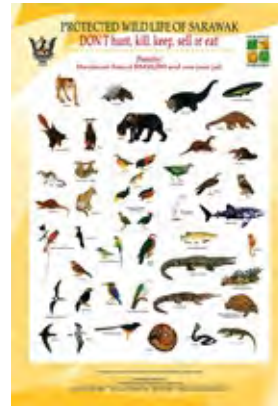
Often global discourse on palm oil and logging activities is tied to heavy biodiversity loss as well as significant changes in land composition and ecosystems. To mitigate such discourse, we have the responsibility to uphold and practice sustainable business operation to prevent any undue risks on the environment for the benefit of the present and future generations.

## SUSTAINABILITY STATEMENT

The Group had engaged the services of third parties to conduct flora and fauna biodiversity assessment in our plantation estate. We managed to fully assess all of our estates covering a total landbank of 83,483 ha and with buffer zones of 11,335 ha. The findings from the assessment will help to determine the most effective length and in-depth research required for an effective HCV monitoring and management. The Group imposed a policy of “zero tolerance” towards killing, harming any of the endangered/protected species listed under the IUCN and Protected Animals from Wild Life Protection Ordinance, 1998.



Totally Protected Wildlife of Sarawak



Protected Wildlife of Sarawak

Summary of International Union for Conservation of Nature (IUCN) List of Threatened Species in Jaya Tiasa’s areas of operation:

<b>Mammals</b>	Critically Endangered	1
	Endangered	1
	Vulnerable	5
	Near Threatened	1
	Least Concern	3
	Not Assessed by IUCN	2
<b>Amphibian</b>	Least Concern	8
<b>Reptiles</b>	Least Concern	6
<b>Birds</b>	Endangered	1
	Vulnerable	2
	Near Threatened	5
	Least Concern	50
	Not Assessed by IUCN	17
<b>Fish</b>	Least Concern	11
	Date Deficient	1
	Not Assessed by IUCN	5
<b>Plants</b>	Critically Endangered	5
	Endangered	3
	Vulnerable	5
	Least Concern	6
	Not Assessed by IUCN	155



Black Hornbill - Vulnerable



Sunda Pangolin - Critically Endangered

### HCV management

We are still in the progress of identifying the HCV areas within all of our oil palm estates.

### 9) Pesticides, Chemical and Fertilizer Usage (SDGs -13 Climate Action, 15 Life on Land)

In order to minimise the impact of our operations to the natural environment, it is essential to cut back on the reliance on fertilizers, pesticides and herbicides.

#### Biological insecticides and pheromones

As part of our integrated pest management practices, we use biological insecticides and pheromones in place of chemical pesticides to control the population of pests. Biological insecticide such as DiPel is effective against more than thirty different kinds of pests and it has minimal effect on the environment, animals and humans, and is biodegradable. Pheromones traps proved to be an efficient and effective way to trap Rhinoceros beetles.



### **Natural predator**

Beneficial plants such as *Cassia cobanesis*, *Turnera subulata* and *Antigonon leptopus* are planted to provide both shelter and supplementary food such as nectar to *Sycanus*, a type of insect that hunts the leaf-eating caterpillars and bagworms. Surveillance and monitoring of pest outbreak is key to minimise the impact financially and environmentally from excessive use of pesticides. Pesticide will only be used when and as deemed necessary against damaging outbreak.

### **Soil Enrichment and Fertilizer Reduction**

By recycling plant biomass as discussed in the waste management section earlier, the zero burning technique improves soil organic matter, moisture retention and soil fertility. This reduces the overall requirement for inorganic fertilizers and decreases the risk of water pollution through the leaching or surface washing of nutrients.

## SOCIAL

At Jaya Tiasa, we believe our employees are our greatest asset. The health of our employees is directly linked to their productivity and satisfaction at work. We believe clear engagement with employees coupled with career development opportunities will improve personal performance, business productivity and product quality. We recognise the potential in each employee and the benefits of a diverse workforce.

### **10) Human and Workers' Rights (SDGs – 3 Good Health & Well-Being, 10 Reduced Inequalities)**

The Group is committed to ensuring the dignity and rights of our workers are respected in line with the Malaysian Labour Law and United Nations' guiding principles on human rights. These commitments are outlined below:

- Practice of nondiscrimination during recruitment, employment, dismissal or promotion regardless of gender, race, religion, marital status and political affiliation;
- Strict prohibition of any form of harsh and inhumane treatment, including sexual harassment, sexual abuse, corporal punishment, mental and physical coercion;
- Strengthening of mutual cooperation between worker and employer;
- Encourage open discussion and recognition;
- Improvement of workers' health and safety levels;
- Respect the rights of the community in accordance with the UN Declaration on the Rights of Indigenous Peoples. Social Impact Assessments are conducted on local communities that are directly or indirectly affected by our business operations;
- Practice of zero tolerance on the use of child or forced labor, slavery or human trafficking in any of our operation sites and facilities;
- Adherence to our core values by our contractors and suppliers;
- The passports of workers will be made available upon request and no workers will be retained against their will.

No incidences of forced or child labour have been found or reported.

### **11) Recruitment, Retention and Development (SDGs – 10 Reduced Inequalities)**

To meet future challenges and remain competitive, we strive to be an attractive employer with the ability to retain the best people. With the competition for talents growing more intense, the following safeguarding measures were put in place:

- The conduct of road shows and placements of advertisements in local newspapers to encourage the local communities to be part of the Group;
- New recruits are given orientation and training;
- Employment and development of employees are based on individual skills, talent, experience and the behavioral attributes of a person;
- Remuneration pay package is tailored according to employee's level of performance;
- Same career progression opportunity for everyone who is competent and contribute to the success of the Group;
- Apart from attending the in-house trainings, our employees are also encouraged to attend the Group's sponsored external seminars and workshops to stay up-to-date with the latest developments and trends happening in their respective line of work.

## SUSTAINABILITY STATEMENT

Field training is also frequently organized to upgrade the technical and functional skills of workers at the operating units.

	FY2019	FY2018
No. of trainings	635	490
Total participants involved	16,821	11,285
Total no. of training hours	36,445	43,539

Examples of seminar/workshop related to sustainability certification, environmental protection awareness, safety and health and good agricultural practices.

Date	Workshop/Seminar	No of participants
17.07.2018	Fire Drill & Rescue Training	163
10-13.12.2018	Jelajah MSPO	40
29.01.2019	Harvesting, Pruning, FFB loader & Safety	108
24.04.2019	Biodiversity Ecological Management Training	110
22.06.2019	SIA Survey Analysis: Complaints & Grievances	50



New Employee Orientation 2019



Professional Presence & Grooming Training

### Foreign workers

To mitigate the shortage of labour force, we recruit foreign workers (mainly from Indonesia) to take over those physically demanding works.

- All workers are covered under the purview of "Workers Minimum Standards of Housing and Amenities Act 1990";
- All levy fees, visa applications and transportation costs are borne by us to reduce their financial burden;
- Only foreign workers with valid work permits are hired; and all statutory payments and just wages are made in a timely manner; and
- All foreign workers are covered under FWCS or SKKPHA.

### 12) Fair Pay and Performance Oriented Culture (SDGs – 1 No Poverty, 10 Reduced Inequalities)

We have been compliant with the National Minimum Wages Order since it was first introduced by the Malaysian government in 2012. We ensure that all employees are adequately compensated for their work and that wage payments are made in a timely manner and are clearly acknowledged by the workers. In addition to the typical employee benefits, we also provide annual bonus, medical and insurance coverage and EPF to eligible employees. Regular performance appraisals and evaluations are carried out to ensure high performing employees are rewarded and also, to promote motivation and performance upgrading for the rest.

At the sites, benefits such as housing, utilities, medical and sports facilities and access to education for the workers' children are provided for.





Two of our subsidiary companies were selected as the Best Employer for Oil Palm Industry and Timber Industry categories by KWSP - Enforcement Department.

**13) Diversity and Equal Opportunity (SDGs – 10 Reduced Inequalities)**

Diversity brings strength and cultural understanding to an organization. In accordance with our Code of Conduct, equal employment opportunity is given to every employee regardless of religion, ethnicity, gender and other discriminatory factors. We value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional services to an equally diverse community.

There was no incident of discrimination and corrective action taken for the year.

Workforce by Gender	FY2019	FY2018
Female	25%	25%
Male	75%	75%
Total	100%	100%

Workforce by Categories	FY2019	FY2018
Management	1%	1%
Executive	5%	4%
Non-Executive	94%	95%
Total	100%	100%

**14) Social Care and Workers Welfare (SDGs – 1 No Poverty, 3 Good Health & Well-Being)**

Continuous improvement of the health and well-being of our employees are certainly one of our top priorities. Through our Sports and Recreation Club (SPARC), recreational events and sports activities are regularly organized throughout the year for our employees with the aim of promoting and fostering teamwork and rapport among employees as well as encouraging work-life balance and healthy living. We encourage all our employees to participate in these recreational events and sports activities which include the annual dinner, festive gatherings, sports competitions, donation drives and more.

In addition, the welfare of our estate and mill workforce is provided for with quality quarters, playgrounds, recreational and medical facilities among others.



Our Mill won the Regional Competition organized by PIBG SK Semop



SPARC Annual Bowling Competition

## SUSTAINABILITY STATEMENT



Inter-Group Table Tennis Competition



SPARC Kuching Trip

### **Community Well being**

The Group continues to support the local communities associated with our operations through the offering of job opportunities, fair pay and minimizing all environmental and social impacts. Our employees are also encouraged to take part in community and charitable activities. Over the last 12 months, our efforts included charity drives for local schools and society care centers. In addition to this area of focus, our blood donation drives are conducted yearly to replenish the blood supplies of the local hospitals and blood banks.



Lassa CPO Mill Stakeholder meeting



Lepah Estate Stakeholder meeting

The Group has also contributed funding and other resources towards enhancing the social well-being of the community through supporting initiatives related to educations, health care, arts and culture, sports, community development, the underprivileged, disability groups and more.



Donation to Indonesia Red Crescent for Lombok Disaster Fund.



Blood Donation Drive 2019

### **15) Safety and Health (SDGs – 3 Good Health & Well-Being)**

Occupational Safety and Health (OSH) is our utmost priority. The Group has a specific Health, Safety and Environment department set up to oversee all matters concerning employees' safety and health. To safeguard the health, well-being and safety of our employees, the following precautions and measures were established:

- Promotion of a safe working culture through the conduct of safety briefings and safety awareness campaigns for both employees and contractors;
- Personal Protective Equipment (PPE) is provided for those working in environments exposed to hazards and risks. Full compliance with the use of PPE is mandatory and strictly monitored;
- Implementation of standardized health and safety program and policies across all the Group's operations. These programs and policies are continuously reviewed, monitored and fully implemented.
- All of our foreign workers are covered by the insurance policy "Foreign Workers Compensation Scheme" that covers work related injuries and fatalities;



## SUSTAINABILITY STATEMENT

- Regular safety education programs are conducted to enable employees to understand the requirements of the Occupational Safety and Health Administration (OSHA) and to boost safety and health awareness;
- All our CPO mills have clinics where workers can receive free healthcare;
- Medical and physical checkups are regularly conducted for employees exposed to dangerous chemicals, pesticides and high noise levels;
- Regular inspections of the employees' housing and welfare facilities are carried out to ensure that sanitation, health and drainage standards are maintained according to the Group's policy.



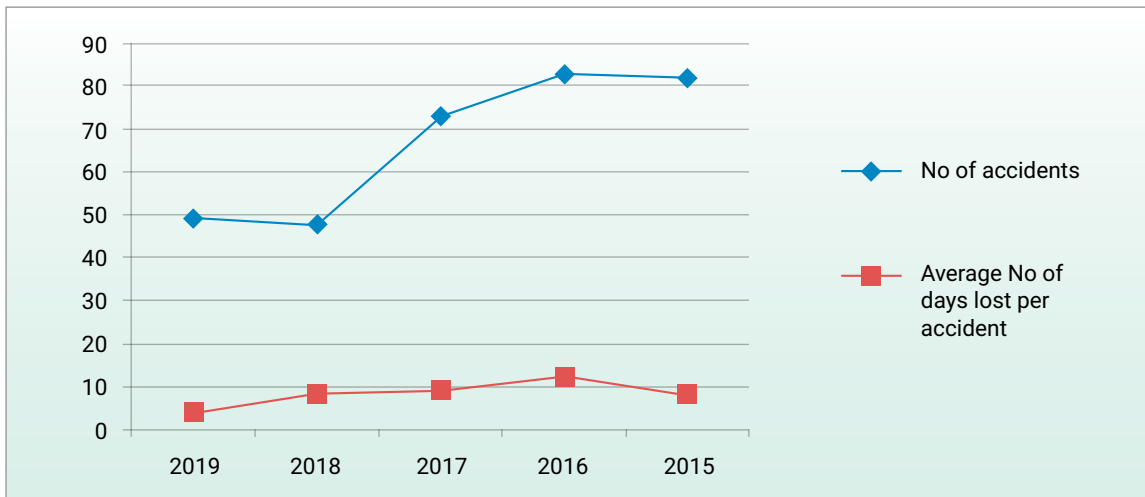
(Safety signs setup throughout the sites)

### Action on Accidents

The Group devotes continuous efforts in accident prevention by conducting “Hazard Identification, Risk Assessment and Risk Control (HIRARC)” on all our operations. With HIRARC, we are able to identify, assess/measure and minimize the hazards and risks of any workplace and its activities.

Every accident is formally investigated to determine the root cause and to prevent the recurrence of such incidents. The details and conclusion of the investigation are included in the Accident Investigation Report (AIR).

For the FY2019, there were no reported workplace fatalities within The Group.



## MOVING FORWARD

Jaya Tiasa will continue to uphold our commitment towards sustainability in our policies and business practices. All stakeholders will be adequately addressed to ensure everyone mutually benefited from the sustainability initiatives implemented.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of the Company believes in embracing high standards of corporate governance in order to safeguard the interest of stakeholders and enhance shareholder value.

The Board considers transparency, accountability, integrity and sustainability as the four pillars of good governance. As such, the Board embeds in the Group a culture based on established core values and ethical conduct, as key driver towards delivering long-term success.

This Statement provides an overview of the Company’s application of the three (3) Principles of corporate governance set out in the Malaysian Code on Corporate Governance (“MCCG”):

- Board Leadership and Effectiveness
- Effective Audit and Risk Management
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The details on how the Company has applied each of the Practices under the respective Principles during the financial year ended 30 June 2019 are disclosed in the Company’s Corporate Governance Report 2019 (“CG Report”) which can be downloaded from the Company’s website at [www.jayatiasa.net](http://www.jayatiasa.net).

This Statement, which is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), should be read together with the CG Report.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

The Board is responsible for long-term growth and delivery of sustainable value to its stakeholders. It sets the strategic direction of the Group and provides effective leadership through oversight of Management and monitoring the business performance in the Group.

Details of the roles and responsibilities of the Board are set out in the **Board Charter** which serves as a guide and primary induction document providing prospective and existing Board Members insights into their responsibilities in discharging their fiduciary and leadership functions. In addition, the Board Charter outlines powers that the Board reserves for itself and those that are delegated to the Management, and responsibilities of Board Committees, Board Chairman and individual Directors to enhance accountability. It is periodically reviewed by the Board to be in line with regulatory changes and is published on the Company’s website at [www.jayatiasa.net](http://www.jayatiasa.net).

The **key responsibilities** of the Board include:

- i. Reviewing and adopting a strategic plan;
- ii. Overseeing the conduct of the Group’s businesses;
- iii. Ensuring effective risk management and internal control; and
- iv. Reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditures.

The Board has established **Board Committees**, namely, the Audit Committee, Nominating Committee and Remuneration Committee in fulfilling its ongoing oversight and stewardship role. The Board Committees have the authority to examine specific issues within their respective terms of reference approved by the Board. The Chairman of the respective Board Committees reports to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

There is a **formal schedule of matters** reserved for the Board’s decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, approval of annual budget, quarterly and annual financial statements for announcement, investment and divestment, as well as monitoring of the Group’s financial and operating performance.

As the leader of the **management**, the Deputy Executive Chairman, who is supported by the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and other Senior Management Personnel, develops the corporate and business strategies for the achievement of the Group’s goals. The CEO, who leads the Senior Management Team, Risk Management Committee and Sustainability Committee, is responsible for the effective implementation of the Group’s strategic plan and policies established by the Board, and oversees the day-to-day operations and business of the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The **Independent Non-Executive Directors** (“INEDs”) are responsible for providing unbiased and independent judgement to the Board and ensure effective check and balance in the Board decision making process. Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) has been identified by the Board to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed.

The Board has established a **Code of Conduct and Ethics** setting out core areas of ethical conduct expected from the Directors and employees in the performance of their duties to engender good corporate behaviour. The Code of Conduct is available on the Company’s website at [www.jayatiasa.net](http://www.jayatiasa.net). The **Whistle Blowing Policy** adopted by the Board seeks to foster an environment where integrity and ethical behaviour are maintained and any illegality, improper conduct and/or wrong doing in the Group may be exposed.

All the Directors have direct access to the advice and services of the **Company Secretary** to enable them to discharge their duties effectively. The Company Secretary, qualified in accordance with the Companies Act 2016, ensures adherence to the Board policies and procedures, and updates the Board on regulatory and statutory requirements relating to Directors’ duties and responsibilities.

The Directors allocate sufficient time to attend Board and Committee meetings to deliberate on matters under their purview. All Board and Committee members are provided with requisite notices, agenda and **meeting materials** at least five (5) working days prior to meeting. A total of 5 Board of Directors Meetings were held during the financial year. The attendances of each Director are as follows: -

Name of Directors	Meeting Attendance
Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)	5/5
Dato’ Sri Tiong Chiong Hoo	5/5
Dato’ Wong Sie Young	5/5
Dato’ Sri Dr Tiong Ik King	5/5
Mdm Tiong Choon	5/5
Mr Tiong Chiong Hee	4/5
Mr John Leong Chung Loong	5/5
Dato’ Wong Lee Yun	5/5

The Members of the Board received **continuous training** on areas relevant to their duties and responsibilities and to keep themselves abreast of the latest changes to the statutory and regulatory requirements.

All the Directors had completed the Mandatory Accreditation Programme as prescribed by the Listing Requirements of Bursa Securities. The training programmes, briefing and conferences attended by the Directors during the financial year are as follows: -

Director	Title of Programmes/Seminar/Courses/Forum
Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> </ul>
Dato’ Sri Tiong Chiong Hoo	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> </ul>
Dato’ Wong Sie Young	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> <li>2019 Budget and Tax Conference</li> </ul>
Dato’ Sri Dr Tiong Ik King	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> <li>Forbes Global CEO Conference</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Title of Programmes/Seminar/Courses/Forum
Tiong Choon	<ul style="list-style-type: none"> <li>中国桥商投资企业协会战略管理与现代管理专题研修班 (China Overseas Chinese Investment Enterprise Association Strategic Management and Modern Management Special Seminar)</li> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> </ul>
Tiong Chiong Hee	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> <li>POC 2019 Palm &amp; Lauric Oils Price Outlook Conference &amp; Exhibition - Manage Uncertainties Harvest Global Opportunities</li> </ul>
John Leong Chung Loong	<ul style="list-style-type: none"> <li>Malaysian Institute of Accountants, GST Changes From 6% to 0% - Transitional Process &amp; Planning</li> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> <li>Malaysian Institute of Accountants, Sales &amp; Services Tax: Implementation of SST and Transitional from GST</li> <li>Ernst &amp; Young, 2019 Budget and Tax Conference</li> <li>Lembaga Hasil Dalam Negeri Malaysia, Seminar Percukaian Kebangsaan 2018</li> <li>Malaysian Institute of Accountants, Accounting for Financial Instruments in Accordance with MPERS</li> </ul>
Dato' Wong Lee Yun	<ul style="list-style-type: none"> <li>Malaysia Anti-Corruption Commission (Amendment) Act 2018, Impact on Malaysian Financial Reporting Standards, Anti-Money Laundering and Anti-Terrorism Financing Act 2001</li> <li>JP Morgan - 2019 Outlook</li> <li>CIMB Corporate Day</li> <li>Bank of Singapore - 2019 Market Outlook</li> <li>Citi Roundtable 2019</li> </ul>

## II. BOARD COMPOSITION

The Company is led by an experienced Board with diverse background and expertise in areas such as entrepreneurship, legal, economics, finance, accounting, audit and engineering which are vital for the continuous progress and success of the Group.

Currently, the Board has 8 members comprising 2 Executive Directors and 6 Non-Executive Directors, of whom 3 are INEDs. This composition fulfills the requirements set out in the Listing Requirements of Bursa Securities, which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be Independent. The **profile of the Directors** are set out on pages 3 to 6 of the Annual Report.

The **Nominating Committee (NC)** is entrusted to identify and nominate suitable candidate for Board appointment and assesses annually the effectiveness of the Board and Board Committees, the performance of Directors, Board diversity, and other qualities of the Board including core-competencies which the INEDs should bring to the Board. The Board has the ultimate responsibility of making the final decision on appointment of new Directors.

Based on the annual assessment conducted on 27 August 2019, the NC concluded that the Board, Board Committees and individual Directors have the relevant skill sets, and have effectively discharged their stewardship responsibilities to meet the needs of the Company. Accordingly, the Board recommended the **re-election** of the retiring Directors for re-appointment at the forthcoming Annual General Meeting ("AGM").



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Based on the current Board size, the NC indicated a need to identify potential candidates for the appointment of one additional INED to gradually meet MCCG's Practice 4.1 of having at least 50% independent Directors on the Board.

The NC also assessed the **independence of INEDs** for the financial year 2019 and concluded that all the INEDs has satisfied the independence criteria set out in the Listing Requirements of Bursa Securities, and they are able to continue to demonstrate their independent judgement and objectivity on matters that are brought to the Board.

The Board, based on the assessment and recommendation of NC is of the opinion that the independence of all the INEDs remain unimpaired and their judgements over business dealings of the Company have not been influenced by the interest of other Directors and substantial shareholders. Therefore, the Board will seek shareholders' approval at the forthcoming AGM for the continuance of Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd), Mr. John Leong Chung Loong and Dato' Wong Lee Yun (with tenure of more than 9 years) as INEDs for the ensuing financial year based on justifications set out in the Notes to the Notice of the AGM.

### **A summary of key activities of the NC during the financial year 2019 are as follows:-**

- reviewed Board size and composition based on mix of skills, experience, knowledge and diversity;
- assessed the effectiveness of the Board as a whole and the Board Committees;
- evaluated the performance of individual Directors;
- assessed the independence of INEDs;
- reviewed and recommended the re-election of Directors who are due for retirement by rotation, and continuation in office as INEDs who have served for a cumulative term of more than 9 years; and
- reviewed the proposed policies and procedures for the remuneration of Directors and Senior Management.

The Board has formalised a **Board Diversity Policy** as set out in Appendix B of the Board Charter which is published on the Company's website. The Board strongly advocates corporate culture that embraces diversity when determining its composition taking into accounts the skills and industry experience,

knowledge, gender, and other qualities of Directors, in the context of the needs and goals of the Company. The differences in the qualities of Directors will be balanced appropriately, whenever possible, in determining the optimum composition of the Board.

Currently the Board consists of eight (8) members, comprising six (6) male Directors and two (2) women Directors. This Board composition is in line with the target set in the Board Diversity Policy.

### **III. REMUNERATION**

#### **REMUNERATION COMMITTEE**

The key responsibility of Remuneration Committee ("RC") is reviewing and recommending to the Board the framework and remuneration packages including performance related pay scheme for Executive Directors. Its terms of reference had been expanded to include reviewing and recommending policy and procedures on remuneration of Board and Senior Management.

#### **POLICIES AND PROCEDURES**

The Board has, on 29 August 2018, formalised the Policies and Procedures on Remuneration for the Directors and Senior Management in accordance with Practice 6.1 of MCCG. This is in line with the objective to attract, reward, motivate and retain valuable Directors and Senior Management who lead the Group towards realizing its corporate strategies and long-term success.

#### **DIRECTORS' REMUNERATION**

The remuneration of Executive Directors is linked to the performance, experience, skill set and extent of responsibility. In the case of Non-Executive Directors, their remuneration shall commensurate with their responsibilities, including their involvement in and contribution to the Board and Board Committees, and attendance at meetings.

As a matter of good practice, the Directors abstained from deliberation on his own remuneration at Board Meetings.

Total remuneration received by the Directors of the Company for the financial year ended 30 June 2019 is RM3,092,078. Details a of the remuneration for each of the Directors on a named basis are disclosed under Practice 7.1 of the CG Report uploaded on the Company's website at [www.jayatiasea.net](http://www.jayatiasea.net). None of the Directors of the Company received any remuneration from any subsidiary within the Group during the financial year.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

The Board has established an Audit Committee (“AC”) to assist in discharging its duties on financial reporting. The AC consists of three (3) members, all of whom are Independent Non-Executive Directors. The composition of the AC, its roles and responsibilities and summary of activities carried out during the financial year are set out in the AC report of this Annual Report.

The key responsibility of the AC is to assist the Board in overseeing the integrity and reliability of the financial statements and ensuring that they comply with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016. Such financial statements include the quarterly financial statements announced to Bursa Securities and the annual audited financial statements.

The Terms of Reference of the AC has been amended to include the requirement for a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the AC.

The Board is cognizant of its role in upholding the integrity in financial reporting of the Company. The AC, which assists the Board in overseeing the financial reporting process, has adopted the Auditor Independence Policy setting out criteria in assessing the suitability and independence of the External Auditors including the type of non-audit services that could be provided by the External Auditors and the need to obtain the AC approval for non-audit services exceeding the threshold level.

#### II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board affirms its responsibility for the Group’s system of risk management and internal control which includes the establishment of an appropriate internal control environment and risk management framework as well as reviewing its adequacy and effectiveness. This is to safeguard shareholders’ investments and the Group’s assets.

The details on the Risk Management Framework and its associated initiatives undertaken during the financial year are set up in the Statement on Risk Management and Internal Control of this Annual Report.

##### Internal Audit Function

The Company has in place an in-house internal audit department (“IAD”) which reports directly to the AC.

The primary function of the IAD is to assist the AC in discharging its oversight role in assuring the adequacy and integrity of the Group’s system of internal control. The AC approves the annual audit plan. The internal audit function adopts a risk-based approach in executing the internal audit plan that focuses on major business units and operations within the Group.

Details of the work of the Internal Audit Function are set out in the AC Report of this Annual Report.

### PRINCIPLE C - INTEGRITY IN COPRORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

The Board is committed to being transparent and accountable to the Company’s stakeholders by ensuring that material information concerning the Company is disclosed to them timely. Communication and engagement with stakeholders include:

- quarterly announcement on financial results to Bursa Securities;
- other company announcements and circulars to shareholders whenever necessary;
- annual report and General Meetings;
- ongoing engagement and communication with investors and investment communities; and
- the Group’s website at [www.jayatiasa.net](http://www.jayatiasa.net) where stakeholders can access corporate information, annual report, financial information, company announcements and share prices of the Company. To effectively address any issues, the Group has dedicated an electronic mail address at [inquiry@jayatiasa.net](mailto:inquiry@jayatiasa.net) where stakeholders can direct their queries and concerns.

The Company has in place the Corporate Disclosure Policies and Procedures which provides guidance for disclosure of material information in accordance with the Listing Requirements of Bursa Securities and sets out the roles and responsibilities of Directors, management, employees and other relevant persons in the handling and disclosure of material information to shareholders, regulators and stakeholders.

The Company’s Investor Relations (“IR”) Function undertakes ongoing engagement and communication with investors and investment communities. IR Reports containing IR activities and investors’ concerns are presented to the Board for deliberations to enable the Company to understand stakeholders’ concerns and to take those concerns into account when making decisions.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### II. CONDUCT OF GENERAL MEETINGS

The Annual General Meeting (“AGM”), which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification.

The notice to shareholders is given at least 28 days in advance of the AGM. Hence, the Notice of the AGM held last year was issued on 30 October 2018, being 28 clear days in advance of the AGM held on 28 November 2018.

Shareholders are encouraged to participate in the proceedings and question and answer session of the AGM before putting each resolution to vote.

At the last AGM, the Chairman also shared with the shareholders at the meeting responses to questions submitted in advance by the Minority Shareholder Watchdog Group.

The full Board of Directors, the CFO and Chief Operating Officers attend the AGM to address matters brought up by shareholders. A scrutineer was appointed to validate the votes cast at the AGM. All resolutions proposed were duly passed and the outcome of the AGM was announced to Bursa Securities on the same day of the meeting. A summary of key matters discussed at the AGM was made available on the Company’s website.

This Statement was approved by the Board on 17 October 2019.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Listing Requirements and the Malaysian Code on Corporate Governance (“MCCG”) with regards to the Group’s state of internal control, the Board of Directors (“Board”) is pleased to present below the Group’s Statement on Risk Management and Internal Control during the financial year under review and up to the date of approval of this statement, prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad and taking into consideration the recommendations of the MCCG.

## Board’s Responsibility

The Board affirms its responsibility for the Group’s system of risk management and internal control which includes the establishment of an appropriate internal control environment and risk management framework as well as reviewing its adequacy and effectiveness to safeguard shareholders’ investments and the Group’s assets.

The system in place is designed to manage rather than eliminate the risk of failure to achieve the Group’s business objectives by providing reasonable assurances against material misstatement or loss.

The Board has received assurance from the Group Chief Executive Officer and the Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

## Risk Management Framework

In an increasing complex and dynamic business environment, proactive management of the overall business risks is a prerequisite in ensuring that the Group achieves its business objectives. Risk management activities are regarded as an integral part of the Group’s business practices and not in isolation. The Group plans and executes activities to ensure that the risks inherent in its business are identified and effectively managed to achieve an appropriate balance between realizing opportunities for gains while minimizing losses to the Group.

The Group has a Risk Management Framework (“RM Framework”) which sets out the risk management governance, guidelines, processes and control responsibilities and underpins the Group Risk Management Policy (“RM Policy”). It seeks to ensure that there is a consistency to the methods used in managing risks throughout the Group and that risk management efforts are aligned with the Group’s business objectives. It also outlines enhanced and explicit requirements for managing risks and assists in understanding the impact of uncertainties inherent in business decisions.

The Board is assisted by the Risk Management Committee (“RMC”) which is chaired by the Group Chief Executive Officer and comprises representatives from key senior management. The function of the RMC is to drive risk management activities guided by the Group RM Policy and RM Framework to ensure effective identification of emerging risks and management of identified risks through implementation of appropriate controls and risk treatment strategies.

The RMC meets periodically and works closely with the Risk Management Department (“RMD”) to ensure effective and consistent adoption of risk management practices. The RMD meets with the risk owners made up of managers or heads from the divisional units to identify and evaluate the risks related to their business objectives or budgets against which performance is measured and to establish the risk profiles of the Group during the risk assessment sessions. The level of risk tolerance of the Group is expressed through the use of a risk consequence and likelihood matrix. Once the level of risk tolerance is determined, the risk owner is required to identify and implement the risk treatment strategies covering management actions with target timeline for implementation. The risk owners are to monitor and timely update their risk profiles on an on-going basis. The update of the risk profiles includes changes to operational, financial and compliance risks and the identification of emerging risks arising from changing business conditions as well as the adequacy and effectiveness of the related controls.

The RMC reviews periodically both the Group top and divisional risk profiles to ensure that the overall risks impacting the Group are adequately identified and managed within an acceptable risk appetite. Mitigation measures in addressing major risk factors or challenges pertaining to plantation manpower supply and climate change effect on the oil palm yield as well as volatile palm oil market during the financial year include process fine-tuning and mechanization to raise productivity, improvement in water management and to exercise more stringent cost control to stay competitive. At the same time, the Group has successfully obtained Malaysian Sustainable Palm Oil (“MSPO”) certifications for most estates and mills

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

and is committed to be fully certified to improve trade and market opportunities. The RMC presented the risk management report to the Board twice a year whereas the risk assessment result is presented on an annual basis. As part of the Board's efforts to ensure risk management and internal control processes are adequate and effective, risk mitigation strategies and internal controls are subject to periodic review by the internal audit with areas for improvement.

### Key Elements of the Group's Internal Control

An effective check and balance control environment is fundamental for ensuring a sound internal control system in the Group. The Board and Management are committed to maintain an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance to regulatory guidelines. The key elements and/or features of our Group's internal control system established for maintaining strong corporate governance are as follows:

- The Group's reporting structure incorporating checks and balances is aligned to the business requirements.
- Authority limits are in place for approving capital expenditure and matters on financial, treasury, operations and personnel, minimizing potential risk exposures.
- Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains its effectiveness to support the Group's business activities.
- Annual budgets are prepared by the Group's operations. Analysis and reporting of variances against budget are presented in the Group's management meetings which act as a monitoring mechanism.
- Quarterly and annual financial statements containing key financial results as well as operational performance results of the Group are prepared and reported to the Board.
- The Group's financial covenants and cash flow position are prepared and reported regularly to the management as a monitoring mechanism.
- Periodic company briefings with analysts are conducted to apprise the shareholders, stakeholders and general public of the Group's performance while promoting transparency and open discussion.
- The Group Chief Executive Officer meets with the management and operations personnel regularly to resolve key operational, financial, personnel and other management issues including risks and controls in order to enhance the performance and profitability of the Group's businesses.
- Meetings on management accounts results against prior periods are conducted every two months with significant variances explained and appropriate actions taken, where necessary.
- Management meetings are held monthly between the Group Chief Executive Officer and senior management to deliberate on Group strategies and policies, operational and financial performance and other key issues.
- The Group has a comprehensive information system that enables the production of timely, reliable and relevant data to enhance management in decision making.
- Guidelines on employment, performance appraisal, training and retention of employees are in place to ensure the Group's ability to operate in an effective and efficient manner.
- The Group has established the safety & health committees at the operating level to address and ensure compliance with occupational safety and health policies and procedures as required by the various authorities.
- The Group undertakes adequate insurance coverage on both its employees and assets to ensure both are sufficiently insured against any untoward incidents that could result in material losses.
- The Intranet Portal is used as an effective dissemination tool to share up-to-date information on development and happenings.
- The Group has in place the KPI reporting to drive awareness of shared management responsibility on their contribution towards enhancing the operating performance in achieving the business objectives.
- Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement.
- Senior management team conducts regular visits to the Group's operations for better understanding to facilitate cognizance in decision-making capability.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Internal Audit

The Group has established an Internal Audit Department (“IAD”), which reports independently to the Audit Committee (“AC”) to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes.

The IAD adopts a risk-based approach in executing the annual audit plan that focuses on major business units and/or operations within the Group. The annual audit plan is reviewed and approved by the AC. The IAD reports directly to the AC on the outcome of its appraisal of the operational activities. Significant audit findings are presented and deliberated by the AC on a quarterly basis or as appropriate. The IAD also monitors the implementation of audit recommendations through follow up audits to obtain assurance that all major risks and controls measures identified have been reasonably addressed by the management in an effective and timely manner.

### Board Review

The Board is of the view that the risk management and internal control system in place throughout the year under review and up to the date of approval of this Statement is sound and sufficient to safeguard the interests of the Group’s stakeholders, their investments and the Group’s assets. While the risks faced by the Group are within acceptable levels in the past, increased vigilance is being implemented in view of the challenging business environment.

The Board is not aware of any material losses or fraud during the year under review as a result of weaknesses in internal control. The management is continuously taking necessary measures to improve and strengthen the risk management and internal control system of the Group.

### Review of the Statement by External Auditors

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control* (“AAPG 3”) included in the Annual Report issued by the Malaysian Institute of Accountants (“MIA”) for inclusion in the annual report of the Group for the year ended 30 June 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for and directed solely to the Board in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

The statement was approved by the Board on 17 October 2019.



# AUDIT COMMITTEE REPORT

The Board of Directors of Jaya Tiasa Holdings Berhad is pleased to present the Audit Committee (“AC”) Report for the financial year ended 30 June 2019.

## COMPOSITION AND MEETINGS

The current composition of AC and the attendance of its members at the 5 meetings held during the financial year are as follows:

Name	<b>Dato’ Wong Lee Yun</b> <i>Chairperson/ Independent Non-Executive Director</i>
Designation	Chairperson
Meeting Attendance	5/5
Name	<b>Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)</b> <i>Senior Independent Non-Executive Director</i>
Designation	Member
Meeting Attendance	5/5
Name	<b>Mr John Leong Chung Loong</b> <i>Independent Non-Executive Director</i>
Designation	Member
Meeting Attendance	5/5

The AC meetings were convened with proper notices and agenda and these are distributed to all members of the AC at least five (5) working days prior to meeting.

The Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Head of Internal Audit attend the AC meetings upon invitation of the AC to facilitate discussion of matters on the agenda.

The Head of the internal audit presents his Internal Audit Reports quarterly to the AC for review and discussion at the AC meetings. Representatives of the External Auditors attend the meeting to consider the audit plan and final audited financial statements and such other meeting as determined by the AC.

The AC Chairperson reports the AC’s key findings and conclusions to the Board after each meeting.

For the year under review, the performance of the individual AC member was assessed through self-evaluation, the outcome of which was reviewed by the Nominating Committee. Having considered the recommendation made by the Nominating Committee and based on the outcome of the evaluation, the Board was satisfied that all the AC members are able to discharge their duties and responsibilities in accordance with the Terms of Reference of the AC.

In line with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), details of the terms of reference of AC are available on the Company’s website at [www.jayatiasa.net](http://www.jayatiasa.net).

## SUMMARY OF ACTIVITIES CARRIED OUT BY THE AC

During the financial year under review, the AC worked closely with the management, internal auditors and external auditors to carry out its duties as required under its Terms of Reference.

Details of activities carried out by the AC during the financial year under review and up to the date of this report are summarized below:

### Financial Reporting

- (a) Reviewed all the unaudited quarterly financial results of the Group, focusing on significant matters, which included going concern assumption, and ensured the disclosures were in compliance with the Malaysian Financial Reporting Standards (“MFRS”) and Listing Requirements before recommending the same to the Board for approval for release to Bursa Securities;

In reviewing the unaudited quarterly financial statements, the AC has:

- looked at the reasons for significant fluctuations in the quarterly and year-to-date financial performance of the Company and the Group, including key income and operating expenses and the impact of financial performance on financial debt covenants;
- focused on profits contribution by business segments and their respective challenges; and
- enquired into high unit production cost and variations in production figures for both the timber and oil palm divisions from those budgeted, and discussed management’s actions to address the challenges on resources including labour and logs production volume.

- (b) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statement; and

## AUDIT COMMITTEE REPORT

- (c) Reviewed the annual audited financial statements of the Company and the Group with the external auditors, with particular focus on the following, before recommending them to the Board for approval:
- significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with the applicable approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.

The AC, based on its review and discussions with Management and external auditors, considered that the financial statements are fairly presented in conformity with the relevant accounting standards in all material aspects for the financial year ended 30 June 2019.

### External Audit

- (a) Reviewed the external auditors' Audit Plan for the Group, which outlined the responsibilities and scope of work for the financial year ended 30 June 2019 and external auditors' fees;
- (b) Discussed and reviewed with the external auditors, the results of their examination and their reports in relation to the audit and accounting issues arising from their audit;
- (c) Reviewed the nature of, and fees for, non-audit services provided by the external auditors in accordance with the Auditors Independence Policy. Having reviewed the provision of non-audit services by the external auditors for the financial year ended 30 June 2019, the AC was satisfied that such non-audit services was not likely to create any conflict, compromise or impair the independence and objectivity of the external auditors. Details of non-audit fees incurred by the Company and Group for the financial year ended 30 June 2019 are stated in the Additional Compliance Information on Page 50 of this Annual Report; and
- (d) Assessed the suitability and independence of the external auditors by evaluating the criteria including quality of audit services, audit fees and auditors' independence as set out in the Auditors Independence Policy. Assessment was based on feedback obtained via assessment questionnaires completed by CFO tabled at the AC meeting. The external auditors have also confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants via their written letter to the AC. The AC was satisfied that the external auditors were able to meet the audit requirements and statutory obligation of the Company and also their professional independence as external auditors of

the Company. Following this assessment, the AC has recommended the re-appointment of Messrs. Ernst & Young as external auditors of the Company for the ensuing financial year at the forthcoming Annual General Meeting ("AGM"). The Board accepted the AC's recommendation for EY's re-appointment as the external auditors at the forthcoming AGM in November 2019.

### Internal Audit

- (a) Reviewed and approved the Annual Internal Audit Plan to ensure adequacy of scope and coverage of auditable areas with significant and high risks;
- (b) Reviewed internal audit reports presented by the Head of IAD addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Annual Internal Audit Plan; and
- (c) Discussed and reviewed the major findings, areas requiring improvements and significant internal audit matters raised by internal auditors and Management's response, including follow-up actions. Where appropriate, internal audit findings were raised at Board meetings for further discussion of Management responses and their adequacy.

### Related Party Transactions

- (a) Reviewed the Recurrent Related Party Transactions ("RRPTs") semi-annually to ensure that all RRPTs entered into by the Group (in relation to the nature, value and terms) were undertaken within the shareholders' mandate;
- (b) Reviewed and recommended improvement to the "Review Procedures" for existing RRPT; and
- (c) In the case of new related party transactions (RPTs) entered into by the Group, the AC evaluated these transactions to ensure that they were undertaken at arm's length, on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Listing Requirements of Bursa Securities.

### Others

- (a) Reviewed the following to ensure compliance with the relevant regulatory requirements prior to recommending them to the Board for approval:
- Circular to Shareholders in relation to Shareholders' Mandate for RRPTs;
  - Audit Committee Report; and
  - Statement on Risk Management and Internal Control.

### SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The Group has in place an in-house internal audit department (“IAD”), which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group’s system of internal controls. The IAD is guided by the International Professional Practices Framework (“IPPF”) issued by the Institute of Internal Auditors. The IAD, which is independent of the activities it audits, reports directly to the AC.

#### Audit Scope and Coverage

The IAD adopts a risk based auditing approach, prioritizing audit assignments based on the Group’s key business operations, risk management and past audit findings. The key audit findings with recommendations and status of previous audits’ recommendations were presented to head office senior management and operation unit management in the audit closing meeting. During the Financial Year, the IAD issued 24 audit reports. The Head of the IAD presents quarterly his key audit findings to the Audit Committee at the Audit Committee meeting.

The IAD executes audit assignments based on approved audit plan and performs the following tasks in accordance with its overall strategy:

- Verify the existence of assets and recommend proper safeguards for their protection and usage;
- Evaluate the adequacy of the system of internal controls;
- Recommend improvements in controls;
- Assess compliance with the Group policies and procedures;
- Assess compliance with government obligations;
- Review management action plans to ascertain whether the operations are being carried out as planned; and
- Investigate reported occurrences of irregularities and wastages.

### Key Areas Audited during the Financial Year

- Recurrent Related Party Transactions
- Oil Palm Plantation Operations
- Timber Logging Operations
- Wood Manufacturing Operations
- Crude Palm Oil (“CPO”) Mill Operations
- Asset Management
- Inventory Management
- Workshop Operations
- Oil Palm Estate and CPO mill workers Payroll
- Plant Repair and Maintenance costs
- IT related system
- Human Resource Management

### IAD Team and Spending

The IAD team has a total of 13 auditors as at 30 June 2019. None of the IAD members have any conflicts of interests with the companies within the Group.

During the financial year, all the internal audit activities were performed in-house and the total cost incurred was RM566,061 for the financial year ended 30 June 2019.

This report was approved by the Board on 17 October 2019.



## ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

### i) Directors' Responsibility Statement for Preparing the Annual Financial Statements

The Directors are required by the Companies Act 2016 ("Act") to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements for the financial year ended 30 June 2019, the Directors have:

- a) applied the appropriate accounting policies on a consistent basis;
- b) made judgments and estimates that are reasonable and prudent;
- c) prepared the annual financial statements on a going concern basis; and
- d) ensured that applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards and provisions in the Act are complied with.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which discloses, with reasonable accuracy, the financial position of the Group and the Company which enables them to ensure that the financial statements comply with the Act.

The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### ii) Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, Messrs. Ernst & Young (EY) and their affiliates, to the Company and the Group respectively for the financial year ended 30 June 2019 were as follows:

	<b>Group FY 2019 RM</b>	<b>Company FY 2019 RM</b>
Statutory audit fee		
- EY Malaysia	762,000	210,000
Non-audit fees*		
- EY Malaysia	15,000	15,000
- Affiliates of EY Malaysia	151,900	16,500
Total	166,900	31,500
% of non-audit fee	22%	15%

\*Note:

The non-audit fees comprised mainly fees paid to EY's affiliates for tax compliance and advisory fees.

### iii) Utilisation of Proceeds Raised from Corporate Proposals

There was no fund raising corporate proposal during the financial year.

### iv) Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving the interests of directors, chief executive who is not a director or major shareholders during the financial year.