

**ANNUAL REPORT**  
**LAPORAN TAHUNAN** **2014**

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# Corporate **Vision**

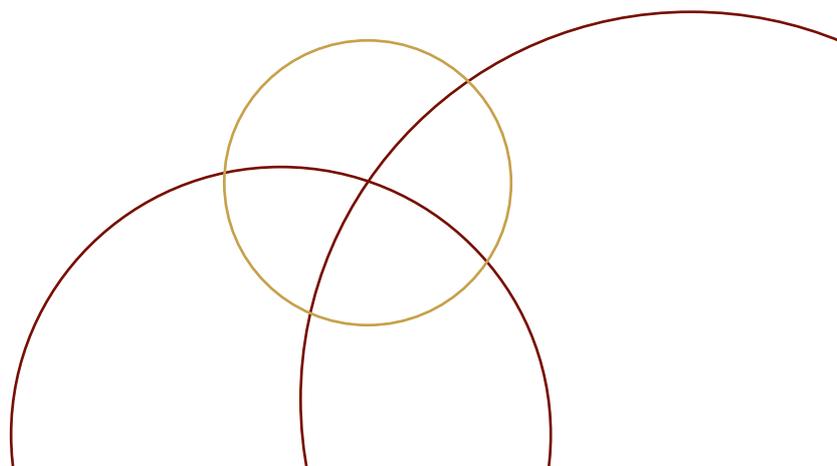
Spearheading the Advancement of Timber Industry

# Corporate **Mission**

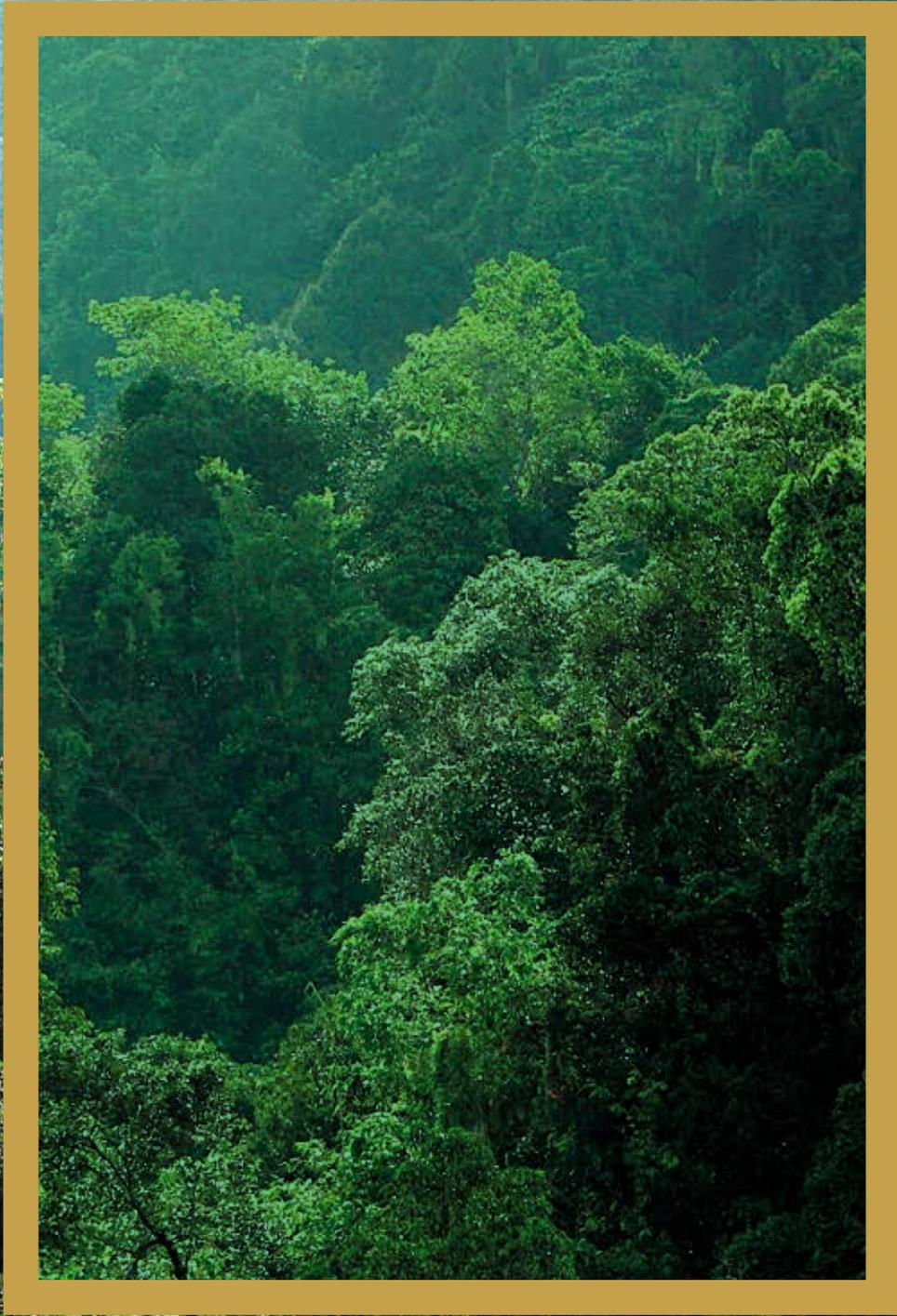
We Strive to Regulate and Facilitate the Advancement of An Innovative Timber Industry

# Corporate **Functions**

- Control and co-ordinate the manufacturing standards and trade practices of timber industries;
- Make recommendations to the Government as to the methods, measures and policies to be adopted to facilitate the improvement of existing timber industry, and where approved by the Governor-in-Council, to implement and assist in the implementation of the same;
- Encourage effective utilisation of timber with emphasis on products diversification and quality control;
- Promote and facilitate the development of the timber industry and to assist any person engaged in the production and marketing of timber products;
- Provide technical advisory services for the purpose of assisting in the development of existing timber industry and the establishment of new industries; and
- Provide training in various aspects of the timber industry operations.



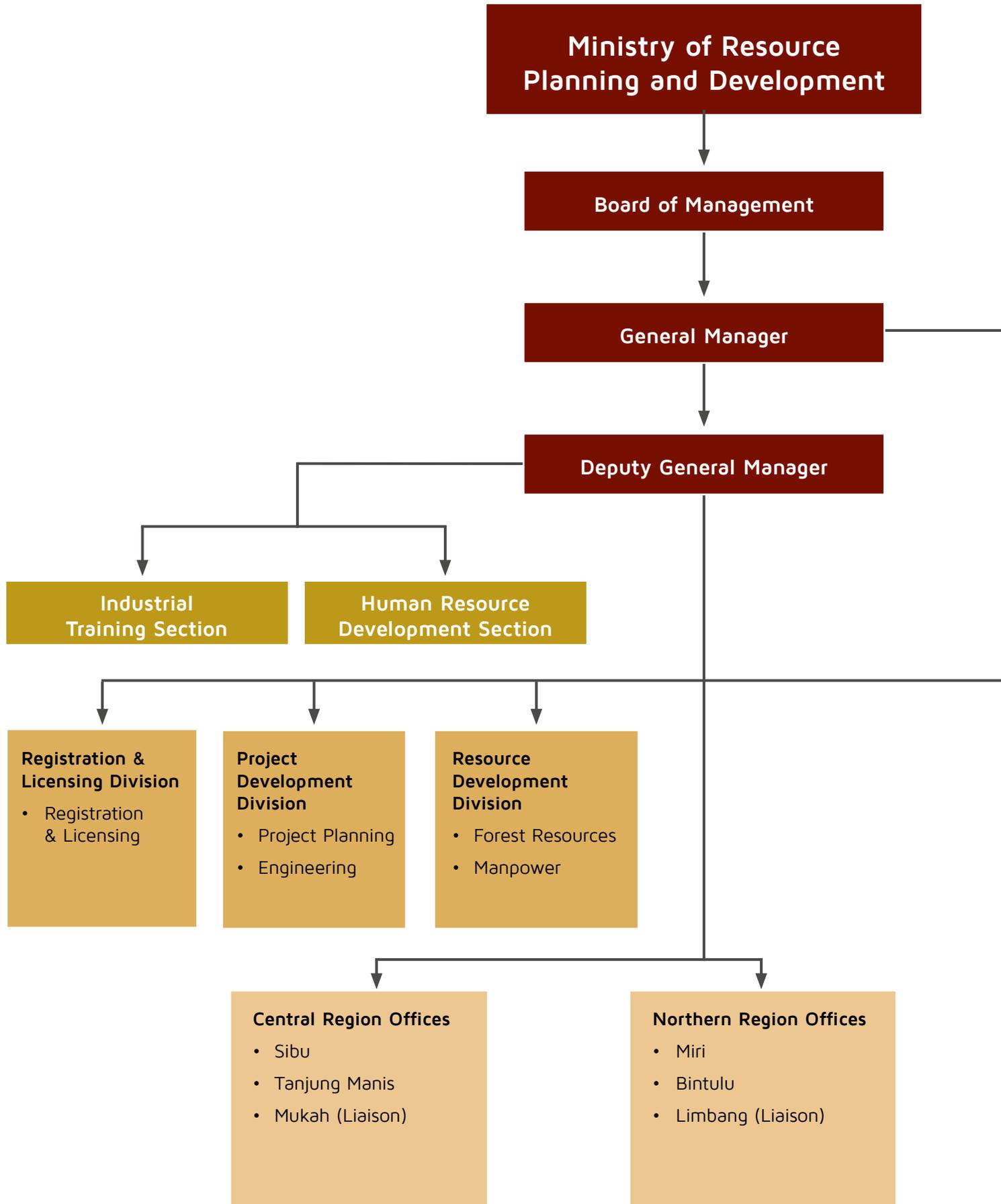


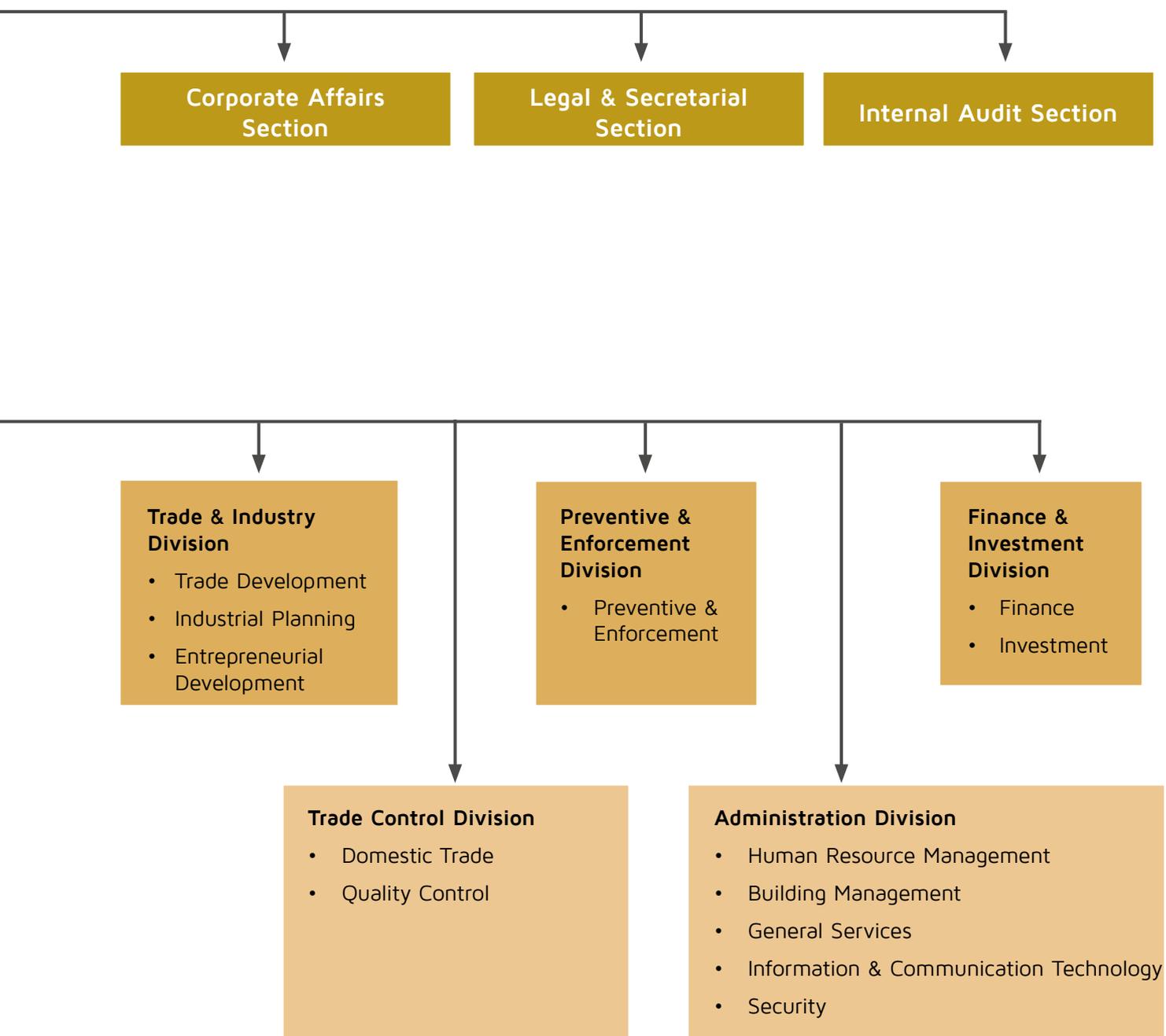


Corporate  
Structure

# Corporate Structure

## STIDC Organisational Chart









# Corporate Management

# Corporate Management

## Board of Management

### Members



**YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani**  
Sarawak State Secretary



**YB Datuk Haji Julaihi bin Haji Narawi**  
Assistant Minister of Industrial Development (Investment & Promotion),  
Assistant Minister of Rural Development



**YB Datu Haji Len Talif Salleh**  
Assistant Minister in Chief Minister's Office (Promotion of Technical Education),  
Assistant Minister of Environment (Minister of Resource Planning & Environment)



**YBhg Dato Sri Ahnad Tarmizi Bin Haji Sulaiman**  
Sarawak State Financial Secretary



**YBhg Dato Sudarsono Osman**  
Permanent Secretary  
Ministry of Resource Planning & Environment



**YBhg Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz Bin Dato Haji Husain**



**YBhg Datuk Dr Yusuf Hadi**

# Chairman

**Yang Berhormat Datuk Amar  
Haji Awang Tengah bin Ali Hasan**

Minister of Resource Planning & Environment II,  
Minister of Public Utilities and Minister of Industrial Development



## Management Team



**Tuan Haji Hashim Haji Bojet**  
Deputy General Manager



**Puan Dayang Nena Abang Bruce**  
Senior Assistant General Manager  
(Trade and Industry)



**Puan Sadiah Tu**  
Senior Assistant General Manager  
(Project Development)



**En Tagat Jimbat**  
Assistant General Manager  
(Trade Control)



**Cik Hajah Haluyah Awi**  
Assistant General Manager  
(Administration)



**Encik Edmund Daging Mangku**  
Assistant General Manager  
(Resource Development)



**YBhg Datin Catherine Sng Bee Seio**  
Assistant General Manager  
(Finance and Investment)



**Encik Mohd Hinri Abdullah**  
Assistant General Manager  
(Preventive and Enforcement)



**Puan Suraya Haji Mohamad Ali**  
Assistant General Manager  
(Registration and Licencing)



**Encik Jerry Mawan Lading**  
Assistant General Manager  
(Northern Region)



**Encik Paul Lau Ngie Hung**  
Assistant General Manager  
(Central Region)



**Puan Roseleenda Sayumi Binti Ismail**  
Manager  
(Legal & Secretarial)

**General Manager**  
Yang Berbahagia Datu Haji Sarudu  
Haji Hoklai





**Chairman's  
Statement**

# Chairman's Statement



On behalf of STIDC, I am pleased to present this Annual Report and Financial Statement for the year ended 31 December 2014.

Sarawak registered RM7.25 billion in export earnings from timber and timber products in 2014. This represented a growth of 1.25% from 7.16 billion export revenue earned in this previous year.

In 2014, there was remarkable increase in export value for several items including moulding (38%), laminated board/flooring (21%), logs (18%), woodchips (12%) and particleboard (5%). Export value for several items however, had plunged including block-board (100%), sawn timber (10%), fibreboard (8%), dowel (7%), veneer (5%) and plywood (4%).

Plywood being the main export item contributed RM3.9 billion or 54% of the overall export revenue in 2014. This was followed by logs at RM2.0 billion or 28% and sawn timber at RM561 million or 8% respectively.

Plywood, logs and sawn timber remained the top three export commodities and constituted 91% of the total volume and 89% of the overall value of timber and timber products in 2014.

Japan being the major consumer accounted for RM2.8 billion or 39% of the overall value of timber products in 2014. This was followed by India which contributed RM1.4 billion or 19%, Taiwan at RM761 million or 10%, the Middle East at RM544 million or 8% and Korea at RM539 million or 7%.

Research arm of CIMB Investment Bank Berhad expected the average price of Sarawak logs to soar by 5% to 7% or in the range of USD10 to USD15 per cubic metre. Plywood price however could drop to USD10 per cubic metre due to yen depreciation and weaker housing market in Japan. CIMB had raised its 2015 Meranti regular logs FOB price forecast to USD295 per cubic metre from USD280 per cubic metre amid optimism that tight supply and stronger demand would lift prices.

The research forecasted that demand for tropical logs would continue to grow due to increasing consumption by India, the largest consumer.

It is hoped that industry players would be optimistic about their earnings prospect in 2015 and adopt strategies that could boost revenue and at the same time improve cost effectiveness to stay competitive.

**DATUK AMAR HAJI AWANG TENGAH ALI HASAN**

*Minister of Resource Planning and Environment II*

*Minister of Public Utilities*

*Minister of Industrial Development*

*Chairman of STIDC Board of Management*



# Corporate Profile

# Resource Development Division

## Forest Resources & Manpower



The Resource Development Division continued to play its role in ensuring the supply of raw materials and human capital are readily available for the timber industry.

In tandem with its objectives and functions, this division continued to monitor the execution of various related policies including the implementation of Log Quota Policy, Ramin Export Quota, Quota for Logs Importation, logging progress of timber concession areas, the planting progress of forest plantation and the issuance of the Sustainable Forest Management & Legality Statements.

For Log Quota performance, 181 forest licenses were effected and 3.941million cubic metres (59%) of logs were sent for local processing throughout 2014. This division had also issued 19 Sustainable Forest Management & Legality Statements involving 20,000 cubic metres of timber products. While for Ramin export quotas performance showed only 14.3% of the 3,178 cubic metres allocated quota was utilised.

Throughout 2014, the division was entrusted to monitor the progress and development of three forest plantation establishments. These were joint ventures projects between KTS Sendirian Berhad and STIDC with total area of 273,044 hectares. Out of these, 21,807 hectares were planted with trees and 5,478 hectares with oil palm.

The division is also responsible in ensuring adequate supply of workforce in the timber industry. To determine the requirement of the workforce for the industry, the existing "matrix system" formula was applied by considering the mill capacity, the acreage of the licensed area for planted forest and current input of raw materials.

The approach is only applicable to general workforce and is an important tool to determine the number of foreign workers to be employed, whilst the employment of the expatriates is done based on the merit and the needs of the timber industry.

In 2014, Sarawak's timber sector was supported by 56,715 workforce, consisted of both local and foreign workers whose service were crucial in order to meet the operating capacity of the industry.

# Trade & Industry Division

## Trade Development



The timber sector continued to sustain its growth in 2014 with slight improvement in export earnings despite a slowdown in demand for most timber products from the traditional markets. Sarawak total export earnings of timber and timber products registered a growth of 1.2% to RM7.25 billion in 2014 from RM7.16 billion in the previous year. STIDC had taken concerted efforts in spearheading the development of the timber industry through various programmes in ensuring continuous growth and competitiveness.

STIDC in collaboration with The Ministry of Industrial Development (MID), Sarawak had successfully organised the Sarawak Timber Selling and Investment Mission to Kazakhstan (Almaty & Astana). The 73-member delegation was led by the Honourable Datuk Amar Haji Awang Tengah Ali Hasan, Second Minister of Resource Planning and Environment, Minister of Public Utilities and Minister of Industrial Development cum Chairman of STIDC Board of Management. The Mission was the first organized by the State as a follow-up to the visit by the former Chief Minister of Sarawak, Pehin Sri Haji Abdul Taib Mahmud, to Kazakhstan in 2013. The mission among others aimed to identify investment and explore market potentials as well as to promote Sarawak's expertise in timber and non-timber sectors.

Two Memorandum of Understandings (MoUs) were signed between Sarawak Timber Association (STA) and Association of Furniture and Woodworking Industry (APMDP.KZ), Kazakhstan and between Pusat Pembangunan Kemahiran Sarawak (PPKS) and Malaysian Education Centre (MEC) in Almaty, Kazakhstan.

STIDC participated in various national and international exhibitions to promote locally manufactured timber products to the global markets. These exhibitions included Malaysia's premier furniture fairs, the Malaysia International Furniture Fair (MIFF), Export Furniture Exhibition (EFE) and AseanWood WoodTech. STIDC also participated in IndiaWood, Bangalore, India, Dubai International Woodshow, United Arab Emirates, Guangzhou Wood, PR China and Kazakhstan International Timber & Woodworking Exhibition, Almaty, Kazakhstan. STIDC had received positive and encouraging response from potential buyers in these markets with trade enquires worth more than RM80 million.

As a follow-up to this, STIDC organized a Stakeholder Briefing to the industry to disseminate and share information on the outcome of STIDC's participation in these international exhibitions. STIDC also conducted a briefing to the industry especially for exporters of timber products to Australia on the Malaysia Country Specific Guideline (MCSG) (Sarawak). The MCSG is to fulfill the requirement under the Australian Illegal Logging Prohibition Amendment Regulations 2013, which supports the illegal Logging Prohibition Act 2012. This Guideline is intended to assist importers of regulated timber products from Malaysia in understanding the regulatory framework in Malaysia in order for them to carry out due diligence obligations.

STIDC participated at the national level negotiations on issues related to Malaysia's bilateral and multi-lateral discussions on plywood market access to Japan under the Trans Pacific Partnership Agreement (TPPA), Free Trade Agreements (FTAs), and was also involved in the Expert Group on Sustainable Forest Management (EG SFM) & Trade in Legally Obtained Timber, Yokohama, Japan and Asia Pacific Economic Cooperation (APEC) Expert Group on Illegal Logging and Associated Trade (EGILAT). Besides, issues related to the industry were also deliberated and discussed under the Inter Agency Working Group Committee (IAC), led by STIDC.

STIDC and Samling Housing Products Sdn Bhd had signed MoU on technical collaboration as part of the R&D project undertaken by both parties to spearhead and facilitate the utilization of Acacia in the timber industry. This collaboration is also to facilitate the development of the furniture industry towards producing Acacia furniture for global market with a vision to make Sarawak the Hub for Acacia furniture in the region in the future.

STIDC continued to receive foreign visitors and buyers such as from Sojitz and Itochu Corporation, Japan who wished to acquire an insight into the timber industry and forestry sector in Sarawak and its legality system. STIDC also received visitors from the Guro City Council and Guro of Seoul Chamber of Commerce and Industry.

STIDC in collaboration with the Malaysian Timber Council (MTC) had organized the annual Familiarization programmes for foreign timber trade representatives visits to Sarawak. Seven foreign trade journalists participated in the programmes where they were given the opportunity and exposure on Sarawak's initiatives in Sustainable Forest Management and forest plantation projects besides development of the timber industry and forestry sector.



## Industrial Planning



The Industrial Planning Section is one of the Sections under the Trade & Industry Division. The main function of this Section is to plan and monitor the development of the timber industry in Sarawak. Other functions include involvement in the development of timber products standards both at the national and international levels as well as processing applications for registration of timber based mills.

The timber industry remained one of the important socio-economic sectors in Sarawak. There were 862 wood-based mills recorded in Sarawak in 2014. The local mills utilized about 7.1 million cubic metres of logs to produce primary products like plywood, veneer and sawn timber which were further processed into value-added products like dowel, moulding, laminated board, blockboard and furniture. The industry also utilized mill residues to produce fibreboard, particle board, woodchips, briquettes, pellets, pallet blocks and core plugs.

All wood-based mills except sawmill in Sarawak must be registered with STIDC and mill registrations must be renewed annually. The Industrial Planning Section conducted mill inspections to ensure mill machinery installation is in accordance with the approved layout plan. In 2014, a total of 261 wood-based mills were inspected for mill registration.

In 2014, STIDC initiated a study "Benchmarking of Cradle to Gate Green House Gas Profile of Plywood Produced in Sarawak (Phase II)". The study was a follow-up to the first study, "Life Cycle Inventory Analysis of Green House Gas Emission for Plywood Production in Sarawak" in 2010. The objective of the study was to establish the greenhouse gas (ghg) profile of plywood based on life cycle inventory analysis conducted in accordance with the requirements of ISO 14040: 2006 and ISO 14044:2006 covering the logging activities for both natural and planted forests, and thereafter combining the results with the 2011 study to produce the cradle-to-gate ghg profile of plywood produced in Sarawak.

## Entrepreneurial Development

The Entrepreneurial Development Section is responsible for the Bumiputera Furniture Vendor Development Programme in Sarawak. In implementing this programme, the entrepreneurial development section played its role in coordinating matters related to infrastructures, contract distribution, marketing and promotion, credit facilities, product development and technical advices as well as training and human resource development.

In 2014, there were 56 Bumiputera Furniture Vendors in Sarawak in which 33 of them were active. At the same time, there were four furniture industrial complexes, each located in Kota Samarahan, Kuching, Miri and Tanjung Manis divisions. These complexes housed 38 workshops to provide avenues for the vendors to run their business. A furniture gallery was also available in Kuching to promote the vendors' products. Festive seasons and stock clearance sales were among the main activities carried out at the furniture gallery. Throughout 2014, STIDC together with its furniture vendors had participated in various promotional and marketing activities statewide including the furniture exhibitions, exposition and sales. Similarly, they had also involved actively in the skills enhancement programmes.

In line with the aspiration to create a robust bumiputera furniture business community, STIDC through the entrepreneurial development section will continue to play proactive role in helping the vendors concerned to scale new height and penetrate the global market.



## Poverty Eradication Programme (1Azam)



STIDC was among the government agencies participated in the 1AZAM Programme since 2010.

The 1AZAM programme aimed to boost the household income and to eradicate poverty by 2020.

Since 2010, STIDC had assisted 833 participants with the allocation of RM9.541 million. In 2014, 242 participants were selected under this programme to receive assistance in the form of machinery and trainings.



# Project Development Division

## Project Planning

As an agency entrusted by the State Government to coordinate the overall development of Tanjung Manis, STIDC focussed mainly in the development of industrial lots infrastructure for timber, fishery, shipbuilding & repairing and palm oil industry. The Corporation also plays a vital role in developing basic infrastructure required by local community, government agencies and investors in Tanjung Manis.

In carrying out its development role in Tanjung Manis, STIDC works closely with Regional Corridor Development Authority (RECODA), Public Works Department (JKR) and Entrepreneur Development & Halal Industry Unit (UPUIH), Chief Minister's Department in land use, facilitation of investments and investment visits particularly those related to Halal industry and development of most of the infrastructure and facilities for Tanjung Manis Halal Hub.

STIDC with the assistance of PUSAKA Capital Sdn. Bhd. (PCSB) and its subsidiary company; Tanjung Manis Development Sdn. Bhd. (TMD) exercised its role in managing most of the projects and assets in Tanjung Manis. This includes Tanjung Manis Airport, Tanjung Manis Furniture Industrial Complex as well as other projects, assets and properties. Property projects such as Sumer Alam Sanctuary housing and other upcoming projects in Kuching are managed by PCSB through its subsidiary company, Tanjung Manis Realty Sdn. Bhd. (TMR).

In carrying out project planning activities, Project Planning Section ensures that all regulatory compliance and approvals from State Planning Authority (SPA), Land and Survey Department (L&S) and other regulatory agencies were obtained. In handling land issues, the Section works closely with SPA for project layout and site approvals and the Land and Survey Department to ensure that the designated land for the intended development purposes were rightfully vested with STIDC.

In addition to handling pre-implementation project activities, other roles of the section such as sourcing of grants and finance for implementation of projects, sale of industrial lots, coordination of application and renewal of Sand and Gravel Licence, processing of contractors and project consultancy appointments through tenders and quotations, processing of project and consultancy claims and facilitation of visits by investors, government agencies and public to the project sites require Project Planning Section to work closely with Engineering Section.

Commitment to promote and encourage investments in Tanjung Manis by the organisation are shown by the number of participation in events, exhibitions and expos held in 2014. Throughout 2014, Project Planning Section participated in various events such as DBKU Agenda Exhibition 2014, Tanjung Manis Development Expo in conjunction with the International Forest Day & Tanjung Manis Day 2014, Exhibition in conjunction with Sarawak SMEs Week 2014, Exhibition in conjunction with Tanjung Manis Customer Outreach Programme 2014 and Exhibition in conjunction with STIDC Integrity & Innovation Day 2014.

In 2014, Project Development Division had coordinated, hosted and co-hosted together with UPUIH as well as other departments, several visits from universities/colleges, financial institutions, government departments as well as private institutions in Tanjung Manis throughout the year. This included visits from Senai International Airport delegation, SMK Jalan Oya, Sibu, UiTM Kota Samarahan, Darul Megamas Sdn. Bhd., Labuan Halal Hub, Members from the Sarawak State Legislative Assembly and Fire and Rescue Department .

STIDC also coordinated, hosted and co-hosted several visits from international companies and institutions interested to invest and participate in the development of Tanjung Manis namely Director of Taiwan Trade, Kuala Lumpur & First Secretary of Taipei Economic and Culture Malaysia, High Commissioner of The Republic of Singapore, China Fertilizer Technology Holdings Ltd, China, Evonik Industries, Germany, Attache Perdagangan Kedutaan Besar Republik Indonesia, Kuala Lumpur, Mitsubishi Corporation, FY Flourishing International Industries Holdings Co. Ltd. and First Borneo Plantations, Indonesia.

## Engineering



The Engineering Section's core function is to manage STIDC's projects such as:

- Project planning;
- Project implementation, monitoring, supervision, testing and commissioning;
- Contract administration including project documentation such as plans/ drawings, specifications, estimates, tender documents and tender evaluation process;
- Planning, budgeting, managing and monitoring of the 10th Malaysia Plan (2011-2015) projects through Sarawak Monitor (State Projects) and SPPII (Federal Projects); and
- Providing technical input and services to STIDC projects both internally and externally.

Project that had been completed in 2014 was the Proposed Telecommunication Infrastructure in Tanjung Manis Halal Hub.

Projects under planning and pre-implementation stage in 2014 were as follows:

- Proposed New Pontoons at Tanjung Manis Express Boat Terminal;
- Proposed Upgrading of Road Lot 119, Tanjung Manis;
- Proposed Administration Tower in Tanjung Manis;
- Proposed Housing in Tanjung Manis Halal Hub; and

Proposed Tanjung Manis Halal Hub Access Road Parcel 1 and Infrastructure Utilities

Proposed Development of Tanjung Manis Halal Hub Access Road to Halal Park Parcel 1 (Mechanical & Electrical Infrastructure).

Meanwhile, there are 2 ongoing projects, namely:

Proposed Development of Tanjung Manis Halal Hub – Access Road to Halal Park Parcel 1; and

Proposed Refurbishment and Improvement of Existing Tanjung Manis Port, Tanjung Manis, Mukah Division, Sarawak (Package A – Sea Based & Package B – Land Based).

Until 31st. December 2014, the progress of the ongoing projects were as follows:

Proposed Development of Tanjung Manis Halal Hub – Access Road to Halal Park Parcel 1.  
Schedule: 68.14%  
Actual: 44.62%

Proposed Refurbishment and Improvement of Existing Tanjung Manis Port, Tanjung Manis, Mukah Division, Sarawak (Package A – Sea Based & Package B – Land Based).  
Schedule: 88.70%  
Actual: 91.85%



## Trade Control Division

### Domestic Trade

Sarawak's export volume of logs and timber products decreased by 3.14% in 2014 to 6.6 million m<sup>3</sup> from 6.8 million m<sup>3</sup> in 2013. The export value however increased by 1.25% to RM7.25 billion from RM7.16 billion in 2013.

Export of logs in 2014 increased by 7% in 2014 to 3.1 million m<sup>3</sup> from 2.9 million m<sup>3</sup> in 2013. Export value for logs increased by 18% to RM2 billion from Rm1.7 billion compared to the corresponding period last year. India remained the number one importer of Sarawak's logs which accounted for 62% of (1.9 million m<sup>3</sup>) with total value at RM1.3 billion.

Meanwhile, export volume of sawn timber decreased by 13% in 2014 to 610 thousand m<sup>3</sup> from 697 thousand m<sup>3</sup> in 2013. Export value for sawn timber also decreased by 10% to 561 million from RM626 million compared to the previous year. For 2014, the Philippines being the largest consumer had imported 149 thousand m<sup>3</sup> of sawn timber worth RM50 million.



Plywood export volume for 2014 decreased by 11% to 2.3 million m<sup>3</sup> from 2.6 million m<sup>3</sup> compared to the previous year. The export value for plywood for 2014 also decreased by 4% to RM3.9 billion from RM4.1 billion compared to the previous year. Japan remained the number one importer of Sarawak's plywood with the purchase of 1.3 million m<sup>3</sup> valued at RM2.3 billion.

In 2014, export volume of veneer decreased by 13% to 154 thousand m<sup>3</sup> from 218 thousand m<sup>3</sup>. Similarly, the export value had also decreased by 5% to RM207 million from RM218 million compared to previous year. Taiwan being the biggest market for veneer accounted for 77 thousand m<sup>3</sup> valued at RM100 million.

Export value of other timber products such as dowels, mouldings, particle board, laminated floorings, fibreboard, laminated veneer lumber, woodchips, finger joints, wood pellets, wooden fence, wooden lattice, garden stakes, furniture parts, wooden pallets and others was RM554 million, contributed 8% of the overall export value of timber and timber products in 2014. There was an increase in export value of these products by 3% compared to 2013.

Sarawak's import value in 2014 increased by 69% to 111 thousand m<sup>3</sup> from 66 thousand m<sup>3</sup> compared to the previous year. The value also increased by 55% to RM139 million from RM90 million in 2013.

Veneer being the main imported product in 2014 accounted for 104 thousand m<sup>3</sup>, an increase of 76% from 59 thousand m<sup>3</sup> in 2013 with a total value of RM128 million.



## Quality Control

Of the above, the highest ranking is from Bintulu with 330,011.0173 m<sup>3</sup> (51.02%) and with a collection fee of RM342,157.65 of the total volume throughout the state.

The highest export destination for year 2014 was the Philippines with 147,593.9992 m<sup>3</sup> (26.33%) and highest number of exporters was Borneo United Sawmills Sdn Bhd (Sibu) with a volume of 27,992.1429 m<sup>3</sup> (13.50%).

The table below shows the performance of the grading activity by Total Volume, Collection of Fees and Amounts Certificate Issued in Sarawak for year 2014:

No.	Division	Volume (m <sup>3</sup> )	Fees (RM)	Certificate Issued	Percentage (%)
1.	Bintulu	330, 011.0173	342, 157.65	2, 083	51.02
2.	Sibu	207, 420.5847	216, 290.90	1, 342	32.07
3.	Kuching	46, 742.1119	50, 537.25	379	7.23
4.	Miri	25, 942.4937	29, 344.05	140	4.01
5.	Tanjung Manis	18, 234.7673	18, 992.35	147	2.82
6.	Limbang	18, 481.6046	19, 144.80	103	2.86
	<b>Total</b>	<b>646, 835.28</b>	<b>676, 478.15</b>	<b>4, 194</b>	<b>100.00</b>

In terms of Quality Objective, all the 4,194 applications were processed within the established quality objectives of the issued Grading Certificate approved within 7 working days. Of these 4,127 (98%) of applications were processed within 4 working days.

In 2014, activity grading throughout Sarawak on the volume of 646,835.28 m<sup>3</sup> with a fee collection of RM676,478.15 and the number of certificates that have been issued was 4,194.



The Working Visit of Members of Timber Portal at University Malaysia Sabah (UMS) and Sabah Forestry Department (DID)



Some briefing from Director of Sabah Forestry Department to STIDC (Timber Portal's Team)



Group photo from STIDC (Timber Portal's Team) and some staffs from University Malaysia Sabah (UMS)

The Working Visit of Members of Timber Portal at Forest Research Institute Malaysia (FRIM), Universiti Putra Malaysia (UPM) and Hutan Simpanan Ayer Keroh



## Report of Timber Sample Identification & Species Belian / Malangangai

In 2014, STIDC has received 22 applications to identify the species of wood. A total of 602 samples of wood have been identified with fee collection RM6,540.00.

Most applications for these services is from Beras Corporation Sdn Bhd, a total of 11 applications with 550 wood samples are identified and collection fee of RM5,500.00. Besides, STIDC also has received eight (8) applications from Kaliman Timber Corporation Sdn. Bhd. to identify 32 sample collection timber with a fee of RM860.00.

In other side, STIDC has received 16 applications involved in the Rural Electrification for species verification Shop / Malangangai. Listed below are the companies:

1. Power Solar Power Co., Ltd.	-	6 applications
2. Esawin Resources Sdn Bhd	-	4 applications
3. Citra Alti Sdn Bhd	-	3 applications
4. Shorefield Private Limited	-	2 applications
5. Larico Infrastructure Sdn Bhd	-	1 application

A total of 5,756 samples have been identified and confirmed. From that numbers, 5,720 (99.37%) samples are for species Belian and 36 (0.63%) is Malangangai species. The total collection of fees for these services amounted to RM57,560.00.

### STIDC Timber Portal

STIDC had successfully developed the Timber Portal, a search tool designed and developed by the staff.

Timber portal is intended to create a reference web-based form that can be accessed on-line at [www.stidctimberportal.org.my](http://www.stidctimberportal.org.my) everywhere and anytime. Timber Portal is a facility to help any party in identifying the timber species.

In addition, the Timber Portal is an extension of delivery services for customer using ICT facilities.

In its stride to ensure continuous improvement to the portal, the Timber Portal Committee had organised a working to the relevant agencies such as the Forest Research Institute Malaysia (FRIM), Universiti Putra Malaysia (UPM), Serdang, Universiti Malaysia Sabah (UMS) and Sabah Forestry Department (SFD).

## Registration & Licensing Division

The number of applications received and approved for the registration of export, import and local sale activities in 2014 increased by 5.3% or 80 applications to 1,582 applications from 1,502 applications in 2013. Kuching received the highest number of applications at 586.

On the other hand, applications received for manufacturing/mill registration (except for sawmill) had seen an increase by 18% or 41 applications from 224 applications received in 2013 to 265 applications in 2014 in which Kuching received the highest applications at 125. Meanwhile, the number of applications received for manufacturing registration of sawmills had also shown an increase of 23% or 25 applications, from 108 applications received in 2013 to 133 applications in 2014. Sibu had received the most applications at 73 compared to other offices.

For manufacturer license applications, an increase of 78% was recorded in 2014, from 14 applications to 25 applications in 2013. Amongst the products approved by the Committee were plywood, veneer, panel products and furniture as well as other wood products such as briquette, compressed wood and biomass pellets.

The paid-up-capital from investments recorded in 2014 had shown a drastic increase from RM6.49 million in 2013 to RM212.59 million in 2014. The number of employment had also increased by 60% or 310 persons, from 514 persons in 2013 to 824 persons in 2014.



# Preventive & Enforcement Division





STIDC's function among others, is to regulate and control the manufacturing, sale, distribution or marketing of timber and timber products and to determine the manufacturing standards and trade practices in the timber industry in Sarawak. This is to facilitate an orderly and sustainable development of the industry.

The enforcement of policy and law which regulates the activities of the timber processing industry in Sarawak is made through the provisions under The Sarawak Timber Industry Development Corporation Ordinance 1973, The Sarawak Timber Industry (Registration) Regulations, 2008 and The Timber Grading Regulations, 2008.

These provisions empower STIDC to undertake preventive measures and enforcement actions to ensure that persons involved in activities relating to the timber industry such as manufacturing, import, export of timber and timber products control comply with the relevant regulations and procedures.

STIDC continued with its preventive and enforcement activities during the year. One of these activities centred on combating the smuggling of timber into Sarawak from Kalimantan, Indonesia. By maintaining offices at the five authorized entry points for timber products into Sarawak, STIDC had been able to closely monitor and control the importation of the products from Kalimantan, Indonesia. Thus, only timber and timber products supported with documents issued by the Indonesian authorities are allowed to be imported into Sarawak. These activities also included conducting regular patrols along the Sarawak - Indonesia border with the co-operation of other enforcement agencies such as the Customs Department, Police, Military, Forest Department, Sarawak Forestry Corporation and Malaysian Maritime Enforcement Agency. The close co-ordination of enforcement activities with these agencies had contributed to the success in combating the smuggling of timber and timber products from Indonesia.

As for preventive measures, STIDC maintained close contacts with existing and potential timber importers to update them on the policies, rules and regulations pertaining to importation of timber from Indonesia. This had fostered good understanding with the industry and the public apart from facilitating the gathering of vital information pertaining to the trade for formulation of improved strategies and actions.

STIDC had also taken appropriate actions against timber mills who were found operating without valid registration with the Corporation. This is to ensure that the development of the timber industry is not hindered as the result of haphazard development caused by illegal mills. Another continuous activity is the dissemination of relevant information to the small scale timber industry operators to assist them to apply for registrations with STIDC.



# Administration Division

## Human Resource Management



The Human Resource Management (HRM) Section is responsible for effectively managing the human resource and its related functions and activities in STIDC. In addition to planning, managing and acquiring staff as well as retaining talent, the HRM Section is also responsible for the personnel records, staff benefits, compensation, employee relations and services.

As of 31 December 2014, STIDC had 419 staff in the headquarters as well as in divisional offices to support the business functions and activities undertaken by the Corporation.

In STIDC, high achievers were rewarded and appreciated accordingly for their excellent contributions throughout the year. In 2014, 33 staff had received the Anugerah Perkhidmatan Cemerlang (APC), seven (7) for the State Service Award and seven (7) for the Pingat Perkhidmatan Setia Negeri.

In addition, STIDC continued to encourage the staff to give suggestions and participate actively in the Majlis Bersama Jabatan (MBJ). Members of the MBJ comprised representatives from the various service grades and also the management team. MBJ meetings were held on a quarterly basis. Most of the issues raised were taken objectively and actions were done to ease the staff welfare and working environment in order to increase productivity.





## Building Management

Building Management Section (BMS) continued its roles in providing an effective and comprehensive building maintenance and management programme for the complex (Podium and Tower Block). The section provides maintenance services to assure clean, safe and functionally operative facilities.

Basic routine services provided include plant mechanical services, ventilating and air conditioning systems, servicing and repair of building hardware, wall, ceiling and floor finishes, roofing, carpeting, painting, carpentry services, and grounds maintenance services. The section also provided related services such as involving in monitoring, supervision and implementation of a number of works related to office renovation, refurbishment and upgrading including electrical and mechanical installation works. Below are the list of projects which had been successfully completed in year 2014:

- Renovation Works of Chairman's Office (16th Floor) and Conference Room (3rd Floor), Tower Block, Wisma Sumber Alam.
- The Proposed Supply and Installation of Energy Management System (Eniscope) at Wisma Sumber Alam Complex.
- Supply and Installation of Standalone Card Access System at Penthouse, 17th Floor Tower Block.
- The Proposed Air-Duct Cleaning Works at Wisma Sumber Alam.
- The Proposed Resurfacing Works of Tennis Court, Wisma Sumber Alam.
- Quotation for the proposed upgrading of existing washroom at 6th, 9th & 15th Floor Tower Block.

## General Services

The General Services Section is one of the sections under the Administration Division. Its core function is to provide support services in ensuring the success of the office activities.

Among the services rendered by this section in 2014 included the management of the followings:

- Procurement and stationery;
- Assets and properties;
- In-house facilities booking;
- Registry;
- Transportation and accommodation booking;
- Telephone services; and
- Services for special events.

In ensuring an effective and systematic delivery services, this section is equipped with Q-Asset System and Correspondence and Case Tracking Unified System (CACTUS). While the Q-Asset System served to store and update the assets data, the CACTUS is used to record incoming and outgoing mails. These systems are jointly monitored by the General Services and ICT Sections.

Through these activities, the General Services Section had successfully played its role in providing the necessary assistance for mutual benefit.



# Information & Communication Technology (ICT)

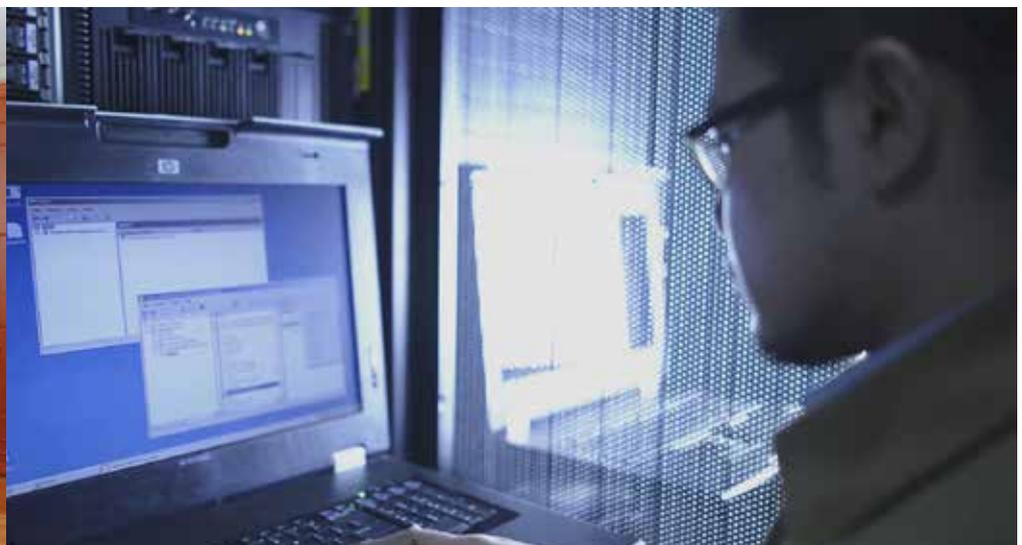


The Information & Communication Technology (ICT) Section is an integral part of the Administration Division whose main functions focused on the following areas:

- ICT Strategic Planning through preparation of ICT 5 Years ICT Master Plan.
- Preparation and enforcement of IT Policy throughout all STIDC offices.
- System development and maintenance.
- Infrastructure and network maintenance and security.
- Installation, maintenance and management of PCs, networks and facilities, hardware and Software, and communication devices.
- Conduct ICT related course through ICT Clinic.
- ICT Asset management and inventory.
- Procurement, distribution and inventory of ICT Asset.
- Website and Intranet development and maintenance.
- Designing of Graphic and Multimedia.

The online systems available and managed by ICT in 2014 included:

- |              |                 |            |
|--------------|-----------------|------------|
| • ePermit    | • Web Portal    | • LIBMAS   |
| • eGrading   | • IntraPUSAKA   | • PIMS     |
| • eIPR       | • eFacilities   | • CACTUS   |
| • eLesen     | • LMS           | • eSolusis |
| • QAsset     | • ePRestasi     | • eMuseum  |
| • QRegistry  | • Timber Portal | • email    |
| • eDMS (ISO) | • OTES          | • wifi     |



## Security

2014 had been a smooth year for Security Unit with no untoward incident such as : -

1. Aggression;
2. Vandalism;
3. Case of theft / loss, and
4. Violation of rules and regulations.

We are grateful to be able to achieve the goal and key performance indicator set by the management. This was attributed to team work among the Safety Unit Personnel. With good equipment and management's support, the Safety Unit had successfully carried out its role in ensuring safe workplaces.

Achievements of Safety Unit were also attributed to close co-operation from all parties and staff trainings.

The Safety Unit will maintain the existing regulatory system and strengthen its duties and responsibilities in accordance with current developments through the following initiatives: -

- a. Making full use of the existing workforce;
- b. Ensuring the control system function properly;
- c. Ensuring conducive workplaces; and
- d. Enhancing the knowledge and skills of staff mending the service counter



# Corporate Affairs

Corporate Affairs Unit had involved directly in official activities like Tanjung Manis Day, Fishing Safari, World Forestry Day, Annual Donation, Media Night as well as intergrity and Innovation Day.

In addition, the unit had also coordinated the monthly staff assembly and exhibitions besides disseminating the latest information through internal news channel and website as well as carrying news coverage and managing souvenirs.

Corporate Affairs Section consisted of four units namely Corporated Affairs, Publication, Resource Centre and Museum. Supporated by 14 personnel, the section continued to play its roles in projecting positive image of STIDC by promoting good rapport with stakeholders besides encouraging teamwork and community engagement.

Apart from writing speches nd news releases, this unit also played its pivotal role in managing the publication and distribution of items such as PERKASA Magazine, Annual Report, Guide To Timber Trade, Timber Trade Statistics, corporate brochures and video, diaries and festive cards.

The resource centre assembled, preserved and administered collection of books and related educational materials in order to enhance knowledge, enlighten citizenship and enrich personal lives.

In 2014, there were more than 5,400 books in the resource centre under various categories like timber, forestry, plants, carpentry and joinery, furniture, charcoal, wood-working tools and those related to wood-based activities. Other books on accounting, audition, environment, investment, law, marketing as well as timber trade journals and Sarawak Government Gazette were also available.

## Activities





## Museum

The timber museum reflected STIDC's aspiration in enhancing knowledge and understanding particularly among students, educators, nature lovers and tourists on the government's endeavour to develop the timber industry and sustain the forests and wildlife.

In 2014, the museum had received more than 2,200 visitors from all walks of life within and outside the country.



# Legal & Secretarial

The Legal and Secretarial Section comprised two units namely Legal Unit and Secretarial Unit. The main role of the Legal Unit is to provide legal advice in order to protect the interest of STIDC and at the same time to take legal action on behalf of STIDC. This unit had also provided and organized the agreements which involved STIDC and managed the renewal of STIDC's timber licences.

Secretarial Unit, they are responsible in planning and managing the meetings of the Board of Management, Finance and Investment Committee and Establish Committee for PUSAKA. This unit also doing the statutory duties for the subsidiary companies of PUSAKA. This unit helps to provide statutory information of PUSAKA and its subsidiary companies, besides act as the secretariat for Tabung Basiswa Perhutanan Nichimen and Yayasan Pengajian Tinggi Sarawak.

## Coordination of STIDC Annual Donation

In conjunction with the Muslims fasting month, once again STIDC had contributed monetary aid to 58 charitable organisations in order to help them to run their activities . A sum of RM263,000 was distributed on 18th July 2014 by the Honourable Datuk Amar Haji Awang Tengah Ali Hasan, Chiarmen of STIDC board of management.



# Internal Audit

Internal Audit is a profession and activity involved in helping organizations achieve their stated objectives. In STIDC, the Internal Audit Section continued to play its role in helping STIDC achieved its goals by analyzing business processes, policies and procedures and activities with the goals of highlighting organizational problems and recommending solutions. Internal Audit Section measures compliance with the organization's practices and procedures.

In 2014, Internal Audit Section had achieved the KPI targets and its objectives. Among the achievements were:

- a. Completed all the audit projects in 2014 according to the audit plan.
- b. Cost saving over annual budget.
- c. Improve the effectiveness and efficiency of operations of STIDC and its subsidiary companies.
- d. Compliance with rules and regulations by STIDC and its subsidiary companies.
- e. Internal audit rating for Balance Scorecard performance.

The scope of internal audit within organization is broad and it involves topics such as the efficiency of operations, deterring and investigation fraud, safeguarding assets and compliance with laws, regulations and ordinance. It is the duties of Internal Audit Section to make sure that STIDC achieve the stated goals and efficiency of operations by executing the above scope of audit.

## 2014 Audit Activities

In 2014, the Internal Audit Section had completed 22 audit projects. It comprises STIDC headquarters, divisional and liaison office, Hornbill Skyways and other subsidiary companies.

For STIDC headquarters, Internal Audit Section had audited Finance & Investment Division, Administrative Division and Human Resource Section.

Besides, Internal Audit Section had also audited their divisional and liaison offices in Miri, Limbang, Bintulu, Sibul, Mukah and Tanjung Manis.

For Hornbill Skyways Sdn. Bhd., seven projects were completed including the finance department, engineering department, administrative department, aircraft maintenance store, ICT department and marketing department. Hornbill Skyways Sdn. Bhd. has improved its level of compliance with the company policies and procedures. This shows that Internal Audit Section has added value to this organization with good internal control and good governance.

For other subsidiary companies, Internal Audit had conducted the audit for Hardwood Timber Sdn. Bhd., Tanjong Manis Resources Sdn. Bhd., Tanjong Manis Realty Sdn. Bhd., Tanjong Manis Shipping Sdn. Bhd., and Tanjong Manis Intergrated Port Sdn. Bhd.

## Risk Management

Internal Audit Section was appointed as the Risk Management Secretariat to compile and analyse the level of risk in STIDC. The risk register, heat map and the key risk indicator were prepared by STIDC's respective divisions and sections.

## 5S Activity

In 2014, Internal Audit Section continued to play its role in implementing the 5S practises to create a conducive, clean, tidy, systematic office environment and to improve teamwork among the staff.

## Balance Scorecard Audit

Internal Audit Section had conducted the Balance Scorecard Performance Audit to ensure and improve the level of compliance for Balanced Scorecard. It also aimed to drive competency among the staff.

### Conclusion

The Internal Audit Section believes in good leadership qualities, best management practices, good internal control and good corporate governance in STIDC. In general, the Internal Audit Section leadership and integrity helped the organization to achieve its goals, added value to the management of STIDC by enhancing effectiveness and efficiency. Internal Audit Section is always ready to be the quality assurance and management consultants to the organization by providing a systematic methodology for analyzing business processes, procedures and activities with the goals of highlighting organization problems and recommending the best solutions and practices.



# Human Resource Development

Human Resource Development & Quality (HRDQ) Section comprised two units namely Training Unit and Transformation & Innovation Unit. This section reports directly to the Deputy General Manager. Its core responsibilities include strengthening staff competency (skill, knowledge and attitude) through continuous training and learning programmes besides promoting quality initiatives to encourage paradigm shift among STIDC's staff. HRDQ also helped in strategising and executing initiatives pertaining to training, employee career development, students attachment and organizational development.

In 2014, 96 public programmes and 50 in-house training programmes were organized to enhance skills. These training programs had led to 79.75% achievement in quality objective.

Effective October 2014, STIDC had embarked on a structured Talent Management Exercise to prepare a pool of capable future leaders for STIDC.

In addition, the Transformation and Innovation Unit had successfully implemented various quality initiatives such as Quality Management System ISO 9001:2008, 5S Quality Environment, Quality Awards, Innovative and Creative Circle (ICC), Key Focus Activity (KFA), Balanced Scorecard (BSC) and LEAN Management.



STIDC had shown a remarkable achievement in 2014. Among the outstanding achievements were the recognition of the ICC group TIMEPIECE during 20th Asia Pacific Quality Conference (APQC) in Kuala Lumpur, recognition of the Quality Environment (QE) groups SHOREA and DIAMONDS at Regional and National levels, awarded 4 Star Rating through Accountability Index (AI) Rating, and also sustaining the ISO 9001:2008 and Quality Environment Certification. STIDC continued to play its role to ensure that the Quality Management System was fully adhered towards zero major or minor non-compliance. The continuous commitment from the management and staff was the main factor for these achievements.

In 2014, STIDC Balanced Scorecard (BSC) which started in May 2013 had expanded from Tier 1 (Corporate Level) to Tier 2 (Business Unit Level) and gradually to Tier 3 (Individual Level). The implementations of

BSC were continuously monitored through structured bi-monthly and quarterly meetings and also Retreat on Corporate BSC. These helped to strengthen the BSC performance throughout STIDC. Apart from that, various enhancement programs had been continuously conducted namely BSC series of discussions by Objective Owners and BSC Champion besides being invited to do sharing by other agencies.

STIDC embarked on Balanced Scorecard (BSC) since May 2013. Being the secretariat for BSC in STIDC, the BSC Unit made sure that BSC was monitored continuously through structured bi-monthly and quarterly meetings. These helped to strengthen STIDC's operating culture and made it performance-based. Since then, various enhancement programs had been conducted namely BSC Workshops, Launching of Shared Values and Briefing on Corporate Scorecard by the General Manager.



# Industrial Training

STIDC continued to play its active role in developing human capital by providing and conducting training to upgrade the knowledge and skills for the benefit of the wood-based sector. This is to ensure that the industry stays competitive by producing quality products for the global market.

STIDC continued to strive to play its role in developing the skills of school leavers and industry workers by providing both the long-term and short term courses such as Furniture Making and Wood Carving, grading and other technical courses related to the manufacturing and processing of timber.

The courses are conducted at Tanjung Manis Timber Training Centre (TMTTC) which is supported by full-time trainers and experts from relevant agencies.



## Long Term Courses

### Wood Carving and Furniture Making Courses

Wood Carving and Furniture Making Courses are ten months programme divided into three modules. Upon completion, all participants will undergo industrial training for one month in order to enhance their skills before entering the job market. Successful participants will be awarded a Certificate of proficiency.

In order to achieve our target to recruit at least forty (40) trainees per year, we conducted some road-shows and walk-in interviews across the state and took part in various exhibitions, organized by Chief Minister's Department (Sarawak) and career talks in selected schools especially in rural areas.

### **Grading Courses**

Various grading courses had been carried out in 2014 such as:

- Wood Anatomy and Identification Course - three (3) weeks.  
To provide participants with the knowledge on wood anatomy and the necessary skills to identify commercial timber species.
- The Sarawak Log Grading Rules ( SLGR ) - three (3) weeks. To provide participants with Sarawak Log Grading Rules and to provide necessary skills to undertake log grading. Besides, it also aims to enable the participants to be Log Grader.
- The Malaysian Grading Rules (MGR) -seven (7) weeks . To enable the participants to perform grading of sawn timber in accordance with the standard set in the Malaysian Grading Rules for Sawn Hardwood Timber. Besides, it also aims to enable the participants to be Sawn Timber Grader.

## Short Term Courses

### **Botanical Course**

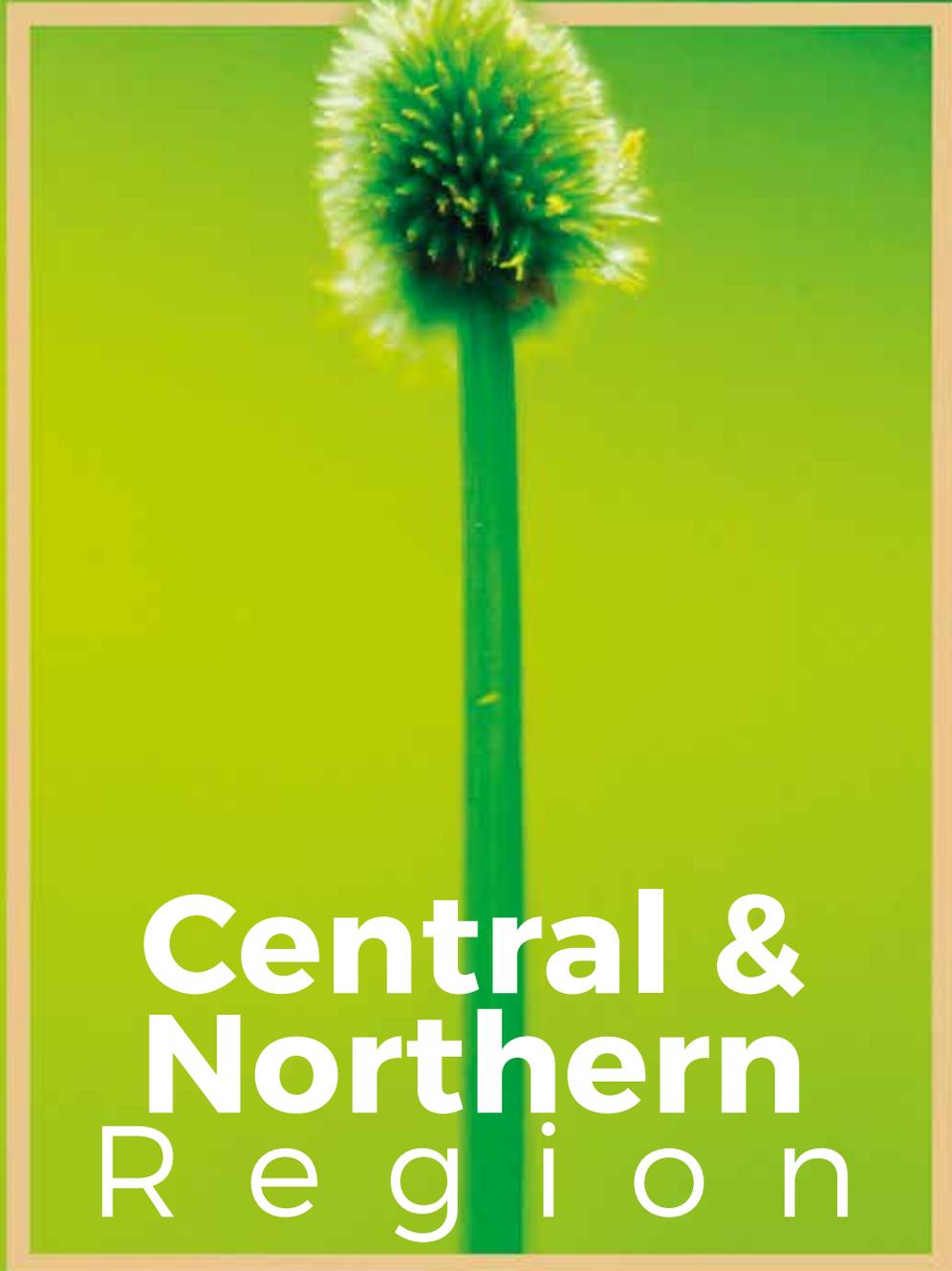
A one-week course to expose and introduce the participants about botany and related commercial trees in Sarawak.

### **Wood Carving Short Course**

A one-week course to provide participants with basic understanding on wood carving.







# Central & Northern Region

# Central Region

STIDC continued to provide services to the wood-based industry in the central region of Sarawak through its offices in Sibul, Tanjung Manis and Mukah Divisions. Headed by an Assistant General Manager, these offices were supported by 50 staff under the professional and management, executive and support groups.

## Sibu Divisional Office

Sibu office which served as the regional office for Sarawak central region was supported by 29 staff under varied categories. Through teamwork it had successfully played its role in realizing STIDC's objective to render quality services for customers' satisfaction.

Throughout 2014, the regional office had undertaken various activities to meet the needs of the wood-based industry particularly in Sibu division and the nearby areas. The activities included implementing The Timber Grading Regulations 2008, implementing The Sarawak Timber Industry (Registration) Regulations 2008, issuing import and export licenses for timber and timber products, implementing the furniture vendor development programme, managing data on industrial workforce and industrial returns, and monitoring STIDC LPFs.



## Tanjung Manis Divisional Office

In 2014, there were 18 personnel serving under different grades in Tanjung Manis Divisional office. Discipline, commitment and cooperation among the staff were attributed to the success of this office in providing services to the industry and the people.

Services to the industry included implementing The Timber Grading Regulations 2008, implementing The Sarawak Timber Industry (Registration) Regulations 2008, issuing import and export licenses for timber and timber products, and managing data on industrial workforce and industrial returns.

Besides, this office had also helped in coordinating and monitoring industrial trainings at STIDC Training Centre in Tanjung Manis as well as managing the poverty eradication programme (1AZAM) for local communities.

Being custodian to STIDC's assets, this office had also played its role in managing STIDC's premises in Tanjung Manis including monthly rental collection and maintenance.

In addition, it also helped in organizing STIDC's annual activities like Tanjung Manis Day and Tanjung Manis Fishing Safari apart from receiving investors and conducting briefings on investment opportunities in Tanjung Manis.

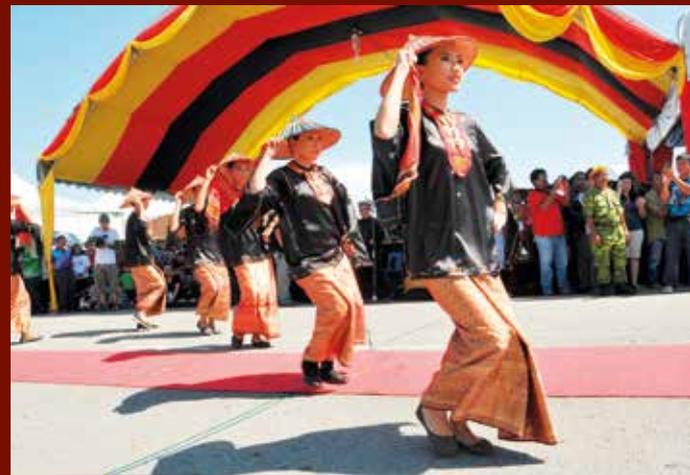




## Mukah Liason Office

Supported by three staff, STIDC Mukah played the role of a liaison between STIDC, government departments, statutory bodies and the private sector in Mukah division.

Apart from providing support services to the headquarters and regional office it also facilitated STIDC's participation in government functions and social activities particularly the annual Pesta Kaul Mukah. At the same time, it also helped in managing STIDC's assets like office building, vehicle and furniture.



# Northern Region

Committed to serving the wood-based industry effectively STIDC continued to run its offices in the northern region of Sarawak which encompassed Miri, Bintulu, Limbang and Lawas divisions. In 2014, the four offices had a total of 77 personnel under various schemes playing different roles in meeting the needs of the industry.

## Miri Divisional Office

Being a regional office, STIDC Miri played pivotal role in overseeing the activities undertaken by the branch offices under its purview. With the strength of 33 staff it had successfully played a part in providing services and monitoring the overall development of the industry especially those within the vicinity of Miri city and its surrounding areas.

Services provided were grading of sawn timber, issuing import and export permits as well as registering companies related to import, export and domestic trade of timber and timber products.

Apart from that, STIDC Miri had also carried out other activities like managing data on industrial returns and industrial workforce, monitoring STIDC LPFs, implementing the vendor development programme, monitoring the Log Quota Policy, and coordinating the poverty eradication programme (1AZAM).



## Bintulu Divisional Office

In 2014, STIDC Bintulu had 33 employees serving under different capacities. Due to dedication and team spirit, it had achieved the objective in carrying out the activities smoothly for mutual benefit.

Besides monitoring the overall development of wood-based industry in Bintulu, it had also undertaken its core activities like grading of sawn timber, issuing import and export permits, registering companies related to import, export and domestic trade of timber and timber products, managing data on industrial returns and industrial workforce as well as coordinating the poverty eradication programme (1AZAM).



## Limbang Liason Office

STIDC Limbang liaison office was supported by seven staff in 2014. Its ultimate objective is to establish a good liaison between STIDC, related government agencies and the industry players for common good. In consonance with that, it continued to facilitate and participate in their official activities aside from serving and meeting the needs of the local wood-based industry.

Among the activities carried out by this office in 2014 were grading of sawn timber, issuing import and export permits, registering companies related to import, export and domestic trade of timber and timber products and managing data on industrial returns and industrial workforce.

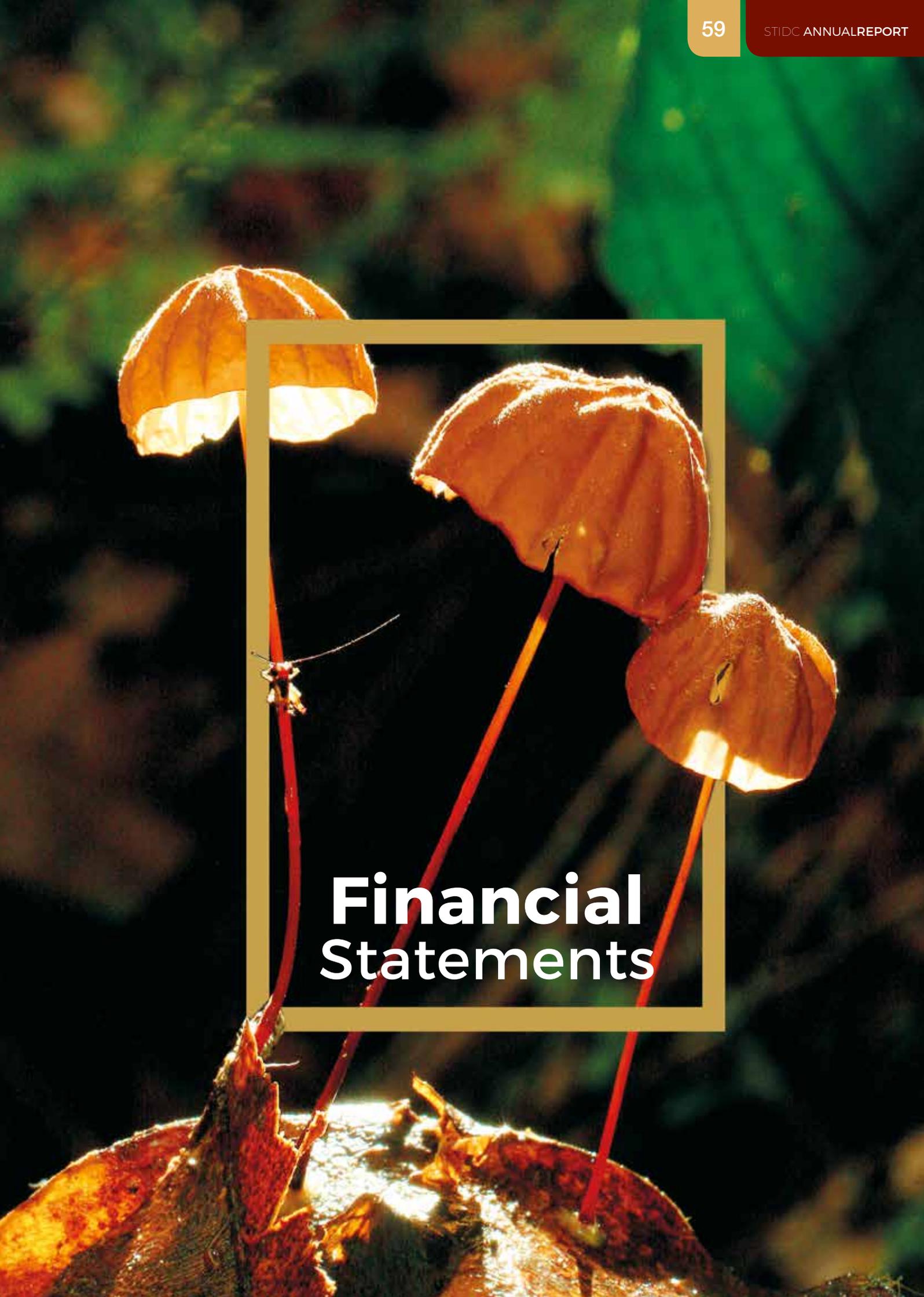


## ICQS Merapok

Effective 1st January 2014, STIDC had initiated the Immigration Customs Quarantine Security (ICQS) at Merapok to ensure that only timber and timber products from legal sources are allowed for export from Sarawak to Sabah and vice-versa through this ICQS. The initiative also enabled proper recording of export and import of timber and timber products carried out between the two states.

With this initiative, only those registered with STIDC were allowed to participate in export and import of timber and timber products between Sabah and Sarawak. Besides, it also helped to ensure that only sawn timber supported by grading certificate or exemption from grading were exported from Sarawak.





# Financial Statements



## **Sarawak Timber Industry Development Corporation**

**31 December 2014**

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

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## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Board Members, Officers and Professional Advisors

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Chairman	:	YB Datuk Amar Haji Awang Tengah Ali Hasan
Board Members	:	YB Datu Haji Len Talif Salleh
	:	YB Datuk Haji Julaihi bin Haji Narawi
	:	YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani
	:	YBhg. Dato Sri Ahmad Tarmizi bin Haji Sulaiman
	:	YBhg. Datu Sudarsono Osman
	:	YBhg. Tan Sri Datuk Amar (Dr) Hj Abdul Aziz bin Dato Hj Husain
	:	YBhg. Datuk Dr. Yusuf Hadi
General Manager	:	YBhg. Datu Haji Sarudu bin Haji Hoklai
Address	:	Wisma Sumber Alam, Jalan Stadium, Petra Jaya, 93050 Kuching, P.O. Box 194, 93702 Kuching, Sarawak, Malaysia.
Auditor	:	Auditor-General, Malaysia
Bankers	:	Malayan Banking Berhad
	:	CIMB Bank Berhad
	:	RHB Bank Berhad

**Sarawak Timber Industry Development Corporation**

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

**PENYATA Pengerusi dan Seorang Ahli Lembaga Pengarah  
(AKAUN TERKUMPUL)**

Kami, YB DATUK AMAR HAJI AWANG TENGAH ALI HASSAN dan YBHG DATO SRI AHMAD TARMIZI BIN HAJI SULAIMAN, yang merupakan Pengerusi dan salah seorang Ahli Lembaga Pengarah PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK, dengan ini menyatakan bahawa, pada pendapat Lembaga Pengarah, Penyata Kewangan yang mengandungi Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK pada 31 Disember 2014 dan hasil kendaliannya serta perubahan kedudukan kewangannya bagi tahun berakhir pada tarikh tersebut.

Bagi pihak Lembaga,



**YB DATUK AMAR HAJI AWANG TENGAH  
ALI HASSAN**  
Pengerusi

Kuching, Sarawak, Malaysia

Tarikh : 10 AUG 2015

Bagi pihak Lembaga,



**YBHG DATO SRI AHMAD  
TARMIZI BIN HAJI SULAIMAN**  
Ahli Lembaga

Kuching, Sarawak, Malaysia

Tarikh : 10 AUG 2015

**Sarawak Timber Industry Development Corporation**

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

**PERAKUAN OLEH PEGAWAI UTAMA YANG  
BERTANGGUNGJAWAB KE ATAS PENGURUSAN KEWANGAN  
PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK**

Saya , **DATU HAJI SARUDU BIN HAJI HOKLAI** pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod-rekod perakaunan **PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK**, dengan ikhlasnya mengakui bahawa Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai dalam kedudukan kewangan di dalamnya mengikut sebaik-baik pengetahuan dan kepercayaan saya, adalah betul dan saya membuat ikrar ini dengan sebenarnya mempercayai bahawa ia adalah benar dan atas kehendak-kehendak Akta Akaun Berkanun, 1960.

Sebenarnya dan sesungguhnya diakui oleh  
**DATU HAJI SARUDU BIN HAJI HOKLAI**  
di Kuching, Sarawak pada **10 AUG 2015**



LOT 330, (2ND FLOOR)  
SECTION 10,  
OFF RUBBER ROAD  
93400 KUCHING,  
SARAWAK.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Balance Sheets As at 31 December 2014

	Note	2014 RM	Group 2013 RM	2014 RM	Corporation 2013 RM
<b>Non-current assets</b>					
Property, plant and equipment	3	447,070,840	414,919,790	140,747,662	132,204,988
Investment in subsidiaries	4	-	-	155,628,130	64,729,809
Investment in associates	5	131,909,319	126,234,375	23,260,000	30,760,000
Other investments	6	196,238,974	197,104,079	110,454,851	116,154,093
Project development expenditure	7	249,782,728	350,486,158	249,782,728	359,486,375
Plantation development expenditure	8	443,909	71,020	-	-
Long term loan receivables	9	9,346,437	9,346,437	49,345,124	50,808,550
Deposits	21	47,888	2,050,105	-	-
Deferred tax assets	20	1,825,000	160,000	1,717,000	-
Goodwill on consolidation		1,767,000	-	-	-
		<u>1,038,432,095</u>	<u>1,100,371,964</u>	<u>730,935,495</u>	<u>754,143,815</u>
<b>Current assets</b>					
Inventories	10	155,010,892	146,957,875	133,987,498	128,988,939
Trade receivables	11	69,442,503	57,539,763	28,258,054	39,752,217
Other receivables	12	41,406,510	41,909,590	28,785,272	48,502,612
Short term loan receivables	9	-	-	9,000,000	9,000,000
Cash and bank balances	13	306,873,767	350,334,176	257,231,493	281,822,292
		<u>572,733,672</u>	<u>596,741,404</u>	<u>457,262,317</u>	<u>508,066,060</u>
<b>Current liabilities</b>					
Borrowings	14	9,039,988	8,581,682	-	-
Trade payables		15,527,384	12,390,149	-	-
Other payables	16	145,783,518	120,301,266	125,946,157	103,152,378
Tax payable		477,883	737,213	-	-
		<u>170,828,773</u>	<u>142,010,310</u>	<u>125,946,157</u>	<u>103,152,378</u>
<b>Net current assets</b>		<u>401,904,899</u>	<u>454,731,094</u>	<u>331,316,160</u>	<u>404,913,682</u>
		<u>1,440,336,994</u>	<u>1,555,103,058</u>	<u>1,062,251,655</u>	<u>1,159,057,497</u>
<b>Financed by:</b>					
Government's contribution		5,257,200	5,257,200	5,257,200	5,257,200
Donated funds	17	363,502	363,502	363,502	363,502
Revolving funds	18	416,588	416,588	416,588	416,588
Capital reserve		183,882	135,000	-	-
Retained profits		905,583,247	884,772,476	655,277,378	629,618,167
<b>Accumulated funds</b>		<u>911,804,419</u>	<u>890,944,766</u>	<u>661,314,668</u>	<u>635,655,457</u>
Minority interests		56,175,228	56,937,515	-	-
		<u>967,979,647</u>	<u>947,882,281</u>	<u>661,314,668</u>	<u>635,655,457</u>

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Balance Sheets

As at 31 December 2014 (contd.)

	Note	Group		Corporation	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Non-current liabilities</b>					
Government grants	19	265,226,727	369,081,171	265,226,727	369,081,171
Borrowings	14	185,785,896	218,517,587	125,855,260	145,213,869
Deferred tax liabilities	20	21,344,724	19,622,019	9,855,000	9,107,000
		<u>472,357,347</u>	<u>607,220,777</u>	<u>400,936,987</u>	<u>523,402,040</u>
		<u>1,440,336,994</u>	<u>1,555,103,058</u>	<u>1,062,251,655</u>	<u>1,159,057,497</u>

The accompanying notes form an integral part of the financial statements.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Income Statements

For the financial year ended 31 December 2014

	Note	Group		Corporation	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	22	244,989,210	232,338,177	74,404,502	41,152,587
Cost of sales	23	(123,971,558)	(143,657,774)	-	-
Gross profit		121,017,652	88,680,403	74,404,502	41,152,587
Administrative and other operating expenditure		(103,129,829)	(81,929,583)	(50,218,897)	(48,170,332)
Profit/(loss) from operations	24	17,887,823	6,750,820	24,185,605	(7,017,745)
Finance costs	25	(6,761,807)	(4,427,300)	(709,104)	(976,009)
Amortisation of grant		959,526	959,526	959,526	959,526
Grant received		9,000,000	9,000,000	9,000,000	9,000,000
Share of results of associates		12,504,955	6,279,170	-	-
Profit before tax		33,590,497	18,562,216	33,436,027	1,965,772
Extraordinary items		250,917	(1,816,986)	250,917	(1,816,986)
Income tax expense:	26	(4,052,871)	(14,370,682)	(51,000)	(11,194,052)
Corporation and subsidiaries		(3,009,231)	(15,087,974)	(51,000)	(11,194,052)
Associates		(1,043,640)	717,292	-	-
Profit/(loss) after tax and extraordinary items		29,788,543	2,374,548	33,635,944	(11,045,266)
Minority interests		(1,001,039)	(3,869,448)	-	-
Profit/(loss) for the year		28,787,504	(1,494,900)	33,635,944	(11,045,266)

The accompanying notes form an integral part of the financial statements.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Consolidated Statement of Changes in Equity For the financial year ended 31 December 2014

	Government's contribution RM	Donated funds RM	Revolving funds RM	Capital reserve RM	Retained profits RM	Total RM
<b>Group</b>						
<b>At 1 January 2013</b>	5,257,200	363,502	424,852	135,000	942,267,376	948,447,930
Utilised during the year	-	-	(8,264)	-	-	(8,264)
Over amortisation of grants in prior year	-	-	-	-	(56,000,000)	(56,000,000)
Loss for the year	-	-	-	-	(1,494,900)	(1,494,900)
<b>At 31 December 2013</b>	5,257,200	363,502	416,588	135,000	884,772,476	890,944,766
Additions during the year	-	-	-	48,882	-	48,882
Prior year adjustment	-	-	-	-	(7,976,733)	(7,976,733)
Profit for the year	-	-	-	-	28,787,504	28,787,504
<b>At 31 December 2014</b>	5,257,200	363,502	416,588	183,882	905,583,247	911,804,419

The accompanying notes form an integral part of the financial statements.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Statement of Changes in Equity For the financial year ended 31 December 2014

	Government's contribution RM	Donated funds RM	Revolving funds RM	Retained profits RM	Total RM
<b>Corporation</b>					
<b>At 1 January 2013</b>	5,257,200	363,502	424,852	696,663,433	702,708,987
Utilised during the year	-	-	(8,264)	-	(8,264)
Over-amortisation of grants in prior year	-	-	-	(56,000,000)	(56,000,000)
Loss for the year	-	-	-	(11,045,266)	(11,045,266)
<b>At 31 December 2013</b>	5,257,200	363,502	416,588	629,618,167	635,655,457
Prior year adjustment	-	-	-	(7,976,733)	(7,976,733)
Profit for the year	-	-	-	33,635,944	33,635,944
<b>At 31 December 2014</b>	5,257,200	363,502	416,588	655,277,378	661,314,668

The accompanying notes form an integral part of the financial statements.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Cash Flow Statements For the financial year ended 31 December 2014

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from operating activities</b>				
Profit before tax	33,590,497	18,562,216	33,436,027	1,965,772
Adjustments for:				
Amortisation of government grant				
-current year	(959,526)	(959,526)	(959,526)	(959,526)
-over provision in prior year	-	56,000,000	-	56,000,000
Bad debts written off	1,222	32,473	1,222	-
Bad debts recovered	(52,492)	(339,587)	-	(339,587)
Provision for doubtful debts no longer required	(40,918)	(2,200)	-	-
Provision for diminution in value of investments	50,174	6,427	-	-
Inventories written off	22,849	-	-	-
Depreciation of property, plant and equipment	39,493,182	32,367,639	4,563,209	4,579,853
Distribution investment written off	104,453	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(994,187)	(3,280,535)	(24,285)	4,035
Gain on disposal of investments	(34,954,089)	(714,491)	(34,362,515)	-
Payable written off	-	450	-	-
Property, plant and equipment written off	17,792	4,347	-	-
Provision for doubtful debts	180,919	125,542	-	-
Reversal of provision for diminution in value of investments	(89,223)	-	-	-
Unrealised gain on foreign exchange	(6,983)	(1,893)	-	-
Interest expense	6,749,091	4,217,553	709,104	976,009
Interest income	(12,122,502)	(10,163,656)	(10,608,067)	(10,361,987)
Gross dividends	(5,864,568)	(4,271,568)	(9,515,956)	(9,379,568)
Share of results in associates	(12,504,955)	(6,279,170)	-	-
Operating profit/(loss) before working capital changes	12,620,736	85,304,021	(16,760,787)	42,485,001
Increase in inventories	(8,075,866)	(1,670,338)	(4,998,559)	(2,959,200)
(Increase)/decrease in receivables	(15,370,789)	60,753,418	38,779,043	77,234,649
Increase/(decrease) in payables	26,912,026	(26,907,469)	15,067,963	(39,189,775)
Cash generated from operations	16,086,107	117,479,632	32,087,660	77,570,675
Interest paid	(6,749,091)	(4,217,553)	(709,104)	(976,009)
Taxes paid	(10,092,813)	(10,882,916)	(7,125,336)	(7,917,048)
Taxes refunded	123,444	85,200	-	-
Net cash (used in)/generated from operations	(632,353)	102,464,363	24,253,220	68,677,618

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Cash Flow Statements For the financial year ended 31 December 2014 (contd.)

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from investing activities</b>				
Decrease in deposit	2,002,217	10,516,867	-	-
Purchase of investments	(2,418,744)	(28,765,278)	-	(51,703)
Interest received	12,122,502	10,163,656	10,608,067	10,361,987
Net dividends received	5,864,568	4,046,568	9,515,956	8,002,564
Decrease/(increase) in project development expenditure	100,703,430	(33,346,751)	109,703,647	(33,346,751)
Increase in plantation development expenditure	(372,889)	(71,020)	-	-
Acquisition of property, plant and equipment	(72,063,240)	(77,109,008)	(13,105,930)	(411,992)
Proceeds from disposal of property, plant and equipment	1,395,403	3,296,831	24,332	-
Proceeds from disposal of investments	45,106,998	27,089,782	58,061,753	-
Acquisition of subsidiary	2	-	(101,398,317)	-
Net cash generated from/(used in) investing activities	<u>92,340,247</u>	<u>(84,178,353)</u>	<u>73,409,508</u>	<u>(15,445,895)</u>
<b>Cash flows from financing activities</b>				
Government grant received, net of utilization and reclassification	(102,894,918)	1,690,000	(102,894,918)	1,690,000
Drawdown of loans	-	106,705,522	-	41,114,003
Net repayment of hire purchase financing	(424,977)	2,861,814	-	-
Net repayment of term loans	(32,131,637)	(32,536,496)	(19,358,609)	-
Revolving funds utilized	-	(8,264)	-	(8,264)
Net cash (used in)/generated from financing activities	<u>(135,451,532)</u>	<u>78,712,576</u>	<u>(122,253,527)</u>	<u>42,795,739</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(43,743,638)</u>	<u>96,998,586</u>	<u>(24,590,799)</u>	<u>96,027,462</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>349,941,483</u>	<u>252,942,897</u>	<u>281,822,292</u>	<u>185,794,830</u>
<b>Cash and cash equivalents at end of year (Note 13)</b>	<u><u>306,197,845</u></u>	<u><u>349,941,483</u></u>	<u><u>257,231,493</u></u>	<u><u>281,822,292</u></u>

The accompanying notes form an integral part of the financial statements.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

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#### 1. Corporate information

The Corporation is a Sarawak State Government-owned statutory body incorporated in 1973 with the following objectives:

- To formulate new policies and strategies to promote and develop the timber industry;
- To develop efficient and economical utilization of the forest resources.
- To create new concepts and strategies in the timber industry so as to ensure that benefits from the harvesting of the state's forest resources will be shared holistically ; and
- To enable the State Government to coordinate and implement the overall timber industry development strategies through private sector involvement to encourage new industry.

The principal income comprises premium collected from timber operations, registration fees on timber and timber related activities, inspection and grading fees and interest from fixed deposits with financial institutions.

The principal activities of the subsidiaries are shown in Note 4.

There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and in the Corporation at the end of the financial year were 897 (2013: 1,440) and 417 (2013: 420) respectively. The principal place of business of the Corporation is located at Wisma Sumber Alam, Jalan Stadium, Petra Jaya, 93702 Kuching, Sarawak.

The financial statements were authorised for issue by the Board of Management on 19 March 2015.

**Sarawak Timber Industry Development Corporation**  
(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

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**2. Significant accounting policies**

**(a) (i) Basis of preparation**

The financial statements of the Group and of the Corporation have been prepared under the historical cost convention except for the revaluation of certain aircraft included under property, plant and equipment.

Whilst the financial statements of the Corporation need not comply with the provisions of the Companies Act, 1965, the financial statements of all its subsidiaries comply. The financial statements of the Corporation and of the Group comply with applicable Private Entity Reporting Standards in Malaysia.

**(ii) Malaysian Private Entities Reporting Standards**

On 14 February 2014, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Private Entities Reporting Standards ("MPERS").

The Company will be required to prepare financial statements using the MPERS in its first MPERS financial statements for the year ending 31 December 2016.

In presenting its first MPERS financial statements, the Company will be required to restate the comparative financial statements to amounts reflecting the application of MPERS. The adjustments required on transition will be made, retrospectively, against opening retained profits. The financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2014 could be different if prepared under the MPERS.

At the date of these financial statements, the Company has not completed its quantification of the financial effects of the differences between Private Entities Reporting Standards and accounting standards under the MPERS due to the ongoing assessment by the Company. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2014 could be different if prepared under the MPERS.

The Company considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MPERS for the financial year ending 31 December 2016.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

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#### 2. Significant accounting policies (contd.)

##### (b) Basis of consolidation

##### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Corporation and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation. Negative goodwill is recognised in the income statement immediately.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

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#### 2. Significant accounting policies (contd.)

##### (b) Basis of consolidation (contd.)

###### (i) Subsidiaries (contd.)

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

###### (ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decision of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

###### (iii) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets less liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(1). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 2. Significant accounting policies (contd.)

##### (c) Investments in subsidiaries, associates and other non-current investments

The Corporation's investments in subsidiaries, associates and other non-current investments are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

##### (d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Long leasehold land and construction-in-progress are not depreciated. However, the non-depreciation on long leasehold land does not have any material effect on the financial statements. Short leasehold land is depreciated over the period of the respective leases which range from 20 years to 50 years.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% - 25%
Aircraft and spare engines	10%
Aircraft components	10%
Office furniture, fittings and equipment	10% - 25%
Plant and machinery	10% - 20%
Transportation equipment and motor vehicles	15% - 25%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

##### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the following methods:

Aircraft spares	- specific identification and weighted average
Finished goods, timber logs and work-in-progress	- weighted average
Consumables	- first-in, first-out

**Sarawak Timber Industry Development Corporation**

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

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**2. Significant accounting policies (contd.)****(e) Inventories (contd.)**

For processed timber and work-in-progress, cost includes raw material, direct labour and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Industrial land lots including infrastructure works thereon held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

**(f) Cash and cash equivalents**

For the purposes of cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(g) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

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#### 2. Significant accounting policies (contd.)

##### (g) Leases (contd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

##### (h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**Sarawak Timber Industry Development Corporation**

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

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**2. Significant accounting policies (contd.)****(i) Employee benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

As required by law, the Group's local subsidiaries make contributions to the Employees Provident Fund. In addition, the Corporation also contributes to the State Pension Scheme. Such contributions are recognised as an expense in the income statement as incurred.

**(j) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- (i) Revenue relating to sale of goods is measured at the fair value of the consideration receivable and is recognised net of sales taxes and discounts when the transfer of risks and rewards have been completed.
- (ii) Revenue from services rendered is recognised in the income statement in proportion to the stage of completion is assessed by reference to services performed to date as a percentage to total services to be performed.
- (iii) Commission on insurance policies written is recognised as income in full upon the issuance of the policies. No part of the commission is deferred to match possible subsequent cancellation of policies or reduction of sum insured.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 2. Significant accounting policies (contd.)

##### (j) Revenue recognition (contd.)

- (iv) Revenue from property development is accounted for by the percentage of completion method on properties sold. Where foreseeable losses are anticipated, full provision for these losses is made in the financial statements.
- (v) Revenue from aviation services is recognised when services are rendered.
- (vi) Dividend income is recognised when the right to receive payment is established.
- (vii) Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.
- (viii) Income from timber premium is recognised on accrual basis.

##### (k) Foreign currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially determined in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at balance sheet date used are as follows:

	<b>2014</b>	<b>2013</b>
	RM	RM
United States Dollars	3.495	3.282
European Dollars	4.251	4.526
Singapore Dollars	2.645	2.594
	=====	=====

**Sarawak Timber Industry Development Corporation**  
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**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

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**2. Significant accounting policies (contd.)**

**(l) Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**(m) Project development expenditure**

Project development expenditure comprises all costs that are directly attributable to the project. The costs will be matched against government grants when the related project is completed.

**(n) Donated funds**

Shares donated to the Corporation are taken up in the financial statements at their par value.

**(o) Government grants**

Government grants are recognised initially at their fair value in the balance sheet as deferred income when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match that grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

Funds received from the Government for the operation or maintenance of the Corporation's activities are credited to Government's Contribution Account.

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

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#### 2. Significant accounting policies (contd.)

##### (p) Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

##### (q) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (r) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (s) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 3. Property, plant and equipment

Group	Land and buildings* RM	Office furniture, fittings and equipment RM	Plant and machinery RM	Aircraft spare engines and aircraft components RM	Transportation equipment and motor vehicles RM	Construction in progress RM	Total RM
<b>Cost</b>							
At 1 January 2014	260,684,842	13,428,418	62,259,826	302,870,264	12,192,664	(195,789)	651,240,225
Additions	65,313,548	1,273,368	1,042,960	2,907,465	1,525,899	-	72,063,240
Disposals	(410,000)	(37,262)	(127,581)	-	(1,021,544)	-	(1,596,387)
Written off	(52,607)	(213,083)	(484,303)	-	(9,000)	-	(758,993)
Reclassification	(378,257)	50,435	(172)	-	-	195,789	(132,205)
At 31 December 2014	<u>325,157,526</u>	<u>14,501,876</u>	<u>62,690,730</u>	<u>305,777,729</u>	<u>12,688,019</u>	<u>-</u>	<u>720,815,880</u>
<b>Accumulated depreciation</b>							
<b>Depreciation charge for 2013</b>							
	<u>5,387,108</u>	<u>715,751</u>	<u>2,040,792</u>	<u>23,038,001</u>	<u>1,185,987</u>	<u>-</u>	<u>32,367,639</u>
At 1 January 2014	77,982,521	9,990,644	32,356,676	106,578,883	9,411,711	-	236,320,435
Depreciation charge for the year	5,801,037	773,741	2,082,571	29,706,021	1,129,812	-	39,493,182
Disposals	(157,351)	(36,420)	(4,000)	-	(997,400)	-	(1,195,171)
Written off	(49,404)	(201,924)	(480,874)	-	(8,999)	-	(741,201)
Reclassification	(79,278)	(52,584)	(343)	-	-	-	(132,205)
At 31 December 2014	<u>83,497,525</u>	<u>10,473,457</u>	<u>33,954,030</u>	<u>136,284,904</u>	<u>9,535,124</u>	<u>-</u>	<u>273,745,040</u>
<b>Net book value</b>							
At 31 December 2014	<u>241,660,001</u>	<u>4,028,419</u>	<u>28,736,700</u>	<u>169,492,825</u>	<u>3,152,895</u>	<u>-</u>	<u>447,070,840</u>
At 31 December 2013	<u>182,702,321</u>	<u>3,437,774</u>	<u>29,903,150</u>	<u>196,291,381</u>	<u>2,780,953</u>	<u>(195,789)</u>	<u>414,919,790</u>
<b>At 1 January 2013</b>							
Cost	259,770,928	12,641,357	59,513,697	249,216,637	12,085,289	-	593,227,908
Accumulated depreciation	<u>72,616,913</u>	<u>9,457,357</u>	<u>31,715,441</u>	<u>100,557,043</u>	<u>8,682,090</u>	<u>-</u>	<u>223,028,844</u>

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 3. Property, plant and equipment (contd.)

##### \* Land and buildings

	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Total RM
<b>Cost</b>				
At 1 January 2014	25,665,360	14,782,873	220,236,609	260,684,842
Additions	-	-	65,313,548	65,313,548
Disposal	-	(410,000)	-	(410,000)
Written off	-	-	(52,607)	(52,607)
Reclassification	-	-	(378,257)	(378,257)
At 31 December 2014	25,665,360	14,372,873	285,119,293	325,157,526
<b>Accumulated depreciation</b>				
<b>Depreciation charge for 2013</b>	360,140	346,124	4,680,844	5,387,108
At 1 January 2014	3,398,288	6,260,077	68,324,156	77,982,521
Depreciation charge for the year	360,140	333,588	5,107,309	5,801,037
Disposal	-	(157,351)	-	(157,351)
Written off	-	-	(49,404)	(49,404)
Reclassification	-	-	(79,278)	(79,278)
At 31 December 2014	3,758,428	6,436,314	73,302,783	83,497,525
<b>Net book value</b>				
At 31 December 2014	21,906,932	7,936,559	211,816,510	241,660,001
At 31 December 2013	22,267,072	8,522,796	151,912,453	182,702,321
<b>At 1 January 2013</b>				
Cost	25,665,360	14,782,873	219,322,695	259,770,928
Accumulated depreciation	3,038,148	5,913,953	63,664,812	72,616,913

**Sarawak Timber Industry Development Corporation**  
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**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

**3. Property, Plant and Equipment (contd.)**

Corporation	Long term leasehold land RM	Buildings RM	Office furniture, fittings & equipment RM	Plant & machinery RM	Transportation equipment & motor vehicles RM	Total RM
<b>Cost</b>						
At 1 January 2014	14,914,450	156,585,878	7,314,956	1,374,744	6,111,296	186,301,324
Additions	-	12,500,000	437,030	-	168,900	13,105,930
Disposals	-	-	(36,582)	-	(330,309)	(366,891)
At 31 December 2014	<u>14,914,450</u>	<u>169,085,878</u>	<u>7,715,404</u>	<u>1,374,744</u>	<u>5,949,887</u>	<u>199,040,363</u>
<b>Accumulated depreciation</b>						
<b>Depreciation charge for 2013</b>	<u>298,289</u>	<u>3,131,652</u>	<u>415,000</u>	<u>27,994</u>	<u>706,918</u>	<u>4,579,853</u>
At 1 January 2014	2,462,603	39,746,676	5,908,592	1,263,719	4,714,746	54,096,336
Depreciation charge for the year	298,289	3,214,985	402,250	27,577	620,108	4,563,209
Disposals	-	-	(35,740)	-	(331,104)	(366,844)
At 31 December 2014	<u>2,760,892</u>	<u>42,961,661</u>	<u>6,275,102</u>	<u>1,291,296</u>	<u>5,003,750</u>	<u>58,292,701</u>
<b>Net book value</b>						
At 31 December 2014	<u>12,153,558</u>	<u>126,124,217</u>	<u>1,440,302</u>	<u>83,448</u>	<u>946,137</u>	<u>140,747,662</u>
At 31 December 2013	<u>12,451,847</u>	<u>116,839,202</u>	<u>1,406,364</u>	<u>111,025</u>	<u>1,396,550</u>	<u>132,204,988</u>
<b>At 1 January 2013</b>						
Cost	14,914,450	156,585,878	7,165,585	1,374,744	5,990,214	186,030,871
Accumulated depreciation	<u>2,164,314</u>	<u>36,615,024</u>	<u>5,631,318</u>	<u>1,235,725</u>	<u>4,007,828</u>	<u>49,654,209</u>

- (a) Net book values of motor vehicles of the Group held under hire purchase arrangements are RM386,083 (2013: RM612,375).
- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM72,063,240 (2013: RM77,109,008) of which RM39,542,241 (2013: RM612,375) were acquired by means of hire purchase arrangements and RMNil (2013: RM10,608,680) were acquired by deposits paid in prior year.
- (c) Net book values of property, plant and equipment of the Group that were pledged to banks for borrowings as referred to in Note 14 are as follows:

	<b>Group</b>	
	<b>2014</b> RM	<b>2013</b> RM
Aircraft	<u>74,142,612</u>	<u>78,630,655</u>

## Sarawak Timber Industry Development Corporation

(Incorporated under the Sarawak State Ordinance No. 3 of 1973)

### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 3. Property, plant and equipment (contd.)

- (d) The title deeds to certain leasehold land and buildings with net book value amounted to RM5,105,366 (2013: RM5,211,728) are in the process of being transferred or issued to one of the subsidiary.
- (e) The title deeds to the leasehold land and buildings acquired by the Corporation with net book value amounted to RM5,497,500 (2013: RM5,612,031) are in the process of being transferred or issued to the Corporation.

#### 4. Investment in subsidiaries

	Corporation	
	2014 RM	2013 RM
Unquoted shares at cost	56,479,843	66,979,839
Acquisition of a subsidiary	101,398,317	-
Less: Accumulated impairment losses	(2,250,030)	(2,250,030)
	155,628,130	64,729,809
	155,628,130	64,729,809

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Effective interests held (%)		Principal activities
	2014	2013	
PUSAKA Capital Sdn. Bhd.	100	-	Investment holding
Harwood Timber Sdn. Bhd.	100	100	) Timber trading
STIDC Belian Holdings Sdn. Bhd.	100	100	
Hillog Sdn. Bhd.	100	100	Woodworking and related timber- processing services
Tanjong Manis Furniture Sdn. Bhd.	100	100	Furniture manufacturer
Tanjong Manis Sawmill Sdn. Bhd.	100	100	Log trading
Saratim Insurance Agency Services Sdn. Bhd.	100	100	Insurance agency
Tanjong Manis Resources Sdn. Bhd.	60	60	Production of wood chip
Hornbill Skyways Sdn. Bhd.	67	67	Aviation services

**Sarawak Timber Industry Development Corporation**  
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**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

**4. Investment in subsidiaries (contd.)**

Name of subsidiaries	Effective interests held (%)		Principal activities
	2014	2013	
Tanjong Manis Development Sdn. Bhd.	-	100	Project management
Tanjong Manis Realty Sdn. Bhd.	-	100	Planning, operating, managing and marketing of realty projects
Tanjong Manis Integrated Port Sdn. Bhd.	-	100	General port management
Tanjong Manis Shipping Sdn. Bhd.	-	100	Transportation and wharfing services, trading in construction materials and construction works
Selah Timber Sdn. Bhd.	75	75	)
Amra Timbers Sdn. Bhd.	100	100	)
Kestrel Sdn. Bhd.	100	100	)
Tinamou Sdn. Bhd.	100	100	)
Balamra Sdn. Bhd.	100	100	)
Teratim Sdn. Bhd.	100	100	) Dormant
Elmhurst Sdn. Bhd.	75	75	)
Tanjung Manis Timber Training Centre Sdn. Bhd.	100	100	)
PUSAKA KS Pulp Sdn. Bhd. (formerly known as Tanjong Manis Warehouse Sdn. Bhd.)	100	100	)
Tanjong Manis Enterprise Sdn. Bhd.	100	100	)
Tanjong Manis Construction Sdn. Bhd.	100	100	)

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 4. Investment in subsidiaries (contd.)

Name of subsidiaries	Effective interests held (%)		Principal activities
	2014	2013	
<b>Subsidiaries of PUSAKA Capital Sdn. Bhd.</b>			
PUSAKA Timber Industries Sdn. Bhd.	100	100	)
PUSAKA Palm Oil Industry Sdn. Bhd.	100	100	)
PUSAKA Realty & Construction Sdn. Bhd.	100	100	)
PUSAKA Logistics & Services Sdn. Bhd.	100	100	)
			) Dormant
<b>Subsidiaries of PUSAKA Realty &amp; Construction Sdn. Bhd.</b>			
Tanjong Manis Development Sdn. Bhd.	100	-	Provision of general repairs and maintenance and supervision work
Tanjong Manis Realty Sdn. Bhd.	100	-	Planning, operating, maintenance and marketing of realty projects
<b>Subsidiaries of PUSAKA Logistics &amp; Services Sdn. Bhd.</b>			
Tanjong Manis Integrated Port Sdn. Bhd.	100	-	General port management
Tanjong Manis Shipping Sdn. Bhd.	100	-	Provision of transportation and wharfing services, trading in construction materials, renting of barges, speed boat and supplying of port handling equipment
<b>Subsidiaries of Harwood Timber Sdn. Bhd.</b>			
Bigwood Sdn. Bhd.	100	100	Extraction and sale of timber logs
Giovanni Wood Industries Sdn. Bhd.	66	66	Assembling, importing and sale of furniture and provision of reupholstery services
Harwood Timber Products Sdn. Bhd.	100	100	Production and sale of sawn timber and moulding products

All the subsidiary companies are not audited by Jabatan Audit Negara.

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 4. Investment in subsidiaries (contd.)

##### Acquisition of subsidiary

On 18 July 2014, the Corporation acquired 100% equity interest in PUSAKA Capital Sdn. Bhd. ("PUSAKA Capital"). Upon acquisition, PUSAKA Capital became a subsidiary of the Corporation. PUSAKA Capital, which is incorporated in Malaysia is principally engaged in the business of investment holding.

The carrying amount of the identifiable assets and liabilities of the subsidiary as at the date of acquisition were:

	RM
Investment in subsidiaries	99,631,315
Cash in hand	2
	<hr/>
Net identifiable assets	99,631,317
	<hr/> <hr/>
Total cost of acquisition	101,398,317
Non-cash consideration paid	(101,398,317)
	<hr/>
	-
Less: Cash and cash equivalents	(2)
	<hr/>
Net cash inflow on acquisition	2
	<hr/> <hr/>
<u>Goodwill arising on acquisition</u>	
Fair value on net identifiable assets	99,631,317
Goodwill on acquisition	1,767,000
	<hr/>
Cost of acquisition	101,398,317
	<hr/> <hr/>



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**Notes to the Financial Statements**  
**For the financial year ended 31 December 2014**

**5. Investment in associates (contd.)**

Name of associates	Effective interests held (%)		Principal activities
	2014	2013	
<b>Associate of STIDC Belian Holdings Sdn. Bhd.</b>			
KTS Timber Processing Sdn. Bhd.	30	30	Processing and sale of sawn timber

**6. Other investments**

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
(i) Quoted unit trusts at cost	143,148,559	140,734,028	60,240,980	63,109,732
Less: Accumulated impairment losses	(798,012)	(747,838)	-	-
	<u>142,350,547</u>	<u>139,986,190</u>	<u>60,240,980</u>	<u>63,109,732</u>
(ii) Unquoted shares at cost	79,899,808	79,895,595	77,932,677	77,932,677
Less: Accumulated impairment losses	(43,622,918)	(43,622,918)	(42,121,537)	(42,121,537)
	<u>36,276,890</u>	<u>36,272,677</u>	<u>35,811,140</u>	<u>35,811,140</u>
(iii) Quoted shares at cost	14,455,894	14,979,885	13,928,556	13,928,556
Less: Accumulated impairment losses	(5,712,408)	(5,801,631)	(5,710,956)	(5,710,956)
	<u>8,743,486</u>	<u>9,178,254</u>	<u>8,217,600</u>	<u>8,217,600</u>
(iv) Investments managed by ASSAR Asset Management Sdn. Bhd.	10,764,018	11,062,925	7,556,026	7,886,516
Less: Accumulated impairment losses	(3,901,795)	(3,901,795)	(3,376,723)	(3,376,723)
	<u>6,862,223</u>	<u>7,161,130</u>	<u>4,179,303</u>	<u>4,509,793</u>
(v) Structured investment	<u>2,005,828</u>	<u>4,505,828</u>	<u>2,005,828</u>	<u>4,505,828</u>
<b>Total</b>	<u><u>196,238,974</u></u>	<u><u>197,104,079</u></u>	<u><u>110,454,851</u></u>	<u><u>116,154,093</u></u>

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 6. Other investments (contd.)

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Market value of:				
(i) Quoted unit trusts	140,550,102	142,616,069	59,247,685	66,216,140
(ii) Quoted shares	26,177,769	26,671,917	24,927,957	28,618,253
(iii) Investments managed by ASSAR Assets Management Sdn. Bhd.	7,781,769	7,641,458	4,809,459	5,274,242

#### 7. Project development expenditure

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	350,486,158	317,139,407	359,486,375	326,139,624
Addition	63,265,858	36,377,218	63,265,858	36,377,218
Adjustment	(159,492,576)	-	(168,492,793)	-
Transferred to inventory	(4,476,712)	-	(4,476,712)	-
Transferred to income statement	-	(3,030,467)	-	(3,030,467)
At 31 December	249,782,728	350,486,158	249,782,728	359,486,375

#### 8. Plantation development expenditure

	Group	
	2014 RM	2013 RM
At 1 January	71,020	-
Addition	372,889	71,020
At 31 December	443,909	71,020

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 9. Short term loan receivables

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Hornbill Skyways Sdn. Bhd.	-	-	9,000,000	9,000,000

#### Long term loan receivables

(i) Tanjong Manis Food & Industrial Park Sdn. Bhd.	2,000,000	2,000,000	2,000,000	2,000,000
(ii) Hornbill Skyways Sdn. Bhd.	-	-	39,998,687	41,462,113
(iii) PUSAKA KTS Forest Plantation Sdn. Bhd.	7,346,437	7,346,437	7,346,437	7,346,437
	<u>9,346,437</u>	<u>9,346,437</u>	<u>49,345,124</u>	<u>50,808,550</u>
<b>Total</b>	<u>9,346,437</u>	<u>9,346,437</u>	<u>58,345,124</u>	<u>59,808,550</u>

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 10. Inventories

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
At cost:				
Processed timber				
- plywood and sawn timber	4,298,695	1,662,400	-	-
Timber logs	737,245	402,285	-	-
Consumables	471,653	351,286	-	-
Industrial land lots	133,987,498	128,988,939	133,987,498	128,988,939
Work-in-progress	14,690	16,692	-	-
	<u>139,509,781</u>	<u>131,421,602</u>	<u>133,987,498</u>	<u>128,988,939</u>
At net realisable value:				
Aircraft spares	3,260,042	3,298,965	-	-
Processed timber				
- plywood and sawn timber	51,069	47,308	-	-
Industrial land lots	12,000,000	12,000,000	-	-
Condominium	190,000	190,000	-	-
	<u>155,010,892</u>	<u>146,957,875</u>	<u>133,987,498</u>	<u>128,988,939</u>

Industrial land lots were revalued in May 2005 based on valuation carried out by CH Williams Talhar Wong & Yeo to reflect market value of existing use. The market value of industrial land lots revalued were RM30,146,671 (2013: RM30,146,671).

#### 11. Trade receivables

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade receivables	80,555,167	68,693,345	38,727,017	50,221,180
Due from subsidiaries	-	-	52,000	52,000
	<u>80,555,167</u>	<u>68,693,345</u>	<u>38,779,017</u>	<u>50,273,180</u>
Less: Provision for doubtful debts	(11,112,664)	(11,153,582)	(10,520,963)	(10,520,963)
	<u>69,442,503</u>	<u>57,539,763</u>	<u>28,258,054</u>	<u>39,752,217</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 12. Other receivables

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Due from subsidiaries	-	-	11,755,894	27,707,706
Due from associates	136,501	136,501	136,501	136,501
Due from related companies	1,402,085	268,793	1,263,886	-
Dividend receivable	3,622,928	690,000	2,870,350	3,176,886
Tax refundable	15,017,338	9,302,465	14,594,343	8,489,007
Deposits	1,146,618	1,170,115	677,449	669,088
Prepayments	3,768,980	4,241,858	347,579	780,193
Sundry receivables	23,066,565	32,673,444	15,167,856	25,571,817
	<u>48,161,015</u>	<u>48,483,176</u>	<u>46,813,858</u>	<u>66,531,198</u>
Less: Provision for doubtful debts	(6,754,505)	(6,573,586)	(18,028,586)	(18,028,586)
	<u>41,406,510</u>	<u>41,909,590</u>	<u>28,785,272</u>	<u>48,502,612</u>

The amounts due from subsidiaries, associates and related companies are unsecured, interest-free and have no fixed terms of repayments.

#### 13. Cash and cash equivalents

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash on hand and at banks	14,617,832	25,707,914	4,184,021	8,350,689
Deposits with licensed banks	292,255,935	324,626,262	253,047,472	273,471,603
Cash and bank balances	306,873,767	350,334,176	257,231,493	281,822,292
Bank overdraft (Note 14)	(675,922)	(392,693)	-	-
Cash and cash equivalents	<u>306,197,845</u>	<u>349,941,483</u>	<u>257,231,493</u>	<u>281,822,292</u>

The interest rates of deposits during the financial year were 1.90% - 5.47% (2013: 1.90% - 5.47%) per annum.

The fixed deposits of the Group amounting to RM10,369,273 (2013: RM10,369,273) are pledged to the banks to secure banking facilities granted as referred to in Note 14.

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 14. Borrowings

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Short term borrowings</b>				
Secured:				
Bank overdrafts (Note 13)	675,922	392,693	-	-
Term loans	7,634,542	7,517,995	-	-
Hire purchase payables (Note 15)	729,524	670,994	-	-
	<u>9,039,988</u>	<u>8,581,682</u>	<u>-</u>	<u>-</u>
<b>Long term borrowings</b>				
Secured:				
Term loans	57,813,953	70,703,528	-	-
Hire purchase payables (Note 15)	2,116,683	2,600,190	-	-
	<u>59,930,636</u>	<u>73,303,718</u>	<u>-</u>	<u>-</u>
Unsecured:				
Loan payable to the State Government of Sarawak with interest at 6.5% p.a.	125,855,260	145,213,869	125,855,260	145,213,869
	<u>185,785,896</u>	<u>218,517,587</u>	<u>125,855,260</u>	<u>145,213,869</u>
<b>Total borrowings</b>				
Bank overdrafts	675,922	392,693	-	-
Term loans	65,448,495	78,221,523	-	-
Hire purchase payables	2,846,207	3,271,184	-	-
Loan payable to the State Government of Sarawak with interest at 6.5% p.a.	125,855,260	145,213,869	125,855,260	145,213,869
	<u>194,825,884</u>	<u>227,099,269</u>	<u>125,855,260</u>	<u>145,213,869</u>
<b>Maturity of borrowings (excluding hire purchase):</b>				
Within one year	134,165,724	151,341,957	125,855,260	145,213,869
More than 1 year and less than 2 years	24,389,322	39,061,497	-	-
More than 2 years and less than 5 years	2,160,000	2,160,000	-	-
More than 5 years	31,264,631	31,264,631	-	-
	<u>191,979,677</u>	<u>223,828,085</u>	<u>125,855,260</u>	<u>145,213,869</u>

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**14. Borrowings (contd.)**

The banks' term loans interests range between 3.75% to 7.80% (2013: 3.75% to 7.80%) per annum. The term loans are secured by the following:

- (a) Leasehold land and buildings, plant and machinery and aircraft as referred to in Note 3;
- (b) Fixed deposits as referred to in Note 13;
- (c) Guarantee by the directors of a subsidiary.

\* The bank overdraft is secured by way of a subsidiary's fixed deposits. Interest is charged at 1.0% to 1.5% (2013: 1.0% to 1.5%) per annum above the base lending rate of the bank.

**15. Hire purchase payables**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	RM	RM
<b>Minimum lease payments:</b>		
Not later than 1 year	879,775	876,649
Later than 1 year and not later than 2 years	2,267,842	2,907,872
Later than 2 years and not later than 5 years	43,411	-
	3,191,028	3,784,521
Less: Future finance charges	(344,821)	(513,337)
	2,846,207	3,271,184
<b>Analysed as:</b>		
Due within 12 months (Note 14)	729,524	670,994
Due after 12 months (Note 14)	2,116,683	2,600,190
	2,846,207	3,271,184

The hire purchase bore interest from 5.00% to 8.00% (2013: 5.00% to 8.00%) per annum.

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 16. Other payables

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Due to subsidiaries	-	-	1,733,625	3,798,303
Due to associates	622,000	2,389,000	-	1,767,000
Due to a director	16,500	16,500	-	-
Sundry payables	145,145,018	117,895,766	124,212,532	97,587,075
	<u>145,783,518</u>	<u>120,301,266</u>	<u>125,946,157</u>	<u>103,152,378</u>

The amounts due to subsidiaries/associates/a director are/is unsecured, interest-free and have/has no fixed terms of repayment.

#### 17. Donated funds

Donated funds comprise surplus arising on valuation of free shares received by the Corporation. These shares are revalued to their par values. The fund is transferred to the income statement on the disposal of these shares.

#### 18. Revolving funds

The revolving funds represent funds received from the Ministry of Industrial Development allocated for the development of small to medium scale industries in Sarawak.

#### 19. Government grants

	Group/Corporation	
	2014 RM	2013 RM
At 1 January	369,081,171	312,350,697
Received during the year	25,000,000	57,690,000
Reclassified as state loan during the year	-	(56,000,000)
Utilised for project	(127,894,918)	-
	<u>266,186,253</u>	<u>314,040,697</u>
Amortisation		
- Current year	(959,526)	(959,526)
- Over provided in prior year	-	56,000,000
At 31 December	<u>265,226,727</u>	<u>369,081,171</u>

The government grants received are for the purpose of project development as disclosed in Note 7.

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20. Deferred tax	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	(19,462,019)	(8,396,653)	(9,107,000)	(470,000)
Recognised in the income statement (Note 26)	(57,705)	(11,065,366)	969,000	(8,637,000)
At 31 December	<u>(19,519,724)</u>	<u>(19,462,019)</u>	<u>(8,138,000)</u>	<u>(9,107,000)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	1,825,000	160,000	1,717,000	-
Deferred tax liabilities	(21,344,724)	(19,622,019)	(9,855,000)	(9,107,000)
	<u>(19,519,724)</u>	<u>(19,462,019)</u>	<u>(8,138,000)</u>	<u>(9,107,000)</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Group:**

	Accelerated capital allowances RM
At 1 January 2014	(44,298,039)
Recognised in the income statement	(174,705)
At 31 December 2014	<u>(44,472,744)</u>

**2013**

At 1 January 2013	(28,728,653)
Recognised in the income statement	(15,569,386)
At 31 December 2013	<u>(44,298,039)</u>

**Deferred tax assets of the Group:**

	Tax losses and unabsorbed capital allowances RM
At 1 January 2014	24,836,020
Recognised in the income statement	117,000
At 31 December 2014	<u>24,953,020</u>

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 20. Deferred tax (contd.)

##### Deferred tax assets of the Group (contd.):

**Tax losses and  
unabsorbed capital  
allowances**  
RM

##### 2013

At 1 January 2013	20,332,000
Recognised in the income statement	4,504,020
At 31 December 2013	<u>24,836,020</u>

##### Deferred tax liabilities of the Corporation:

**Accelerated  
capital allowances**  
RM

At 1 January 2014	9,107,000
Recognised in the income statement	(969,000)
At 31 December 2014	<u>8,138,000</u>
<b>2013</b>	
At 1 January 2013	470,000
Recognised in the income statement	8,637,000
At 31 December 2013	<u>9,107,000</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>2014</b>	<b>Group</b>
	RM	2013 RM
Accelerated capital allowances	387,000	919,000
Unused tax losses	9,745,000	9,328,000
Unabsorbed capital allowances	6,033,000	6,955,000
	<u>16,165,000</u>	<u>17,202,000</u>

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group are subject to no substantial changes in shareholdings of the respective subsidiaries under the Income Tax Act, 1967 and guidelines issued by the authority.

#### 21. Deposits

Deposits are for the progress payments on modification of helicopters.

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**22. Revenue**

Revenue of the Group and of the Corporation consists of the following:

	<b>Group</b>		<b>Corporation</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	RM	RM	RM	RM
Aviation services	74,028,301	88,335,627	-	-
Bad debts recovered	52,492	339,587	-	339,587
Commission income	1,547,380	2,056,539	-	-
Gain on disposal of investments	34,954,089	714,491	34,362,515	-
Gain on disposal of investment property	340,000	-	-	-
Gain on disposal of property, plant and equipment	740,576	3,284,570	24,285	-
Gain on foreign exchange				
- realized	80,073	-	-	-
- unrealized	6,983	1,893	-	-
General repair and maintenance services	4,452,615	36,000	-	-
Gross dividends				
- other investments	5,864,568	3,072,921	4,628,081	4,271,568
- subsidiaries	-	-	4,887,875	7,594,886
Government grant	169,077	89,479	-	-
Interest income	12,122,502	10,163,656	10,608,067	10,361,987
Management fees	462,466	272,661	462,466	326,661
Other operating income	3,727,354	13,762,353	1,472,823	1,795,008
Revenue on project development	(1,462,745)	333,345	(1,462,745)	333,345
Other services	44,188,289	48,091,244	1,278,259	821,968
Premium income	-	621,774	-	-
Provision for doubtful debts no longer required	40,918	2,200	-	-
Registration fees	646,425	631,501	646,425	631,501
Rental income	1,247,953	463,472	-	-
Sale of construction, furniture and hardware materials	240,882	538,126	-	-
Sale of woodchips, timber logs, sawn timber and peat swamp logs	44,042,561	44,767,983	-	-
Sales of aircraft spares	-	82,679	-	-
Timber premium	17,496,451	14,676,076	17,496,451	14,676,076
	<u>244,989,210</u>	<u>232,338,177</u>	<u>74,404,502</u>	<u>41,152,587</u>

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 23. Cost of sales

Cost of sales of the Group and of the Corporation consists of the following:

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Cost of construction, furniture and hardware materials sold	428,320	414,168	-	-
Cost of woodchips, timber logs, sawn timber and peat swamp logs sold	39,359,671	40,208,205	-	-
Cost of aviation services	64,825,258	72,141,934	-	-
Cost of other services	19,358,309	30,893,467	-	-
	<u>123,971,558</u>	<u>143,657,774</u>	<u>-</u>	<u>-</u>

#### 24. Profit/(loss) from operations

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(loss) from operations is stated after charging:				
Staff costs	73,613,523	69,404,956	29,303,154	27,968,734
Auditors' remuneration				
- current year	139,735	149,094	935	18,294
- underprovision in prior years	10,700	3,000	-	-
Bad debts written off	1,222	32,473	1,222	-
Depreciation of property, plant and equipment	39,493,182	32,367,639	4,563,209	4,579,853
Directors' remuneration				
- fees	1,034,314	1,168,756	30,600	30,600
- other emoluments	662,519	820,906	-	-
Distribution investment written off	104,453	-	-	-
Inventory written off	22,849	-	-	-
Lease rental of equipment	712,170	90,003	366,065	67,463
Loss on disposal of property, plant and equipment	-	4,035	-	4,035
Interest expense	6,749,091	4,217,553	709,104	976,009

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24. Profit/(loss) from operations (contd.)	Group		Corporation	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit/(loss) from operations is stated after charging: (contd.)				
(Gain)/loss on foreign exchange				
- realised	43,590	135,758	-	-
- unrealised	(6,983)	(1,893)	-	-
Property, plant and equipment written off	17,792	4,347	-	-
Provision for diminution in value of investments	50,174	6,427	-	-
Provision for doubtful debts	180,919	125,542	-	-
Rental of aircraft	1,722,211	14,213,399	-	-
Office rental	688,030	860,417	297,750	332,000
	=====	=====	=====	=====
And crediting:				
Bad debts recovered	52,492	-	-	339,587
Provision for doubtful debts no longer required	40,918	2,200	-	-
Creditors written off	3,065,766	450	-	-
Dividend income	5,864,568	3,072,921	9,515,956	9,379,568
Gain on disposal of investment	34,954,089	714,491	34,362,515	-
Gain on disposal of property, plant and equipment	994,187	3,284,570	24,285	-
Interest income	12,122,502	10,163,656	10,608,067	10,361,987
Rental income	1,247,953	463,472	-	-
Provision for diminution in value of investment no longer required	89,223	-	-	-
Gain on foreign exchange -realised	27,309	-	-	-
	=====	=====	=====	=====

## Sarawak Timber Industry Development Corporation

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### Notes to the Financial Statements For the financial year ended 31 December 2014

#### 25. Finance costs

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest expense	6,749,091	4,217,553	709,104	976,009
Others	12,716	209,747	-	-
	<u>6,761,807</u>	<u>4,427,300</u>	<u>709,104</u>	<u>976,009</u>

#### 26. Income tax expense

	Group		Corporation	
	2014 RM	2013 RM	2014 RM	2013 RM
Tax expense for the year	2,661,605	4,073,295	1,020,000	2,557,052
Under/(over) provided in prior years	289,921	(50,687)	-	-
	<u>2,951,526</u>	<u>4,022,608</u>	<u>1,020,000</u>	<u>2,557,052</u>
Deferred tax (Note 20): Relating to origination and reversal of temporary differences	476,921	2,892,806	(428,000)	(11,000)
(Over)/under provided in prior years	(419,216)	8,172,560	(541,000)	8,648,000
	<u>57,705</u>	<u>11,065,366</u>	<u>(969,000)</u>	<u>8,637,000</u>
Share of taxation of associates	1,043,640	(717,292)	-	-
	<u>4,052,871</u>	<u>14,370,682</u>	<u>51,000</u>	<u>11,194,052</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's tax rate of 25% effective from year of assessment 2016.

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**Notes to the Financial Statements**  
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**26. Income tax expense (contd.)**

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	<b>Group</b>		<b>Corporation</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	RM	RM	RM	RM
Profit before tax	33,590,497	18,562,216	33,436,027	1,965,772
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	8,397,624	4,640,554	8,359,007	491,443
Income not subject to tax	(12,647,632)	(1,785,912)	(11,229,404)	(1,184,858)
Expenses not deductible for tax purposes	7,160,112	4,058,600	3,462,397	3,239,467
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(83,796)	(11,400)	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	305,518	64,259	-	-
(Over)/under provision of deferred tax in prior years:				
Company and subsidiaries	(412,516)	8,172,560	-	8,648,000
Under/(over) provision of tax expense in prior years:				
Company and subsidiaries	289,921	(50,687)	(541,000)	-
Share of results of associates	1,043,640	(717,292)	-	-
<b>Tax expense for the year</b>	<b>4,052,871</b>	<b>14,370,682</b>	<b>51,000</b>	<b>11,194,052</b>



**SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION (STIDC)  
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