

PUSAKA

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LAPORAN TAHUNAN  
**ANNUAL REPORT**  
**2011**

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The Leader and Catalyst of the Timber Industry



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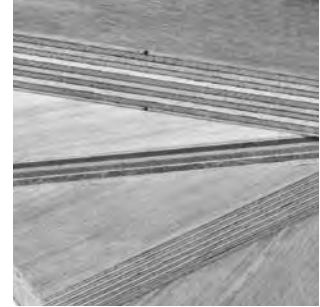
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# Corporate Vision

STIDC as the Leader and Catalyst of the Timber Industry.

# Corporate Mission

STIDC plays its roles in planning, co-ordinating and developing the timber industry in Sarawak towards optimum and efficient utilisation of timber resources by encouraging downstream processing and product diversification. In line with these objectives and the National Vision 2020, STIDC is responsible for the development of disciplined, skilled and capable human resources.

# Corporate Functions

To control and co-ordinate the manufacturing standards and trade practices of the timber industry;

To make recommendations to the Government as to the methods, measures and policies to be adopted to facilitate the improvement of the existing timber industry, and where approved by the Governor-in-Council, to implement and assist in the implementation of the same;

To encourage the effective utilisation of timber with emphasis on products diversification and quality control;

To promote, stimulate and facilitate the development of timber industry in Sarawak, and in connection with the discharge of its functions to assist any person engaged in the production and marketing of timber and timber products;

To provide technical advisory services for the purpose of assisting in the development of the existing timber industry and in the establishment of new industries; and

To provide training in various aspects of logging operations, activities associated with the timber processing, sawmilling, sales and marketing of timber and timber products.





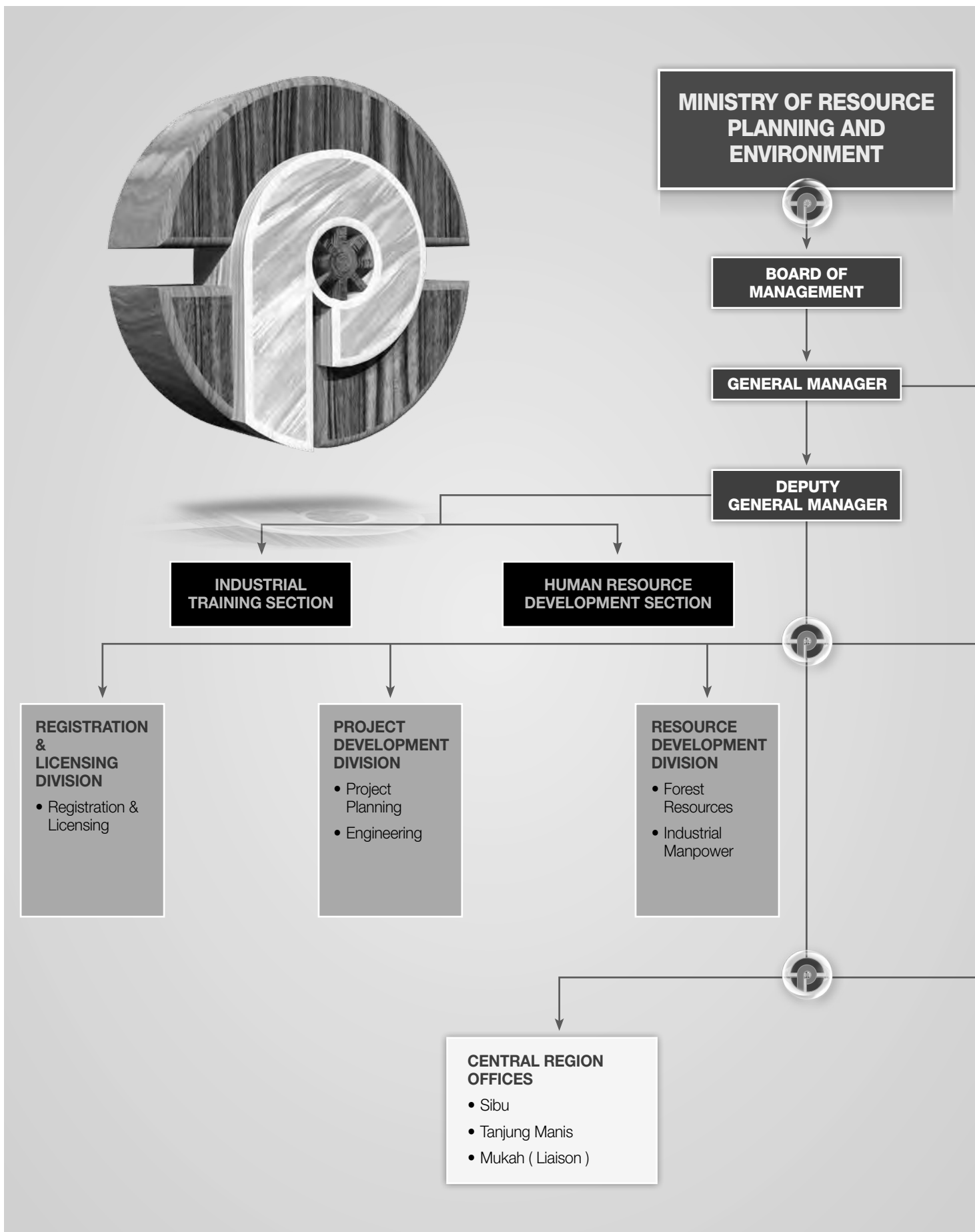


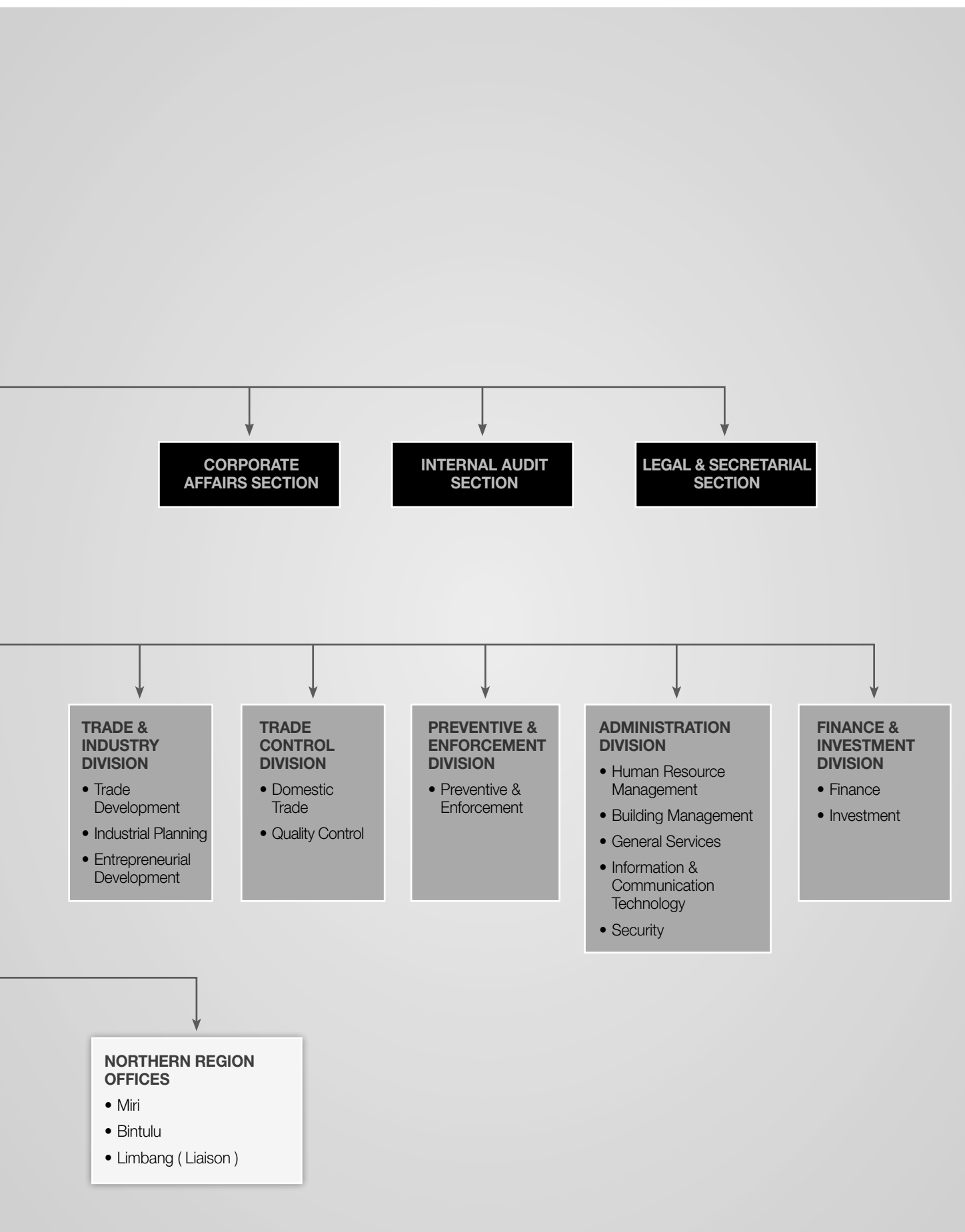


# *Corporate Structure*



# Corporate Structure









# ***Corporate Management***

## ***Board Of Management***



### **Chairman**

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**Datuk Amar Haji Awang  
Tengah Ali Hassan**

*Minister of Resource Planning and Environment II*

*Minister of Industrial Development*

*Minister of Public Utilities*

*Chairman of STIDC Board of Management*





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



Dato Sri Ahmad Tarmizi bin  
Haji Sulaiman  
*State Financial Secretary*



Tan Sri Datuk Amar (Dr.) Haji  
Abdul Aziz bin Dato Haji Husain



Datu Wan Alwi bin Dato' Sri  
Wan Hashim  
*Permanent Secretary,  
Ministry of Resource Planning and Environment*



Tuan Haji Julaihi bin Haji  
Narawi



Datuk Dr. Yusuf Hadi



# Management Team



## General Manager

Datu Haji Sarudu Haji Hoklai

1. Tuan Haji Hashim Haji Bojet  
*Deputy General Manager*
2. Puan Dayang Nena Abang Bruce  
*Senior Assistant General Manager (Trade & Industry)*
3. Puan Sadiah Binti Tu  
*Senior Assistant General Manager (Project Development)*
4. Cik Hajjah Haluyah Awi  
*Senior Assistant General Manager (Administration)*
5. Encik Tagat Jimbat  
*Senior Assistant General Manager (Trade Control)*
6. Puan Catherine Sng Bee Seio  
*Assistant General Manager (Finance & Investment)*
7. Encik Edmund Daging Mangku  
*Assistant General Manager (Resource Development)*
8. Encik Mohd Hinri Abdullah  
*Assistant General Manager (Preventive & Enforcement)*
9. Puan Suraya Haji Mohd. Ali  
*Assistant General Manager (Registration & Licensing)*
10. Tuan Haji Wan Ahmad Lutfi Wan  
Zainal Abidin  
*Acting Assistant General Manager (Project Planning)*
11. Encik Jerry Mawan Lading  
*Northern Regional Manager*
12. Encik Paul Lau Ngie Hung  
*Central Regional Manager*
13. Puan Rosleenda Sayumi Binti  
Ismail  
*Legal & Secretarial Manager*









# ***Chairman's Statement***



# Chairman's Statement



Assalamualaikum

Warahmaatullahi Wabarakatuh.

**O**n behalf of STIDC I am honoured to present this Annual Report and Financial Statement for the year ended 31<sup>st</sup> December 2011.

2011 had seen a dip in the overall market performance of the timber and timber products by 4% to RM7.09 billion compared with RM7.35 billion in 2010. The decline in export value were that of logs (6%), sawn-timber (16%), plywood (0.5%), veneer (5%), moulding (27%), dowel (24%) and woodchips (18%). These were attributed to uncertainties in the global market situation. However, several products had registered an increase in value in 2011 including laminated board/flooring (37%), fibre-board (0.43%), block-board (0.33%) and particleboard (35%).

Despite the global market volatility, STIDC continued to play its pivotal role in leading and catalysing the Sarawak's wood-based industry and involved actively in important events to meet the needs of the industry.

As usual, we did not miss the golden opportunity to participate in both the Malaysian International Furniture Fair 2011 and the Export Furniture Exhibition 2011 in Kuala Lumpur. Besides keeping abreast with the current trends in furniture designing and exploring market opportunities, our involvement in these events also manifested our concerted efforts in helping the industry to grow and stay competitive. The Timber Selling Mission was also organised to Guangzhou and Shanghai in order to explore the market opportunities in China.

In the efforts to promote Tanjung Manis Halal Hub (TMHH) at international level, STIDC had participated in the Invest Malaysia 2011 Forum in Abu Dhabi. Our participation among others aimed to help the potential investors to understand and discuss the immense investment opportunities as well as the facilities available in TMHH. TMHH is a component of the Sarawak Corridor of Renewable Energy (SCORE) in which STIDC plays its pivotal role in providing the infrastructure aside from being a major player in overseeing the overall implementation of this project and ensuring its success.

The project is in tandem with the Malaysian Government Master Plan to transform the country into a global halal hub. Featuring a sustainable green energy development model, TMHH is poised to become the first one-stop halal hub in Sarawak for upstream and downstream halal food processing and manufacturing activities. With over 77,000 hectares earmarked for this project, it will be the largest halal hub in the world.

The incorporation of advanced technology, renewable energy and sustainable practice will also make it one of the most scientifically and environmentally advanced halal hub in the world. Among others, TMHH will spur activities in the fields of aquaculture, poultry and egg production, livestock and meat production, fruit gardens, animal feed mills and the overall bio-tech industry. Tanjung Manis and its neighbouring areas stand to gain from this project particularly in terms of new infrastructure development as well as business and employment opportunities.

A Memorandum of Understanding was also signed between the Ministry of Plantation Industries and

Commodities (MPIC) and STIDC. This was in line with MPIC's agreement to sponsor the Palm Oil Industrial Cluster and the related projects under the 10th Malaysia Plan (2011-2015) in Tanjung Manis. MPIC had given an initial allocation of RM20 million to STIDC to implement the project.

Another important event that had taken place in 2011 was the Sarawak Furniture and Home Expo which was held for the first time in the state. The expo which was initiated by the Sarawak Furniture Industry Association aimed to promote downstream activities particularly furniture making so as to add value to end products for better returns.

This was followed by the Furniture Seminar which was jointly organised by the Ministry of International Trade and Industry, Forest Research Institute Malaysia, University Malaysia Sarawak and STIDC. The main objective of the seminar was to enhance the business competitiveness of STIDC furniture vendors.

It is hoped that the wood-based industry in Sarawak had taken full advantage of these events in leveraging this sector to greater height. STIDC will continue to play its role in ensuring a robust wood-based industry for the state's economy.



**THE HONOURABLE DATUK AMAR HAJI  
AWANG TENGAH ALI HASSAN**

*Minister of Resource Planning and Environment II  
Minister of Industrial Development  
Minister of Public Utilities  
Chairman of STIDC Board of Management*







# *Corporate* **Profile**



# Resource Development



• One of the planted forest nurseries in Sarawak



The Resource Development Division, one of the main operational divisions in STIDC, continued to assist to ensure the sufficient supply of raw materials and human capital for sustained development of timber industry in the State. Towards this end, the activities undertaken by this division consisted of the implementation of Log Quota Policy, assessment of Ramin Export Quota, processing of Log Importation application, direct involvement in the establishment of planted forests and close monitoring the logging progress of timber licensed area.



## Forest Resources

In 2011, there were 175 timber licensees affected by quota policy, the same number as last year. The volume of logs allocated for local processing for the year was about 6.2 million m<sup>3</sup>, the same volume as last year. The policy still required 60% of the total logs production for local processing, though there were some licensees only required 50% of the total logs production for local processing. The log quota policy's performance for the year was about 68% amounting to 4.2 million m<sup>3</sup> of logs compared with 71% amounting to 4.4 million m<sup>3</sup> in 2010.

The unsatisfactory performance of this policy was mainly attributed to no logs production syndrome of the affected licensed areas. In 2011, 42 of timber licensees had no logs production compared to 36 in 2010. The installed capacity of mills is still at 11.0 million m<sup>3</sup> and any shortfall in the logs supply might be complemented by logs produced from non-quota affected licensed areas.

Sarawak was also allocated a Ramin Export Quota of 3,178 m<sup>3</sup>, the same quota as last year. The introduction of Ramin export quota since 2005 was a precautionary mechanism to protect Ramin species from possible extinction in the State. In 2011, a total of 995 m<sup>3</sup> of Ramin timber products was exported compared to 2,586 m<sup>3</sup> the previous year. The drastic reduction of exported volume indicated that the Ramin supply was depleting rapidly. Accordingly, the Ramin based industry was advised to seek an alternative source of raw materials to remain competitive.

To further complement the supply of raw materials for timber processing industry, the importation of logs was permissible with the approval from the Ministry of Resource Planning and Environment. During the year, 12 companies were allowed to import 175,600 m<sup>3</sup> logs

of various exotic species compared to 10 companies with a volume of 32,970 m<sup>3</sup> in 2010.

Monitoring of the logging progress of STIDC's Timber concession areas and the planting progress of planted forests were another important task undertaken during the year. The close monitoring is crucial to ensure that the harvesting operations were carried out in accordance with the terms and conditions of the forest timber licence. Likewise, the monitoring of planting progress of planted forests was also important so that the planting operations were carried out consistent with the management prescriptions of the area. The monitoring was done to propose the ways forward in case of any shortcoming in the implementation process.



## Industrial Manpower

Another principle functionality undertaken was to ensure that the supply of human capital for the development of timber industry and forest plantation was sufficient and readily available. To determine the adequacy and compatibility of workforce to the capacity of timber processing industry, a matrix system has been used as a tool. Efforts were also initiated to formulate matrix for other timber processing industry and forest plantation sectors.

In 2011, timber industry sector had a direct employment of 45,000 people comprising both local and foreign workers. This employment figure only captured workforce in those timber companies applied for foreign workers.

## Trade & Industry

The Trade and Industrial Division consists of three sections namely the Trade Development Section, Industrial Planning Section and Entrepreneurial Development Section. These sections report direct to the Senior Assistant General Manager (Trade and Industrial).



• Datuk Amar Haji Awang Tengah Ali Hassan (front center) together with Sarawak delegation at the Sarawak Timber Seminar and Business Meeting in Shanghai



## Trade Development

The export performance of the timber sector slowed down in 2011 which was aggravated by the uncertain global economic growth and continuous political uncertainties in certain consuming markets. Sarawak exports of timber and timber products decreased by 4% from RM7.4 billion in 2010 to RM7.1 billion in 2011.

STIDC continued to make concerted efforts in enhancing and sustaining the growth of the timber sector through its various annual programmes. In 2011, STIDC had aggressively promoted the timber industry by participating in the Malaysian International Furniture Fair (MIFF), Export Furniture Exhibition (EFE), GreenTech Asia, Furniture Manufacturing & Supply China (Shanghai) and Index Trade, Mumbai, India. The involvements of STIDC in these exhibitions, among others, aimed to promote locally produced timber products besides creating awareness on the sustainability and legality of the timber supply from Sarawak.

During the year, STIDC had organised an investment and timber selling mission to the People's Republic of China (Guangzhou and Shanghai), 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 Sarawak cum Chairman of STIDC Board of Management.

In the effort to share and disseminate the latest information on issues related to

- STIDC exhibition booth in conjunction with the Export Furniture Exhibition 2011 in Kuala Lumpur



the timber industry, the Industry Update Programme was conducted. Among the topics deliberated during the forum were “Trade remedies as a trade defense instruments”, “Malaysia FTA with other countries”, “Underwriting perspective and experience” and “Timber certification - opportunities and challenges”. STIDC continued to facilitate and address pertinent issues affecting the timber industry under the Inter Agency Committee (IAC).

Besides the on-going review on the anti-dumping measure imposed on the import of plywood by South Korea, the Directorate General of Anti-Dumping & Allied Duty, India (GDAD) had also carried out investigation on *MDF or resin or other organic substances bonded wood or ligneous fibre board* measuring 6 mm and below imported from Malaysian. STIDC had taken the necessary measures with the affected manufacturers and exporters in the state and advised them to register as an interested party with GDAD.

STIDC and other related government agencies in collaboration with the Sarawak Timber Association (STA) had also produced

an information booklet on *Legality Verification of Logs* in Sarawak. The booklet serves to explain the legality verification of logs as currently practised in Sarawak in terms of the tracking and traceability of log movement along the chain of custody from the forest to the mill or export point.

In addition, STIDC had also placed an advertorial on *Sarawak Timber Legality System* in international established magazines, namely the *Timber Trade Journal* (UK), *Het Houtbald* (the Netherlands) and *Asian Timber* as part of the public relations campaign and efforts to promote our legality system to the international community and stakeholders.



To complement these efforts, STIDC together with the relevant agencies had involved in a high level market dialogue between Indonesia, the European Union and Japan that was held in Jakarta, Indonesia. STIDC had also participated in the 10<sup>th</sup> Meeting of the Working Group on a Pan Asean Timber Certification initiative held in Yogyakarta, Indonesia. Sarawak continued to be involved in the FLEGT VPA negotiations between Malaysia and the European Union (EU) but had taken a phased approach on the implementation of the FLEGT VPA.

STIDC will continue to ensure that appropriate measures are taken to synergise efforts in facilitating the development of timber trade in the State.





## Industrial Planning

The key roles of the Industrial Development Section are to develop, review, monitor and report the status of development plan for the wood-based industry in Sarawak. In addition, it also involved in the development of the new and revised standards for timber products both at the national and international levels.

The timber sector, being the mainstay of the state's socio-economy continued to contribute significantly in terms of export earnings as well as investment and employment opportunities. In 2011, there were 870 wood-based mills in Sarawak with the primary industry utilising about 7.7 million m<sup>3</sup> of logs. The production of primary products like plywood, veneer and sawn-timber were 2,707,661 m<sup>3</sup>, 963,729 m<sup>3</sup> and 693,108 m<sup>3</sup> respectively. The products were further processed into value-added products including dowel, moulding, laminated board, block board and furniture. Wood residues were also utilised to produce fibreboard, particle board, woodchips, briquettes, pellets, pallet blocks and core plugs. The

total export earnings of timber and timber products for Sarawak in 2011 were RM7.085 billion.

In ensuring a continuous diversification of the wood-based downstream activities, STIDC had conducted a feasibility study to evaluate the potential of developing a high yield pulp mill in Sarawak. The mill has the potential to utilise *Acacia mangium* wood harvested from planted forest establishments. This energy intensive industry is poised to benefit from the availability of electricity generated by the hydro powered dams.

STIDC also continued to implement the environmentally friendly initiatives for the timber industry in Sarawak. In 2011, we had organised several workshops in Sibul and Bintulu Divisions to create awareness on eco-labeling for the timber products. This was followed by a carbon footprint study using the life cycle inventory method. The study was concluded in collaboration with SIRIM, Sarawak Forestry Corporation and Sarawak Timber Association.



• Overview of a plywood mill in Sarawak





• Datuk Amar Haji Awang Tengah (seated left) trying the locally made furniture while Datu Haji Sarudu (seated right) and other VIPs look on



## 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 co-ordinating matters related to infrastructure, contract distribution, marketing and promotion, credit facilities, product development and technical advices as well as trainings and human resource development.

In 2011, there were 50 Bumiputera furniture vendors in Sarawak in which 40 of them were active. These vendors had employed 307 skilled and semi-skilled workers. 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 2011, STIDC together with its furniture vendors had participated in various promotional and marketing activities statewide including the furniture exhibitions, expositions and sales. Similarly, they had also involved actively in the skill 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.

# ***Project Development***

The Project Development Division comprised two sections namely the Project Planning Section and Engineering Section. It is in-charged by a Senior Assistant General Manager (Project Development).



STIDC officials leading a group of Mitsubishi Corporation, •  
Kuala Lumpur branch to view the investment opportunities in Tanjung Manis



## Project Planning



• Datuk Amar Haji Awang Tengah Ali Hassan (3<sup>rd</sup> left) and Tanjung Manis Member of Parliament, Datuk Hajjah Norah Tun Abdul Rahman (2<sup>nd</sup> right) together with other VIPs at the opening of the Invest Malaysia 2011 in Abu Dhabi

The State Government aspires to transform Tanjung Manis into a new economic hub for the central region of Sarawak. In line with this, STIDC was tasked to oversee the overall development of Tanjung Manis. In undertaking this task, STIDC focuses on the development of industrial lots and basic infrastructure for potential economic activities in Tanjung Manis as well as the 77,000 hectares Halal Hub. Upon completion, the Tanjung Manis Halal Hub is poised to be the largest halal hub in the world.

STIDC also continued to play important role in managing the Tanjung Manis Airport, Furniture Industrial Complexes in Kuala Baram, Kota Samarahan and Tanjung Manis apart from property development at Sumber Alam Sanctuary and Tanjung Manis.

Under the development of Tanjung Manis, the Project Planning Section looked into the development master plan including land use and provided the various infrastructure development plans to support the economic activities of this area. Towards that end, the Section ensured that approvals of the relevant authorities such as the State Planning Authority and other regulatory agencies were obtained. In addition, it also handled land matters with the Land and Survey Department and the communities in ensuring that

the designated land for the intended development purposes were rightfully vested with STIDC.

Another important role played by the Project Section were the sourcing of resources and finance for projects implementation as well as handling of sales of industrial lots, co-ordinating application and renewal of Sand and Gravel Licences aside from carrying out related studies and processing appointments of project consultancy and contractors through tenders and quotations. Besides, it continued to promote the investment opportunities in Tanjung Manis and facilitated the visits by investors, government agencies and members of the public to the project sites.

Apart from the said activities, the Project Planning Section had also participated in various international events such as the Invest Malaysia 2011 Forum in Abu Dhabi, Sarawak Business Expo in Pontianak, Penang International Expo and Conference as well as the Technical Site Inspection, Verification and Comparison of ASEAN Ports particularly in Bangkok and Ho Chi Minh.







• The Proposed Jalan Serdeng (Package A) project





• Oil, Gas and Chemical Jetty

## Engineering

The Engineering Section which was formerly known as the Technical Services Section was established in 2011. Its core function is to manage the STIDC's projects either in the Sarawak Corridor of Renewable Energy (SCORE), Palm Oil Industrial Cluster (POIC) or Tanjung Manis. It covered among others, the Small and Medium Entrepreneur Projects, Office Building Projects and the Housing Projects. In carrying its function, the Engineering Section is responsible for the followings:

- project planning;
- project management such as implementation, monitoring, testing and commissioning;
- contract administration including documentations such as drawings, specifications, valuation, tender documents, processing and checking of tender;
- planning, budgeting, managing and monitoring of projects under the Tenth Malaysia Plan (2011-2015) through the Sarawak Monitor for the State Projects and SPPH for the Federal Projects; and
- providing technical services and input for STIDC internal and external projects.



Two projects had been completed in 2011 namely the Shipping Industrial Zone Development Project at Lot 659 and Lot 657 and the Oil, Gas and Chemical Jetty Project.

In addition, three other projects are still in progress namely the Proposed Jalan Serdeng (Package A – Road, Drainage and Associated Works; the Proposed Jalan Serdeng (Package B – Electrical and Telecommunication Infrastructure; and the Proposed POIC (Package B – Sand-filling, Roads, Drainage, Water Reticulation, Electrical and Telecommunication Infrastructure).



• Central Oil Distribution Terminal under construction



• STIDC official together with the consultant and contractor checking the settlement level of the POIC project

# Trade Control

Effective May 2011, the Domestic Trade Division was renamed as the Trade Control Division. Since then, the Quality Control Section had come under the purview of this division besides the Domestic Trade Section.





## Domestic Trade

Significant achievements were made by the Domestic Trade Section in 2011 in tandem with the ISO 9001:2008 requirements. These included the strengthening of the e-Permit system as well as the implementation of the Attachment Module and Dynamic Report to enhance the delivery services for customers' satisfaction.

During the year, the issuance of export licenses had dropped by 26% to 23,000 licenses compared with 29,000 licenses in 2010. However, there was a steady increase in the issuance of import licenses by 88% to 132 compared with 70 licenses in 2010.

The export volume of timber and timber products had declined by 19% to 6.7 million cubic metres in 2011 compared with 8.3 million cubic metres in 2010. Similarly, the export value had also decreased by 3.7% to RM7.1 billion compared with RM7.4 billion in 2010.

India was the major consumer for logs with the import volume of 1.9 million cubic metres to RM1.1 billion. Japan, on the other hand was the major consumer for plywood with the import volume

of 1.3 million cubic metres to RM2.4 billion. The leading consumer for sawn-timber was Thailand with the import volume of 236,000 cubic metres to RM220 million. For veneer, Taiwan was the main consumer with the import volume of 110,000 cubic metres to RM124 million.

Meanwhile, the volume of imported timber for 2011 had increased by 9% to 222 cubic metres from 202 cubic metres in 2010. Likewise, the import value had also increased by 6.7% to RM358,000.00 from RM332,000.00 in 2010. Chile, being the major producer of imported timber in 2011 had contributed 95 cubic metres to RM95,000.00 with Mountain Ash as the main species.

The Domestic Trade Section had successfully achieved 100% of the quality objective for three consecutive years. It covered the processing and issuing of the export and import licenses for timber and timber products under the Customs Act 1967 within one (1) working day for timber and three (3) working days for timber products as stipulated in the ISO 9001:2008.



• Staff of Trade Control Division processing the export and import licences for timber and timber products



• Verification of Belian (*Eusideroxylon zwageri*) timber species



## Quality Control

In 2011, the volume of graded timber for Sarawak was 767,972.3810m<sup>3</sup> with a total of 5,647 Grading Certificates approved. This contributed to RM813, 713.85 in terms of grading fees collected.

## Sarawak's Grading Performance – 2011



• Identification of Belian (*Eusideroxylon zwageri*) timber species according to its wood anatomy

Region	Volume (M <sup>3</sup> )	Fees (RM)	Certificates	%
Bintulu	391,578.4493	411,515.30	2,671	50.99
Sibu	248,372.5905	263,670.80	1,813	32.34
Kuching	79,924.6009	85,715.00	666	10.41
Tanjung Manis	24,345.2277	26,833.50	281	3.17
Miri	20,730.2067	22,515.10	182	2.70
Limbang	3,021.3059	3,464.15	34	0.39
Total	767,972.3810	813,713.85	5,647	100

Thailand became the largest export destination with 238,450m<sup>3</sup> or 31.04% while Syarikat Eden Wood Trading Sendirian Berhad in Bintulu was the leading exporter with 41,143.0742m<sup>3</sup>.

All the 5,642 applications were processed within the quality objective period whereby the grading certificates had been approved within seven working days. Out of these, 5,421 or 96.08% applications were processed within four working days.



• Log grading in progress



## Registration & Licensing





• STIDC officials carrying out registration and licensing activities

STIDC, through its Registration and Licencing Division had received and approved 1,618 registration applications in 2011 compared with 1,659 applications in 2010, representing a decline of 2.47% or 41 applications. Kuching continued to record the highest number of applications received with 39.25% or 635 applications.

Similarly, the revenue earned from registration activities had also declined by 6.04% to RM524,818.00 in 2011 compared with RM558,584.00 in 2010. Besides, the revenue earned from mill registration in 2011 was RM154,350.00 in which the registration of plywood mills became the major contributor with RM75,250.00, followed by veneer mills (RM22,050.00), furniture mills (RM11,050.00) and others (RM46,000.00).

Efforts were made to create awareness among the industry players on the importance of mill registration. Subsequently, 114 companies were

registered compared with the targeted number of 100 companies for 2011.

In terms of Mill Registration (ICC/ICA) applications, a total of 40 applications were approved in 2011, representing a growth of 53.8% or 14 applications compared with 26 applications approved in 2010. However, only the local investors had shown keen interest in these projects.

As far as the approved project cost is concerned, it had dropped by 92.3% to RM65.59 million in 2011 compared with RM856 million in 2010. Downstream products such as plywood, sawn-timber, panel products, furniture, door and window frames, briquette, compressed wood and biomass pellets were among the products approved for the project.

Similar trend was recorded for paid-up capital which had also seen a decline by 25% to RM88.25 million in 2011 compared with RM117.70 million in 2010. Likewise, employment opportunities had also dropped by 50% to 1567 in 2011 compared with 3133 in 2010.



• Participants of the brainstorming session on registration activities together with the STIDC General Manager, Datu Haji Sarudu Haji Hoklai (sitting in the middle). Also seen are the Deputy General Manager, Haji Hashim Bojet (seated 2<sup>nd</sup> left) and Assistant General Manager (Registration & Licensing), Mdm. Suraya Haji Mohd. Ali (seated 2<sup>nd</sup> right)

## Preventive & Enforcement



• Enforcement activity in progress



• Preventive & Enforcement Division staff carrying out enforcement activity

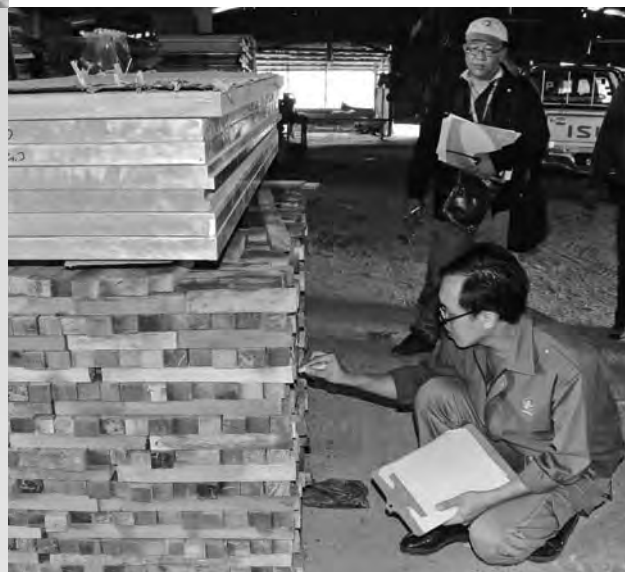
STIDC's function among others is to regulate the manufacturing standards and trade practices in the timber industry in Sarawak. This is to facilitate orderly and sustainable development of the industry.

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. Thus, empowering STIDC to undertake preventive measures and enforcement actions to ensure that persons involve in activities relating to the timber industry such as manufacturing, import, export as well as quality control comply with the relevant regulations and procedures.



• Enforcement activity in progress

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 designated entry points for timber, STIDC had been able to closely monitor and control the importation of timber and timber products from Kalimantan, Indonesia. Thus, ensuring that only timber and timber products supported with documents issued by the Indonesian authorities are allowed to be imported into Sarawak. These activities



also includes conducting regular patrols along the Sarawak / Indonesia border with the co-operation of other enforcement agencies such the Police, Military, Forest Department, Sarawak Forestry Corporation, Customs Department and Malaysian Maritime Enforcement Agency. The close co-ordination of enforcement activities with these enforcement agencies had contributed to the success in combating smuggling of timber from Indonesia.

In undertaking preventive measures, STIDC also maintained close contact with existing and potential timber importers to update them of 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 will not be hindered as the results of haphazard development caused by illegal mills.



# Administration

The Administration Division being the largest division in STIDC is made up of the Human Resource Management (HRM) Section, Building Management Section, General Services Section, ICT Section and Security Unit. The division is headed by a Senior Assistant General Manager (Administration).



• Management members (seated) together with recipients of the APC 2011





• MBJ visit to Sabah Forestry Department in Tawau



• Study tour to Singapore

## Human Resource Management

Human resources are the most important asset in STIDC and the HRM Section is responsible for effectively managing this assets. In addition to acquiring staff, retaining talent, the HRM Section is also responsible for the personnel records, staff benefits, compensation, employee relations and services.

As of 31<sup>st</sup> December 2011, STIDC had 400 staff in the Head Office and also the Regional 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 2011, a total of six staff were awarded the Pingat Kebesaran Negeri Sarawak, 20 staff were awarded the Pingat Setia Negeri and 32 received the Anugerah Perkhidmatan Cemerlang (APC).

The staff were also encouraged to give suggestions and participate actively in the Majlis Bersama Jabatan (MBJ). Members of the STIDC M&J comprised of representatives of the various job grades and also the management team and 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 work environment in order to increase productivity.



• Datuk Amar Haji Awang Tengah (front middle) leading the staff in the Civil Service Integrity Oath in conjunction with the STIDC Integrity and Inovation Day 2011



• STIDC headquarters in Kuching, Sarawak



## Building Management

Besides undertaking the usual maintenance activities for the STIDC complex (Podium and Tower Block,) the Building Management Section had also involved in the implementation and supervision of various projects related to office renovation, toilet upgrading work, repair to mechanical and electrical services.

Among the works which had been successfully carried out by this section in 2011 were as follows:

1. Upgrading and improvement of the existing six units of elevator at the Tower Block
2. Renovation and upgrading works of washrooms at the Podium and Tower Block
3. Repair of STIDC factory building at Lot 991 and Lot 992, MIEL Sama Jaya
4. Replacement of gaskets and sealants of the existing curtain wall and casement windows at the Tower Block
5. Extension of the motorcycle shed
6. Improvement of the landscape area at the children playground
7. Repair of the sinking area for 100A incoming supply 3-phase cable and earth cable for 16 units of workshops at the STIDC Furniture Industrial Complex in Kota Samarahan
8. Extension of the existing shed (changing rooms) near the tennis court, including the construction and completion of store and washroom.









## 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 2011 included the management of the followings:

- procurements 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 was equipped with Q-Asset System and Q-Registry System. While the Q-Asset System served to store and update the assets data, the Q-Registry System was used to record incoming and outgoing mails and parcels. These systems were 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 ICT Section is an integral part of the Administration Division whose main responsibility is to manage all matters pertaining to ICT including computer hardware and software, system application, maintaining and planning of STIDC computer system. The ICT role is becoming particularly important in support of STIDC vision and mission through the ICT application.

In implementing the STIDC computerisation project, the ICT Section had formulated the five-year ICT Master Plan based on STIDC Strategic Planning 2010-2015. The plan comprises the application and infrastructure project which is reviewed every year in which the obsolete system is replaced with the effective and beneficial ones.

Summary of the five-year ICT Master Plan is as follows:

No.	Access Types	Existing System	2010-2015
1	Public Access	1) Web Portal 2) ePermit System 3) eGrading System 4) eIPR System	1) Market Info Databank 2) Properties Management System 3) COCLink (Inter-agencies STIDC-Other agencies) 4) KFA-eMill Registration 5) Database application and Raw Material Resources
2	Internal Access	1) STAFF 2) HRPAYS 3) PIDNET System 4) Q-Asset System 5) Q-Registry System 6) eRegnet System 7) Intranet	1) eDMS System (ISO) 2) HRMIS 3) eLibrary 4) eDOC 5) MyAPP (single sign-on initiative) 6) LMS 7) CACTUS 8) ePrestasi 9) eLRQ 10) Financial Information System (Upgrading of staff System)
3	ICT Infrastructure Project	1) Upgrading of Sarawaknet 2) Upgrading of LAN network 3) End-user-computing (EUC) – replacement of obsolete computers	1) Upgrading of Server Room - Divisional Office 2) Network Security Project - Phase 1

## Other Activities

Among the achievements made by ICT Section in 2011 were:

- 1) Malaysia Government Portals and Websites Assessment 2011 – 4 Star
- 2) Network Security Project (Phase 1)
- 3) Upgrading Server Room (HQ)



• Security personnel ensuring the security of the staff and office premises





## Security

The Security Unit is part of the Administration Division whose main task was to ensure the security and safety of the STIDC personnel, premises and properties. Besides, the security personnel also helped to mend the office counters and regulate the traffic flow within the compound of the office premises.



• Security personnel mending the service counter

Supported by 34 personnel, this unit had successfully achieved its objectives in tandem with the targeted Key Performance Indicators. This was attributed to their continuous efforts in maintaining law and order and as a result, no untoward incidents like intrusion, vandalism, theft or violation of rules and regulations happened in 2011.

To strengthen the security system, the CCTV had also been installed at strategic spots. Concerted efforts were also made to form the Auxiliary Police to ensure a continuous improvement in the implementation of rules and regulations towards a harmonious and conducive workplace.



• Security personnel attending to a visitor

## Corporate Affairs



Recipients of the annual donation together with Datuk Amar Haji Awang Tengah Ali Hassan (seated center) •



• STIDC family day



STIDC participating in the Sarawak's Head of State birthday celebration • • STIDC participating in development exhibition

The Corporate Affairs Section is divided into two units namely the Corporate Affairs Unit and the Publication Unit. The Corporate Affairs Unit is responsible for the STIDC's corporate affairs as well as the timber museum and the resource centre. The Publication Unit on the other hand is handling the publication items. This section reports to the General Manager of STIDC.



• Datuk Amar Haji Awang Tengah Ali Hassan (center) and STIDC General Manager, Datu Haji Sarudu Haji Hoklai (3<sup>rd</sup> right) at the STIDC Hari Raya Aidilfitri open house

In 2011, the Corporate Affairs Section had 14 staff and continued to play its role in realising the following objectives:

- provides the latest information on the objectives of STIDC and its services to the wood-based industry in Sarawak and to the public;
- projects the positive image of STIDC;
- maintains good relationship with the wood-based industry, government agencies and the public;
- promotes mutual understanding and team spirit among the staff; and
- carries the corporate social responsibilities and other activities for mutual benefit.

Throughout 2011, the Corporate Affairs Section had successfully undertaken the following activities:

- organised the monthly staff assembly at the headquarters, divisional and liaison offices;

- liaised the official activities of STIDC and its subsidiaries;
- liaised the exhibitions and special events;
- liaised the media relation and publicity for STIDC official functions;
- liaised the visits to STIDC and the timber museum;
- liaised the STIDC news channel;
- carried out news coverage on STIDC official functions;
- handled the souvenirs;
- handled the advertisements for the print and electronic media as well as for souvenir programme;
- managed the STIDC resource centre;
- managed the corporate publication including the PERKASA Magazine, Annual Report, Timber Trade Statistics, Guide To Timber Trade, diaries, festive cards and corporate video; and
- updated the STIDC official website.

Through these activities the Corporate Affairs Section had manifested its important role in overseeing the communication strategy, media relations, reputation management, corporate social responsibilities, investors' relation and government affairs.



• STIDC Deputy General Manager, Haji Hashim Bojet (left) presenting the donation in support of the Sarawak Regatta 2011

# Legal & Secretarial

- Datuk Amar Haji Awang Tengah Ali Hassan (middle) chairing the Board Meeting



- STIDC General Manager, Datu Haji Sarudu Haji Hoklai (2<sup>nd</sup> right) and the Secretary General of the Ministry of Plantation Industries & Commodities of Malaysia, Datin Paduka Nurmala Abdul Rahim (middle) exchanging the documents after the MoU signing for the sponsorship of the Palm Oil Industrial Cluster and the related projects under the 10<sup>th</sup> Malaysia Plan (2011-2015) in Tanjung Manis while STIDC Deputy General Manager, Haji Hashim Bojet (right) looks on



- Signing of Shareholders' Agreement between STIDC, Cellmark AB and the Derasas Jaya Sendirian Berhad



The Legal and Secretarial Section is divided into two units namely the Legal Unit and Secretarial Unit. Supported by seven staff, this section reports direct to the STIDC General Manager.



• STIDC General Manager, Datu Haji Sarudu Haji Hoklai (front 4<sup>th</sup> right) together with representatives of Cellmark AB and the Derasas Jaya Sendirian Berhad

The main function of the Legal Unit is to provide legal advice as well as to safeguard STIDC's interest. Besides, it also prepares agreement documents and manages renewal of the STIDC timber licences.

The Secretarial Unit on the other hand plans and manages the STIDC Board and Committee Meetings aside from implementing the statutory duties for the STIDC subsidiaries. In addition, it helps to provide statutory information on STIDC and its subsidiaries and at the same time, it co-ordinates the Nichimen Forestry Scholarship, Sarawak Higher Education Foundation Funds and STIDC Annual Donation.

In 2011, the Secretarial Unit had successfully co-ordinated the following meetings:

#### STIDC Board of Management Meetings

No. of Meeting	Date
75	23 <sup>rd</sup> March 2011
76	1 <sup>st</sup> December 2011

#### STIDC Establishment Committee Meetings

No. of Meeting	Date
54	5 <sup>th</sup> May 2011
55	25 <sup>th</sup> October 2011

#### STIDC Finance Committee Meetings

No. of Meeting	Date
47	28 <sup>th</sup> June 2011
48	24 <sup>th</sup> November 2011

The ceremony for the presentation of the STIDC Annual Donation was held on 12<sup>th</sup> August 2011 at the STIDC headquarters in Kuching, Sarawak. The annual event was graced by the STIDC Chairman, Datuk Amar Haji Awang Tengah Ali Hassan. In 2011, 52 NGOs benefited from this donation compared with 48 NGOs in 2010. The amount of donation for 2011 was RM223,000.00 compared with RM211,000.00 in the previous year.

# Internal Audit




• Internal Audit team auditing one of the sections in STIDC

**I**nternal Audit is a profession and activity involved in helping organisations achieve their objectives. In STIDC, the Internal Audit Section has helped the Corporation achieved its goals by analysing business processes, procedures and activities with the goals of highlighting organisational problems and recommending solutions. Internal Audit Section measures compliance with the organisation policies and procedures and are not responsible for the execution of company activities.

For the year 2011, Internal Audit Section had achieved the KPI targets and its objectives as the internal auditor. Among the achievements made by the Internal Audit Section were;

- a) Completed all audit projects in 2011 according to the audit plan
- b) Cost saving over annual budget
- c) Improved the effectiveness and efficiency of operations of STIDC and its subsidiaries
- d) Compliance with rules and regulations by STIDC and its subsidiaries



The scope of internal audit within organisation is broad and it involves topics such as the efficiency of operations, deterring and investigating fraud, safeguarding assets and compliance with laws and regulations. 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.

## 2011 Audit Activities

In 2011, the Internal Audit Section had conducted 19 audit projects comprising the STIDC headquarters, divisional and liaison offices, Hornbill Skyways and in other subsidiaries.

In the headquarters, the Internal Audit Section had audited the Finance & Investment Division and also the Administration Division and 7 other audit projects for the division and liaison offices including Miri, Sibul, Bintulu, Tg Manis, Sarikei, Mukah and Limbang. From the audit, all the divisions in the headquarters and divisional offices had improved their efficiency and effectiveness of the operations by complying with recommendations that had been suggested by the Internal Audit Section.

For Hornbill Skyways they were five projects done in 2011, including the finance department, administration department and aircraft maintenance store with no major findings and issues found. This indicated that they have improved and complied with the company policies and procedures. It also shows that the Internal Audit Section had added value to this organisations with good internal control and good governance.

For other subsidiaries, the Internal Audit had conducted the audit for Harwood Timber Sendirian Berhad, Tanjung Manis Realty Sendirian Berhad, Tanjung Manis Shipping Sendirian Berhad,

Saratim Insurance Sendirian Berhad and Polima Compresswood Sendirian Berhad.

## Risk Management

The 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 from the Divisions and Sections in STIDC.

## 5S Activity

In 2011, the Internal Audit Section in Rengas Zone had done its part in carrying the 5S activities. These activities aimed to create a conducive, clean, tidy and systematic office environment besides promoting team spirit among the staff.

## Conclusion

The Internal Audit Section attributed the STIDC's success in achieving its objectives to good leadership qualities, best management practices, good internal control and good corporate governance. This section also added value to the management of STIDC by improving the effectiveness and efficiency of the operations. This Section is always ready to be quality assurance and management consultant to the organisation by providing a systematic methodology for analysing 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



• STIDC participating in the Chief Minister's Quality Award Competition

synonymous with its name, the Human Resource Development (HRD) Section is responsible for STIDC's human resource development by implementing the employees training policy in line with the Corporation's requirements as well as circulars on quality and productivity adopted by the State Government.

In ensuring that the implementation of the HRD programme is in accordance with the Corporation's direction, the Annual Training Plan (ATP) was formulated based on the input obtained from the Training Needs Analysis (TNA) and the Competency Gap Analysis of the staff.

Throughout 2011, the HRD Section had successfully organised 36 internal and 138 external courses based on the ATP. Several ad-hoc courses had also been conducted according to the TNA and Training Plan of the staff.

In tandem with the State Government's aspiration to attain the world class standard civil service, STIDC had also implemented the quality management initiative under the Total Quality Management (TQM) programme. The programme covered the ISO

9001:2008 Quality Management System, 5S Quality Environment Practices, Sarawak Civil Service Quality Award, Innovative and Creative Groups as well as Customers' Complaints/Suggestions and Five Star Rating Initiative. In 2011, STIDC had five Innovative and Creative Groups who had successfully implemented five innovative projects.



• Meeting on the implementation of the ISO 9001:2008 Quality Management System

The implementation of the ISO 9001:2008 Quality Management System continued to gain momentum with more core activities certified under the ISO 9001:2008 standard. These activities included the Registration and Licencing, Issuance of Export and Import Permits and Grading of Sawn-timber in Sarawak.

The 5S Quality Environment Practices had also remained satisfactory. The 5S certification continued to be sustained with emphasis on 3Rs i.e. Reduce, Reuse and Recycle. Besides our divisional offices, the practices had also been extended to our subsidiaries.



• One of the Innovative and Creative teams in STIDC





# ***Central & Northern Region***

## Central Region





## SIBU DIVISIONAL OFFICE

The Sibu Divisional Office is part of the STIDC administrative centre within the Sarawak's central region. In 2011, it had 27 staff and was headed by the Divisional Manager. In view of its varied functions, this office was divided into several units including the Administration, Finance, Registration, Licencing, Domestic Trade, Quality Control, Forest Resource and IPR as well as Workforce and Industrial Training Units.

In consonance with the STIDC vision as the leader and catalyst of the wood-based industry in Sarawak, this office continued to undertake various activities to meet the needs of the industry. Among the activities carried out in 2011 were as follows:

- implementing The Timber Grading Regulations, 2008 for sawn-timber in Sibu, Kapit and Mukah Divisions;
- implementing The Sarawak Timber Industry (Registration) Regulations, 2008;
- implementing the Furniture Vendor Development Programme;
- processing and approving the Export/Import Permits for timber and timber products;
- collecting data on the workforce and industrial training in the wood-based industry;
- monitoring the STIDC licensed forest areas; and
- co-ordinating the 1Azam Programmes

Throughout 2011, the Sibu Divisional Office had also assisted in several official activities organised by STIDC as well as the related government agencies in Sibu, Kapit, Tanjung Manis and Mukah Divisions.



• STIDC participating in the Maulidur Rasul procession in the Central Region



• Datuk Amar Haji Awang Tengah Ali Hassan (3<sup>rd</sup> left) officiating at the Tanjung Manis Day 2011



• Winners (front row) of the Tanjung Manis Fishing Safari 2011



## TANJUNG MANIS DIVISIONAL OFFICE

Supported by 20 staff, the Tanjung Manis Divisional Office was divided into various units such as the Administration Unit, Property Unit, Account Unit, Hostel Unit, Domestic Trade Unit, Quality Control Unit, Registration and Licencing Unit, and Workforce Unit. Through these units, this office had continued to play its role in providing services to meet the needs of the wood-based industry particularly in the central region of Sarawak. The office was headed by the Regional Manager who at the same time looked after the divisional and liaison offices and the wood-based activities in Sibu, Sarikei and Mukah Divisions.

Due to undivided support of the staff, the Tanjung Manis Divisional Office was able to execute the various tasks successfully which included among others:

- planning, implementing and supervising the overall administration of STIDC Tanjung Manis;
- grading of sawn-timber;
- registering the timber companies in the Tanjung Manis and Sarikei Divisions;
- collecting, analysing, recording and updating of the monthly Industrial Production Return;
- processing and approving the Export/Import Permits;
- carrying physical inspection;
- monitoring the log quota;
- co-ordinating the development activities in Tanjung Manis;
- co-ordinating the industrial trainings at the STIDC Wood-based Training Centre in Tanjung Manis
- co-ordinating the STIDC annual social activities in Tanjung Manis
- co-ordinating the visits to Tanjung Manis
- managing the rental of the STIDC housing and payment of utility bills; and
- monitoring the Bumiputera Furniture Vendor Development Programme

Apart from the said activities, STIDC Tanjung Manis continued to play the leading role in organising the annual events such as the Tanjung Manis Day and the Tanjung Manis Fishing Safari. Through these activities STIDC helped to promote the investment opportunities in Tanjung Manis besides encouraging the locals to participate actively in the development of this place.

With high commitment among the staff, STIDC Tanjung Manis continued to function well in serving the wood-based industry particularly in the central region of Sarawak.





## MUKAH LIAISON OFFICE

The Mukah Liaison Office is under the ambit of the Tanjung Manis Divisional Office and reports direct to the Regional Manager of the central region. Its main function is to serve the wood-based industry in Mukah Division in line with STIDC vision as the leader and catalyst of the wood-based industry in Sarawak. It also provides support services to the headquarters, regional offices as well as the government agencies particularly in Mukah Division.

In realisation of these objectives, STIDC pays special attention to human resource development (HRD) to equip and enhance the effectiveness of its workforce for customers' satisfaction. Parallel with this, the staff of this office continued to participate in both internal and external HRD programmes such as trainings, courses, seminars and workshops.

Among the HRD programmes participated in 2011 were "The Government Transformation Programme (GTP) and The Economic Transformation Programme (ETP) Briefing", "Human Resource Management Information System (HERMIS) Briefing", "Tomorrow's Leader Summit Seminar", "The Timber Industry Update", "The Second Borneo Conference and Exhibition on Occupational Safety and Health", "Finance for Non-Finance Personnel Briefing", etc.

In 2011, the Mukah Liaison Office had three staff compared with four in the previous year and was under the leadership of an Executive Officer. In spite of limited staff, this office continued to play its role effectively as manifested by its involvement in various activities including the STIDC development projects, monitoring the STIDC furniture vendor development programme as well as co-ordinating the STIDC official and social activities held in Mukah Division. It also played important role in maintaining good relationship with the government departments, private sector particularly the wood-based industry and other stakeholders.

STIDC Mukah aims to pursue its stride to render quality services professionally for customers' satisfaction by adopting the excellent service culture among the staff for the benefit of the wood-based industry in particular and the people as a whole.



• STIDC Management members (seated) together with the staff of the Central Region

# Northern Region

STIDC Northern Region is made up of the Miri Divisional Office, Bintulu Divisional Office and Limbang Liaison Office. Ever since 2002, the Miri Divisional Office continued to serve as the administrative centre for the region. This region is overseen by the Regional Manager and is supported by 70 staff in 2011 compared with 73 staff in 2010.

- Pembangunan Projek
  - Perancangan Industri
  - Pembangunan Sumber
  - Pembangunan Domestik
  - Halal Tanjung Manis
- Kemajuan Perusahaan Kayu Sarawak  
Ber Industry Development Corporation  
Kambingany

- Halal Tanjung Manis
- Pendaftaran & Perlesenan
- Pembangunan Persekitaran
- Pencegahan dan Pengukuhan



• STIDC taking part in the Sejiwa-Senada Exhibition in Miri, Sarawak

## MIRI DIVISIONAL OFFICE

In 2011, there were 34 staff serving under different capacities in the Miri Divisional Office. Among the activities carried out by this office during the year were as follows:

- i. issuance of Export/Import Licences
- ii. monitoring the development of wood-based companies including the primary and downstream industries
- iii. registration of companies dealing with activities related to the export, import, manufacture and local sale of logs and other timber products in line with the Registration Regulations, 2008
- iv. issuance of mill (except sawmill) licence in respect of companies involving in processing activities effective 1<sup>st</sup> July 2008
- v. grading of sawn-timber in line with The Malaysian Grading Rules for Sawn Hardwood Timber, 2009 Edition and Grading Regulations, 2008
- vi. implementing the Furniture Vendor Development Programme for Miri and Limbang Divisions
- vii. monitoring and supervising of log quota for export and local processing
- viii. collecting the log production data, Industrial Production Return data, Human Resources and industrial training, etc.
- ix. co-ordinating the 1Azam Programmes for participants in Miri Division.

The second Stage Audit of the STIDC ISO 9001:2008 Quality Management System had also been carried out on 30<sup>th</sup> March 2011 by The Moody International Certification (M) Sendirian Berhad. Subsequently, the Miri Divisional Office had successfully fulfilled the requirements and was recertified on the same date.

5S activities were also carried out with the inclusion of two new zones namely the Kempas Zone for Limbang Liaison Office and Tapang Zone for Kuala Baram Small and Medium Industry. However, only internal audits were conducted during the year.







## BINTULU DIVISIONAL OFFICE

With a team of 32 staff, the Bintulu Divisional Office is headed by the Divisional Manager who reports direct to the Regional Manager in Miri. Through this team, this office had successfully played its role in serving the wood-based industry particularly in Bintulu Division as well as the related government agencies and the public. Besides, it continued to support the activities carried out by the headquarters.

With the establishment of the Quality Control Section, Bintulu Divisional Office comprised seven sections compared to six previously. The other six sections are the Administration and Finance, Registration and Licensing, Domestic Trade, Entrepreneur Development, Industrial Planning and Forest Resource.

With the co-operation of these sections the Bintulu Divisional Office was able to undertake its tasks smoothly for the benefit of the wood-based industry in particular and the people in general. Among the tasks undertaken in 2011 were the issuance of Export and Import Permits, processing of registration applications, organising the clientele day, grading of sawn-timber, promoting the furniture vendor development programme, collecting the human resource and industrial training data, monitoring the log quota, collecting the Industrial

Production Return (IPR), processing the mill (except sawmill) licences and monitoring the STIDC timber licences.

Throughout the year, the IPR data collection from the timber companies in Bintulu Division was carried out on time. This was attributed to the co-operation rendered by the companies as well as the high commitment of our staff in obtaining the latest information using the on-line system (e-IPR). As a result, 61 or 95% out of 64 companies had submitted their IPR data using the system. The rest had submitted theirs manually.

Besides, regular visits were also carried out to the companies in order to update their operation status apart from sharing the knowledge on the e-IPR usage.

Due to strong team spirit, the Bintulu Divisional Office continued to play its role effectively in tandem with the Corporation's vision as the leader and catalyst of the wood-based industry in Sarawak.



## LIMBANG LIAISON OFFICE

**H**elmed by a Senior Executive Officer, the Limbang Liaison Office is supported by six staff. The office consisted of seven units namely the Administration Unit, Finance Unit, Domestic Trade Unit, Registration and Licencing Unit, Entrepreneur Development Unit, Quality Control Unit, and Human Resources Unit.



• Datu Haji Sarudu Haji Hoklai (middle) together with the staff during the staff assembly in Lawas

Despite the limited manpower, this office continued to play its role in serving the wood-based industry particularly in Limbang and Lawas Divisions.

Through multi-tasking practices, it had successfully carried out various activities such as approving and issuing the export and import permits, processing the applications for company registration, providing advisory services on technical fields including grading of sawn-timber, assisting in the



• Datuk Amar Haji Awang Tengah Ali Hassan trying his wood carving skill.

development of the Bumiputera furniture vendors as well as collecting data on wood-based industry workforce.

2011 had also seen the Limbang Liaison Office implemented the MS ISO 9001:2008 for three activities using online services such as e-Permit, e-Regnet and e-Grading. With these services, the Limbang Liaison Office had manifested its commitment in serving the wood-based industry professionally for customers' satisfaction.





# ***Financial Statements***

31<sup>st</sup> December 2011

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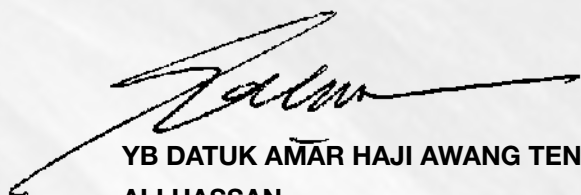
## **BOARD MEMBERS, OFFICERS AND PROFESSIONAL ADVISORS**

Chairman	:	<b>YB Datuk Amar Haji Awang Tengah Ali Hassan</b> DA, PNBS, PGBK, AMN
Board Members	:	<b>YB Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani</b> DA, PGBK, JSM, PPB, PPC
	:	<b>YBhg. Dato Sri Ahmad Tarmizi bin Haji Sulaiman</b> DJBS, PNBS
	:	<b>YBhg. Tan Sri Datuk Amar (Dr) Hj Abdul Aziz bin Dato Hj Husain</b> DA, PJN, PGBK, PAT, PPC, PPB, PSM
	:	<b>YBhg Dato Wan Alwi bin Dato' Sri Wan Hashim</b> DJBS, JBK, PPB, PPT, AMN, PPL, PPD (Gangsa)
	:	<b>YB Tuan Haji Julaihi bin Haji Narawi</b> PBS, KMN
	:	<b>YBhg. Professor Datuk Dr. Yusuf Hadi</b> AMN, JBK, PGBK, PPD, PPS
General Manager	:	<b>YBhg. Dato Haji Sarudu Haji Hoklai</b> DJBS, JBK, KMN, PBK, PPB
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

## **PENYATA Pengerusi dan Seorang Ahli Lembaga Pengarah (Akaun Kumpulan)**

We, **YB DATUK AMAR HAJI AWANG TENGAH ALI HASSAN** and **YBHG. DATO SRI AHMAD TARMIZI BIN HAJI SULAIMAN**, being the Chairman and a Board Member of SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION, do hereby state on behalf of the Members that in our opinion, the financial statements as set out on pages 5 to 41 are drawn up in accordance with applicable Private Entity Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Corporation as at 31 December 2011 and of the results of their operations and the cash flows of the Group and of the Corporation for the year ended on that date.

On behalf of the Board,



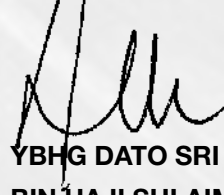
**YB DATUK AMAR HAJI AWANG TENGAH  
ALI HASSAN**

Chairman

Kuching, Sarawak, Malaysia

Date: **13 JUL 2012**

On behalf of the Board,



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

Board Member

Kuching, Sarawak, Malaysia

Date: **13 JUL 2012**

## STATUTORY DECLARATION

I, **DATU HAJI SARUDU BIN HAJI HOKLAI**, being the officer primarily responsible for the accounting records and financial management of **SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION**, do solemnly and sincerely declare that the financial statements as set out on pages 5 to 41 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

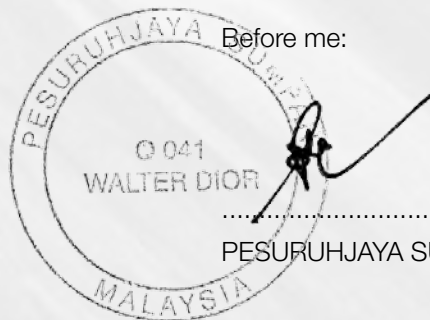
Subscribed and solemnly declared by  
**DATU HAJI SARUDU BIN HAJI HOKLAI**  
at KUCHING in the State of SARAWAK  
on

13 JUL 2012



.....  
**DATU HAJI SARUDU BIN HAJI HOKLAI**

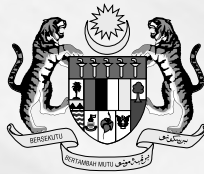
Before me:



.....  
**PESURUHJAYA SUMPAAH**

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





**SIJIL KETUA AUDIT NEGARA  
MENGENAI PENYATA KEWANGAN  
PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK  
BAGI TAHUN BERAKHIR 31 DISEMBER 2011**

Penyata Kewangan Perbadanan Kemajuan Perusahaan Kayu Sarawak dan Kumpulan bagi tahun berakhir 31 Disember 2011 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada Penyata Kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan ini termasuk memeriksa rekod secara semak uji, menyemak bukti yang menyokong angka dan memastikan pendedahan yang mencukupi dalam Penyata Kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan, unjuran signifikan oleh pengurusan dan persembahan Penyata Kewangan secara keseluruhan. Saya percaya pengauditan yang dilaksanakan memberi asas yang munasabah terhadap pendapat saya.

Pada pendapat saya, Penyata Kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Kemajuan Perusahaan Kayu Sarawak dan Kumpulan pada 31 Disember 2011, hasil operasi dan aliran tunai untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.

Saya telah mempertimbangkan Penyata Kewangan dan Laporan Juruaudit bagi semua syarikat subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam Nota Kepada Penyata Kewangan Disatukan. Saya berpuas hati bahawa Penyata Kewangan berkenaan telah disatukan dengan Penyata Kewangan Perbadanan Kemajuan Perusahaan Kayu Sarawak adalah dalam bentuk dan kandungan yang sesuai dan wajar bagi tujuan penyediaan Penyata Kewangan Disatukan. Saya juga telah menerima maklumat dan penjelasan yang memuaskan sebagaimana yang dikehendaki bagi tujuan tersebut.

Laporan Juruaudit mengenai Penyata Kewangan syarikat subsidiari berkenaan tidak mengandungi sebarang pemerhatian yang boleh menjejaskan Penyata Kewangan Yang Disatukan.

**(KHALID KHAN BIN ABDULLAH KHAN)**  
b.p. KETUA AUDIT NEGARA  
MALAYSIA

KUCHING

TARIKH: 13 JUL 2012



# Sarawak Timber Industry Development Corporation

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

## Balance Sheets As at 31 December 2011

	Note	Group		Corporation	
		2011 RM	2010 RM	2011 RM	2010 RM
Non-current assets					
Property, plant and equipment	3	400,606,996	316,802,651	139,850,803	142,469,975t
Investment in subsidiaries	4	-	-	64,704,813	61,704,827
Investment in associates	5	115,728,704	105,199,435	28,993,000	28,993,000
Other investments	6	188,925,830	185,704,869	116,741,770	118,348,559
Project development expenditure	7	458,457,177	339,755,552	467,457,394	348,755,769
Long term loan receivables	8	2,000,000	2,000,000	84,500,000	92,000,000
Deposit	20	2,978,454	74,424,000	-	-
Deferred tax assets	19	252,000	357,064	-	-
		1,168,949,161	1,024,243,571	902,247,780	792,272,130
Current Assets					
Inventories	9	66,214,326	73,379,621	47,649,498	55,304,068
Trade receivables	10	107,058,856	100,291,611	82,950,465	69,931,192
Other receivables	11	31,431,802	31,065,196	36,404,438	29,761,823
Cash and bank balances	12	216,619,389	215,121,609	155,521,291	152,975,485
		421,324,373	419,858,037	322,525,692	307,972,568
Current Liabilities					
Borrowings	13	9,728,216	8,340,106	-	-
Trade payables		22,505,053	8,518,587	-	-
Other payables	15	156,824,094	95,661,749	150,375,540	84,359,904
Tax payable		4,027,643	273,114	3,305,130	-
		193,085,006	112,793,556	153,680,670	84,359,904
Net Current Assets		228,239,367	307,064,481	168,845,022	223,612,664
		1,397,188,528	1,331,308,052	1,071,092,802	1,015,884,794
Financed by:					
Government’s contribution		5,257,200	-	5,257,200	-
Donated funds	16	363,502	363,502	363,502	363,502
Revolving funds	17	424,214	421,888	424,214	421,888
Capital reserve		135,000	135,000	-	-
Retained profits		951,963,393	925,085,777	711,086,169	695,047,606
Corporation accumulated funds		958,143,309	926,006,167	717,131,085	695,832,996
Minority interests		54,444,456	53,527,326	-	-
		1,012,587,765	979,533,493	717,131,085	695,832,996
Non-current liabilities					
Government grants	18	305,093,851	271,594,932	305,093,851	271,594,932
Borrowings	13	69,486,876	72,180,367	48,099,866	48,099,866
Deferred tax liabilities	19	10,020,036	7,999,260	768,000	357,000
		384,600,763	351,774,559	353,961,717	320,051,798
		1,397,188,528	1,331,308,052	1,071,092,802	1,015,884,794

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

## Income Statements

### For the Year Ended 31 December 2011

	Note	Group		Corporation	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	21	231,027,393	264,953,622	76,856,168	117,927,178
Cost of sales	22	(195,916,124)	(170,464,249)	(70,959,917)	(45,879,036)
Gross profit		35,111,269	94,489,373	5,896,251	72,048,142
Administrative and other operating expenditure		(74,834,235)	(71,832,758)	(49,188,829)	(43,990,723)
Profit from operations	23	(39,722,966)	22,656,615	(43,292,578)	28,057,419
Finance costs	24	(2,315,443)	(2,826,370)	(509,913)	(831,379)
Amortisation of grant		63,763,326	-	63,763,326	-
Grant received		9,000,000	18,000,000	9,000,000	18,000,000
Share of results of associates		16,984,457	15,951,728	-	-
Profit before taxation		47,709,374	53,781,973	28,960,835	45,226,040
Taxation:	25	(19,471,003)	(8,817,445)	(12,922,272)	(5,801,532)
Corporation and subsidiaries		(16,120,815)	(6,549,819)	(12,922,272)	(5,801,532)
Associates		(3,350,188)	(2,267,626)	-	-
Profit after taxation		28,238,371	44,964,528	16,038,563	39,424,508
Minority interests		(1,360,755)	(1,435,430)	-	-
Net profit for the year		<b>26,877,616</b>	<b>43,529,098</b>	<b>16,038,563</b>	<b>39,424,508</b>

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

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2011

	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 2010</b>	186,939,404	363,502	424,502	135,000	674,617,275	862,479,683
Net profit for the year	-	-	-	-	43,529,098	43,529,098
Utilised during the year	-	-	(2,614)	-	-	(2,614)
Reclassified from government grant	20,000,000	-	-	-	-	20,000,000
Transfer	(206,939,404)	-	-	-	206,939,404	-
<b>At 31 December 2010</b>	-	363,502	421,888	135,000	925,085,777	926,006,167
Net profit for the year	-	-	-	-	26,877,616	26,877,616
Additions during the year	5,257,200	-	2,326	-	-	5,259,526
<b>At 31 December 2011</b>	<b>5,257,200</b>	<b>363,502</b>	<b>424,214</b>	<b>135,000</b>	<b>951,963,393</b>	<b>958,143,309</b>

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



## Statement of Changes in Equity For the Year Ended 31 December 2011

	Government's Contribution RM	Donated Funds RM	Revolving Funds RM	Retained Profits RM	Total RM
<b>Corporation</b>					
<b>At 1 January 2010</b>	186,939,404	363,502	424,502	448,683,694	636,411,102
Net profit for the year	-	-	-	39,424,508	39,424,508
Utilised during the year	-	-	(2,614)	-	(2,614)
Reclassified from government grant	20,000,000	-	-	-	20,000,000
Transfer	(206,939,404)	-	-	206,939,404	-
<b>At 31 December 2010</b>	-	363,502	421,888	695,047,606	695,832,996
Received during the year	5,257,200	-	2,326	-	5,259,526
Net profit for the year	-	-	-	16,038,563	16,038,563
<b>At 31 December 2011</b>	<b>5,257,200</b>	<b>363,502</b>	<b>424,214</b>	<b>711,086,169</b>	<b>717,131,085</b>

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

## Cash Flow Statements

### For the Year Ended 31 December 2011

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash Flows from Operating Activities</b>				
Profit before taxation	47,709,374	53,781,973	28,960,835	45,226,040
Adjustments for:				
Amortisation of government grant	(63,763,326)	-	(63,763,326)	-
Bad debts written off	-	1,256	-	-
Bad debts debts recovered	(6,650)	-	-	-
Creditors written off	(7,108)	(1,000)	-	-
Provision for diminution in value	46,139	-	-	-
Provision for doubtful debts	-	6,958	-	-
Reversal of impairment losses on investments	-	(1,073,928)	-	(863,501)
Reversal of inventories written down to net realisable value	(21,774)	(2,927)		-
Investment in subsidiaries written off	-	-	14	-
Negative goodwill recognised	-	(73,993)	-	-
Depreciation of property, plant and equipment	35,353,800	32,829,048	4,457,496	8,153,208
(Gain)/loss on disposal of property, plant and equipment	(427,704)	106,267	(118,224)	204,341
Gain on disposal of other investments	(79,626)	(1,600,218)	-	(348,615)
Property, plant and equipment written off	158,030	1,893	130,427	-
Provision for doubtful debts	51,027	-	-	-
Unrealised gain on foreign exchange	(7,740)	-	-	-
Interest expense	2,174,771	2,747,101	509,913	831,379
Interest income	(6,944,717)	(5,813,199)	(6,097,931)	(4,149,836)
Gross dividend	(5,472,107)	(4,472,600)	(10,062,667)	(11,589,550)
Share of results in associates	(16,984,457)	(15,951,728)	-	-
Operating (loss)/profit before working changes	(8,222,068)	60,484,903	(45,983,463)	37,463,466
Decrease/(increase) in inventories	7,187,069	(9,482,906)	7,654,570	(10,137,131)
Increase in receivables	(8,148,136)	(111,974,337)	(12,695,911)	(127,305,047)
Increase in payables	75,155,919	12,940,524	66,015,636	13,518,610
Cash generated from/(used in) operations	65,972,784	(48,031,816)	14,990,832	(86,460,102)
Interest paid	(2,174,771)	(2,747,101)	(509,913)	(831,379)
Taxes paid	(16,354,350)	(10,734,548)	(14,109,635)	(7,917,048)
Taxes refunded	7,271,981	739,436	6,436,516	175,525
Net cash generated from /(used in) operations	54,715,644	(60,774,029)	6,807,800	(95,033,004)

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

## Cash Flow Statements

### For the Year Ended 31 December 2011 (contd.)

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Cash Flows from Investing Activities</b>				
Acquisition of interest in a subsidiary	-	-	-	(7,050,000)
Additional investment in a subsidiary	-	-	(3,000,000)	-
Additional investment in an associate	-	(1,911,000)	-	(1,911,000)
Purchase of investments	(25,434,952)	(44,336,737)	(593,211)	(9,270,205)
Interest received	6,944,717	5,813,199	6,097,931	4,149,836
Net cash inflow on acquisition of subsidiaries	-	207,450	-	-
Net dividend received	7,086,109	8,845,282	9,063,667	9,308,358
(Increase)/decrease in project development expenditure	(121,771,643)	82,301,849	(121,771,643)	82,301,849
Purchase of property, plant and equipment	(48,919,692)	(135,592,137)	(3,226,306)	(113,745,651)
Proceeds from disposal of property, plant and equipment	576,148	131,152	263,160	14,251
Proceeds from disposal of investments	23,114,422	21,863,034	2,200,000	3,386,178
Net cash used in investing activities	(158,404,891)	(62,677,908)	(110,966,402)	(32,816,384)
<b>Cash Flows from Financing Activities</b>				
Government grant received	5,257,200	98,085,552	5,257,200	98,085,552
Government's contribution received	101,444,882	20,000,000	101,444,882	20,000,000
Drawdown of loans	6,992,400	10,000,000	-	-
Repayment of hire purchase financing	(136,548)	(110,339)	-	-
Repayment of term loans	(8,593,736)	(13,575,750)	-	-
Revolving funds received/(utilised)	2,326	(2,614)	2,326	(2,614)
Net cash generated from financing activities	104,966,524	114,396,849	106,704,408	118,082,938
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	1,277,277	(9,055,088)	2,545,806	(9,766,450)
<b>Cash and Cash Equivalents at Beginning of Year</b>	215,121,609	224,176,697	152,975,485	162,741,935
<b>Cash And Cash Equivalents At End of Year (Note 12)</b>	<b>216,398,886</b>	<b>215,121,609</b>	<b>155,521,291</b>	<b>152,975,485</b>

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

# **Notes to the Financial Statements**

## **- 31 December 2011 -**

### **1. Corporate Information**

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

- To develop new policies, plans and strategies towards more active promotion and development of the timber industry and the marketing of high quality timber-based products suitable for both overseas and domestic markets;
- To develop economical and beneficial harvesting and utilisation of the forest resources of Sarawak;
- To create new concepts and strategies in the timber industry so as to ensure that the benefits from the harvesting of the State's forest resources will be fairly and equitably shared among the people of the State and the Nation; and
- To enable the State Government to have an instrument for the formulation, co-ordination and implementation of the overall timber industries development strategies and to act as a catalyst with private sector interests through the encouragement of new industries.

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 1,208 (2010: 1,225) and 393 (2010: 393) 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

### **2. Significant Accounting Policies**

#### **(a) 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.

**(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.

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.

**(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 & equipment	10% - 25%

Plant & machinery	10% - 20%
Transportation equipment & 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

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.

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.



**(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.
- (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:

	2011 RM	2010 RM
United States Dollars	3.169	3.086
European Dollars	4.095	4.089
Singapore Dollars	2.437	2.387

**(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.

**(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) Trade receivables**

Trade 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) Trade payables**

Trade 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.

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### 3. Property, Plant and Equipment

Group	Land & buildings * RM	Office furniture, fittings & equipment RM	Plant & machinery RM	Aircraft, spare engines and aircraft components RM	Transportation equipment & motor vehicles RM	Total RM
<b>Cost</b>						
At 1 January 2011	237,903,565	11,097,456	35,874,327	228,919,773	12,597,784	526,392,905
Additions	2,574,682	735,565	24,896,536	91,592,357	778,098	120,577,238
Disposals	-	(3,360)	(779,234)	-	(830,389)	(1,612,983)
Written off	(18,347)	(98,972)	(961,035)	-	(145,051)	(1,223,405)
Reclassification	(1,112,619)	-	-	-	-	(1,112,619)
At 31 December 2011	239,347,281	11,730,689	59,030,594	320,512,130	12,400,442	643,021,136
<b>Accumulated Depreciation</b>						
At 1 January 2011	62,159,645	8,111,577	30,981,314	99,337,606	9,000,112	209,590,254
Charge for the year	4,936,868	732,563	1,251,544	27,300,226	1,132,599	35,353,800
Disposals	-	(924)	(775,726)	-	(687,889)	(1,464,539)
Written off	(734)	(83,719)	(835,871)	-	(145,051)	(1,065,375)
At 31 December 2011	67,095,779	8,759,497	30,621,261	126,637,832	9,299,771	242,414,140
<b>Net Book Value</b>						
At 31 December 2011	172,251,502	2,971,192	28,409,333	193,874,298	3,100,671	400,606,996
At 31 December 2010	175,743,920	2,985,879	4,893,013	129,582,167	3,597,672	316,802,651
<b>Depreciation charge for 2010</b>	<b>6,785,851</b>	<b>703,126</b>	<b>1,288,890</b>	<b>21,117,512</b>	<b>1,159,627</b>	<b>31,055,006</b>



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

#### \* Land and Buildings

Group	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Total RM
<b>Cost</b>				
At 1 January 2011	26,222,643	13,140,656	198,540,266	237,903,565
Additions	-	-	2,574,682	2,574,682
Written off	-	-	(18,347)	(18,347)
Reclassification	(557,283)	1,642,217	(2,197,553)	(1,112,619)
At 31 December 2011	25,665,360	14,782,873	198,899,048	239,347,281
<b>Accumulated Depreciation</b>				
At 1 January 2011	2,521,993	5,037,379	54,600,273	62,159,645
Charge for the year	101,879	582,684	4,252,305	4,936,868
Written off	-	-	(734)	(734)
At 31 December 2011	2,623,872	5,620,063	58,851,844	67,095,779
<b>Net Book Value</b>				
At 31 December 2011	23,041,488	9,162,810	140,047,204	172,251,502
At 31 December 2010	23,700,650	8,103,277	143,939,993	175,743,920
<b>Depreciation charge for 2010</b>	<b>391,662</b>	<b>293,889</b>	<b>6,100,300</b>	<b>6,785,851</b>

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### 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 2011	13,829,516	156,476,778	6,574,630	2,019,398	6,123,286	185,023,608
Additions	-	2,325,000	397,956	-	503,350	3,226,306
Disposals	-	-	(3,360)	-	(488,390)	(491,750)
Written off	-	(18,347)	-	(644,654)	-	(663,001)
Reclassifications	1,084,934	(2,197,553)	-	-	-	(1,112,619)
At 31 December 2011	14,914,450	156,585,878	6,969,226	1,374,744	6,138,246	185,982,544
<b>Accumulated Depreciation</b>						
At 1 January 2011	1,587,532	30,538,988	4,826,094	1,491,005	4,110,014	42,553,633
Charge for the year	276,590	2,951,678	444,970	148,219	636,039	4,457,496
Disposals	-	-	(924)	-	(345,890)	(346,814)
Written off	-	(734)	-	(531,840)	-	(532,574)
At 31 December 2011	1,864,122	33,489,932	5,270,140	1,107,384	4,400,163	46,131,741
<b>Net Book Value</b>						
At 31 December 2011	13,050,328	123,095,946	1,699,086	267,360	1,738,083	139,850,803
At 31 December 2010	12,241,984	125,937,790	1,748,536	528,393	2,013,272	142,469,975
<b>Depreciation charge for 2010</b>	<b>277,578</b>	<b>4,710,818</b>	<b>457,254</b>	<b>193,415</b>	<b>740,100</b>	<b>6,379,165</b>

- (a) Net book values of motor vehicles of the Group held under hire purchase arrangements are RM372,085 (2010: RM577,083).
- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM120,577,238 (2010: RM135,772,937) of which RM212,000 (2010: RM180,800) were acquired by means of hire purchase arrangements.
- (c) Net book values of property, plant and equipment of the Group that were pledged to banks for borrowings as referred to in Note 13 are as follows:

	Group	
	2011 RM	2010 RM
Plant and machineries	22,801,713	-
Aircraft	52,747,636	63,631,763
	75,549,349	63,631,763

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- (d) The title deeds to certain leasehold land and buildings with net book value amounted to RM5,318,090 (2010: RM5,318,090) 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 RM114,084 (2010: RM130,214) are in the process of being transferred or issued to the Corporation.

### 4. Investment in Subsidiaries

	Corporation	
	2011 RM	2010 RM
Unquoted shares at cost	66,954,843	63,954,857
Less: Accumulated impairment losses	(2,250,030)	(2,250,030)
	<b>64,704,813</b>	<b>61,704,827</b>

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

Name of Subsidiaries	Effective Interests Held (%)		Principal Activities
	2011	2010	
Hornbill Skyways Sdn. Bhd.	67	67	Aviation services
Harwood Timber Sdn. Bhd.	100	100	)
STIDC Belian Holdings Sdn. Bhd.	100	100	) Timber trading
Hillog Sdn. Bhd.	100	100	)
Tanjong Manis Furniture Sdn. Bhd.	100	100	Woodworking and related timber-processing services
Elmhurst Sdn. Bhd.	75	75	Furniture manufacturer
Teratim Sdn. Bhd.	100	100	Landscaping and reforestation
Tanjung Manis Development Sdn. Bhd.	100	100	Timber logging
Tanjung Manis Sawmill Sdn. Bhd.	100	100	Project management
Tanjong Manis Realty Sdn. Bhd.	100	100	Log trading
Tanjong Manis Integrated Port Sdn. Bhd.	100	100	Planning, operating, managing and marketing of realty projects
Selah Timber Sdn. Bhd.	75	75	Jetty Management
Amra Timbers Sdn. Bhd	100	100	Timber Extraction & Sale
Kestrel Sdn. Bhd	100	100	)
Tinamou Sdn. Bhd	100	100	)
Balamra Sdn. Bhd	75	75	)

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Budi Kiara Sdn. Bhd.	-	100	)	
			)	
Tanjung Manis Timber Training Centre Sdn. Bhd.	100	100	)	
			)	
Tanjung Manis Particle Board Sdn. Bhd.	100	100	)	
			)	
Tanjong Manis Woodworking Sdn. Bhd.	-	100	)	
			)	Dormant
Tanjung Manis Timber Exporter Sdn. Bhd.	100	100	)	
			)	
Tanjung Manis Engineering Works Sdn. Bhd.	-	100	)	
			)	
Tanjong Manis Pulp & Paper Sdn. Bhd.	-	100	)	
			)	
Tanjong Manis Timber Yard Sdn. Bhd.	-	100	)	
			)	
Tanjong Manis Warehouse Sdn. Bhd.	100	100	)	
			)	
Tanjong Manis Trading Sdn. Bhd.	-	100	)	
			)	
Tanjong Manis Construction Sdn. Bhd.	100	100	)	
			)	
Tanjong Manis Resources Sdn. Bhd.	60	60		Production of wood chip
Saratim Insurance Agency Services Sdn. Bhd.	100	100		Insurance agency
Tanjong Manis Shipping Sdn. Bhd.	100	100		Transportation and wharfing services, trading in construction materials and construction works
<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 subsidiaries companies are not audited by Jabatan Audit Negara.



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### 5. Investment in Associates

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares at cost	29,068,000	29,068,000	28,993,000	28,993,000
Share of post acquisition retained profits	86,735,703	76,206,434	-	-
	115,803,703	105,274,434	28,993,000	28,993,000
Less: Accumulated impairment losses	(74,999)	(74,999)	-	-
	<b>115,728,704</b>	<b>105,199,435</b>	<b>28,993,000</b>	<b>28,993,000</b>

	Group	
	2011 RM	2010 RM
Represented by:		
Share of net tangible assets	113,408,161	102,878,892
Goodwill on acquisition	2,320,543	2,320,543
	<b>115,728,704</b>	<b>105,199,435</b>

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

Name of Associates	Effective Interests Held (%)		Principal Activities
	2011	2010	
Bintulu Adhesive & Chemical Sdn. Bhd.	30	30	Manufacturing of adhesives and chemicals
Houting Sdn. Bhd.	30	30	) Timber extraction and sale ) )
Shin Yang Industries (Bintulu) Sdn. Bhd.	30	30	
Shin Yang Plywood (Bintulu) Sdn. Bhd.	21	21	
Tanjong Manis Moulding Industries Sdn. Bhd.	30	30	Manufacturing of wood plastic composite product
PUSAKA KTS Forest Plantation Sdn. Bhd.	30	30	Reforestation and oil palm plantation
Polima Compressed Wood Bintulu Sdn. Bhd.	38	38	To produce compression moulded pallet blocks and core plugs utilizing wood waste
<b>Associate of STIDC Belian Holdings Sdn. Bhd.</b>			
KTS Timber Processing Sdn. Bhd.	30	30	Processing and sale of sawn timber

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### 6. Other Investments

		Group		Corporation	
		2011 RM	2010 RM	2011 RM	2010 RM
(i)	Quoted unit trusts at cost	121,896,467	116,593,407	58,023,049	57,429,838
	Less: Accumulated impairment losses	(935,560)	(1,003,591)	-	-
		120,960,907	115,589,816	58,023,049	57,429,838
(ii)	Unquoted shares at cost	80,450,371	80,491,014	73,407,037	73,407,037
	Less: Accumulated impairment losses	(43,669,918)	(43,630,408)	(42,121,537)	(42,121,537)
		36,780,453	36,860,606	31,285,500	31,285,500
(iii)	Quoted shares at cost	15,218,200	15,112,150	13,928,556	13,928,556
	Less: Accumulated impairment losses	(5,891,400)	(5,891,400)	(5,710,956)	(5,710,956)
		9,326,800	9,220,750	8,217,600	8,217,600
(iv)	Investments managed by ASSAR Asset Management Sdn. Bhd.	11,053,637	11,029,664	7,886,516	7,886,516
	Less: Accumulated impairment losses	(3,901,795)	(3,901,795)	(3,376,723)	(3,376,723)
		7,151,842	7,127,869	4,509,793	4,509,793
(v)	Structured investment	14,705,828	16,905,828	14,705,828	16,905,828
	<b>Total</b>	<b>188,925,830</b>	<b>185,704,869</b>	<b>116,741,770</b>	<b>118,348,559</b>
	Market value of:				
(i)	Quoted unit trusts	136,453,966	119,662,807	73,767,753	61,523,758
(ii)	Quoted shares	26,561,668	20,723,158	25,155,410	19,720,008
(iii)	Investments managed by ASSAR Assets Management Sdn. Bhd.	7,447,729	7,127,869	4,509,793	4,509,793

### 7. Project Development Expenditure

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January	339,755,552	377,706,338	348,755,769	386,706,555
Addition	123,025,174	198,539,073	123,025,174	198,539,073
Reclassification	(3,070,018)	(236,489,859)	(3,070,018)	(236,489,859)
Transferred to profit or loss	(1,253,531)	-	(1,253,531)	-
At 31 December	458,457,177	339,755,552	467,457,394	348,755,769

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### 8. Long Term Loan Receivables

		Group		Corporation	
		2011 RM	2010 RM	2011 RM	2010 RM
(i)	Interest free loan to: Sarawak Medical Centre Sdn. Bhd.	6,900,000	6,900,000	6,900,000	6,900,000
(ii)	Soft loan to Elmhurst Sdn. Bhd., with interest at 5% p.a.	-	-	-	1,177,793
(iii)	Loan to Tanjong Manis Food & Industrial Park Sdn. Bhd	2,000,000	2,000,000	2,000,000	2,000,000
(iv)	Loan to Hornbill Skyways Sdn. Bhd.	-	-	82,500,000	90,000,000
		8,900,000	8,900,000	91,400,000	100,077,793
	Less: Provision for doubtful debts	(6,900,000)	(6,900,000)	(6,900,000)	(8,077,793)
		<b>2,000,000</b>	<b>2,000,000</b>	<b>84,500,000</b>	<b>92,000,000</b>

### 9. Inventories

		Group		Corporation	
		2011 RM	2010 RM	2011 RM	2010 RM
At cost:					
Processed timber					
- plywood and sawn timber		1,825,847	1,735,161	-	-
Timber logs		758,734	451,301	-	-
Consumable		283,835	436,297	-	-
Industrial land lots		47,649,498	55,304,068	47,649,498	55,304,068
		50,517,914	57,926,827	47,649,498	55,304,068
At net realisable value:					
Aircraft spares		3,397,968	3,164,802	-	-
Processed timber					
- plywood and sawn timber		108,444	97,992	-	-
Industrial land lots		12,000,000	12,000,000	-	-
Condominium		190,000	190,000	-	-
		<b>66,214,326</b>	<b>73,379,621</b>	<b>47,649,498</b>	<b>55,304,068</b>

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### 10. Trade Receivables

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables	118,990,180	112,220,432	94,240,908	81,221,635
Due from subsidiaries	-	-	56,000	56,000
	118,990,180	112,220,432	94,296,908	81,277,635
Less: Provision for doubtful debts	(11,931,324)	(11,928,821)	(11,346,443)	(11,346,443)
	<b>107,058,856</b>	<b>100,291,611</b>	<b>82,950,465</b>	<b>69,931,192</b>

### 11. Other Receivables

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Due from subsidiaries	-	-	22,762,711	17,904,800
Due from associates	136,501	136,501	136,501	136,501
Dividend receivable	2,244,330	880,905	2,378,705	880,905
Tax refundable	238,726	2,114,967	-	534,024
Deposits	1,373,746	1,238,762	641,090	640,587
Sundry receivables	34,012,085	33,267,647	28,514,017	27,693,592
	38,005,388	37,638,782	54,433,024	47,790,409
Less: Provision for doubtful debts	(6,573,586)	(6,573,586)	(18,028,586)	(18,028,586)
	<b>31,431,802</b>	<b>31,065,196</b>	<b>36,404,438</b>	<b>29,761,823</b>

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

### 12. Cash and Cash Equivalents

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash on hand and at banks	11,902,366	10,116,534	4,807,287	1,829,855
Deposits with licensed banks	204,717,023	205,005,075	150,714,004	151,145,630
Cash and bank balances	216,619,389	215,121,609	155,521,291	152,975,485
Bank overdraft (Note 13)	(220,503)	-	-	-
Cash and cash equivalents	<b>216,398,886</b>	<b>215,121,609</b>	<b>155,521,291</b>	<b>152,975,485</b>



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The interest rates of deposits during the financial year were 1.90% - 3.00% (2010: 1.90% - 3.00%) per annum.

The fixed deposits of the Group amounting to RM2,572,935 (2010: RM2,050,423) are pledged to the banks to secure banking facilities granted as referred to in Note 13.

### 13. Borrowings

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Short Term Borrowings</b>				
Secured:				
Bank overdrafts (Note 12)	220,503	-	-	-
Term loans	9,376,264	8,250,000	-	-
Hire purchase payables (Note 14)	131,449	90,106	-	-
	<b>9,728,216</b>	<b>8,340,106</b>	<b>-</b>	<b>-</b>
<b>Long Term Borrowings</b>				
Secured:				
Term loans	20,952,400	23,680,000	-	-
Hire purchase payables (Note 14)	434,610	400,501	-	-
	<b>21,387,010</b>	<b>24,080,501</b>	<b>-</b>	<b>-</b>
Unsecured:				
Loan payable to the State Government of Sarawak with interest at 6.5% p.a.	48,099,866	48,099,866	48,099,866	48,099,866
	<b>69,486,876</b>	<b>72,180,367</b>	<b>48,099,866</b>	<b>48,099,866</b>
<b>Total Borrowings</b>				
Bank overdrafts	220,503	-	-	-
Term loans	30,328,664	31,930,000	-	-
Hire purchase payables	566,059	490,607	-	-
Loan payable to the State Government of Sarawak with interest at 6.5% p.a.	48,099,866	48,099,866	48,099,866	48,099,866
	<b>79,215,092</b>	<b>80,520,473</b>	<b>48,099,866</b>	<b>48,099,866</b>
Maturity of borrowings (excluding hire purchase):				
Within one year	58,468,162	56,349,866	48,099,866	48,099,866
More than 1 year and less than 2 years	15,348,471	23,680,000	-	-
More than 2 years and less than 5 years	2,160,000	-	-	-
More than 5 years	2,672,400	-	-	-
	<b>78,649,033</b>	<b>80,029,866</b>	<b>48,099,866</b>	<b>48,099,866</b>

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The term loans bank interest during the financial year of between 3.75% to 7.80% (2009: 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 12;
- (c) Guarantee by the directors of a subsidiary.

\* Additional notes:

STIDC has submitted application to State Financial Secretary to convert the non- performing loan on the 'Payment of shares allotted to the Borrower by Borneo Pulp and Paper Sdn Bhd' into grant and are presently awaiting approval.

### 14. Hire Purchase Payables

	Group	
	2011 RM	2010 RM
<b>Minimum lease payments:</b>		
Not later than 1 year	168,408	94,655
Later than 1 year and not later than 2 years	396,878	476,483
Later than 2 years and not later than 5 years	99,480	40,684
	664,766	611,822
Less: Future finance charges	(98,707)	(121,215)
Present value of finance lease liabilities	566,059	490,607
<b>Analysed as:</b>		
Due within 12 months (Note 13)	131,449	90,106
Due after 12 months (Note 13)	434,610	400,501
	<b>566,059</b>	<b>490,607</b>

The hire purchase bore interest during the financial year of 3.25% to 6.00% (2010: 3.25% to 5.00%) per annum.

### 15. Other Payables

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Due to subsidiaries	-	-	1,452,788	2,264,097
Due to associates	832,000	832,000	-	-
Sundry payables	155,992,094	94,829,749	148,922,752	82,095,807
	<b>156,824,094</b>	<b>95,661,749</b>	<b>150,375,540</b>	<b>84,359,904</b>

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

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### 16. Donated Funds

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

### 17. 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.

### 18. Government Grants

	Group / Corporation	
	2011 RM	2010 RM
At 1 January	271,594,932	171,735,338
Addition	101,444,882	124,258,761
Less		
Amortisation	(63,763,326)	(4,399,167)
Reclassified to Government Contribution	-	(20,000,000)
Reclassified to Project Development Expenditure	(4,182,637)	-
At 31 December	305,093,851	271,594,932

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

### 19. Deferred Tax

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January	(7,642,196)	(5,874,583)	(357,000)	(9,000)
Recognised in the income statement (Note 25)	(2,125,840)	(1,767,613)	(411,000)	(348,000)
At 31 December	(9,768,036)	(7,642,196)	(768,000)	(357,000)
<b>Presented after appropriate offsetting as follows:</b>				
Deferred tax assets	252,000	357,064	-	-
Deferred tax liabilities	(10,020,036)	(7,999,260)	(768,000)	(357,000)
	<b>(9,768,036)</b>	<b>(7,642,196)</b>	<b>(768,000)</b>	<b>(357,000)</b>

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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 2011	27,848,260
Recognised in the income statement	6,526,105
At 31 December 2011	34,374,365

Deferred Tax Assets of the Group:	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2011	20,206,064
Recognised in the income statement	4,400,265
At 31 December 2011	24,606,329

Deferred Tax Liabilities of the Corporation:	Accelerated Capital Allowances RM
At 1 January 2011	357,000
Recognised in the income statement	411,000
At 31 December 2011	768,000

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

	Group	
	2011 RM	2010 RM
Accelerated capital allowances	2,974,783	3,036,456
Unused tax losses	18,908,865	19,085,527
Unabsorbed capital allowances	6,593,449	6,399,186
Provision for doubtful debts	13,000	-
	<b>28,490,097</b>	<b>28,521,169</b>

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



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### 20. Deposit

The deposit is for the progress payment on modification of helicopters (2010: purchase of new aircraft) by a subsidiary.

### 21. Revenue

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

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Aviation services	78,919,002	57,231,531	-	-
Gain on disposal of other investments	79,626	1,646,835	-	395,232
Gain on disposal of property, plant and equipment	430,422	102,599	118,224	-
General repair and maintenance services	64,810	89,045	-	-
General repair and maintenance services	89,045	89,813	-	-
Gross dividends				
- other investments	5,472,107	4,472,600	7,972,292	10,011,550
- subsidiaries	-	-	2,090,375	1,578,000
Interest income	6,944,717	5,813,199	6,097,931	4,149,836
Management fees	450,979	708,595	462,979	653,095
Negative goodwill recognised	-	73,993	-	-
Other operating income	13,909,835	15,402,124	1,586,236	5,515,795
Revenue on project development	10,098,740	72,836,643	10,098,740	72,836,643
Other services	34,783,725	31,168,392	845,813	1,003,882
Premium income	109,710	55,372	-	-
Registration fees	697,844	681,025	697,844	681,025
Rental income	1,680,803	673,145	940,571	-
Reversal of impairment losses on investments	-	1,073,928	-	863,501
Reversal of inventories written down to net realisable value	21,774	2,927	-	-
Sale of construction, furniture and hardware materials	419,488	502,894	-	-
Sale of woodchips, timber logs, sawn timber and peat swamp logs	54,806,134	51,787,701	-	-
Sales of lots shipbuilding	-	-	23,860,717	-
Sales of aircraft spares	53,231	392,455	-	-
Timber premium	22,084,446	20,238,619	22,084,446	20,238,619
	<b>231,027,393</b>	<b>264,953,622</b>	<b>76,856,168</b>	<b>117,927,178</b>

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## 22. Cost of Sales

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

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Cost of construction, furniture and hardware material sold	857,025	875,461	-	-
Cost of woodchips, timber logs, sawn timber and peat swamp logs sold	28,372,639	50,059,003	-	-
Cost of aviation services	67,176,116	46,126,880	-	-
Cost of other services	28,550,427	27,523,869	-	-
Cost of completed projects	70,959,917	45,879,036	70,959,917	45,879,036
	<b>195,916,124</b>	<b>170,464,249</b>	<b>70,959,917</b>	<b>45,879,036</b>

## 23. Profit from Operations

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Profit from operations is stated after charging:</b>				
Staff costs	55,923,417	50,031,243	23,158,622	20,613,356
Auditors' remuneration				
- current year	137,947	140,818	15,646	15,518
- underprovision in prior years	100	2,400	-	-
Bad debts written off	-	1,256	-	-
Depreciation of property, plant and equipment	35,353,800	31,055,006	4,457,496	6,379,165
Directors' remuneration				
- fees	956,637	889,666	24,750	23,400
- other emoluments	580,854	504,741	-	-
Expenses in connection with winding up of Borneo Pulp & Paper Sdn. Bhd.	506,401	190,050	506,401	190,050
Investment in subsidiaries written off	-	-	14	-
Lease rental of equipment	73,128	150,405	48,928	63,173
Loss on disposal of property, plant and equipment	2,718	208,866	194,591	204,341
Loss on foreign exchange				
- realised	79,717	42,954	-	-
Property, plant and equipment written off	158,030	1,893	130,427	-
Loss on disposal of other investment	-	46,617	-	46,617
Provision for diminution in value	46,139	-	-	-
Provision for doubtful debts	51,027	6,958		-

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Rental of aircraft	10,219,344	1,058,895	-	-
Rental of premises	824,414	703,434	35,200	32,300
And crediting:				
Bad debts recovered	6,650	-	-	-
Creditors written off	7,108	1,000	-	-
Gain on foreign exchange				
- realised	91,746	109,444	-	-
- unrealised	7,740	-	-	-
Dividend income	5,472,107	4,472,600	10,062,667	11,589,550
Gain on disposal of other investment	79,626	1,646,835	-	395,232
Gain of disposal of property, plant and equipment	430,422	102,599	118,224	-
Reversal of written down of inventories	21,774	-	-	-

## 24. Finance Costs

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense	2,174,771	2,747,101	509,913	831,379
Others	140,672	79,269	-	-
	<b>2,315,443</b>	<b>2,826,370</b>	<b>509,913</b>	<b>831,379</b>

## 25. Taxation

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Tax expense for the year	13,756,004	6,236,779	12,221,177	6,945,000
Under/(over) provided in prior years	238,971	(1,454,573)	290,095	(1,491,468)
	13,994,975	4,782,206	12,511,272	5,453,532
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	1,923,058	1,998,595	411,000	464,000
Under/(over) provided in prior years	202,782	(230,982)	-	(116,000)
	2,125,840	1,767,613	411,000	348,000
Share of taxation of associates	3,350,188	2,267,626	-	-
	<b>19,471,003</b>	<b>8,817,445</b>	<b>12,922,272</b>	<b>5,801,532</b>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

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A reconciliation of income tax expense applicable to profit before taxation 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:

	Group		Corporation	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before taxation	47,709,374	53,781,973	28,960,835	45,226,040
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	11,927,344	13,445,493	7,240,209	11,306,510
Income subject to lower tax rate of 20%	-	(29,703)	-	-
Income not subject to tax	(2,124,811)	(7,299,777)	(2,250,000)	(6,709,515)
Expenses not deductible for tax purposes	10,924,960	6,886,931	7,641,968	2,812,005
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(232,055)	(47,500)	-	-
Effect of double deduction of expenses	(1,719,112)	(2,473,448)	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	193,527	117,572	-	-
Prior year deferred tax assets now recognised on unutilised tax losses and unabsorbed capital allowances	-	(64,229)	-	-
Under/(over) provision of deferred tax in prior years:				
Company and subsidiaries	202,782	(230,982)	-	(116,000)
Associates	-	(8,012)	-	-
Under/(over) provision of tax expense in prior years:				
Company and subsidiaries	238,971	(1,454,573)	290,095	(1,491,468)
Associates	59,397	(24,327)	-	-
Tax expense for the year	19,471,003	8,817,445	12,922,272	5,801,532

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### 26. Capital Commitments

	Group	
	2011 RM	2010 RM
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	49,990,439	29,581,556
Share of capital commitments of associates	-	86,184
	49,990,439	29,667,740
Infrastructural projects:		
Approved and not contracted for	41,000,000	-

	Corporation	
	2011 RM	2010 RM
Infrastructural projects:		
Approved and contracted for	15,796,705	116,267,354
Approved and not contracted for	41,000,000	74,700,000
	56,796,705	190,967,354

### 27. Significant Related Party Transactions

	Corporation	
	2011 RM	2010 RM
Interest received from a subsidiary	1,487,500	4,236,159
Management fees paid to a subsidiary	4,161,257	4,580,819
Gross dividend income from subsidiaries	(2,090,375)	(1,578,000)

The Board are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.







Sarawak Timber Industry Development Corporation (STIDC)  
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