

An abstract graphic composed of several overlapping, curved, leaf-like shapes in various shades of green, ranging from light lime green to dark forest green. The shapes are layered to create a sense of depth and movement, resembling a fan or a cluster of leaves. The text '2014 ANNUAL REPORT' is centered within the darker green areas.

# 2014 ANNUAL REPORT



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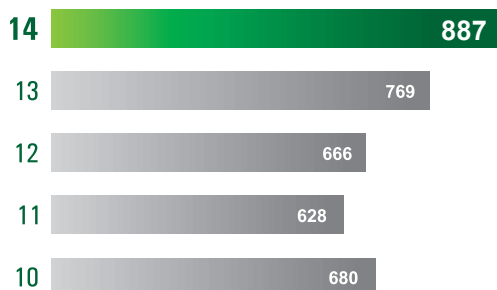
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## FINANCIAL HIGHLIGHTS

|                                  | 2010<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                          | 679,853        | 627,844        | 665,844        | 768,843        | <b>887,116</b> |
| Profit Before Tax                | 46,332         | 48,137         | 47,145         | 20,086         | <b>50,974</b>  |
| Profit After Tax                 | 30,001         | 34,425         | 34,340         | 16,092         | <b>38,627</b>  |
| Shareholders' Fund               | 605,743        | 628,498        | 655,695        | 664,796        | <b>705,904</b> |
| Earnings Per Share (Sen)         | 15.9           | 18.3           | 18.3           | 8.6            | <b>20.6</b>    |
| Return on Shareholders' Fund (%) | 4.95           | 5.48           | 5.24           | 2.42           | <b>5.47</b>    |
| Net Assets Per Share (RM)        | 3.22           | 3.34           | 3.49           | 3.53           | <b>3.75</b>    |

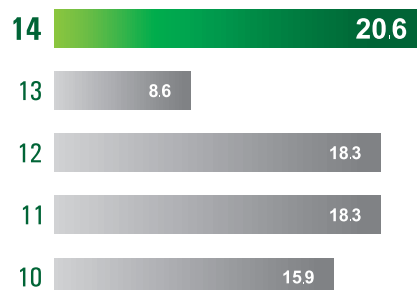
### Revenue

RM'Million



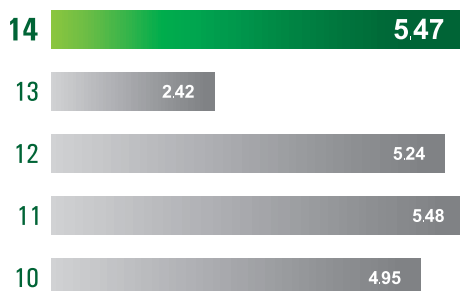
### Earnings Per Share

Sen



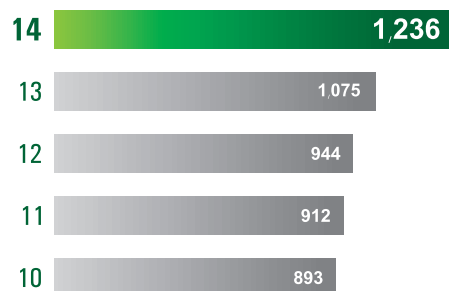
### Return on Shareholders' Fund

%

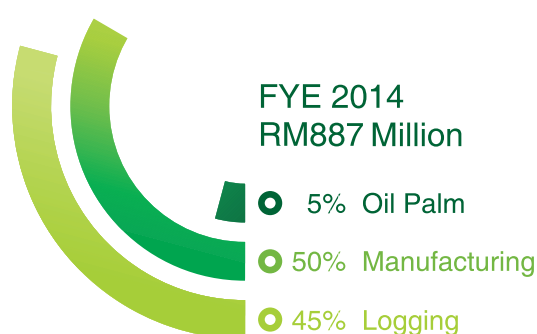
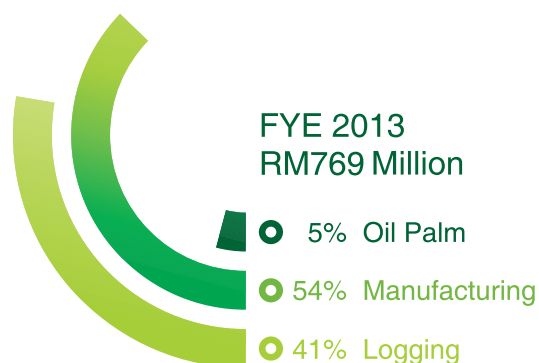


### Total Assets

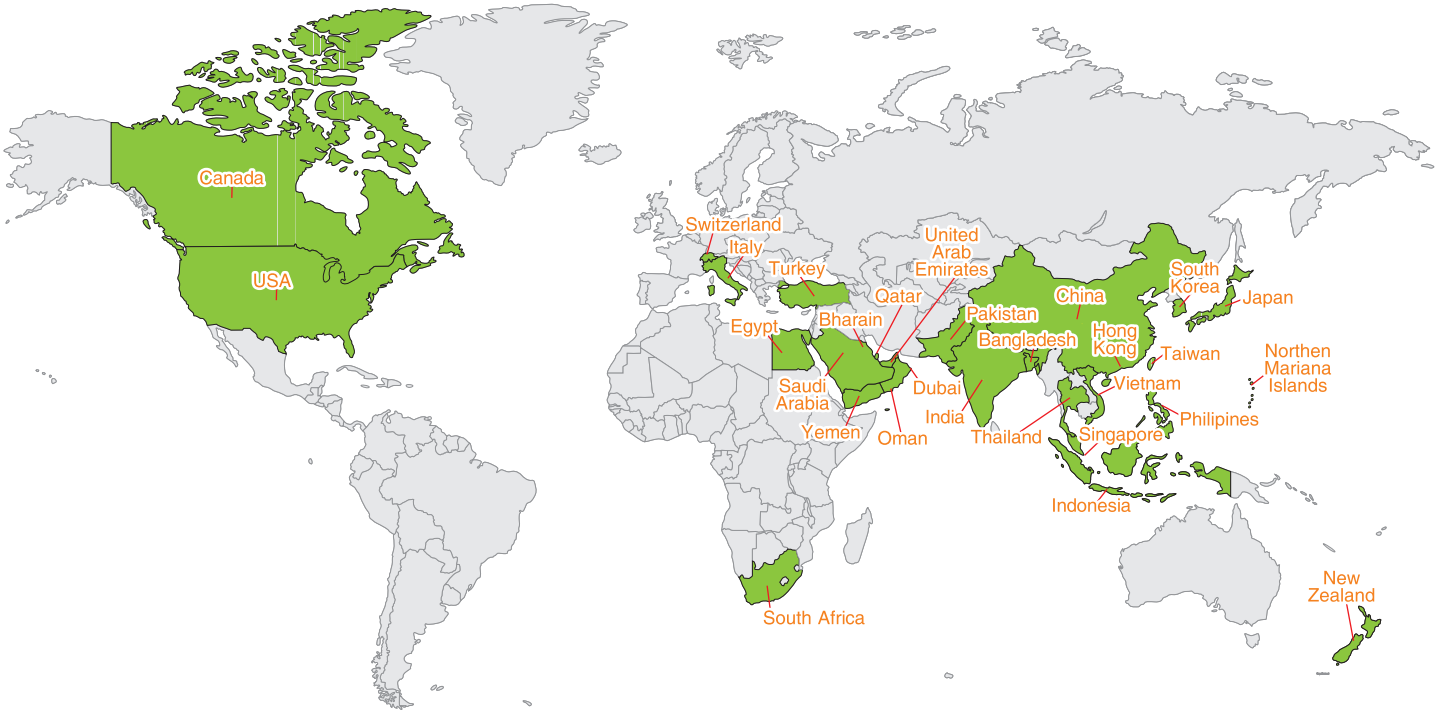
RM'Million



### Breakdown of Revenue by Segment



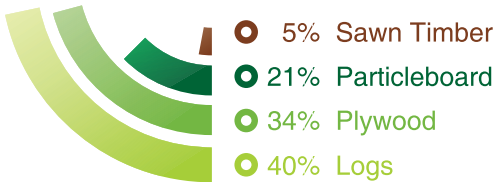
# EXPORT MARKET HIGHLIGHTS



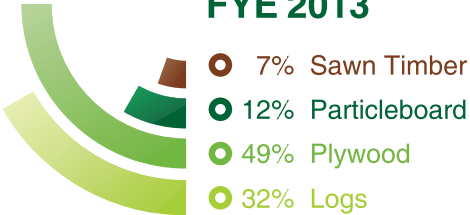
Export volume in %

Export value in %

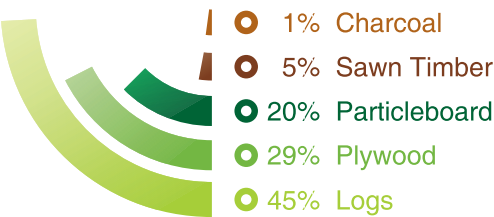
### FYE 2013



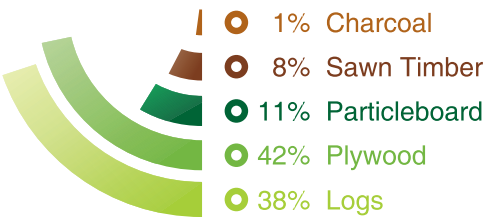
### FYE 2013



### FYE 2014



### FYE 2014



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Tiong Kiong King**

Chairman, Non-Independent Non-Executive Director

**YBhg. Dato' Tiong Ing**

Managing Director

**Madam Ngu Ying Ping**

Senior Independent Director

**YBhg. Datuk William Lau Kung Hui**

Independent Director

**YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh**

Independent Director

**Mr. Tiong Ing Ming**

Independent Director

### COMPANY SECRETARIES

Ling Chieh Min (MIA 18531)  
Voon Jan Moi (MAICSA 7021367)

### REGISTERED OFFICE

No. 66-78, Pusat Suria Permata  
Jalan Upper Lanang  
C.D.T. 123, 96000 Sibu, Sarawak  
Tel : 084-211 555  
Fax : 084-211 545  
E-mail : [info@suburtiasa.com.my](mailto:info@suburtiasa.com.my)  
Website : [www.suburtiasa.com.my](http://www.suburtiasa.com.my)

### REGISTRAR

Symphony Share Registrars Sdn. Bhd.  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7841 8000  
Helpdesk Tel No : 03-7849 0777  
Fax : 03-7841 8151/ 03-7841 8152

### PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad  
Malayan Banking Berhad  
CIMB Bank Berhad  
RHB Bank Berhad  
Hong Leong Bank Berhad  
AmBank (M) Berhad  
Bank of China (Malaysia) Berhad

### AUDITORS

Ernst & Young (AF:0039)  
3rd Floor, Wisma Bukit Mata Kuching  
93100 Kuching, Sarawak  
Tel : 082-243 233  
Fax : 082-421 287

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

### STOCK NAME

SUBUR

### STOCK CODE

6904

## PROFILE OF DIRECTORS



### MR. TIONG KIONG KING

*Chairman*

*Non-Independent Non-Executive Director*

Age 67, Malaysian

Mr. Tiong Kiong King was appointed to the Board Directors (“Board”) of Subur Tiasa Holdings Berhad on 21 June 1997 and was subsequently appointed as Chairman of the Board on 19 March 2013. He is also a member of the Nomination and Remuneration Committees of the Company.

Mr. Tiong Kiong King has more than 43 years of managerial experience in the timber industry in various capacities. Presently, Mr. Tiong also holds key posts in several non-government organisations. Among them, he is the Honorary President for Sibu Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Chairman of Persekutuan Persatuan-Persatuan Foochow Sarawak, Vice President of the World Zhang Clan Association Limited and Vice President of Persatuan Klan Zhang Negeri Sarawak. He also sits on the Board of a public listed company, Rimbunan Sawit Berhad.



### YBHG. DATO’ TIONG ING

*Managing Director*

Age 57, Malaysian

YBhg. Dato’ Tiong Ing was first appointed to the Board of Subur Tiasa Holdings Berhad on 25 July 2001 and was subsequently appointed as the Managing Director on 1 October 2003.

YBhg. Dato’ Tiong holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Canada and is a licensed company secretary. She has more than 33 years hands on experience in the timber industry with in-depth knowledge and market networking of the industry.

On 19 July 2007, YBhg. Dato’ Tiong Ing was conferred with Darjah Sultan Ahmad Shah Pahang (D.S.A.P) by Kebawah Duli Yang Maha Mulia Sultan Pahang, Sultan Haji Ahmad Shah Al-Musta’ In Billah Ibni Al-Marhum Sultan Abu Bakar Ri’ Ayatuddin Al-Mu’ Adzam Shah, which carries the title “Dato’”, on the occasion of His Royal Highness’ 76th Birthday.

## PROFILE OF DIRECTORS (contd.)



### **MADAM NGU YING PING**

*Senior Independent Director*

Age 54, Malaysian

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Madam Ngu Ying Ping joined the Board of Subur Tiasa Holdings Berhad on 29 June 2009. She was subsequently appointed as the Chairperson of Audit, Remuneration and Nomination Committees of the Company on 19 March 2013.

Madam Ngu Ying Ping graduated with Bachelor of Economics (Major in Accounting) from Monash University, Melbourne, Australia. She is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation, Fellow Member of the CPAs Australia and Affiliate of Malaysian Institute of Chartered Secretaries and Administrators. She does not hold any directorship in any other public company.



### **YBHG. DATUK WILLIAM LAU KUNG HUI**

*Independent Director*

Age 64, Malaysian

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YBhg. Datuk William Lau Kung Hui was first appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997 and he is a member of the Audit, Nomination and Remuneration Committees of the Company.

YBhg. Datuk William Lau is a lawyer and a Chartered Arbitrator, and a Panel Arbitrator and Mediator of the Kuala Lumpur Regional Centre of Arbitration (KLRC). He is also an IMI Certified Mediator and an Accredited Mediator and Registered Adjudicator. He graduated with a Bachelor and Master of Laws Degrees from the London School of Economics and Political Science (LSE) of the University of London, United Kingdom, and a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London. He has been a senior partner of a legal firm for over 37 years. YBhg. Datuk William Lau also sits on the Board of a public company, Ekran Berhad.

YBhg. Datuk William Lau also served as a Senator of the Malaysian House of Senate from 1998 to 2005 and was the former Executive Chairman of Samanda Holdings Berhad.

## PROFILE OF DIRECTORS (contd.)



### **YBHG. TEMENGGONG DATUK KENNETH KANYAN ANAK TEMENGGONG KOH**

*Independent Director*

Age 72, Malaysian

YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh was first appointed to the Board of Subur Tiasa Holdings Berhad on 21 June 1997.

YBhg. Temenggong Datuk Kenneth Kanyan graduated from Chartered Institute of Business Administration, Ireland. He was the Political Secretary to YAB Chief Minister of Sarawak from 1967 to 1970. He served as Political Secretary to Federal Minister for Sarawak Affairs and a member of Council Negeri Sarawak from 1970 to 1974. From 1974 to 1981, he was the Political Secretary to YAB Deputy Prime Minister and YAB Prime Minister of Malaysia. He also served as a Senator from 1981 to 1987.

YBhg. Temenggong Datuk Kenneth Kanyan was conferred the title of Datuk, Darjah Bintang Kenyalang Sarawak (PGBK) on 16 September 1988 and was appointed as a paramount Iban Chief with the title of Temenggong for the Kapit Division by the State Government of Sarawak on 24 April 2003, in recognition of his contribution to the community. He also sits on the Board of Media Chinese International Ltd., a company incorporated in Hong Kong and dually listed on both the Stock Exchange of Hong Kong Limited and Bursa Malaysia Securities Berhad.



### **MR. TIONG ING MING**

*Independent Director*

Age 57, Malaysian

Mr. Tiong Ing Ming joined the Board of Subur Tiasa Holdings Berhad on 19 March 2013 and he is a member of the Audit, Nomination and Remuneration Committees of the Company.

Mr. Tiong Ing Ming graduated with a Bachelor of Building (Hons) from University of Melbourne, Australia in 1982 and began his career in a consulting quantity surveying practice since 1994. He is a registered quantity surveyor of the Board of Quantity Surveyors, Malaysia and a member of the Institution of Surveyors Malaysia. He also sits on the Board of a public listed company, Rimbunan Sawit Berhad.



## PROFILE OF DIRECTORS (contd.)

### OTHER INFORMATION OF DIRECTORS :

- (i) Family Relationship  
None of the Directors have any family relationship with each other or the major shareholders of the Company, except as disclosed below:
- Mr. Tiong Kiong King is a brother of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and an uncle to YBhg. Dato' Tiong Ing, who is the Managing Director of the Company.
  - YBhg. Dato' Tiong Ing is the daughter of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a niece to Mr. Tiong Kiong King who is also a Director of the Company.
- (ii) Conflict of Interest  
None of the Directors have any conflict of interests with the Company.
- (iii) List of Convictions for Offences  
All the Directors have no convictions for any offences within the past 10 years.
- (iv) Attendance of Directors at Board Meetings  
There were four (4) Board Meetings held during the financial year ended 31 July 2014. Details of attendance of each Director at Board Meetings are as stipulated in the Corporate Governance Statement set out on page 25 of this annual report.
- (v) Securities holdings in the Company and its subsidiaries  
The Directors' shareholdings as at 31 October 2014 are as disclosed on page 123 of this annual report.

## CORPORATE STRUCTURE

### As at 31 October 2014



### SUBUR TIASA HOLDINGS BERHAD

(Company No. 341792-W)

#### LOGGING OPERATIONS

- 100% - Saraju Holding Sdn. Bhd. (179762-K)
- 100% - JPH Logging Sdn. Bhd. (809224-M)
- 100% - Subur Tiasa Forestry Sdn. Bhd. (323421-T)
- 100% - Sarawak Plywood (M) Sdn. Bhd. (012934-U)

- 100% - Subur Tiasa Plywood Sdn. Bhd. (167681-D)
- 100% - Subur Tiasa Particleboard Sdn. Bhd. (198523-K)
- 100% - Borneo Lumber Industries Sdn. Bhd. (34515-V)
- 100% - Grace Million Sdn. Bhd. (624862-D)
- 100% - Excelle Timber Sdn. Bhd. (761744-T)
- 100% - Trimogreen Sdn. Bhd. (190362-D)
- 100% - R H Timber Processing Industries Sdn. Bhd. (048217-K)
- 100% - Diamond Biowood Sdn. Bhd. (750284-A)
- 100% - AA Plywood Sdn. Bhd. (752393-M)
- 100% - Semarak Veneer & Plywood Sdn. Bhd. (230578-K)
- 100% - Homet Raya Sdn. Bhd. (189955-D)
- 100% - Mamo Sdn. Bhd. (1012769-P)
- 100% - Momamizu Sdn. Bhd. (1014468-D)
- 100% - Onfire Charcoal Sdn. Bhd. (1019826-W)
- 100% - Momaworld Sdn. Bhd. (1032328-H)
- 100% - Momawater Sdn. Bhd. (1033245-V)
- 100% - Merri Sdn Bhd (1057611-U)
- 100% - Merri Mee Sdn Bhd (1067347-D)
- 100% - Merri Marketing Sdn Bhd (1067349-P)

#### MANUFACTURING OPERATIONS

- 100% - Palmlyn Sdn. Bhd. (614569-U)
- 100% - Infrapalm Sdn. Bhd. (769262-T)
- 100% - Blessings Palm Sdn. Bhd. (776528-A)
- 100% - Tiasa Palm Sdn. Bhd. (809230-X)

#### PLANTATION OPERATIONS

- 100% - Victory Round Sdn. Bhd. (751569-X)
  - 60% - Victory Pelita Kabah Sdn. Bhd. (1015888-K)

- 100% - T.Q. Oriental Sdn. Bhd. (257848-D)
- 100% - Supreme Standard Development Sdn. Bhd. (717556-V)
- 100% - Allied Asiatic Sdn. Bhd. (734184-M)
- 100% - Joyful Realty Sdn. Bhd. (770831-M)
- 100% - JPH Enterprise Sdn. Bhd. (771097-V)
- 100% - Blessings Realty Sdn. Bhd. (775270-M)
- 100% - Tiasa Cergas Sdn. Bhd. (935519-H)
- 100% - Tiasa Mesra Sdn. Bhd. (938319-P)

#### OTHERS

## CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF SUBUR TIASA HOLDINGS BERHAD, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 JULY 2014.

**MR. TIONG KIONG KING**  
Chairman



### FINANCIAL PERFORMANCE

In the current financial year, the world economy had subdued growth with global activity strengthening only from the second half of year 2013. The Eurozone generally underperformed with slow recovery for most of the developed countries while the US economy, despite weakness in the first quarter of year 2014, gained momentum in the second quarter. The increase in external demand from the key export countries had pushed up the average selling prices of timber, timber products and crude palm oil (CPO) during the year. The strengthening of US Dollar against Ringgit Malaysia also contributed to the Group performance, with export sales predominantly in US Dollar. On the domestic front, the operating landscape faced challenges with increasing cost of production due to escalating raw material and labour cost following the imposition of minimum wages.

Nevertheless, riding on the sturdy foundation built in our core businesses and the implementation of various strategic initiatives, Subur Tiasa Holdings Berhad ("Subur Tiasa") continued to enhance shareholder value with a record set of results since financial year 2008. The Group recorded a 15% increase in revenue, stepping up to RM887.1 million from RM768.8 million. Profit before tax increased significantly by 2.5 times to RM51.0 million from RM20.1 million, and profit after tax surged by 140% to RM38.6 million. Earnings per share rose to 20.6 sen from 8.6 sen. The Group's financial position has further strengthened, with shareholders' fund growing to RM705.9 million from RM664.8 million. Net assets per share climbed up to RM3.75 per share as at end of financial year ended 31 July 2014 (FY2014) from RM3.53 per share.

## CHAIRMAN'S STATEMENT (contd.)

### OPERATIONS REVIEW

#### Logging and Reforestation

The logging and reforestation segment contributed to 45% of the Group's revenue amounting to RM402 million, mainly from export sales to India, Taiwan, Vietnam, Japan and China. The outlook of this segment remains optimistic with firm demand from India in view of accelerating new investments in their housing sector while the impacts from the logs export bans in Myanmar and the logging bans in China since April 2014 are expected to further firm up the logs selling price.

Profit performance of this segment with a significant 225% improvement was partially attributed to the recovering logs selling price of 3% and more specifically, due to results garnered from various strategic initiatives implemented in previous year to revitalize the segment's critical operating points which proved to be most cost effective.

On reforestation, the Group maintained its unwavering commitment to implement sustainable forest management. The Group's dedicated efforts in replanting the forest with Acacia species, Eucalyptus, Kelampayan, and Paraserianthes Falcataria will ensure the natural resources is sustainable for the Group business and for preservation of the natural wildlife for the generations to come, in line with our Group's core Mission of "Care for Environment and Communities".

The Group shall continue to capitalise on this segment to ensure optimal returns from all available resources and alleviate the additional fuel costs hike and Goods and Service Tax (GST) impact which will be effective from 1 April 2015.

#### Manufacturing

Manufacturing of plywood, particleboard, sawn timber and briquette charcoal, continued to be the main catalyst for the Group's earnings with 53% contribution amounting to RM26.9 million, a significant 87% improvement compared to last year. The second briquette charcoal plant located in Bintulu commenced under our subsidiary, Diamond Biowood Sdn Bhd. The continuous expansion of charcoal segment signifies one of our Group's core Missions, "Excellent Resource Management" where all the wood waste from our timber processing activities are further value-added to maximize returns and avoid wastages to our natural resources.

#### Plywood

The plywood manufacturing recovered well, backed by an upswing in plywood selling price and it was supported by the Group's on-going initiative in optimising its production strategy to cap rising operating costs.

We consistently delivered superior quality products to our customers as we maintain plywood quality in line with JAS certification, California Air Resources Board (CARB) Certification, CE Marking System Certification, Wood Packaging Treatment Certification and ISO 9001:2008.

There was timely expansion into other market and product offerings as we leverage on the Group's exceptional business relationship with its existing customers and at the same time, garnered new customers with wider range of value-added products. This reinforces the Group's aspiration to maintain its strong standing as a preferred reliable supplier of plywood products.



## CHAIRMAN'S STATEMENT (contd.)



With our major export destinations continuing to be from Korea, Taiwan, Middle East and Philippines, the outlook remains positive in view of continuous strong demand from emerging markets.

### *Particleboard*

Another steady performer from the segment. Particleboard continued to deliver for the Group and posted another positive return with an increase of 11% in earnings compared to last year.

Revenue expanded by 9% to RM74.1 million on the back of better selling price by 7% and increase in sales volume by 2%. Main export markets remain emerging economies in South East Asia. The Group continues to ensure our Particleboard's quality is well recognized across the globe via certification from the Japan Ministry Certification (JIS F 4 star), the CARB, and ISO9001:2008 Certification.

### *Plantation*

The oil palm plantation segment's profit before tax grew by nearly threefold from RM1.65 million to RM6.46 million in FY2014. The profit contribution represented 13% of the Group's profit despite a mere revenue contribution of 5%. The significant improvement was backed by the recovery by 7% to average of RM2,531 per MT in FY2014. Concurrently, the Group's Fresh Fruit Bunch (FFB) production increased by 20% from 87,727MT to 104,949MT in FY2014.

To date, a total of 9,100 hectares from its land bank of 25,400 hectares were cultivated with oil palm. We endeavour to fine tune operational efficiency by embarking on various initiatives including upgrading of estate infrastructure and mechanisation program especially on the infield FFB evacuation to optimize the deployment of labour and overcome the labour shortage faced by plantation sectors nationwide. The Group will continue to ensure stringent control over production cost while enhancing the estate's productivity and fruits quality.

Subsequent to the financial year, a ground-breaking ceremony for the joint venture of oil palm plantation project between Victory Round Sdn Bhd, a wholly owned subsidiary of Subur Tiasa and Pelita Holdings Sdn Bhd was launched on 20 September 2014 to undertake the oil palm development project covering 12,037 hectares in Ulu Tada, Sarawak.

With the enlarged land bank, the progressive increase in planted areas and maturity profile of the crops, the oil palm segment will tap its upside potential in enhancing its share of contribution to the Group when the CPO prices start to trend upwards.

### **CORPORATE DEVELOPMENT**

While progressing into the next phase of growth with enlarged and diversified operations, the Group has explored a variety of leading information and communication technology fronts and leveraged on innovative infrastructure to provide a platform for seamless network connectivity, assurance in system reliability and performance. We have kick-started a group-wide GST project concurrent with the Group' ongoing Corporate Information Security initiative, which ensures greater access control and safeguarding of Company data.

The Group has always regarded its human capital as a valuable asset in propelling the Group in its transformational journey. Central to its human capital enhancement



## CHAIRMAN'S STATEMENT (contd.)

initiatives is to nurture, promote and orientate a high performance and result-oriented culture which is founded on a balanced work-life, health and safety. The Group has launched various training initiatives to engage employees in improving productivity through effective team-working to enable the refinement and execution of the Group's strategies towards a common goal.

### GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Group's commitment towards corporate social responsibility underpins conducting business in an ethical, sustainable and socially responsible manner. We always strive to embrace good corporate governance and corporate social responsibility in our business practices and operations, taking into accounts the interests of all stakeholders. We endeavour to go beyond philosophical and philanthropic commitment and recognize the responsibility to manage the impact of our business to the community.

### PROSPECTS

While there remains downside risk on the external front, including slow and uneven growth in the Eurozone, increased deflationary pressures in the advanced economies, slower growth in emerging markets, as well as, geopolitical tensions, the Malaysian economy is expected to sustain its growth momentum in 2015, driven by resilient domestic demand and the improving external sector. Gross Domestic Product growth is expected to expand at a steady pace of between 5% and 6% in 2015 given the better global economic outlook. External demand is expected to firm up as recovery in high-income countries is gaining momentum.

Prices for logs and timber products are expected to remain firm in anticipation of potential tight supply of logs and robust demand from importing countries. We are confident that timber segment continues to be the key profit contributor. While our palm trees have entered into prime age profile with improving yield per hectare, we expect to see an upward trend in the profit contribution from the oil palm segment in the wake of CPO price recovery in the long run.

The Group will continue to focus on consolidating and improving the existing business segments in order to deliver sustainable profitability and value creation. The Group adopts a resilient business model and is committed to rationalizing its operations strategically and synergistically, maximizing the utilization of resources, optimizing the integrated supply chain and strengthen products branding. The Group will build on the momentum of its engine of growth and gear its relentless efforts towards achieving sustainable long term growth and going beyond the organic growth spectrum.

### DIVIDENDS

The Group is committed to enhancing shareholder value by consistently delivering rewards to our loyal shareholders. The Board of Directors ("Board") recommended a first and final single tier dividend of 5% per share in respect of the financial year ended 31 July 2014, for approval by shareholders at the forthcoming Annual General Meeting.

### APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to my fellow Board members for their invaluable support and contribution. I am very grateful to the insightful and resilient Managing Director, Dato' Tiong Ing, the management team and the employees of the Group for their commendable loyalty, dedication and commitment. I would also like to convey our gratitude to our valued customers, suppliers, financial institutions, business associates, various regulatory bodies and last but not least, our valued shareholders, for their unfaltering support and confidence. I look forward to your continued support as the Group gains momentum and forges forward towards another horizon of growth.

**Tiong Kiong King**  
Chairman

## CORPORATE SOCIAL RESPONSIBILITY

### Serving Our Community

Too often we underestimate the power of a touch, a smile, a kind word, a listening ear, an honest compliment, or the smallest act of caring, all of which have the potential to turn a life around.

Blood donations, making visits and meeting needs of institutions such as Agape Center which houses kids with special needs, SibU Benevolent Society, providing financial support to medical facilities....these are just a few examples of the little we could do.



150 successful blood donations for the needy



Nothing touches our hearts more @ SibU Benevolent Society



Charity Drive with Subur Burger at Agape Center

## CORPORATE SOCIAL RESPONSIBILITY (contd.)



One big happy Subur family

### Encouraging Work Life Balance

All work and no play makes Jack a dull boy. It is within our cores values to create a dynamic and creative workforce, at the same time providing family oriented, healthy and fun programs for them.

In 2014, friendly matches such as badminton, bowling, and table tennis are some of the sports organized to promote closer interaction outside of work.

We love to play. A family day was organized for families of our staff to gather and have fun with the big Subur Family. Throughout the year, we have organized numerous trips to the beaches, barbecue sessions, or casual eat outs to foster stronger bonds and understanding between colleagues.

After all, it is not only about working, but living in Subur Tiasa.



It's all about teamwork and balance @ Family Day



Smashing for the winning point @ Badminton Competition



Lights, camera, action! @ Annual Dinner



Aiming for a strike @ Bowling Competition



## CORPORATE SOCIAL RESPONSIBILITY (contd.)



"Leadership Consciousness - Becoming Transformational Leaders" Training



"Achieving Administrative & Secretarial Excellence" Training



GST Project Kickoff Meeting

### Continual Training and Development

Our people are the greatest assets of Subur Tiasa. The more equipped we are, the more prepared are we to expand into new territory. It is vital to Subur Tiasa to train and nurture every one of them.

By providing a series of internal and external trainings, motivational coaching, and team building activities, not only will this empower our people to take on greater responsibilities, but to also explore their full potentials.

## CORPORATE SOCIAL RESPONSIBILITY (contd.)

### Safety Pays for Everyone

We all have the same goal, no one wants to get hurt on the job. Day by day we look into ways of making our workplace a better place to work, one step at a time. The safety of our people is our utmost concern. Central to any strategy, we consult with employees, where they provide their input on perceived risks and how they could be avoided. By implementing safety and health measures, we are providing safe systems of work, with regular monitoring through training and supervision to ensure optimum workplace conditions. Our activities consist of regular inspection of fire fighting equipment, noise exposure monitoring, training on the usage of Personal Protective Equipment (PPE) provided, conducting fire drills and ensuring effective emergency plans.

Not only are we focusing on the safety aspect of our work environment, we also place a high value on our employees health. Our workplace health and wellbeing programs range from a simple activity of evening exercise to annual health screening packages from renowned local clinical laboratories.

We believe that maintaining the safety of not only employees but all other people supporting our business endeavors is a fundamental aspect of our social responsibility. In keeping with this belief, we continue to establish an atmosphere that prioritizes occupational safety and health in all social and corporate environments.

### Connect to the world

For many years, our products have achieved *Japanese Agricultural Standards (JAS) Certification, Japan Ministry Certification, California Air Resources Board (CARB) Certification and ISO9001:2008 and Wood Packaging Material Treatment Providers Certification.*

To fulfil our role, we ensure the superior quality of our products through internal policies, strict corporate governance, stringent quality assurance and control.

In Subur Tiasa, we believe our customers deserve the best products and services, and we do so with honesty and integrity.

## AWARDS & RECOGNITION

Our Commitment as a preferred reliable supplier of premium wood based product, well recognised regionally with many accolades won over the years for our quality products



### SUBUR TIASA HOLDINGS BERHAD

- Diploma Best Enterprise Award 2012
- Century International Diamond Quality Era Award 2012
- 2nd Malaysia Independence Award 2010
- International Diamond Star For Quality Award (Geneva 2010)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2007)
- Business Summit Award 2007

### SUBUR TIASA PLYWOOD SDN. BHD.

- Quality Summit Platinum Award For Excellence & Business Prestige (New York 2009)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2008)
- Platinum Technology Award For Quality & Best Trade Name (Rome 2008)

### SUBUR TIASA PARTICLEBOARD SDN. BHD.

- The Sarawak Chief Minister's Environmental Award 2011/2012
- Product Excellence Award In Industry Excellence Awards 2009
- The Majestic Five Continents Award For Quality & Excellence (GENEVA 2008)
- Diamond Eye Award 2007 For Quality Commitment & Excellence
- The Top Quality Customer Satisfaction Aptitude Seal For High Quality Performance & Best Customer Satisfaction 2007
- 32nd International Award For The Best Trade Name 2007 (New Millennium Award)

### SUBUR TIASA PLYWOOD SDN. BHD.

- Japanese Agricultural Standards (JAS) Certification
- California Air Resources Board (CARB) Certification
- ISO9001: 2008 Certification

### SUBUR TIASA PARTICLEBOARD SDN. BHD.

- Japan Ministry Certification
- California Air Resources Board (CARB) Certification
- ISO9001: 2008 Certification



## CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Subur Tiasa Holdings Berhad (“Subur Tiasa” or the “Company”) subscribes and supports the Malaysian Code on Corporate Governance 2012 (“Code”) and the relevant provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). The Board is committed to ensuring that the highest standard of corporate governance is founded on core values such as accountability, transparency and integrity is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

Subur Tiasa acknowledges that corporate governance is a continuous process that requires periodic reassessment and refinement of management practices and systems.

Set out below is a statement of how the Group has applied the principles of the Code and the extent to which it has observed the Recommendations of the Code, except where it was stated otherwise.

### 1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### 1.1 Functions of the Board of Directors (“Board”) and Management

The Board acknowledges its leadership role in the direction and business operations of the Group toward enhancing shareholders’ value and ensuring long term sustainable development and growth of the Group.

The Board delegates the authority to the Group Managing Director who is supported by the senior management team in achieving the corporate objectives. The Group Managing Director remains accountable to the Board for the performance of the Group.

The Board also delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, all of which operate within defined terms of reference. All Board Committees do not have executive power but report to the Board on all matters considered and the ultimate responsibility for decision making on recommendations presented by the Board Committees lies with the Board.

#### 1.2 Roles and Responsibilities of the Board

An effective Board leads and controls the Group. To ensure that the direction and control of the Group is firmly in its own hands, the Board reserves appropriate strategic, financial and organizational matters for its collective decision and/or monitoring. The Board meets at least four (4) times a year, with additional meetings convened as necessary. All Independent Directors bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The following are among the key responsibilities of the Board:

- a) reviewing, approving and monitoring the strategic direction of the Group;
- b) overseeing and evaluating the conduct and performance of the Group’s business including its control and accountability systems;
- c) identifying and managing principal risks affecting the Group;
- d) approving policies relating to investors relations programme and shareholder communication and overseeing stakeholders communications;
- e) reviewing the adequacy of the Group’s internal controls policy;
- f) providing input into and final approval of the annual operating budget;
- g) approving major capital expenditure, capital management and acquisition or divestitures;
- h) reviewing and monitoring systems of risk management and internal compliance controls, code of conduct, continuous disclosure, legal compliance and other significant corporate policies; and
- i) ensuring that appropriate plans is in place to provide for the succession of the Group.

Upon invitation, management representatives were present at the Board’s meetings and Board Committees’ meetings to provide additional insight into matters to be discussed during the Board Meetings.

## CORPORATE GOVERNANCE STATEMENT (contd.)

### 1.3 Ethical Standards through Code of Conduct

The Board has adopted a Code of Conduct which set out the standards of business conduct and ethical behaviour for Directors in the performance and exercise of their duties and responsibilities as Directors of the Company. A summary of the Code of Conduct is available on the Company's website.

The Board has also adopted a Whistleblowing Policy which aims to encourage reporting by employees in good faith, of any suspected and/or known instances of misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group and the employees making such reports will be protected from reprisal.

### 1.4 Business Sustainability

The Board is mindful of the importance of business sustainability and the impact on the environment, social and governance aspects in conducting the business is taken into consideration. Subur Tiasa Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders including suppliers, customers and other organisations.

The Group's activities to promote sustainability during the financial year under review are also disclosed in the report of the Corporate Social Responsibility set out on pages 14 to 17 of this annual report.

### 1.5 Access to Information and Advice

Management has an obligation to provide the whole Board with complete, well-focused and adequate information of which it is aware of in order to discharge the Board's responsibilities. The Board therefore expects to receive timely advice on all material information about the Group, its operating units, its activities and performance, particularly any significant variances from a planned course of progress. As a general rule, the agendas and papers on subjects discussed during Board meetings are disseminated to the Board in a timely manner prior to the Board meetings to accord sufficient time for their review, consideration and to seek clarifications (if any) so as to enable them to participate effectively in Board deliberations and decisions making. This, in turn, enables the time at the Board meeting to be conserved and used for focused discussion. All Directors have the rights and duty to make further enquiries whenever necessary.

The Board may seek independent professional advice at the Group's expense, in the furtherance of their duties to make well-informed decisions.

### 1.6 Company Secretaries

All Directors have full access to the advice and services of the Company Secretaries at all times.

The Company Secretaries are qualified secretaries as required pursuant to the Malaysian Companies Act, 1965. The Company Secretaries are the members of the Malaysian Institute of Accountants (MIA) and Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time.

The Company Secretaries attend all Board and Board Committees meetings and ensure that all the meetings are convened in accordance with Board procedures and terms of reference of the Board Committees. All proceedings, matters arising, deliberations, in terms of the issues discussed, and resolutions at the Board meetings and Board Committees' meetings are properly recorded in the minutes by the Company Secretaries, confirmed by the Board and Board Committees, and signed by the Chairman.

The Company Secretaries also ensure that the Company complies with all applicable statutory and regulatory requirements. The appointment and removal of Company Secretaries is a matter for the Board to consider as a whole.

## CORPORATE GOVERNANCE STATEMENT (contd.)

### 1.7 Board Charter

The Board has adopted a Board Charter which provides Directors with greater clarity regarding the role of the Board, the requirements of Directors in carrying out their role and discharging their duties to the Company and the Board's operating practices. The Board Charter is reviewed and updated regularly in line with changes in the expectations of the investing public and stakeholders of the Company in general and the guidelines issued by the regulatory authorities from time to time.

The summary of the Board Charter is accessible through the Company's website at [www.suburtiasa.com.my](http://www.suburtiasa.com.my).

## 2. STRENGTHEN COMPOSITION

### 2.1 Nomination Committee

The Board has on 19 June 2003 set up a Nomination Committee and members of the Nomination Committee for the financial year ended 31 July 2014 are as follows:

|             |                                  |  |
|-------------|----------------------------------|--|
| Chairperson | Madam Ngu Ying Ping              | Senior Independent Director            |
| Member      | YBhg. Datuk William Lau Kung Hui | Independent Director                   |
| Member      | Mr. Tiong Kiong King             | Non-Independent Non-Executive Director |
| Member      | Mr. Tiong Ing Ming               | Independent Director                   |

The Nomination Committee shall consist of not less than three (3) members, all of whom shall be non-executive directors and a majority of whom are independent.

The Nomination Committee will be responsible for:

- reviewing the Board composition and recommending to the Board, appointments of new Directors for the Company and Board Committees;
- evaluating the effectiveness of the Board, in particular, its required mix of skills, experience, qualification and other core competencies;
- establishing a mechanism for the formal assessment on the effectiveness and performance of the Board as a whole and the contribution of each Director, performance of Managing Director and the Chief Accountant;
- assessing the independence of the Independent Directors; and
- assessing the training needs of each Director.

The Nomination Committee met once during the financial year ended 31 July 2014.

The activities carried out by the Nomination Committee during the financial year ended 31 July 2014 are as follows:

- reviewed the mix of skills, experience and other qualities required for the Board
- evaluated the performance and effectiveness of the Board and Board Committee including contribution of each individual director, as well as the Chief Accountant and the independence of the Independent Directors;
- assessed the Directors who are due for retirement and re-appointment pursuant to the Company's Articles of Association and the Companies Act, 1965; and
- assessed the training needs of Directors.

### 2.2 Criteria for Recruitment and Annual Assessment of Directors

The Code endorses, as good principles, a formal and transparent procedure for appointment of Directors to the Board, where the Nomination Committee shall recommend to the Board the suitable candidates to be appointed. The Code, however, states that the Board as a whole may perform this procedure, although,

## CORPORATE GOVERNANCE STATEMENT (contd.)

as a matter of good corporate governance, it is recommended that this responsibility be delegated to an independent committee.

The Nomination Committee is responsible to recommend the identified candidate to the Board if there is vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board.

The assessment or evaluation process on the proposed candidate may include, at the Nomination Committee's discretion, reviewing of the candidate resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview at the Nomination Committee's discretion. The Nomination Committee would also assess the candidate's integrity, wisdom, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties of the Board.

Upon completion of the assessment and evaluation of the proposed candidate, the Nomination Committee would make its recommendation to the Board for their evaluation and decision on the appointment of the proposed candidate. The Nomination Committee is responsible to ensure that the procedures for appointing any new Directors are transparent and their evaluation should be based on their merits, qualification, experience, skill, competency and knowledge. The Company Secretaries are to ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

The Board, through its Nomination Committee has conducted an annual evaluation on the effectiveness of the Board and its Committees and annual assessment of Chief Accountant. All assessments and evaluations carried out by the Nomination Committee are properly documented. The Board is generally satisfied with the current mix of skills and quantities of Directors, the performance, effectiveness and composition of the Board and its Committees. The current Board size and composition is well-balanced. The Directors and the Chief Accountant have the character, experience, integrity, competence and time to effectively discharge their respective roles.

The Board has adopted a gender diversity policy and target. The Board currently has two (2) female Directors namely YBhg. Dato' Tiong Ing and Madam Ngu Ying Ping. The Board will ensure that women candidates are sought as part of its recruitment exercise should the needs arise in the future.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the ensuing Annual General Meeting ("AGM") after their appointment.

In addition, in accordance with the Company's Articles of Association and in compliance with the Listing Requirements, the remaining Directors, including the Managing Director shall retire from office at least once in every three (3) years, but shall be eligible for re-election. The Articles provide that one-third (1/3) of the Directors, except the Managing Director but subject to the aforesaid, or if the number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) of the Directors shall retire from office and be subjected to re-election at each AGM.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are of or over the age of seventy (70) years shall be re-appointed at every AGM to hold office until the conclusion of the next AGM.

### 2.3 Remuneration Committee

The Board has on 19 June 2003 set up a Remuneration Committee and the current members of the Remuneration Committee are as follows:

|             |                                  |  |
|-------------|----------------------------------|--|
| Chairperson | Madam Ngu Ying Ping              | Senior Independent Director            |
| Member      | YBhg. Datuk William Lau Kung Hui | Independent Director                   |
| Member      | Mr. Tiong Kiong King             | Non-Independent Non-Executive Director |
| Member      | Mr. Tiong Ing Ming               | Independent Director                   |

## CORPORATE GOVERNANCE STATEMENT (contd.)

The Remuneration Committee will be responsible for developing the remuneration policy and recommending the remuneration packages for Executive Directors of the Company and its subsidiaries so as to ensure that the remuneration package offered is sufficient to attract and retain Directors with necessary calibre, experience and quality required to run the Group in an effective and efficient manner. In formulating the remuneration package, the Remuneration Committee takes into account the responsibility and job functions, remuneration packages of comparable companies within the same industry as well as individual and corporate performance. The fees for Non-Executive Directors are determined by the Board as a whole.

The Remuneration Committee shall consist of at least three (3) members, all of whom must be non-executive directors.

The Remuneration Committee met once during the financial year ended 31 July 2014.

The Board has adopted and formalised Remuneration Policies and Procedures for the Directors.

Each individual Director has abstained from the Board discussion and decision making on his/her own remuneration. Details of the remuneration of the Directors for the financial year ended 31 July 2014 distinguishing between executive and non-executive Directors in aggregate with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are set out as below:

| Aggregation  | Non-Executive Director (RM) | Executive Director (RM) |
|--------------|-----------------------------|-------------------------|
| Fees         | 309,000                     | 74,000                  |
| Salary       | -                           | 1,720,000               |
| Bonus        | -                           | 1,500,000               |
| Allowance    | -                           | 1,050,000               |
| EPF          | -                           | 431,400                 |
| <b>Total</b> | <b>309,000</b>              | <b>4,775,400</b>        |

| Remuneration              | Non-Executive Director | Executive Director |
|---------------------------|------------------------|--------------------|
| RM50,001 – RM100,000      | 5                      | -                  |
| RM4,750,001 – RM4,800,000 | -                      | 1                  |

The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Directors' remuneration are appropriately served by the "Band Disclosure" made.

### 3 REINFORCE INDEPENDENCE

#### 3.1 Annual Assessment of Independent Directors

The Board has, through the Nomination Committee, undertaken an annual assessment on the independence of its Independent Directors in accordance to the criteria set out in the Listing Requirements and is satisfied with the level of independence demonstrated by all Independent Directors.

#### 3.2 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative or consecutive term of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. The Board shall need to justify and secure shareholders' approval annually in the event the Director is to be retained as an Independent Director.



## CORPORATE GOVERNANCE STATEMENT (contd.)

### 3.3 Shareholders' Approval for Retention of Independent Directors

YBhg. Datuk William Lau Kung Hui and YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh are both Independent Directors who have served for a consecutive term of more than nine (9) years in the Board. With the recommendation from the Nomination Committee, the Board concurred that their independence as Independent Directors have not been compromised in any way based on the following justifications:

- (i) They fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and therefore would be able to offer impartial judgment and advice to the Board.
- (ii) They devoted sufficient time and attention to their responsibilities as independent directors of the Company.

Having considered the above, the Board strongly recommended the retention of both YBhg. Datuk William Lau Kung Hui and YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh as Independent Non-Executive Directors of the Company which are to be tabled for shareholders' approval at the forthcoming Annual General Meeting.

### 3.4 Separation of Roles of Chairman and Group Managing Director

There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority, such that no one individual dominates the decision-making process. The positions of Chairman and Group Managing Director are held by different individuals.

The Chairman, Mr. Tiong Kiong King is a Non-Independent Non-Executive Director who is responsible for the orderly conduct of meetings, facilitating matters between the Board and its investors, leadership, effectiveness, conduct and governance of the Board. The Group Managing Director, YBhg. Dato' Tiong Ing is responsible for the development and implementation of strategy and managing the day-to-day business operations of the Group.

### 3.5 Composition of the Board

The Board currently has six (6) members, comprising four (4) Independent Directors, one (1) Non-Independent Non-Executive Director and one (1) Managing Director. Together, the Directors bring wide range of business, regulatory, industry and financial experience relevant to the direction of the Group.

The Board ensures that at least one-third (1/3) of the Board members consist of Independent Directors of caliber, with necessary skills, experience, qualification and other core competencies, in order to carry sufficient weight in making balanced, objective and accountable decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of Independent Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group operates in.

Whilst the Chairman is not an independent director, the Board comprises a majority of independent directors to ensure balance of power and authority on the Board.

Madam Ngu Ying Ping (email address: ypngu@suburtiasa.com.my) is identified by the Board as the Senior Independent Director to whom concerns or queries concerning the Group may be conveyed to.

A brief description of the background of each of the Directors is presented on pages 5 to 8 of this annual report.

## CORPORATE GOVERNANCE STATEMENT (contd.)

### 4 FOSTER COMMITMENT

#### 4.1 Time Commitment

The existing Directors are obliged to notify the Board before accepting any new directorship in other listed companies. The notification will include an indication of time spent on the new appointment to ensure the Directors have sufficient time to discharge their duties to the Board and other Board Committees on which they serve. All the directors hold less than five (5) directorships in listed issuers as defined in the Listing Requirements.

All the Directors are required to submit to the Company an update on their total number of directorships held by them in listed issuers every six (6) months for monitoring purpose.

During the financial year ended 31 July 2014, four (4) Board meetings were held. The details of attendance of each of the Directors at the Board meetings are outlined as follows:

| Directors   | Total      |
|---|------------|
| Mr. Tiong Kiong King                                      | 3 out of 4 |
| YBhg. Dato' Tiong Ing                                     | 4 out of 4 |
| YBhg. Datuk William Lau Kung Hui                          | 3 out of 4 |
| YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh | 4 out of 4 |
| Madam Ngu Ying Ping                                       | 4 out of 4 |
| Mr. Tiong Ing Ming  | 4 out of 4 |

#### 4.2 Directors' Training and Continuing Education Programmes

As an integral element of the process in appointing new Directors, the Nomination Committee provides for adequate orientation of newly appointed Directors with respect to the business structure, corporate strategy, risk profile, legal requirements, financial overview as well as expected contributions to the Board and Group.

All the Directors had completed the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board acknowledges that continuous training is important to broaden their perspectives and to keep them abreast with latest developments in the industry, particularly on relevant new laws, regulations and changing risk factors in competitive business environment.

The Board through its Nomination Committee has assessed the training needs of its members to ensure that they are equipped with the necessary skills and knowledge in discharging of their duties as Directors of the Company.

The descriptions of the trainings/seminars attended by the Directors during the financial year ended 31 July 2014 are as follows:

| Title of training/seminar  | Mode of training | Number of day(s) spent |
|--|------------------|------------------------|
| Quantity Surveying International Convention 2013 - Transformation: Enhancing Professionalism | Conference       | 2 days                 |
| Seminar Percukaian Kebangsaan 2013   | Seminar          | 1 day                  |
| Corporate Cessation : Voluntary Winding-Up And Striking Off Under The Companies Act 1965     | Seminar          | 1 day                  |
| Positioning Growth Through Innovation & Talent Management Strategies                         | Seminar          | 1 day                  |
| Continuing Professional Development Seminar  | Seminar          | 1 day                  |

## CORPORATE GOVERNANCE STATEMENT (contd.)

The Directors are regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements governing the Directors and the Group.

### 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1 Financial Reporting Standards

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors realises that they have fiduciary responsibility to present a balanced evaluation and comprehensive assessment of the Group's performance, position and prospects.

The Board through its Audit Committee ensures that the quarterly financial statements and audited financial statements prepared are drawn in accordance with the provision of the Companies Act, 1965, Listing Requirements and the applicable approved financial reporting standards in Malaysia. The Audit Committee provides assistance to the Board of Directors in fulfilling these statutory and fiduciary responsibilities with regards to the financial reporting process, reviewing the scope of and results of internal and external auditing processes and monitoring the effectiveness of the internal controls and risk management to ensure the Board makes properly informed decisions and the interests of shareholders are protected.

The Statement of Directors' Responsibility in respect of preparation of financial statements is set out on page 36 of this annual report.

#### 5.2 Relationship with the Auditors

The Group has established transparent and professional relationship with the Group's auditors, both external and internal, through the Audit Committee.

A report of the Audit Committee is as set out on pages 33 to 35 of this annual report.

The Audit Committee undertakes an assessment of the suitability and independence of the external auditors in accordance with the Auditors' Independence Policy adopted by the Board and recommends their re-appointment to the Board for shareholders' approval in the forthcoming Annual General Meeting.

The Group had obtained written assurance from its external auditors, Messrs Ernst & Young, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Board, with the recommendation of the Audit Committee, reviewed and concluded that the provision of non-audit services provided by the external auditors during the financial year did not compromise the external auditors' independence.

### 6 RECOGNISE AND MANAGE RISKS

#### 6.1 Sound Framework to Manage Risks

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Internal Control System involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

Information on internal control is detailed in the Statement on Risk Management and Internal Control outlined on pages 31 to 32 of this annual report.

#### Risk Management Committee

The Risk Management Committee, led by the Managing Director, YBhg. Dato' Tiong Ing, comprises heads of the respective business units.

## CORPORATE GOVERNANCE STATEMENT (contd.)

The Risk Management Committee is responsible for establishing an integrated risk management framework, reviewing overall risk management policies and procedures, monitoring significant risks, evaluating emerging new risks, taking into account the risk tolerance of the Group, and ensuring infrastructure, resources and systems are in place for risk management. The risk management activities are embedded in the Group's management system. The Risk Management Committee met twice during the financial year ended 31 July 2014.

### 6.2 Internal Audit Function

The Board has established an internal audit function within the Company, which is led by the Head of Internal Audit who reports directly to the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan and audit programme and ensures there are adequate resources available for the Internal Auditors to carry out their audit responsibilities.

Details of the Company's internal audit functions are set out in the Audit Committee Report on page 35 of this annual report.

## 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulator is in accordance with applicable legal and regulatory requirement.

The Company announces its quarterly and full year results within the mandatory period. The financial statements and, where necessary other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via Bursa LINK on a timely basis to ensure effective dissemination of information relating to the Group.

The Board places importance in ensuring disclosures made to shareholders and investors are comprehensive, accurate and on a timely and even basis as they are critical towards building and maintaining corporate credibility and investor confidence. As such, the Company has adopted a Corporate Disclosure Policy and Procedures to set out the policies and procedures for disclosure of material information of the Group to ensure compliance with the Listing Requirements. The Corporate Disclosure Policy and Procedures are applicable to all employees and Directors of the Group as well as those authorized to speak on their behalf.

### 7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board acknowledges the importance of communication with shareholders and investors on the Group's business and corporate developments. The Board endeavours to make timely release of financial results on a quarterly basis, annual reports, press releases and any announcements to Bursa Securities on material corporate exercises which are the primary mode of disseminating information on the Group's business activities and financial performance.

The Company has established a website at [www.suburtiasa.com.my](http://www.suburtiasa.com.my) for shareholders and the public to assess the latest corporate information and announcements related to the Group. Shareholders may also direct their queries to the Company through the email contact provided in the said website.

## 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Shareholders' Participation at General Meeting

The Annual General Meeting is a crucial mechanism as it provides the Board with an important forum for shareholders' communication. At each Annual General Meeting, the Board encourages shareholders to

## CORPORATE GOVERNANCE STATEMENT (contd.)

participate in the question and answer session in order to communicate their views and to seek clarifications. The Chairman, members of the Board, as well as external auditors are present to address queries during the meeting.

All concerns or queries regarding the Group may be conveyed to the Senior Independent Director at the Company's registered address and feedback and responses will be provided where such information can be made available to the public.

Notice of Annual General Meeting is issued and served to all shareholders at least twenty one (21) days prior to the Annual General Meeting in accordance with the provisions of the Company's Articles of Associations. The outcome of the general meeting is announced to Bursa Securities on the same meeting day.

Each item of special business included in the notice of the Annual General Meeting is accompanied by a full explanation of the effects of a proposed resolution in order to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed at the Annual General Meeting for each separate issues.

### 8.2 Poll Voting

Generally, all resolutions put forth for shareholders' approval at Annual General Meeting are voted by a show of hands, except for Related Party Transaction where voting by poll will be conducted. The Chairman will inform the shareholders and proxies of their rights to demand for poll at the commencement of the general meeting. With the current level of shareholders' attendance at general meetings, the Board viewed that voting by show of hands continues to be effective.

### 8.3 Effective Communication and Proactive Engagement with Shareholders

The Board and management value the importance of effective and transparent communications with shareholders and investors. This is achieved through the timely release of annual reports, quarterly announcements and other corporate announcements made to Bursa Securities. Corporate and financial information on the Group are easily accessible by the shareholders and the public through the Company's website, [www.suburtiasa.com.my](http://www.suburtiasa.com.my). The website provides up-to-date corporate details, overview of business activities and operations, Company's performance and position, annual reports, and all announcements made. This ensures that no selective dissemination of information and there is always symmetry of information disclosure.

The Group values dialogue with investors. The aim of the investor relations programme primarily to convey consistent and accurate information to shareholders and fund managers regarding the Group's performance and other matters affecting them. In addition, it provides a channel for prompt feedback to our senior management on investors' concerns and market perceptions, thus, ensuring effectiveness of the information dissemination.

### 8.4 Compliance Statement

With the introduction of the Code, the Board remains committed to inculcating good corporate governance for the Group. The Group will continue to endeavour to comply with all the key principles and recommendations of the Code where the Board deems appropriate, in its effort to observe high standard of transparency, accountability and integrity.

This statement is made in accordance with the resolution of the Board of Directors dated 17 November 2014.

## ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

### SHARE BUY-BACKS

At the Eighteenth Annual General Meeting of the Company held on 20 December 2013, the Directors obtained the approval from the shareholders for the Company to purchase and/or hold up to 20,900,000 ordinary shares of RM1.00 each representing ten percent (10%) of the total issued and paid-up ordinary share capital of the Company.

During the financial year ended 31 July 2014, a total of 200 ordinary shares of RM1.00 each of the Company were purchased from the open market and retained as treasury shares, breakdown as follows:

| Month        | No. of Shares Purchased | Total Consideration (RM) | Purchase Price Per Share (RM) |             |             |
|--------------|-------------------------|--------------------------|-------------------------------|-------------|-------------|
|              |                         |                          | Lowest                        | Highest     | Average     |
| October 2013 | 100                     | 240                      | 1.99                          | 1.99        | 1.99        |
| March 2014   | 100                     | 264                      | 2.23                          | 2.23        | 2.23        |
| <b>Total</b> | <b>200</b>              | <b>504</b>               | <b>1.99</b>                   | <b>2.23</b> | <b>2.11</b> |

As at 31 July 2014, a total of 20,870,900 shares were bought back by the Company and retained as treasury shares. None of the treasury shares held were resold or cancelled during the financial year ended 31 July 2014.

### NON-AUDIT FEES

The non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 July 2014 by the Company's external auditors, Messrs Ernst & Young ("EY"), and a firm or corporation affiliated to EY were amounted to RM122,900.

### MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving interests of the directors and major shareholders, either subsisting at the end of the financial year ended 31 July 2014 or entered into since the end of the previous financial year.

### DISCLOSURE OF REALISED AND UNREALISED RETAINED EARNINGS

The breakdown of the realised and unrealised retained earnings as at 31 July 2014 are disclosed and outlined on page 120 of this annual report.

## ADDITIONAL COMPLIANCE INFORMATION (contd.)

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPT”)

The significant RRPT entered into during the financial year under review are disclosed in Note 32 to the Financial Statements. A breakdown of the aggregate value of the RRPT conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1)(a) of the Listing Requirements, are set out below:

| Type of RRPT                                    | Name of Related Party(ies)       | Relationship with the Group <sup>1</sup> | Actual Amount of RRPT for year ended 31 July 2014 RM'000 |
|---|----------------------------------|--|--|
| Contract fee income for logging / reforestation | Rejang Height Sdn Bhd            | A  | 68,894   |
| Logging contract fee income                     | Ocean Shores Development Sdn Bhd | A  | 1,676  |
|   | Saforin Sdn Bhd                  | A  | 13,474   |
|   | Supreme Timber Products Sdn Bhd  | A  | 2,077  |
|   | <b>Total</b>                     |  | <b>17,227</b>  |
| Sale of logs                                    | Unique Wood Sdn Bhd              | B  | 5,263  |
| Sale of sawn timber                             | Unique Wood Sdn Bhd              | B  | 5,976  |
| Towage and handling income                      | Jaya Tiasa Group <sup>2</sup>    | A  | 844  |
| Freight and handling charges paid /payable      | Jaya Tiasa Group <sup>2</sup>    | A  | 100  |
| Logging contract fee paid / payable             | Hubwood Sdn Bhd                  | C  | 2,290  |
|   | Millennium Midland Sdn Bhd       | A  | 10,842   |
|   | Pertumbuhan Kekal Sdn Bhd        | A  | 24,832   |
|   | <b>Total</b>                     |  | <b>37,964</b>  |
| Purchase of adhesive materials                  | Petanak Enterprises Sdn Bhd      | A  | 43,710   |
| Purchase of logs                                | Lukutan Enterprises Sdn Bhd      | A  | 3,875  |
|   | Rejang Height Sdn Bhd            | A  | 101,758  |
|   | Supreme Timber Products Sdn Bhd  | A  | 3,678  |
|   | <b>Total</b>                     |  | <b>109,311</b>   |
| Purchase of veneer                              | Jaya Tiasa Group <sup>2</sup>    | A  | 14,870   |
| Purchase of waste timber                        | Unique Wood Sdn Bhd              | B  | 10   |

Note:

- The relationships denoted by A to C indicate that the following persons have interest in the related parties that transacted with the Group:
  - These are companies in which Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a director of certain subsidiaries, has interest, both direct and/or indirect interest.
  - The Group's Managing Director, Dato' Tiong Ing has indirect interest.
  - These are companies in which Datuk Tiong Thai King, a director of Sarawak Plywood (M) Sdn. Bhd., has interest, both direct and/or indirect interest.
- Jaya Tiasa Group includes Jaya Tiasa Holdings Bhd and its subsidiaries, namely, Jaya Tiasa Timber Products Sdn Bhd, Jaya Tiasa Plywood Sdn Bhd, Curiah Sdn Bhd, Jaras Sdn Bhd and Jaya Tiasa Aviation Sdn Bhd.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board is pleased to provide the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of Main Market Listing Requirements which requires Directors of listed companies to include a statement in their annual reports on the state of their internal control of the Group.

## BOARD RESPONSIBILITY

The Board is responsible for the Group's system of risk management and internal control and for monitoring its adequacy and effectiveness. In view of the inherent limitations in any system of risk management and internal control (the "System"), it should be noted that the Group's System can provide only reasonable, and not absolute, assurance against material misstatement or loss or that the risk of failure to achieve business objectives is eliminated. The Board's objective is to ensure that the Group has an appropriate system in place for the identification and management of risks, including the deployment of internal controls to address the risks identified.

## RISK MANAGEMENT FRAMEWORK

The Group has put in place a risk management process to identify, evaluate and manage significant risks impacting the Group for the financial year under review and up to the date of approval of the Annual Report. The process is supported by detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

The Group's risk management process requires management to identify and assess business risks in terms of likelihood, magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage these risks. Risk profiles of business units are regularly monitored and reviewed to ensure they remain effective and current.

The Group's risk profile is assessed through a bottom-up approach covering operating and supporting functions. Business units implement risk identification process to assess, evaluate and review risks pertaining to areas that are critical to sustaining the continuous operations of the Group and implement controls to manage these risks.

The Board on an annual basis reviews the risk management framework to ensure the implementation of appropriate processes to identify and assess principal risks of the Group and appropriate measures are taken by Management to mitigate these risks.

## INTERNAL CONTROL SYSTEM

The Group has in place a system of internal control that provides reasonable assurance that assets of the Group are safeguarded, transactions are properly authorised and recorded and risks are managed effectively. Existing internal controls which are embedded in the daily operations of the Group are stated as follows:-

- Policies and procedures have been established for key business processes and support functions to ensure that there are adequate risk management, financial and operational policies, procedures and rules relating to the roles and responsibilities, delegation and segregation of duties;
- Annual business plans and operating budgets are prepared by business and operating units, and are approved by the Board. Actual performances and significant variances against budget are monitored on an ongoing basis;
- Management and the Board receives timely, relevant and reliable management and financial reports which are reviewed on a regular basis;
- The Group has in place a Management Information System that captures, compiles, analyzes and reports relevant data, which enables management to make business decisions in an accurate and timely manner;



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (contd.)

- The Group's policies and procedures are reviewed and revised periodically to meet changing business and operational needs and regulatory requirements;
- Board meetings are held at least on a quarterly basis with a formal agenda on matters for discussion. In addition, regular management and operational meetings are conducted by senior management which comprises the Managing Director and divisional heads; and
- The Group's Internal Audit function monitors compliance with policies, procedures, laws and regulations, and provides independent assurance on the adequacy and effectiveness of the system of risk management and internal controls by conducting regular audits and continuous assessment. Significant audit findings and recommendations for improvements are highlighted to senior management and the Audit Committee, with periodic follow-up reviews of the implementation of corrective action plans.

The internal control system is reviewed by the Board through its Audit Committee which is supported by Internal Audit function. On a quarterly basis, reports are prepared on the adequacy, efficiency and effectiveness of the internal control system based on the annual audit plan approved by the Audit Committee.

### BOARD'S ASSESSMENT

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Managing Director and Group Chief Accountant, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively throughout the financial year 2014 up to the date of approval of this statement.

### REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this statement for inclusion in the Annual Report for the financial year ended 31 July 2014 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted for review of adequacy and integrity of the system of internal control and risk management.

This Statement is made in accordance with the resolution of the Board dated 17 November 2014.

## AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Subur Tiasa Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 July 2014.

### MEMBERS AND ATTENDANCE OF MEETINGS

The Audit Committee ("Committee") comprises the Directors as listed below. All members of the Committee are financially literate. During the financial year ended 31 July 2014, four (4) meetings were held. The details of attendance of each of them are outlined as follows:

| NAME                             | DESIGNATION                               | NO. OF MEETINGS APPLICABLE | ATTENDANCE OF MEETINGS |
|----------------------------------|---|----------------------------|------------------------|
| Madam Ngu Ying Ping              | Chairman<br>(Senior Independent Director) | 4                          | 4                      |
| YBhg. Datuk William Lau Kung Hui | Member<br>(Independent Director)          | 4                          | 3                      |
| Mr. Tiong Ing Ming               | Member<br>(Independent Director)          | 4                          | 4                      |

Details of training attended by members of the Committee are disclosed in the Corporate Governance Statement set out on page 25 of this annual report.

The Chief Accountant, external and internal auditors attended some of these meetings upon invitation by the Chairman of the Committee. All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions at the meetings are recorded in the minutes by the Company Secretaries, confirmed by the Committee, and signed by the Chairman. All meetings were attended by the Company Secretaries. The Chairman reports on the main findings and deliberations at the meetings to the Board.

### SUMMARY OF TERMS OF REFERENCE

#### 1. Membership

- 1.1. The members of the Committee shall be appointed by the Board from among their members based on the recommendations of the Board's Nomination Committee and shall consist of no fewer than three (3) members. The members must be Non-Executive Directors with a majority of them being Independent Directors.
- 1.2. In the event that the members, for any reason, fall below three (3), the Board shall appoint such number of new members as may be required to fulfil the minimum requirement within three (3) months of that event.
- 1.3. No alternate directors shall be appointed to the Committee.
- 1.4. At least one (1) member of the Committee must meet the criteria set under Paragraph 15.09 (1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:
  - i. must be a member of the Malaysian Institute of Accountants; or
  - ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and
    - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - iii. fulfils such other requirements as prescribed or approved by the Exchange.

## AUDIT COMMITTEE REPORT (contd.)

- 1.5. Paragraph 15.20 of the Listing Requirements requires the term of office and performance of the Committee and each of its members to be reviewed by the Board at least once every three (3) years.
- 1.6. Chairman of the Committee must be elected from among their Independent Directors as according to Paragraph 15.10 of the Listing Requirements.

### 2. Authority

The Committee is authorised by the Board to:

- a) Investigate any matter within its terms of reference;
- b) Have full and unrestricted access to any information pertaining to the Group;
- c) Have direct communication channels with both the external auditors and internal auditors;
- d) Have full access to any employee or member of the management; and
- e) Obtain independent, legal or other professional advice as it considers necessary and reasonable for the performance of its duties.

### 3. Functions and Duties

The Committee shall carry out the following responsibilities:

- 3.1. Review the quarterly results and annual financial statements of the Group prior to submission to the Board, focusing primarily on:
  - a) any changes in or implementation of major accounting policy and practices;
  - b) major judgmental areas, significant and unusual events;
  - c) significant adjustments resulting from audit;
  - d) the going concern assumptions; and
  - e) compliance with applicable approved accounting standards and other legal requirements.
- 3.2. Review with the external auditors on:
  - a) audit plan;
  - b) audit report and evaluation of the system of internal controls; and
  - c) problems and reservations arising from audit activities, management's response, recommendations and actions taken.
- 3.3. Review the assistance provided to the external auditors by the employees of the Group.
- 3.4. Consider the appointment, re-appointment, terms of reference, audit fee and any matters of resignation or dismissal of external auditors.
- 3.5. To do the following, in relation to internal audit function:-
  - a) approve the internal audit charter that specify roles and responsibilities and authority of internal auditors;
  - b) review the internal audit plan, program, processes, reports, the results of internal audit program, investigations undertaken and whether appropriate action is taken on the recommendations of the internal audit function;
  - c) review the adequacy of scope, functions, competency and resources of internal audit function and that it has the necessary authority to carry out its work;
  - d) review and approve any appointment or termination of senior staff members of the internal audit function;
  - e) appraise or assess the performance of internal audit function; and
  - f) direct any special investigations to be carried out by internal auditors.
- 3.6. Review related party transactions entered into by the Group and any conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- 3.7. To undertake such other responsibilities as may be agreed to by the Committee and the Board.

### 4. Conduct of Meetings

- 4.1. The Committee shall hold at least four (4) meetings a year.

## AUDIT COMMITTEE REPORT (contd.)

- 4.2. The Chairman shall convene a meeting of the Committee upon the request by any member, the Management, internal or external auditors to consider any matter within the scope and responsibilities of the Committee.
- 4.3. Meetings shall be attended by members of Committee and the Company Secretary(ies).
- 4.4. The Committee may request other directors, members of management, counsels, internal auditors, external auditors and any other employees to attend any of its meetings to assist in resolving and clarifies matters raised.
- 4.5. The Committee shall meet with the external auditors, excluding the attendance of other directors and employees, whenever deemed necessary.
- 4.6. A quorum shall consist of a majority of independent directors in each meeting.

### SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

In order to discharge its duties and responsibilities in line with its terms of reference, the activities undertaken by the Committee during the financial year ended 31 July 2014 were as follows:

- a) Review of the internal and external auditors' annual audit plans, scope of work and discuss results of their examinations and recommendations;
- b) Review with the internal and external auditors the results of their audit, the audit report and internal control recommendations and management's responses thereto;
- c) Review of the quarterly and annual financial results of the Group prior to recommendation to the Board for consideration and approval;
- d) Review of the related party transactions entered into by the Group;
- e) Consideration of the re-appointment of external auditors and their fees;
- f) Review of the Statement on Risk Management and Internal Control and Audit Committee Report prior to recommendation to the Board for consideration and approval; and
- g) Review the adequacy of scope, functions, competency and resources of the Internal Audit and perform annual assessment of Internal Audit Department's function.

### INTERNAL AUDIT FUNCTION

The Internal Audit Department plays an essential role in assisting the Committee in discharging its duties and functions. It undertakes independent, regular and systematic review of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

Annual audit plan is reviewed and approved by the Committee at the beginning of each financial year. The Internal Audit Department performs planned and routine audit covering all operating units within the Group covering forest operations, business operations, corporate development and corporate service divisions, with emphasis on principal risk areas. Internal Audit Department also performed ad-hoc audits and investigative assignments whenever relevant or required. Audit reports were issued to the Committee incorporating findings, recommendations to improve weaknesses noted in the course of audits and management's comments on the findings. A system has been put in place to ensure that all corrective and preventive actions had been taken by the Management on the agreed audit issues and recommendations disclosed in the audit reports.

The total cost incurred for the internal audit function in respect of financial year ended 31 July 2014 was RM807,248 (2013: RM540,283).

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

### **In respect of the financial statements**

The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the financial statements.

The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Group and the Company at the end of the financial year, the results and cash flows of the Group and the Company for the financial year.

In preparing those statements, the Directors have:

- adopted suitable accounting policies and apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis as the Directors have reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors hereby confirm that suitable accounting policies have been consistently applied in respect of the preparation of the financial statements and that the Group and the Company maintain adequate accounting records. Sufficient internal controls are also in place to safeguard the assets of the Group and the Company and to prevent as well as to detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 17 November 2014.