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### **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the 21st Annual General Meeting ("AGM") of Timberwell Berhad ("Company") will be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Friday, 12th day of May 2017 at 1.00 p.m., for the following purposes:

#### **AGENDA**

### **AS ORDINARY BUSINESS**

 To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note (a)

2. To approve the payment of Directors' fees amounting to RM143,000 for the financial year ended 31 December 2016.

**RESOLUTION 1** 

3. To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries amounting to RM150,000 for the financial period from 1 January 2017 until the next AGM.

**RESOLUTION 2** 

4. To re-elect Madam Agnes Soei-Tin Lamey who is retiring pursuant to Paragraph 94 of the Company's Constitution, who being eligible offers herself for re-election.

**RESOLUTION 3** 

- Mr Sui Diong Hoe will retire in accordance with Paragraph 94 of the Company's Constitution and will not seek for re-election. Accordingly, he will retain in office until the close of the 21st AGM.
- 5. To re-appoint Datuk Yap Pak Leong, who retires at the conclusion of this 21st AGM of the Company as a Director of the Company.

**RESOLUTION 4** 

Datuk Alladin Bin Mohd Hashim who retires at the conclusion of this 21st AGM of the Company will not seek for re-appointment as a Director. Accordingly, he will retain in office until the close of the 21st AGM.

Please refer to Explanatory Note (d)

- 6. To re-elect Dato' Seri Tiong King Sing who is retiring pursuant to Paragraph 101 (1) of the Company's Constitution, who being eligible offers himself for re-election.
- **RESOLUTION 5**
- 7. To re-appoint Messrs. Crowe Horwath (AF 1018) as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.

**RESOLUTION 6** 

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:-

- 8. Ordinary Resolution
  - Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

**RESOLUTION 7** 

"THAT subject to Section 75 of the Companies Act, 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company in accordance with Section 76 of the Companies Act, 2016."

### **NOTICE OF ANNUAL GENERAL MEETING**

### 9. Ordinary Resolution

- Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012
- (a) "THAT authority be and is hereby given to Dato' Seri Abdul Azim Bin Mohd Zabidi, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

**RESOLUTION 8** 

(b) "THAT subject to the passing of Resolution 4, authority be and is hereby given to Datuk Yap Pak Leong, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

**RESOLUTION 9** 

 To transact any other ordinary business of the Company for which due notice shall have been given.

### BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753) TEO MEE HUI (MAICSA 7050642)

Company Secretaries

Kota Kinabalu 20th day of April 2017

### NOTES:

- 1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company, if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- 2. To be valid, this form duly completed must be deposited at the registered office of the Company at Lot 8 & 9, Block A, 2nd Floor, Damai Point Commercial Centre, Off Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or adjournment thereof.
- 3. A member shall be entitled to appoint more than one (1) proxy to attend, vote and speak at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- 6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 4 May 2017.

### **NOTICE OF ANNUAL GENERAL MEETING**

#### **EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:**

#### (a) Audited Financial Statements for the financial ended 31 December 2016

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence this matter will not be put for voting.

### (b) Directors' Remuneration and any benefit payable (Resolution 2)

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred, particularly after having discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the financial period from 1 January 2017 until the next AGM. Payment of the Directors' remuneration will be made by the Company and its subsidiaries at the discretion of the Company, if the proposed Resolution 2 is passed at the 21st AGM.

#### (c) Re-appointment of Director (Resolution 4)

Datuk Yap Pak Leong who is over the age of 70 years was re-appointed under Section 129 of the Companies Act, 1965 at the 2016 AGM held on 17 May 2016. With the removal of the above section under the Companies Act, 2016, he is subject to retirement and eligible for re-appointment at the forthcoming 21st AGM to be held on 12 May 2017. The proposed Resolution 4 is to seek shareholders' approval on the re-appointment of Datuk Pak Leong as Director of the Company.

#### (d) Retirement of Director

Datuk Alladin Bin Mohd Hashim who is over the age of 70 years was re-appointed under Section 129 of the Companies Act, 1965 at the 2016 AGM held on 17 May 2016. He is to hold office until the conclusion of 21st AGM of the Company. He who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years will not seek for re-appointment at the 21st AGM of the Company. Hence, he will retain office until the close of the 21st AGM.

### (e) Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Resolution 7)

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten percent (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

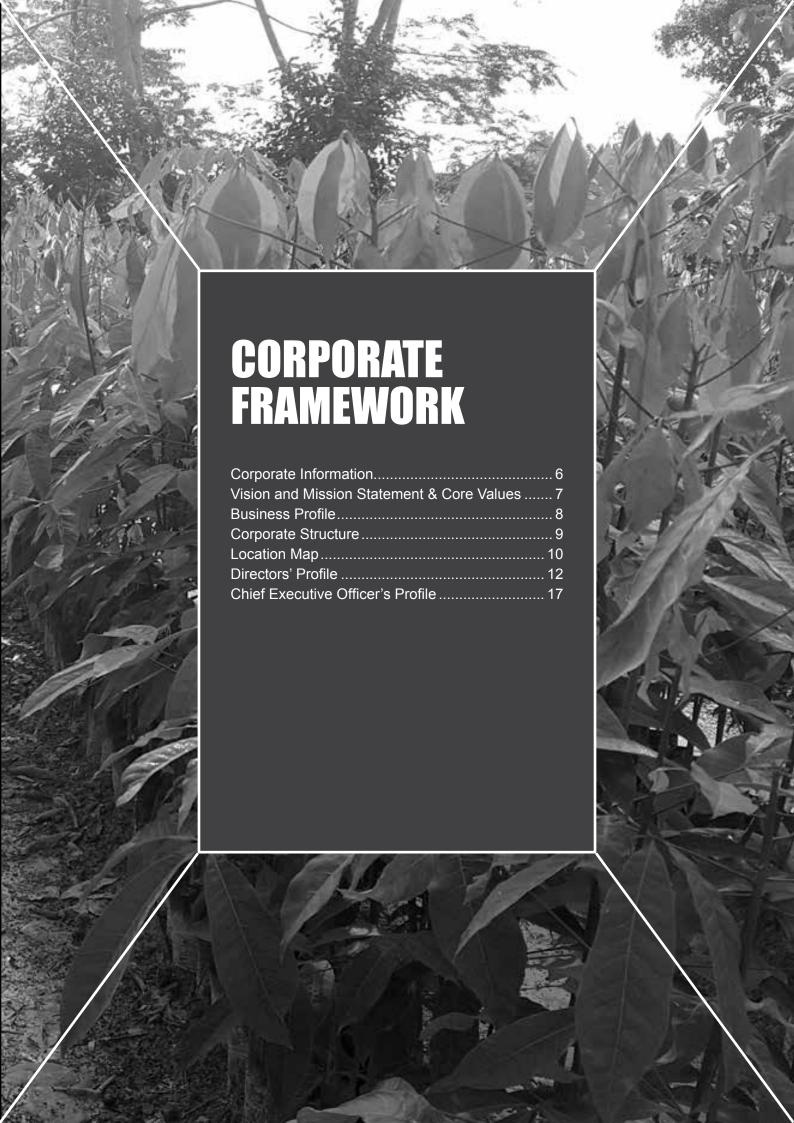
This is the renewal of the mandate obtained from the shareholders at the last AGM ("the Previous Mandate"). The Previous Mandate was not utilised and no proceeds were raised.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

### (f) Continuing in Office as Independent Non-Executive Director (Resolutions 8 and 9)

The Nomination Committee has assessed the independence of Dato' Seri Abdul Azim Bin Mohd Zabidi and Datuk Yap Pak Leong, who have served as the Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and has recommended them to continue to act as the Independent Non-Executive Directors of the Company based on the following justifications:-

- fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, would be able to function as a check and balance, bring an element of objectivity to the Board;
- ii. have vast experience in the industry that could be shared with the Board but independent judgement to better manage and run the Company;
- iii. familiar with the Company's business operations and the timber industry as they have served the Company for more than nine (9) years;
- iv. have devoted sufficient time and attention to discharge the professional obligations for informed and balanced decision making; and
- v. have exercised due care during their tenure as an Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.



### **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Dato' Seri Abdul Azim Bin Mohd Zabidi

(Chairman, Independent Non-Executive Director)

Dato' Seri Tiong King Sing - appointed on 19/3/2017

Managing Director

**Datuk Yap Pak Leong** 

(Senior Independent Non-Executive Director)

**Datuk Alladin Bin Mohd Hashim** 

(Independent Non-Executive Director)

**Sui Diong Hoe** 

(Independent Non-Executive Director)

Melton Martin

(Independent Non-Executive Director)

**Agnes Soei-Tin Lamey** 

(Non-Independent Non-Executive Director)

Yap Fook Fung

(Alternate Director to Datuk Yap Pak Leong)

**AUDIT COMMITTEE** 

Sui Diong Hoe - Chairman Datuk Yap Pak Leong

Datuk Alladin Bin Mohd Hashim

NOMINATION AND REMUNERATION COMMITTEES

Datuk Yap Pak Leong - Chairman Datuk Alladin Bin Mohd Hashim

Agnes Soei-Tin Lamey

**INVESTMENT COMMITTEE** 

Datuk Yap Pak Leong - Chairman Sui Diong Hoe

Datuk Pau Chiong Ung

**BUSINESS RISK ASSESSMENT MANAGEMENT COMMITTEE** 

Datuk Yap Pak Leong - Chairman

Agnes Soei-Tin Lamey Datuk Pau Chiong Ung

**EXECUTIVE COMMITTEE** 

Datuk Yap Pak Leong - Chairman Agnes Soei-Tin Lamey

Datuk Pau Chiong Ung

**CHIEF EXECUTIVE OFFICER** 

Datuk Pau Chiong Ung

#### **CORPORATE OFFICE**

2nd Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu, Sabah

: 088-214222 / 222190 Tel : 088-222727 / 235907 Fax Email : enquiry@timwell.com.my Website: www.timwell.com.my

### **COMPANY SECRETARIES**

Lim Lee Kuan (MAICSA 7017753) Teo Mee Hui (MAICSA 7050642)

#### REGISTERED OFFICE

Lot 8 & 9, Block A, 2nd Floor Damai Point Commercial Centre Off Jalan Damai, Luyang 88300 Kota Kinabalu, Sabah

Tel: 088 - 262867 Fax: 088 - 316193

#### SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.

Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur

Tel: 03 - 2084 9000

Fax: 03 - 2094 9940, 2095 0292

### **AUDITORS**

**Messrs Crowe Horwath** 

**Chartered Accountants** Damai Plaza 3, 3rd Floor Jalan Damai P.O. Box 11003 88811 Kota Kinabalu. Sabah

Tel: 088-233 733 (Main) Fax: 088-238 955

### PRINCIPAL BANKERS

Affin Bank Berhad HSBC Bank Malaysia Berhad Public Bank Berhad

### STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad

Sector : Industrial Products

Stock Code : TIMWELL Stock No. : 7854



### **BUSINESS PROFILE**

**TIMBERWELL BERHAD** was incorporated as public company in Malaysia under the Companies Act, 1965 on 13 May 1996. The Company was subsequently listed on the then Second Board of Bursa Malaysia Securities Berhad on 16 May 1997, where it offered for sale of 6,000,000 Ordinary Shares of RM1.00 each.

The Company is a licence-holder of the Sustainable Forest Management Licence Agreement 06/97 ("SFMLA") granted by the State Government of Sabah covering an area of 71,293 hectares of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah. Under the agreement, the Company has been granted the permission to plant, rehabilitate and harvest timber logs within the license area of 100 years commencing on 10 September 1997.

The Group operates under the following business units:-

### **Forestry Division**

Overseeing the timber harvesting and forest regeneration activities of the Group in compliance with the Annual Work Plan approved by the Sabah Forestry Department. With strict adherence to the principles of sustainable forest management, the Group abides to the practice of comprehensive harvesting plans, compliance with harvesting standards and application of internationally recognized Reduced Impact Logging technique.

The harvested timbers are supplied to our wood manufacturing arm, other local millers and exported to countries in the Asia Region.

#### **Plantation Division**

The Plantation activity currently undertaken by the Group is the cultivation of industrial trees of approved species to sustain long-term commercial value of the forest. Under the SFMLA, the Group has committed industrial tree plantation covering a total forest area of 15,156 hectares within the Lingkabau Forest Reserve. The indigenous industrial tree plantation species being cultivated includes Laran (Neolamarckia Cadamba), Binuang (Octemeles Sumatrana), Jelutung (Dyera Costulata) and rubber tree. The company has recently updated the Plantation Development Plan with the inclusion of Mahogany and Eucalyptus as targeted species.

### **Trading and Services Division**

The activities include timber marketing, trading and the provision of chartered barging services within the Group.

### **Property Division**

The Property division involves in management and investment and holding of the Group's properties.

# **CORPORATE STRUCTURE**

**100**%

TIMBERWELL PROPERTIES SDN BHD (390913-W) 100%

TIMBERWELL FOREST SDN BHD (445404-M) 100%

TIMBERWELL PLANTATIONS SDN BHD (739636-U) **59.17**%

TIMBERWELL PLYWOOD SDN BHD (456681-T)

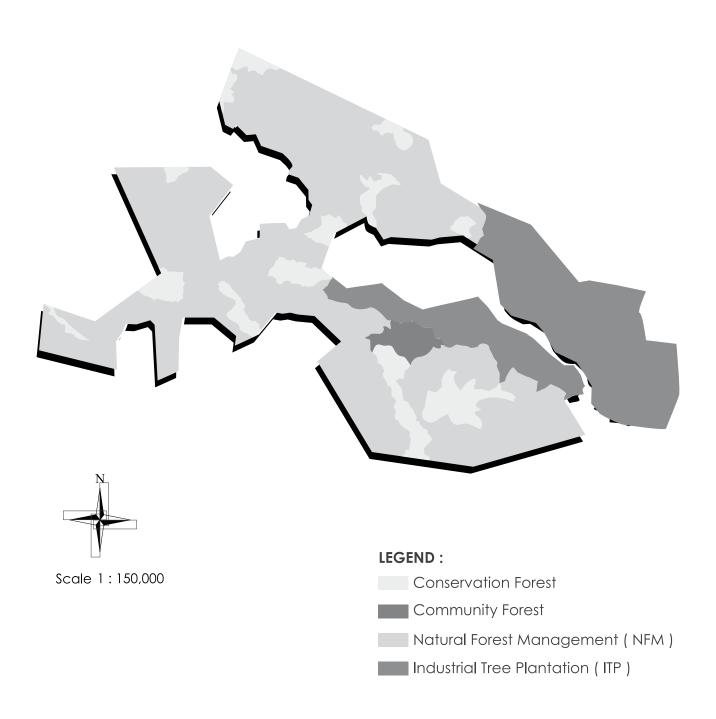


# **LOCATION MAP**

# Lingkabau Forest Reserve



### **LOCATION MAP**



#### DATO' SERI ABDUL AZIM BIN MOHD ZABIDI

Chairman/Independent Non-Executive Director Aged 57 / Malaysian / Male

Dato' Seri Abdul Azim Bin Mohd Zabidi is the Chairman of Timberwell Berhad. He was appointed to the Board on 30 December 2005 and subsequently Chairman of the Board on 28 August 2006. He graduated with a Master of Arts in Business Law from the London Metropolitan University, United Kingdom in 1983. He is also a Fellow of The Chartered Institute of Secretaries, United Kingdom.

Dato' Seri Azim was Chairman of Bank Simpanan Nasional ("BSN"), Malaysia's National Savings Bank from 1999 to 2009 and during his tenure, the Bank saw a steady growth in operating profits. He was also actively involved with the World Savings Banks Institute ("WSBI"). In 2000, he was appointed President (Asia Pasific) for WSBI and in 2003, he was elevated to its Board of Directors. Dato' Seri Azmi was elected as Vice President and Treasurer of WSBI in September 2006, a position he relinquished in April 2009.

He started his career in banking in 1984 and rose quickly through the ranks when in 1990 he was appointed Group Head of the Bank's Corporate Banking Department. He was then seconded to Commerce Property Trust Managers (now known as Amanah Property Trust Managers) and initiated the establishment of Commerce BT Fund Managers (today known as CIMB-Principal Asset Management). His association with the fund management industry saw him elected as President of the Federation of Malaysian Unit Trust Managers (now known as Federation of Investment Managers Malaysia) from 1998-2003. During the period, he was appointed to the Board of the International Investment Funds Association and was Chairman of its Audit Committee.

He now sits on numerous local and foreign Boards of Companies, both public and private, amongst which are Anzo Holdings Berhad (formerly known as Harvest Court Industries Berhad), XOX Berhad, Wang-Zheng Berhad and Asia Bioenergy Technologies Berhad. His time is also spent on various non-governmental organisations some of which he chairs.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

### DATO' SERI TIONG KING SING JP.

Managing Director Aged 56 / Malaysian / Male

Dato' Seri Tiong King Sing was made the Managing Director of Timberwell Berhad upon his appointment to the Board on 19 March 2017. He holds a Masters of Business Administration ("MBA") in Business Administration & Management and an MBA in Political Science from the Royal Ireland Institute of Business and Technology. Prior to that, he graduated with an Advanced Diploma in Business Administration and Management from the New Zealand National Institute of Higher Education. In 2009, Dato' Seri Tiong was conferred an Honorary Doctorate in Agriculture by the National Pingtung University of Science and Technology, Taiwan.

He has been involved in business for more than 30 years in areas such as property development and construction, healthcare as well as the timber industry.

From 1997 – 2010, Dato' Seri Tiong was the Group Chief Executive Officer of Wijaya Baru Global Berhad (now known as Tadmax Resources Berhad) and was the Group President/Chief Executive Officer of Wijaya Baru Group of Companies from 1990 to 2010.

He is currently the Chairman of several Sri Lanka based companies, namely TKS Holdings Ltd, TKS Capital Pvt Ltd, TKS Securities Pvt Ltd, TKS Finance Ltd, Asian Finance Ltd and Dinapala Properties Pvt Ltd. He also serves as Chairman of PT Mandiri Jaya Bara, PT Berau Jaya Energi and PT Mega Karya Energi, all based in Indonesia.

He is presently a Member of Parliament for the federal constituency of Bintulu, Malaysia, a position he has held since 1999. He is also the President of Sarawak Progressive Democratic Party and the Prime Minister of Malaysia's Special Envoy to East Asia (Japan, South Korea and Taiwan) since 2014 besides being a patron of several charitable and Non-Profit Organisation particularly in Sarawak, Malaysia.

Arising from this, he was elected Chairman of Barisan Nasional Backbenchers Council for the period 2008 to 2013 and held the position of Deputy Treasurer General of the Commonwealth Parliamentary Association from 2004 to 2008. During this period, he was appointed a member of the Board of Bintulu Port Authority.

He does not hold any directorships in any other public companies.

He is a major shareholder of the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

### **DATUK YAP PAK LEONG**

Senior Independent Non-Executive Director Aged 82 / Malaysian / Male

Datuk Yap Pak Leong was appointed to the Board of Directors of Timberwell Berhad on 27 September 2004. He is the Chairman of the Investment Committee, the Nomination and Remuneration Committee, the Executive Committee and the Business Risk Assessment Management Committee. He is also a member of the Audit Committee. Datuk Yap is a Chartered Accountant by profession and holds a Bachelor of Economics University Degree. He worked as State Minister in the Ministry of Manpower & Environmental Development of Sabah from 1976 to 1979 and Ministry of Local Government & Housing of Sabah from 1979 to 1982. He is presently the principal of P.L. Yap & Co. Chartered Accountants since 1962 and the Chairman of Sandakan Turf Club since 1984.

He does not holds any directorship in any other public companies.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

Details of number of board meetings attended by him during the financial year are set out in page 33 of this Annual Report.

### **DATUK ALLADIN BIN MOHD HASHIM**

Independent Non-Executive Director Aged 78 / Malaysian / Male

Datuk Alladin Bin Mohd Hashim was appointed a Director of Timberwell Berhad on 14 March 1997. He is a member of the Audit Committee and the Nomination and Remuneration Committee. Datuk Alladin graduated with a Bachelor Degree in Agricultural Science from the University of Malaya in 1964 and a Master of Science (Agricultural Economics) from the University of Massachusetts, USA in 1967. He attended the executive development programme of the Harvard Business School. Datuk Alladin served various positions in the Federal Land Development Authority (FELDA) from 1964 to 1989. He was the Director-General from 1979 to 1989. He was the Chairman of the Malaysian Rubber Board from 1998 to 2001. He is a Fellow of the Academy of Sciences Malaysia.

He does not hold any directorship in any other public companies.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

#### **SUI DIONG HOE**

Independent Non-Executive Director Aged 61 / Malaysian / Male

Sui Diong Hoe was appointed to the Board of Directors of Timberwell Berhad on 30 June 2005. He is the Chairman of the Audit Committee and a member of the Investment Committee. He is a fellow member of the Association of Chartered Certified Accountant, United Kingdom and member of the Malaysian Institute of Accountants. He also holds directorship in Mexter Technology Berhad, and sits on the board of several private companies involving investment and consultancy services.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

Details of number of board meetings attended by him during the financial year are set out in page 33 of this Annual Report.

### **MELTON MARTIN (S.K)**

Independent Non-Executive Director Aged 36 / Malaysian / Male

Melton Martin was appointed a Director of Timberwell Berhad on 1 January 2016.

Melton Martin graduated with Diploma in Regional and Town Planning from University Technology Malaysia. He is a member of United Pasokmomogun Kadazandusun Organisation ("UPKO") and he helps in several posts in Youth Movement, Non-profit Organisations ("NGOs") and UPKO ranging from district to National level.

He started his career as a courier agent for ABX Express (M) Sdn. Bhd. ("ABX") and he also worked as a Station Manager for Operation and Business side of ABX in Telupid and Tongod area since 2003. He represents YB Datuk Seri Dr. Ronald Kiandee, Member of Parliament of Beluran who is also the Deputy Speaker of Dewan Rakyat ("Parliament of Malaysia") as the Communication Officer in the district of Telupid.

He does not hold any directorship in any other public companies.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.

#### **AGNES SOEI-TIN LAMEY**

Non-Independent Non-Executive Director Aged 63 / British / Female

Agnes Soei-Tin Lamey was appointed as Director of the Company on 13 August 2007. She is a member of the Executive Committee, the Nomination and Remuneration Committees and the Business Risk Assessment Management Committee. She has ten (10) years working experiences in Chartered Accountant firm in United Kingdom. Since coming to Malaysia in 1990, she has been involved in Sinar Pembangunan Sdn. Bhd., a family owned property Development Company in Sabah. She is currently a director of various private companies involving in oil palm plantations, and properties development business. She has extensive experience on the financial management of companies both in United Kingdom and Malaysia.

She does not hold any directorship in any other public companies.

She is a daughter of the late Tan Tjeng Hok @ Lam Hak Ming who has ceased to be the substantial shareholders of the Company since 8 February 2017. She has no family relationship with any Director. She has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year 2016.

Details of number of board meetings attended by her during the financial year are out in page 33 of this Annual Report.

### YAP FOOK FUNG

Alternate Director to Datuk Yap Pak Leong Aged 48 / Malaysian / Female

Yap Fook Fung was appointed as Alternate Director to Datuk Yap Pak Leong on 1 January 2016.

She graduated with a Bachelor of Economics from Monash University, Melbourne, Australia in year 1993. She had been involved in Project Management of Jockey Lodge Hotel (Sandakan) on Construction and Furnishings in years 1995 and 1996. She also has vast experience in the tourism industry and she was the General Manager of Excel Dive & Tours (Borneo) Sdn. Bhd. for the period from 2000 to 2003 and 2008 to 2011. She managed the operations of inbound and outbound tour packages, as well as the development of websites and online booking system for the company.

She is currently the Senior Accountant for Sri Luasong Sdn. Bhd. and sits on the board of several private companies dealing with oil palm plantation, tree planting and property investment.

She does not hold any directorship in any other public companies.

She is a daughter to Datuk Yap Pak Leong, the Senior Independent Non- Executive Director. She has no conflict of interest with the Company. She has no family relationship with any Director (other than Datuk Yap Pak Leong) and/or major shareholder of the Company and has no conflict of interest with the Company. She has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year 2016.

### **CHIEF EXECUTIVE OFFICER'S PROFILE**

### **DATUK PAU CHIONG UNG**

Aged 64 / Malaysian / Male

Datuk Pau Chiong Ung was appointed as Chief Executive Officer of the Company on 23 May 2006. He is a member of the Executive Committee, Investment Committee and the Business Risk Assessment Management Committee. Datuk Pau holds a technical certificate of wood working, Japan. Datuk Pau has been engaged in timber and shipping industries for the last 30 years. In his working experience, he has served as shipping manager, general manager and managing director of a number of timber extraction and export companies. He is currently a director of several private companies involving timber extraction, wood manufacturing and shipping. He is also the Independent Director of Harbour Link Group Bhd.

His interest in the securities of the Company and it subsidiary as at 3 April 2017 are as follows:

### **Timberwell Berhad**

	Direct	%	Indirect	%
Ordinary Shares	800,000	0.90	-	-

He does not have any family relationship with any other director and/or major shareholders of the Company and has no conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading in nature that is necessary for day to day operations of the Group. He has no convictions for any offences within the past five (5) year other than traffic offences, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2016.



### **CHAIRMAN'S STATEMENT**

### **Dear Shareholders**

I am pleased to present to you the Annual Report, incorporating the Financial Statements of the Group and the Company, for the financial year ended 31 December 2016.

### **OVERVIEW**

The Malaysian economy recorded a steady pace of growth in Gross Domestic Product ("GDP") from 4%-5% in 2016 despite the challenging international economic environment. The careful credit expansion in the US had a significant effect worldwide, resulting in the maintenance of the timber prices and those of other commodities. This affected Malaysia positively.

The Government's increased expenditure for infrastructure development coupled with cash distribution relief to the people, helped boost domestic demand which had the effect of halting and subsequently reversing the negative effect which the weak global conditions had on the domestic economy earlier.

### **FINANCIAL REVIEW**

During the period under review, the Group posted a Revenue of RM14.9 million compared to RM25.1 million in 2015. This 40% decline in Revenue can be attributed to unfavorable weather conditions which contributed to a lower production of logs. A drop in the price of logs also contributed to the Group's lower Revenue.

As a result of this, the Group posted a loss from Operations of almost RM0.4 million against a corresponding Profit from Operations of RM1.8 million in 2015.

From an earning perspective, the Group showed an overall decline if compared to 2015. The Lost After Tax for the Group of RM0.4 million was arrived at after taking into account non-cash items such as depreciation and amortization amounting to RM1.7 million (2015: RM1.8 million). In terms of cash flow, the Group can be said to be in a comfortable positions.

### **OPERATIONS REVIEW**

Due to the nature of our business, which is heavily dependent on timber prices, coupled with a challenging environment during the period under review, the management has put in place a programme to maintain the development of our Forest Management Units (FMUs) to enable additional revenue to be generated.

In timber segment, the Company has been granted a sustainable forest management licence for 100 years commencing 1997 over an area of 71,293 hectares in Lingkabau Forest Reserve in Sabah. The Company with the permission of State Government of Sabah, is able to plant, rehabilitate and harvest forest in the sustainable forest management concession area, which is marked for natural forest management, conservation and industrial tree plantation.

To-date, the industrial tree plantation area is planted with various tree species including rubber for both latex and wood, with the Group's concerted effort on enrichment planting, silvicultural treatment, upkeep and maintenance of the sustainable forest management concession area.

Apart from this, various steps have also been taken by the management and the Board of Directors to transform the Company into a lean and dynamic organisation. With other measures which will be initiated in the coming months, we are confident that the Company will be poised to take advantage of any upturn in the timber market.

### **CHAIRMAN'S STATEMENT**

#### **ACHIEVEMENT AND ACCOMPLISHMENT**

The Sabah Chief Conservator of Forests had again awarded the Company with a Certificate of Compliance on Timber Legality Assurance System ("TLAS") (Principle 1-4) for the Licensed Area Sustainable Forest Management Licence Agreement 06/97 - Forest Management Unit 3 on the 2 May 2016.

The Company has been evaluated through the TLAS criteria against the European Union Forest Enforcement Governance and Trade ("FLEGT") for the management of its forest area. The Assessment Report has resulted in full compliance against all critical criteria. As such, Sabah Forestry Department recognises that the Company has adequately demonstrated legal compliance to the TLAS criteria for forest management in Sabah. As the Company has passed the due diligence requirements for legal compliance to the local Sabah Standard established as part of the FLEGT project, timber harvested by the Company are classified as Verified Legal Compliant within the GFS Wood Tracking Program.

On the 22 April 2016, the Company was further awarded with Certificate of Compliance for having successfully complied with the requirements of the Sabah TLAS Principle 5 (Mill operation) and Principle 6 (Customs and Trade)

In recognition of the continuous effort by the management and the Board of Directors, the Company was again awarded the Compliance Certificate by the Sabah Forestry Department on the 20 May 2016, for its achievement of the overall performance in 2015.

Further to the compliance achieved by the Company, the proposed 2016 Annual Work Plan of the Company was also approved by the Sabah Forestry Department on 21 March 2016.

#### DIVIDEND

The Board does not recommend any dividend payment for the year.

### **OUTLOOK AND PROSPECT**

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth in GDP of 4% - 5% in 2017. Domestic demand is expected to remain resilient and will continue to be the anchor for growth.

The Group will be able to pursue better operational performance at lower costs through its continued prudent cost control measures and improvement in efficiency. It is the commitment of the Group to improve its earnings growth for the sustainability of the Group.

The Board of Directors is cautiously optimistic that the Group will continue to improve its performance for the financial year ending 31 December 2017.

### **ACKNOWLEDGEMENT**

I would like to express my heartfelt thanks to the management and staff for their continuous commitment and invaluable contribution to the Group, as well as my Board colleagues for their dedication, invaluable advice and undivided support over the past year.

My sincere appreciation also goes to our shareholders, customers, bankers, business associates, partners, suppliers and the media for their unwavering support and confidence in our Group.

Last but not least, I would also like to take this opportunity to express the gratitude of the Group to the Sabah Forestry Department, various government agencies and regulatory authorities for their continued trust and confidence in us.

Dato' Seri Abdul Azim bin Mohd Zabidi

Chairman, Independent Non-Executive Director

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Timberwell Berhad ("the Company") should be read in conjunction with the Financial Statements for the year ended 31 December 2016 and notes related thereto.

The MD&A is a mandate to advance the measurement and reporting of organisational performance. This MD&A, in combination with the financial statements, provides the opportunity for the company to communicate the effectiveness of the stewardship of resources and to further progress towards the stated strategic objective.

This MD&A is presented in accordance with Malaysia Financial Reporting Standards ("MFRS") and to correspond to the amendments Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad in relation to the Disclosure and Corporate Governance requirements unless otherwise noted.

#### **OVERVIEW**

The Company has been granted a Sustainable Forest Management Licence for 100 years commencing 1997 over an area of 71,293 hectares in Lingkabau Forest Reserve in Sabah. The State Government of Sabah granted permission to the Company to plant, rehabilitate and harvest forest in the principles of sustainable forest management and environmental conservation for economic, environmental purposes in the licenced concession area.

The entire concession area is zoned into Natural Forest Management ("NFM"), Industrial Tree Plantation ("ITP"), Conservation area, and Community Forestry. Timber harvesting is allowed in NFM and ITP with separate criteria and restrictions.

#### **FINANCIAL REVIEW**

Against the backdrop of low timber demand and timber prices and tight lending conditions which have affected all segments of the consumer market, the Group has implemented strict controls on capital management, including the following:

- Strict review on capital expenditure spending, focusing on areas of key priority and revenue generation.
- · Tight monitoring on inventory and debtor management.
- Cost containment measures, focusing on enhancing operational efficiencies.

The Group is mindful that the economic uncertainties and difficult market conditions are expected to prevail into the new financial year in our major operating markets. The Group will continue with aggressive cost containment measures and rollout more innovative approaches in its operations to drive greater cost efficiency and productivity.

The Group's revenue of RM 14.9 million which has decreased RM 10.3 million compared to the year 2015 (RM 25.1 million). The revenue declined marginally by 40.9%. The drastic drop in revenue is mainly due to the unfavorable weather which resulted in lower production. Besides, lower timber prices and decrease in demand also contributed to the drop of the revenue.

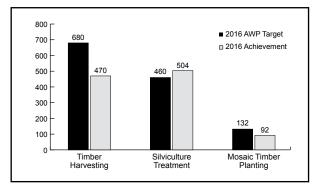
The loss after tax figure of RM 1.3 million was arrived at after taking into account non-cash items such as depreciation and amortisation amounting to RM 1.7 million (2015: RM 1.8 million).

### **OPERATIONAL REVIEW**

The focal operations of the Company are Timber harvesting, Rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2016 Annual Work Plan ("2016 AWP") stipulates the targets for all the activities in the entire year and the achievements are assessed in the year ending 31 December 2016.

To a certain extent, the Company managed to achieve the targeted areas for 2016. The dawdling rate in Timber harvesting is affected by the measured pace of planning and documentation of Comprehensive Harvesting Plan ("CHP") prior to harvesting in NFM area. The Company has noted the setback and has outsourced for experienced NFM harvesting contractor and CHP preparation contractor.

The market for timber remains challenging in 2016. The price of small logs experienced drastic drop rendering cutting of small log economically not feasible. Hence in June 2016, the management has adopted a strategy to increase the diameter cutting limit in ITP. This result in a lower volume harvested for the year. On the other hand, there is assurance that the felled logs are of good quality while the smaller trees left in the forest will grow to become the Company's future resources.



70000 60,626 TIMBER PRODUCTION (cubic meter)

50000 40000
20000
10000
10000
Year ending 2016

Figure 1: Areas in hectare for 2016 AWP target and the year ending 2016 achievements

Figure 2: Comparison of logs production volume for year ending 2015 and 2016

Apart from the main tasks, other supporting activities carried out by the Company in 2016 are Area Surveillance, Community Development and Outreach and Environmental inspection for Environmental Compliance. All the tasks are carried out in full compliance to the approved 2016 AWP.

The Corporate Responsibility and Sustainability Report, of which the details are as presented on pages 28 to 30 states the actions taken by the Company in protecting the environment and social development while striking to achieve a better performance towards the goal as sustainable development.

#### **ACHIEVEMENT & ACOMPLISHMENT**

For year ending 2016, the Company attained the following achievement:

Approval of the 2016 Annual Work Plan on 21 March 2016

Certificate of Compliance on Timber Legality Assurance System Principle 5 (Mill operation) and Principle 6 (Customs and Trade) on 22 April 2016

Compliance Certificate by the Sabah Forestry Department on 20 May 2016

Certificate of Compliance on Timber Legality Assurance System (Principle 1 - 4) for the Licensed Area Sustainable Forest Management License Agreement 06/97 - Forest Management Unit 3 on 2 May 2016

### **OUTLOOK & PROSPECT**

The management has noted the shortfall of timber harvesting in NFM areas and has identified an experienced and qualified NFM contractor to expedite the preparation of CHP and improve NFM harvesting performance in 2017. With the experience gained in a similar Reduced Impact Logging ("RIL") exercise in other concession, the contractor is expected to increase the productivity in the NFM.

The strategy adopted in 2016 to increase the diameter cutting limit will remain enforced in 2017 as there is no improvement in the demand of the small logs. In order to sustain the volume for the year, the management targeted larger area for harvesting and have incorporated the increase in the 2017 AWP. In tandem with the increase of area, additional contractor for ITP harvesting will also be engaged to expedite the harvesting activity.

The management is vigilant to the volatile timber market and will continue to improve productivity and efficiency in its operation. Within the principles of Sustainable Forest Management, the management strives to carry out its tasks in a prudent and discreet manner while adapting to any improvement and strategy to address the evolving market, environment and social development.

#### **HUMAN RESOURCE REVIEW**

Human Resource ("HR") plays an instrumental role in securing the future success of the Company. In doing so, the function is guided by its long-term vision of working in partnership to create an environment where employees can thrive and are enabled to deliver sustainable organisational performance. The goals of the Human Resources Department is to help the Company achieve its organisational mission, while ensuring employees are engaged and motivated to help the Company succeed. HR's success will be measured by our ability to align and integrate processes with the strategic mission. Company has continuously identify issues and execute corrective measures effectively.

The Company ensures that every employee is equipped with an employee handbook as the Employee Handbook acts as a valuable communication piece for both employers and employees. It sets forth clear expectations between the employer and the employee. The Company is also confident that every Employee Handbook allows employers to clearly communicate or address to employees' issues toward one organisational goal.

The Company placed increasing importance on managing and developing employee performance holistically and regularly giving feedback and taking appropriate actions. Where employees are being considered for promotion, it is the standard for managers to assess how candidates demonstrate the values and beliefs in their daily responsibilities. Effective consequence management as well as escalation and sanctioning mechanisms are basic conditions for cultural change. The Company has improved its processes and practices and installed clear escalation mechanisms to ensure compliance, investigate misconduct and take disciplinary action as required.

#### SUCCESSION PLANNING

The management has created a precedent for the Company's Succession Planning to improve organisational succession and talent development programs through the Six (6) Key Elements guidelines.

- · Core positions leaders are personally involved
- Core positions leaders hold themselves accountable for growing leaders
- Employees are committed to their own self-development
- Workforce data and analysis inform the process
- Leadership competencies are identified and used for selection and development
- A pool of talent is identified and developed early for long term needs

The Company will continue discussing the employee development plans and will explore further on how to streamline the strategy into an "executive level" leadership development succession plan that will allow every employee to prepare and develop their future leadership roles in line with the Company's growth.

### **TRAINING**

The Company is committed to providing Training Benefits to its employees on the basis of motivation and rewards growths through challenging targets and roles motivation for their Self and Career Development. This includes Onthe-job training (Practical) where skills were developed through work planned and developmental job rotation. As for the Off-the-job training (Formal Training), it is the Acquisition of the necessary operational knowledge and skills opportunities for self-awareness.

### SAFETY & HEALTH AWARENESS PROGRAMME

In our bid to raise the level of awareness on safety at workplace, Company has organised a Workplace Safety Management workshop with the participation of relevant Camp Staffs who are stationed in Main Office in line with the Occupational Safety and Health ("OSH") Department's requirement. A Safety Committee was first established on 12 August 2015 and the Company's OSH sections was divided into Building & Vehicle Safety Unit, Material & Chemical Waste Safety Unit, Emergency and Safety Unit. Company has engaged with the Committee to hold a Safety Meeting every quarterly with every Head Committee presented their quarterly report. In between these meetings, Camp employees has also been exposed with RIL awareness and also Chemical Handling briefing.

### HEALTH SURVEILLANCE

According to Regulation 27, Health Surveillance, under OSH Regulations (Usage and Standard on Exposure of Dangerous Chemical Substance to Health), if a worker is exposed to or may be exposed to dangerous chemical substance, a health surveillance must be carried out for a period not more than 12 months by the Occupational Health Doctor. In 2016, a number of medical check-up for Health has been conducted in the Camp Site. This included the Blood Screening and Malaria early detection. Moving forward, the Company look forward to continuously monitor its employees' OSH and outsource additional Safety and Prevention mechanics for its internal benefits.

### • FIRE CERTIFICATE RENEWAL BY FIRE & RESCUE DEPARTMENT

A Fire Extinguisher Inspection was carried out on 27 July 2016 and 8 November 2016 at Paitan Camp by the Fire Safety Division, Fire & Rescue Department, Kota Kinabalu. The purpose was to ensure adequate facilities for personal safety, fire prevention, fire protection and firefighting tools as stipulated in the Fire Services Act, 1988.

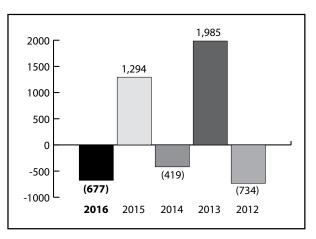
### **FIVE (5) YEARS FINANCIAL HIGHLIGHTS**

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue					
-Continuing Operations	14,526	25,154	24,486	16,444	25,554
-Discontinued Operations	-	-	-	-	-
Total Revenue	14,526	25,154	24,486	16,444	25,554
Profit/(Loss )Before Taxation					
-Continuing Operations	(677)	1,294	(419)	1,985	(734)
-Discontinued Operations	-	-	-	-	-
Total Profit/( Loss) Before Taxation	(677)	1,294	(419)	1,985	(734)
Income/(Loss)Attributable To Equity	75	1,067	433	2,934	(20)
Shareholder's Fund	35,116	35,041	33,974	33,541	30,607
Basic Earnings Per Share (Sen)	0.08	1.20	0.49	3.29	(0.03)
Net Assets Per Share (Sen)	39.43	39.35	38.15	37.67	34.37

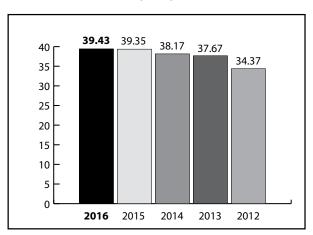
### TOTAL REVENUE (RM'000)

### 30000 ( 25,554 25,154 24,486 25000 20000 16,444 14,526 15000 10000 5000 0 2016 2015 2014 2013 2012

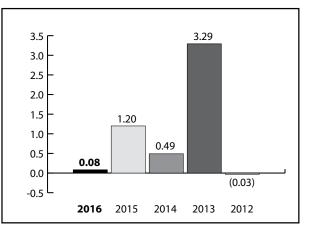
# TOTAL PROFIT/(LOSS) BEFORE TAXATION (RM'000)



NET ASSETS PER SHARE (SEN)



# BASIC EARNINGS PER SHARE (SEN)





### STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

2016 was another challenging year for the Group. The International economic growth was generally low throughout the year and the Company yet again has to concentrate more on domestic demand of timber.

The depreciation of Malaysian currency during the year has facilitated an attractive venture for timber export but the demand of timber from international market remains unstable. Despite that, the Group will continue to improve productivity and efficiency and adopt a prudent approach in planting within a prudent and manageable area. It is therefore pertinent that the Sabah Forestry Department has awarded a Certificate of Compliance for fulfilling the requirements for 2015 Annual Work Plan.

The Company is also fully committed to achieve Malaysian Criteria and Indicator standards and has commenced preliminary audit and stake holders' consultation to be certified under Malaysian Timber Certification Scheme (Natural Forest).

For 2017, the Company pledged to continue the effort and has committed to replant a discreet rehabilitation planting area with a combination of Mosaic planting design and Systematic planting and carry out forest improvement through Silviculture activity and continue to practice Reduced Impact Logging.

Despite the challenging conditions, we are committed to make the Company a socially and environmentally responsible Company. We remain committed to Sustainable Forest Management Principles as we believe this is important for our future generations when we contribute towards prudent management of our forest resources to attain optimum economic, environmental and social returns.

### **CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT**

Corporate Responsibility reporting is the practice of measuring, disclosing and accounting for corporate performance towards the goal of sustainable development. Sustainability issues are complex, inter-connected and continually evolving. Thus, this report essentially describes the Company's performance in its forest resource management, and initiatives on environmental and social responsibility during 2016, and presents our commitments for the future years. The report concentrates primarily on the core activities of Timberwell Berhad.

### **OVERVIEW**

The Company is a licence-holder of Sustainable Forest Management Licence Agreement 06/97 ("SFMLA"), covering an area of 71,293 hectare of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah. Our activities and commitments to Corporate Responsibility are consistent with the concept, principles and practices of the sustainable forest management to ensure the sustainability of our forest resources.

Under the SFMLA, we are mandated to manage the licenced forest area based on the principles of sustainable forest management "to ensure forest remaining large, healthy, diverse and productive".

The principles of sustainable forest management entail the following:

- Sustained yield of all forest products;
- · Maintenance of environmental integrity;
- · Preservation of social benefits and cultural values; and
- Maintenance of bio-diversity to support wildlife habitat and flora diversity

In achieving the above principles, the Company has set the following Policy Statement:

- It shall apply forest management practices designed to ensure the sustained yield of wood resources and strive to respect the biological components of the ecosystem.
- It would strive to protect the forest by controlling fires, protecting watershed, wildlife, soil and landscape resources and restoring disturbed sites.
- It would put in place procedures to monitor its forestry activities and assess their result with a view to maintaining and enhancing its performance.

### FOREST RESOURCE MANAGEMENT

The forest management practices adopted by the Company are basically in line with those advocated by Sabah Forestry Department and comprise the following:

- Sustainable harvesting methods, including preparation and implementation of comprehensive harvesting plans
  in compliance with harvesting standards and application of internationally recognised Reduced Impact Logging
  ("RIL") techniques;
- Forest rehabilitation, including application of silviculture treatment in the form of selective liberation of potential crop trees after harvesting:
- Timber plantation development, including cultivation of industrial trees of approved species to sustain long-term commercial value of the forest; and
- Forest protection measures, including protection of the forest against encroachment, illegal felling and fire; protection of watershed to preserve soil cover; and protection of nature and genetic resources.

The table below depicts the key performance indicators of the forest resource management:

No.	Performance measure	Target	Achieved
1.	Timber harvesting	3 compartments	1 compartment
2.	Silviculture treatment	5 compartments	5 compartments
3.	Timber plantation	132 hectare	92 hectare

### **CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT**

Timber harvesting during the year is concentrated in salvage harvesting in Industrial Tree Plantation area. Silviculture treatment is the main activity in the Natural Forest areas while a subservient RIL harvesting was also carried out. A new Comprehensive Harvest Plan preparation was prepared for an area to be harvested in 2017.

#### **ENVIRONMENTAL PROTECTION**

The mandatory requirement of Environmental Impact Assessment ("EIA") for activities associated with land development and utilization of natural resources in Sabah is stipulated in the Conservation of Environment Enactment 1996 and the Conservation of Environment (Prescribed activities) order 1999. To this end, all activities carried out within the licenced area are in compliance with the provisions of the Act mentioned above.

Three phases of EIA for Industrial Tree Plantations area and one phase of EIA for Natural Forest Management ("NFM") area have been approved separately by the Environmental Protection Department of Sabah in 2005 and 2007. In 2016, apart from for the final quarter, all Environmental Compliance Reports ("ECR") of the areas were submitted by the environmental consultant of the Company to the Environmental Protection Department of Sabah without any major concerns raised. The final quarter will be submitted in the first quarter of 2017.

#### SOCIAL AND COMMUNITY DEVELOPMENT

Sustainable Forest Management is closely linked with the socio-economic development of the local community through social projects implemented by Sabah Forestry Department and the Company as well as the local communities. As a committee member for the "Gana Resettlement and Integrated Development Project ("GRID")", the Company continues to provide inputs to the projects in 2016. The Company has also engaged indirectly with the GRID community to gauge and take note on current issues related to GRID that are affecting the community. This was carried out by sending representatives to observe the Land Usage Workshop organized by Sabah Forestry Department and EU-REDD+ on the 11 March 2016 and its subsequent follow up session on the 14 April 2016. The primary discussion on both sessions focused on land usage, infrastructure improvements, agricultural matters and Forest Community Management within GRID.

The Company's involvement in the local communities in 2016 includes the following:

- Conducting consultations with local communities via formal and informal dialogues in Kampung Dampiron, GRID, Kampung Garung Asal as well as Kampung Monggis.
- Facilitating the formation of "Joint Management Community Project" for the community in Kampung Dampiron settled in the rezoned community area in part of Compartment 44 and Compartment 46.
- Monitoring and verifications of the identified High Conservation Value Forest ("HCVF") with active inputs and participation of the relevant community.

### SUSTAINABLE MANAGEMENT

At the outset, the commitment of the Company towards Sustainable Management was set out with the signing of the SFMLA in 1997. Hence, the Company thereon operates with the guidance of the principles of Sustainable Forest Management. In recognition of the Company's commitment towards Sustainable Forest Management, the Company was awarded the Compliance Certificate by the Sabah Forestry Department on 20 May 2016, for its achievement to successfully comply with the requirements for Timber harvesting operations, Silviculture Treatment and Mosaic Planting under the Annual Work Plan 2015, in Forest Management Unit ("FMU") 3, as stipulated in the SFMLA.

Moving forward, the Company has embarked to fully undertake forest management certification under Malaysian Timber Certification Scheme ("MTCS") in 2016 as certification is a meaningful yardstick for effective implementation of Sustainable Forest Management. However, the full certification of the natural forest has slightly been delayed pending area rezoning.

### **CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT**

Apart from the Sustainable Management of the natural resources, the Company addresses the inter-connected and continually evolving sustainability issues on a broader context. During the year, the key activities for promoting sustainable practice are:

### 1) Occupational Health and Safety performance

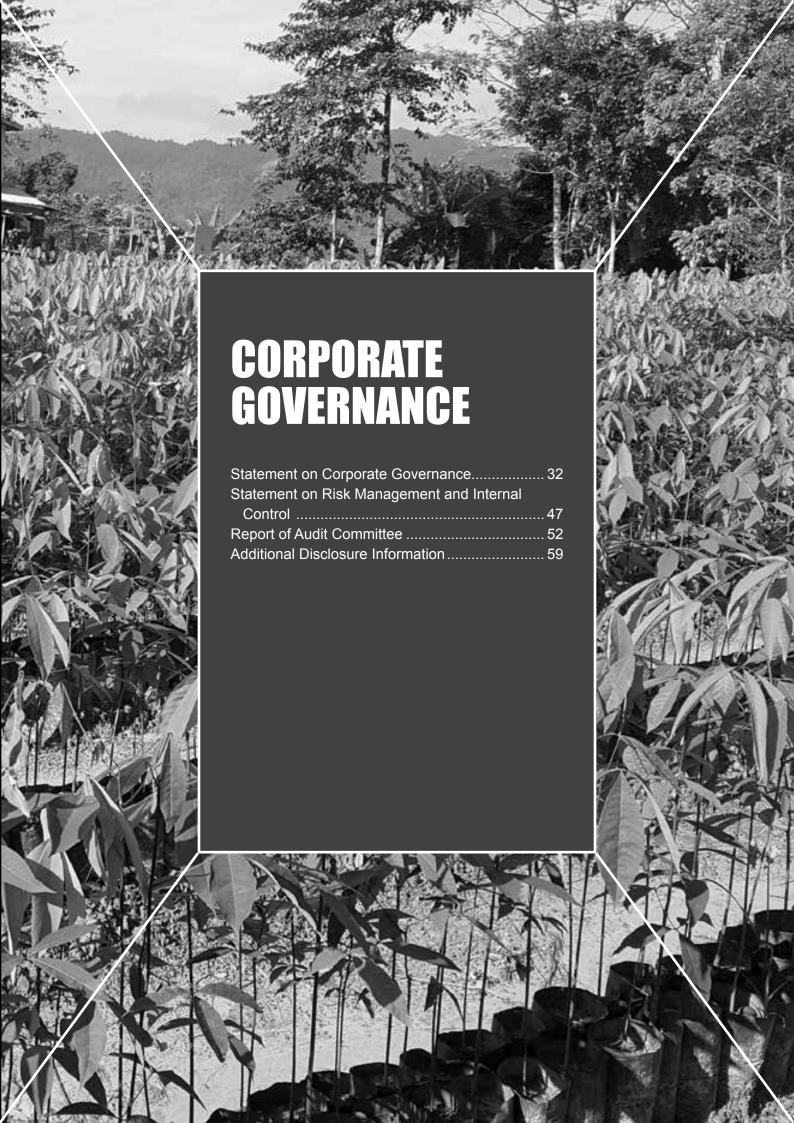
- a) Facilitated the setting up of Safety and Health committee.
- b) Conducted Safety and Health awareness and quarterly meeting.
- c) Conducted training for key safety personnel.

### 2) Environmental mitigation performance

- a) Operated in compliance to all the respective approved EIA.
- b) Implemented the mitigation measures for affected area as in full compliance to the remedial action stipulated in the approved EIA.
- c) The compliance and mitigations were audited by third party and ECR submitted quarter yearly.

### 3) Promoting Community relations and Workers Rights

- a) During the year, a total of 16 trainings related to the Company's operations were held for all levels of workers.
- b) Provided a mechanism for grievance resolving for workers as well as adjacent local community.
- c) Continued to update Baseline studies of local communities adjacent to the Forest reserve and conduct dialogues and engagements.
- d) Provided access to the local community to proven ancestor burial sites that was classified as High Conservation Value Forest.

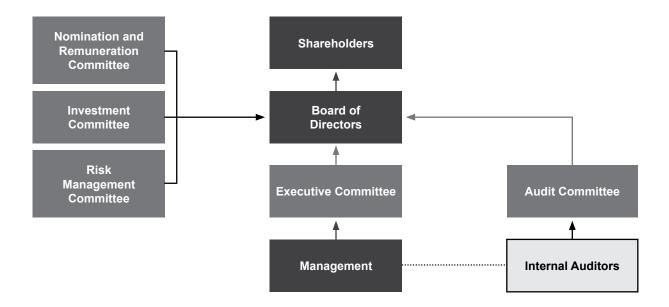


### STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") is fully committed to ensuring that a high standard of corporate governance in accordance with the Malaysian Code on Corporate Governance 2012 ("Code") are applied and maintained throughout the Group with the ultimate objective of safeguarding the interests of the shareholders as well as stakeholders and the financial performance of the Group.

The Board is pleased to set out below how the Group has applied the principles laid down in the Code. The Company has complied with the Best Practices in Corporate Governance. This Statement, together with the Statement on Risk Management and Internal Control, sets out the manner in which the Company has applied the principles and best practices of the Malaysian Code.

#### CORPORATE GOVERNANCE STRUCTURE



### **DIRECTORS**

### THE BOARD

The Board has full control of and is responsible for the Group's overall strategy, formulation of policies, annual budget, review of financial and operational performance and internal control.

The Board has delegated matters pertaining to the day-to-day management, operations and strategic development of the Group to the Chief Executive Officer ("CEO") who is supported by a competent management team.

The Board acknowledges the essential of ensuring that the Company's strategies promote sustainability. As in the timber industry, the Board is strongly aware of the importance of balancing of environmental, social and governance aspect with the interest of various stakeholders is essential to enhancing investors' perception and public trust.

The Corporate Responsibility Report, which the details are presented on pages 28 to 30 stated the actions taken by the Company in protecting the environment while striking to achieve a better performance towards the goal at sustainable development.

### STATEMENT ON CORPORATE GOVERNANCE

### **BOARD MEETINGS**

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. All the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board follows formal schedules for meeting and Board members are adequately provided with status report and Board papers to assist them to make the best decisions in the best interest of the Company at all times. The Board papers include, among others, the following documents or information:

- Reports of meetings of committees of the Board including matters requiring the full Board's deliberation and approval;
- Performance reports of the Group, which include information on financial, strategic business issues, major operational issues and updates; and
- · Board papers for other matters for discussion/approval.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships in more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

The Company Secretary issues a notice of meeting prior to each Board meeting. All Board papers for consideration and discussion will be circulated to members at least three (3) days prior to the meetings to ensure Directors have sufficient time to study them and would be prepared for meaningful discussions. Management and professional advisors may be invited by the Board, should there be a need, for information or advice on matters that require expert knowledge.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the financial year ended 31 December 2016, a total of six (6) Board Meetings were held. The following are the details of attendance of the Directors:

Name of Directors	Designation	Number of Meetings attended
Dato' Seri Abdul Azim Bin Mohd Zabidi (Chairman)	Independent Non-Executive Director	5/6
Datuk Alladin Bin Mohd Hashim	Independent Non-Executive Director	6/6
Datuk Yap Pak Leong (or his Alternate Director : Ms Yap Fook Fung)	Senior Independent Non-Executive Director	6/6
Mr Sui Diong Hoe	Independent Non-Executive Director	6/6
Madam Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director	6/6
Mr Melton Martin	Independent Non-Executive Director	6/6
Dato' Seri Tiong King Sing (1)	Managing Director	-

### Note:

(1) Dato' Seri Tiong King Sing was appointed as the Managing Director of the Company on 19 March 2017.

The Board has also agreed for the 50.0% minimum attendance requirement to be adopted for Board Committees. Overall, all Committee members complied with the attendance threshold.

### **STATEMENT ON CORPORATE GOVERNANCE**

### **BOARD COMPOSITION AND BALANCE**

The present composition of the Board includes sufficient number of independent, non-executive directors and executive director as prescribed by the requirements of Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Presently, the Board consisted of seven (7) members, comprising one (1) Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Director, four (4) Independent Non-Executive Directors and one (1) Managing Director.

The Board's composition complies with the MMLR which requires one third of Board members to be independent directors to reflect fairly the interests of the minority shareholders of the Company. The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience and knowledge to direct and manage the Group's businesses.

The Board is satisfied that, through the annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively.

A brief profile of each Director is presented on pages 12 to 16 of this Annual Report.

#### **DUTIES AND RESPONSIBILITIES**

The Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board in 2013 and the same was published on the corporate website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles. The Board Charter is reviewed regularly to ensure that it complies with the best practices and regulations and the last review of the Board Charter was conducted on 21 February 2017.

The Board has set the management authority limit and retained its authority of approval on significant matters. The Board has also formalised its responsibilities and functions as well as the division of responsibilities and powers between the Board, management and Board Committees in its Board Charter. This Board Charter also provides a basis to the Board in assessing its own performance and that of its individual directors. Key matters such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

The responsibility for the operation and administration of the Group is delegated by the Board to the CEO and management.

As set out in Board Charter, the Board, whilst supportive of the management, must:-

- approve and proactively participate in strategic decisions.
- challenge management with questions based on informed knowledge;
- oversee management's plans, decisions, and actions;
- monitor management's ethical conduct, financial reporting and regulatory compliance;
- play a critical role in ensuring sound and prudent policies and practices of the Company;
- · be capable of effectively achieving good governance and protecting the interests of shareholders; and
- proactively support and have continuous oversight over risk management, internal controls and compliance matters involving the Company.

#### THE ROLES OF CHAIRMAN AND CEO

The Board has adopted the recommendation of the Code that the position of Chairman and CEO should be held by different individuals and the Chairman must be a non-executive member of the Board.

Dato' Seri Abdul Azim Bin Mohd Zabidi, who is the Independent Non-Executive Director was appointed as the Chairman of the Board on 28 August 2006. Mr Pau Chiong Ung was appointed on 23 May 2006 as the CEO of the Company.

The position of the Chairman and CEO is held by different individuals, accordingly there is a clear division of responsibilities between the Chairman and CEO to ensure that there is a continued balance of power and authority. In addition, the separation of these positions promotes accountability and facilitates division of responsibilities.

The task of the Chairman includes leading the Board in the oversight of management whilst the CEO focuses on the business and day to day management of the Group.

The Board's principal focus is the overall strategic direction, development and control of the Group. As such, the Board approves the Group's strategic plan and its annual budget and receives reports from respective standing committees.

The Chairman is responsible for the integrity and effectiveness of the Board as a whole. He conducts Board meetings and ensures that it proceeds in an orderly manner. The Group CEO is responsible for the implementation of broad policies approved by the Board and they are obliged to report and discuss at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. The Group CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the management and the Group Accountant.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies. The Independent Non-Executive Directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. They provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders as well as stakeholders and the many communities in which the Group conducts its business.

The sound operation of the Company depends critically on its CEO. Thus, he must be able to devote his full attention and time to be able to discharge his duties and responsibilities effectively and diligently.

As the CEO is directly responsible for the day-to-day operations of the Company, he must be familiar with the operations of the Company, the state of internal controls, requirements of regulations, as well as current issues and policies affecting the industry in general. He must also have the necessary knowledge and professional competence in the conduct of the Company's business.

In the absence of its CEO, the Managing Director who is fully acquainted with the Company's affairs, is the person who will be directly responsible for the overall running of the Company.

The details of the role and functions of the Chairman and CEO are stated in the Board Charter which is available in the Company's website (<a href="https://www.timwell.com.my">www.timwell.com.my</a>).

#### **SUPPLY OF INFORMATION**

The Board has full access to all information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively.

Board meetings are prepared diligently and are structured with a pre-determined agenda. Prior to meetings, Board papers, which include operational and financial information, are circulated to the Board members to provide time for the Directors to read and contemplate the issues. During the meetings, the management will provide details on each issue raised for discussion or as supplementary information.

In furtherance of their duties, the Directors have full and unrestricted access to any information pertaining to the Company, the advice and services of the Company Secretaries. Independent professional or other advice is also made available to Directors at the Company's expense and in accordance with decision of the Board as a whole should such advice is required.

#### **COMPANY SECRETARIES**

The Company Secretaries were entrusted to record the Board's deliberations, in terms of the issues discussed and the conclusions. The minutes of the previous Board meeting is distributed to the Directors prior to the Board meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. The Company Secretaries also ensure that there is good information flow within the Board and between the Board, Board Committees and the management.

All Directors have direct access to the advice and services of the Company Secretaries in discharging their duties effectively.

The Board is regularly updated by the Company Secretaries on new changes to relevant legislation and Bursa Securities' Listing Requirements and the resultant implications to the Company and the Board.

In delivering the above duties and responsibilities, the Board is supported by suitably qualified and competent Company Secretaries who are members of professional bodies namely the Malaysian Institute of Chartered Secretaries and Administrators.

The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

#### **BOARD COMMITTEES**

#### **Appointments of Board Committees**

The Board has delegated certain responsibilities to the Board Committees and each Board Committees has respective written terms of reference. The Board receives periodic reports from the Board Committees and is constantly updated of their proceedings and deliberations. In cases where the Board Committees have no authority to decide on certain matters, the Board Committees will assess and examine the issue and subsequently provide their recommendations, which are highlighted in their respective reports for the Board's decisions.

#### 1. Audit Committee (established in 1997)

The composition, terms of reference and activities of this Committee together with its report are presented on pages 52 to 58 of the Annual Report. The term of reference of the Audit Committee was reviewed and updated on 17 August 2016 to correspond to the amendments MMLR in relation to the Disclosure and Corporate Governance requirements.

#### 2. Nomination and Remuneration Committee (established in 2002)

The Company has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, since the same members are entrusted with the functions of both the Committees. The members of the Nomination and Remuneration Committee ("NRC") are mindful of their dual roles, which are clearly reflected and demarcated in the Agendas of each meeting.

#### **Objectives**

- To ensure a fair and transparent process of Board appointments, in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and shareholders.
- To set the policy framework and make recommendations to the Board on all elements of the remuneration package and performance arrangements for the CEO, Executive Director and Non-Executive Directors.

The term of reference of the NRC was reviewed and updated on 18 August 2016 to correspond to the amendments MMLR in relation to the Disclosure and Corporate Governance requirements. The detailed terms of references of the NRC is made available on the Company's website www.timwell.com.my.

## Composition

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Datuk Alladin Bin Mohd Hashim	Independent Non-Executive Director
Madam Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director

The NRC shall be appointed from amongst the Board and shall comprise exclusively non-executive directors and a majority of whom are independent.

#### Summary of Terms of Reference

#### Chairman

The Chairman of the NRC should be the Independent Non-Executive Director. In the absence of the NRC Chairman, the remaining members present shall elect one of their numbers present to chair the meeting, who should be an independent director.

#### Secretary

The Company Secretary or any authorised person shall be the secretary of the Committee. ("the Secretary"). The Secretary shall provide assistance to the members of the Committee, including but not limited to assist the NRC Chairman in planning the work of the Committee, formulating meeting agendas, maintenance of committee minutes, collation and distribution of information required by the Committee and provide practical support, as and when needed.

#### · Quorum of Meetings

The quorum shall be two (2) members, including at least one independent Director.

#### Meetings

- a) Meetings of the NRC ("NRC meetings") may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.
- b) The minutes of such a meeting signed by the NRC Chairman or Chairman of the meeting shall be conclusive of any meeting conducted as aforesaid.

- c) NRC meetings shall be held at least once a year. NRC meetings may be called, at any other time, by the NRC Chairman or any member.
- d) The NRC shall have full discretion to invite any director or management to attend its meetings.

#### NRC Resolutions in Writing

The NRC may pass resolutions by circulation. A resolution in writing signed by a majority of NRC members, including at least one independent Director, shall be as valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted.

These resolutions may consist of several documents in original or facsimile in the like form each signed by one or more members.

#### · Duties and Responsibilities

The main objectives and principal duties and responsibilities of the Nomination and Remuneration Committee are as follows:-

#### Nomination Function

- 1. Review the structure, size and composition (including the skills, knowledge and experience) of the Board on an annual basis and make recommendations to the Board regarding any proposed changes;
- 2. Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorship;
- 3. Assess on an annual basis the effectiveness of the Board as a whole, its Board Committees CEO, Chief Financial Officer ("CFO") and to assess the contribution by the Chairman and each individual director.
- 4. Review the term of office and performance of an Audit Committee and each of its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.
- 5. To make recommendations to the Board for the continuation (or not) in services of any director who has reached the age of seventy (70) years, or any Independent Director, which the tenure has exceeding a cumulative term of nine (9) years as an Independent Director of the Company, where appropriate.
- 6. To recommend directors who are retiring by rotation to be put forward for re-election.
- 7. To recommend and ensuring that all directors receive appropriate continuous training in order to maintain an adequate level of competency in order to effectively discharge their roles as directors, including but not limited to keeping abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements;
- 8. Asses, review and recommend to the Board on succession planning for the Board Chairman and CEO, and working with the Board to evaluate potential successors, if necessary.

## Remuneration Function

- 1. Assess, review and recommend to the Board on all elements of the remuneration package including terms of employment, reward structure and benefits for CEO and Executive Director that support the Company's long-term success and shareholders' value.
- 2. Advise the Board on the performance of the CEO and the Executive Director and an assessment of their entitlement to performance related pay.

- 3. Establish and recommend to the Board on the remuneration of the Non-Executive Chairman, Non-Executive Directors and Board Committees;
- 4. Review and endorse the CEO's, CFO's and Executive Director's recommendation on the salary increment, bonus and other benefits extended to the employees.

#### Rights and Authority

The NRC has the authority to examine a particular issue and report back to the Board with recommendations.

#### **Board Evaluation**

On annual basis, the Company Secretary circulates to each director with the relevant assessment and review forms / questionnaires in relation to the board evaluation with sufficient time for all the directors to complete in advance of the meeting of the NRC in order for the Company Secretary to collate the assessment results for the NRC to review.

The Board, through the NRC, had established criteria to ensure board composition and diversity with right mix of knowledge, skills and competency for which performance evaluation are to be based upon. The criteria adopted for the board's performance evaluation includes board mix and composition, directors' training, independence, quality of information, board proceedings, board's roles and responsibilities and the Chairman's roles and responsibilities. Annual board review was conducted by the NRC to assess and evaluate the board effectiveness base on the above criteria during the financial year.

In addition, peer review of the knowledge and skill sets of fellow directors is required to be performed by each director based on evaluation criteria established, which includes integrity, professionalism, knowledge, performance and participation during board meetings, contribution and board relationship. Peer review of directors was conducted by the NRC during the financial year.

As for the performance evaluation of board committees, the Board assesses the performance of the AC and NRC based on the recommended evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes. Review of the performance of the board committees was conducted by the NRC on 21 February 2017.

Based on the above assessments, the NRC was satisfied with the existing Board composition and was of the view that all Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. The Board is of the view that its present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

## **Board Appointment Process**

The Company has in place formal and transparent procedures for the appointment of new Directors. These procedures ensure that all nominees to the Board are first considered by the NRC, taking into accounts the required mix of skills, knowledge, expertise, experience as well as the fees payable to them. As for the appointment of Independent Non-Executive Directors, the NRC evaluates the ability to discharge such responsibilities before making a recommendation to the Board.

The Board has entrusted the NRC with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments. The NRC is also entrusted to the formulate nomination, selection, remuneration and succession policies for the Group.

The NRC also undertakes yearly evaluation of the performance of the CFO whose remuneration is directly linked to performance, based on her score sheet. For this purpose, the performance evaluation for the year 2016 of the Group CFO was reviewed by the NRC on 21 February 2017.

#### Re-Election of Directors

Any Director appointed during the year is required under the Company's Constitution to retire and seek re-election by the shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Constitution also require that one-third of the Directors including the Managing Director retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years. A retiring Director is eligible for re-election.

This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are available in the Annual Report.

#### **Board Independence**

Independence is important for ensuring objectivity and fairness in board's decision making. All Independent Directors of the Board comply with the criteria of 'independent directors' as prescribed in MMLR.

The Board, through the NRC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and its involvement in any significant transaction with the Company.

The Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company and/or the Group as all of the Independent Directors have satisfactorily demonstrated that they are independent from management and free from any business or other relationship with the Group that could materially affect or interfere with the exercise of objective and independent judgement to act in the best interest of the Group.

The Company had adopted the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. The Board will seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as Independent Director.

The NRC had reviewed and recommended to the Board for Dato' Seri Abdul Azim Bin Mohd Zabidi, Datuk Yap Pak Leong and Mr Sui Diong Hoe, who had served the Company for the tenure of more than nine (9) years to continue to serve as Independent Directors of the Company at the forthcoming AGM.

#### **Board Composition and Diversity**

The NRC had reviewed and assessed the suitability of the appointment of Dato' Seri Tiong King Sing as a Managing Director of the Company in 2017 in line with the objectives as set out in the Board Charter in terms of experience, skills, knowledge, age and gender diversity and succession planning.

The Board currently doesn't have a formal policy on its gender diversity insofar. The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member. Nonetheless, the Board is supportive of gender diversity in the Board composition as recommended by the Code and will endeavour to consider suitably and qualified female candidates when it comes to the appointment of Directors. The Board currently comprises seven (7) members, out of which one (1) is a female Director, representing the Board's composition.

#### Summary of Activities of NRC

During the financial year under review, the activities of the NRC include the following:-

- reviewed the term of reference of NRC;
- assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the character, experienced, integrity, competence and time commitment of each Director and the CFO;
- reviewed the re-election and re-appointment of retiring Directors;
- assessed and evaluated the level of independence of Independent Directors; and
- reviewed the proposal for the Medical Allowance to the Directors and Staff of the Company.

## 3. Investment Committee (established in 2006)

#### **Objectives**

The Investment Committee assists the Board in evaluating the viability of all new and potential investment or projects of the Group, which arise out of the ordinary course of business before recommending to the Board for approval.

#### Composition

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Mr Sui Diong Hoe	Independent Non-Executive Director
Datuk Pau Chiong Ung	CEO

#### **Duties and Responsibilities**

- deliberate and make recommendations to the Board on all investment proposals;
- oversee the implementation of the investment policy and strategy approved by the Board; and
- oversee the implementation of the approved projects and make recommendations on appropriate actions to the Executive Committee.

## 4. Business Risk Assessment Management Committee (established in 2012)

#### **Objectives**

The Business Risk Assessment Management Committee ("BRMC") shall assist the Board in assessing and overseeing the Group's business risk profile. The assessments set out the results of the Group's business risk assessment and provide the Risk Management Plan for the Group. Actions and strategies adopted by the Group would be developed and executed by the management and reviewed by the Audit Committee ("AC") and BRMC nominated by the Board.

# Composition

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Madam Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director
Datuk Pau Chiong Ung	CEO

#### **Duties and Responsibilities**

- assess and evaluate the Group's overall business risk management in accordance to the policy and strategy approved by the Board;
- deliberate and make recommendations to the Board on actions and strategies to be adopted by the Group;
   and
- oversee the implementation of the business risk management action plan approved by the Board;

#### Summary of Activities

The risk assessment statement was reviewed on 31 March 2016 and the key risk areas were updated to better reflect the Group and Company's current situation and business environment, particularly the Company's financial position which had substantially improved.

#### 5. Executive Committee (established in 2007)

To facilitate and assist the Board in overseeing the business affairs of the Group, the roles of Executive Committee has been strengthened to increase the involvement of Non-Executive Directors.

#### **Objectives**

The Executive Committee ("EXCO") shall assist the Board in overseeing and dealing with all operational matters of the Group.

#### Composition

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Madam Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director
Datuk Pau Chiong Ung	CEO

# **Duties and Responsibilities**

- deliberate and make recommendations to the Board on all transactions and matter relating to the Group's core business or existing investment;
- monitor the execution of the Company's business plans and operations of all business units of the Group;
- report to the Board on any non-compliance to statutory requirement, rules and regulations imposed on the business operations;
- deliberate and make recommendations to the Board on the creation of any mortgage, change or other encumbrance over the Group's property or assets; any financial arrangement with banks and other financial institutions and changes of bank signatories;
- deliberate and make recommendations to the Board on capital expenditure or disposal, commitment and any contract (or series of contracts) or any amendment to an existing contract, except as provided in the annual budget or business plan of the Group;
- deliberate and make recommendations to the Board on any merger and acquisition, amalgamation or reconstruction of business operations of the Group;
- deliberate and make recommendations to the Board on any discontinue and dissolution of business operations of the Group; and
- undertake such functions and all matters as may be approved or delegated by the Board.

## Rights and Authority

The EXCO shall have the authority to call any staff of the Company to be present at a meeting of the Committee as and when required and to seek whatever independent, professional or other advice it considers necessary.

#### Summary of Activities

In 2016, five (5) meetings were held to discharge its duties and responsibilities.

#### **DIRECTORS' TRAINING**

The Board fully supports the need for its members to continuously enhance their skills and knowledge to keep abreast with the developments in the economy, industry, technology and updates on regulations, amongst others to effectively carry out their duties and responsibilities as directors and to comply with continuous training as required by the MLRR of the Bursa Securities.

There were also briefings by the External Auditors and the Internal Auditors and the Company Secretary on the relevant updates on statutory and regulatory requirements from time to time during the Board meetings.

All the Directors have attended the Mandatory Accreditation Programme as prescribed by the Bursa Securities.

During the financial year, the Directors had attended training courses, conferences and seminars conducted by various external professionals to enhance their knowledge and expertise, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. The Directors also did attend various trainings conducted by their respective in-house companies and/or by external professionals. Amongst those training programmes, conferences, seminar, attended by the respective Directors are as follows:

No.	Continuing Education Programme Attended	Month Attended	
1.	Dato Seri Abdul Azim Bin Zabidi		
	<ol> <li>Corporate Governance Disclosures "What Makes Good, Bad and Ugly Corporate Governance Reporting"</li> </ol>	April 2016	
	<ol><li>Business Forum on Promotion of Trade, Investment, Tourism and Foreign Employment between Sri Langka and Malaysia</li></ol>	December 2016	
2.	Datuk Yap Pak Leong		
	1. LHDN Seminar Percukaian Kebangsaan 2016 (Kota Kinabalu)	November 2016	
	2. LHDN Seminar Percukaian Kebangsaan 2016 (Sandakan)	November 2016	
	3. MFRS and MPERS Financial Reporting-The Tax Impact	April 2016	
3.	Madam Agnes Soei-Tin Lamey		
	2017 Tax & Budget Conference Facing Current Business Headwinds	November 2016	
4.	Mr Sui Diong Hoe		
	<ol> <li>Corporate Governance Breakfast Series: Improving Board Risk Oversight Effectiveness</li> </ol>	February 2016	
	2. TPPA Seminar 2016 – Whats's in it for Accountants?		
	<ol> <li>Companies Act 2016 – Key Insight and Implications for Directors/ Shareholders</li> </ol>	November 2016	
5.	Mr Melton Martin		
	1. Mandatory Accreditation Programme for Directors of Public Listed Companies	March 2016	
6.	Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)		
	<ol> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies.</li> </ol>	April 2016	

The Directors will continue to participate in other relevant programmes which are deemed suitable to further enhance their skills and knowledge and to stay abreast with current issues.

Save as disclosed above, other directors were not able to attend any Directors' training during financial year due to their busy work schedule and overseas travelling.

#### **DIRECTORS' AND CEO REMUNERATION**

The Nomination and Remuneration Committee ("NRC") is responsible for developing the remuneration policy and determining the remuneration packages of the Directors so as to ensure that it attracts and retains the suitable directors to lead, control and manage the Group effectively. In the case of CEO, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

Directors' fee and/or their remuneration are/is recommended by the Board for the approval by shareholders of the Company at the AGM.

Other than the CEO, all Directors are paid a fixed fee and receive meeting allowance for each Board Meeting they attended. The Chairman is paid at higher fee compared to other Board members in recognition of his additional responsibilities.

The details of the remuneration of the CEO and the Directors of the Group and Company, paid and payable for the financial year ended 31 December 2016 are as follows:

	Basic Salaries, Bonus and Other Employee Benefit RM'000	Fees and Allowances RM'000	EPF Contribution RM'000	Total RM'000
CEO	327.0	2.0	39.0	368.0
Non-Executive Directors		242.5		242.5
TOTAL	327.0	244.5	39.0	610.5

	Director Fees	Meeting Allowances	Total
	RM'000	RM'000	RM'000
Y. Bhg. Dato Seri Abdul Azim Bin Zabidi (Chairman)	28.0	14.0	42.0
Datuk Alladin Bin Mohd Hashim	23.0	16.0	39.0
Datuk Yap Pak Leong	25.0	15.5	40.5
Madam Agnes Soei-Tin Lamey	23.0	16.0	39.0
Mr Sui Diong Hoe	23.5	16.5	40.0
Mr Melton Martin	23.0	9.0	32.0
Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak	-	10.0	10.0
Leong)			
TOTAL	145.5	97.0	242.5

	Number of I	Directors	
Range of remuneration	Executive 1	Non-Executive	Total
Below RM50,000		7	7
TOTAL		7	7

#### **SHAREHOLDERS**

#### Relationship with shareholders and other stakeholders

The Company recognises the importance of effective communication with the shareholders as well as other stakeholders through timely dissemination of information. The Board is committed to ensuring that shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the publication of the Annual Report, various timely announcements, periodic disclosures made during the financial year and the release of financial results on the quarterly basis to Bursa Securities. The Company will ensure that all quarterly financial results are announced to Bursa Securities no later than two (2) months after the end of each quarter of a financial year and that the Annual Report is released within four (4) months after the end of each financial year.

The Company has identified Datuk Yap Pak Leong as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

The AGM of the Company will be held at a Hotel which is an easily accessible location. The notices of the AGM and the Annual Report are sent out to shareholders at least twenty one (21) days before the date of the meeting in accordance with the provisions of the Constitution of the Company. The AGM of the Company provides the principal forum of dialogue and interaction between the Board and the shareholders. At each AGM, the Board presents the progress and performance of the Company and shareholders are given the opportunity to raise questions or to seek for clarifications of pertinent and relevant information of the Company. During the meeting, the Chairman, Board members and external auditors are available to respond to shareholders' queries.

Pursuant to the amendments to the MMLR of the Bursa Securities announced on 24 March 2016, the Board will put to vote all the resolutions set out in the notice of AGM by poll at the Company's AGM. Each item of special business included in the notice of AGM will be accompanied by an explanation of the proposed resolutions. All shareholders or proxies will be briefed on the voting procedures prior to the poll voting by the Share Registrar. The outcome of resolutions tabled and passed at the AGM are released to Bursa Securities on the same meeting day.

#### **ACCOUNTABILITY AND AUDIT**

# Financial reporting

The Board aims to present a balanced and meaningful assessment of the Group's position and prospects, primarily through the annual financial statements and the quarterly announcement of results.

Before the financial statements are drawn up, the Directors take the necessary steps to ensure that the Group had used all the applicable accounting policies and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable, have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

The role of the Audit Committee in the reviews and reporting of the financial information of the Group is set out on pages 53 of this Annual Report.

#### Suitability and independence

The Board considered the suitability and independence of the external auditor during the discussion of the Group Audit Plan for the financial year ended 31 December 2016. The Board considered several factors including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors to the Group for the financial year under review.

The Board is aware of the potential conflict of interest situation that may arise if the Company's external auditors are engaged to provide non-audit services to the Group. The external auditors have reviewed the non-audit services provided to the Group during the year and that to the best of their knowledge, the non-audit services did not impair their independence. The Company also discloses fees received by the external auditors for non-audit work for the financial year under review in Additional Disclosure Requirements.

#### Internal control

The Board recognises the duties and responsibility to implement a sound system of internal control in pursuant to Section 246 (1) of Companies Act 2016 that will provide a reasonable assurance that:

- assets of the Company are safeguarded against loss from unauthorised use or disposition and to give a proper account of the assets: and
- all transactions are properly authorised and that the transaction are recorded as necessary to enable the preparation of true and fair income statement and balance sheets and to give a proper account of the assets.

The Statement on Risk Management and Internal Control set out on pages 47 to 51 of this Annual Report provides an overview of the state of internal controls within the Group.

#### Relationship with the auditors

The Board has established a transparent relationship with the Company's External Auditors and Internal Auditors via the Audit Committee who has explicit authority to communicate directly with them. The External Auditors confirmed to the Audit Committee of their independency at each financial year and during their presentation of relevant audit Memorandum.

The External Auditors are working closely with the Internal Auditors and Tax Consultants, without compromising their independence. Their liaison with the Internal Auditors is to achieve the main objective of avoiding duplication of efforts to maximise audit effectiveness and efficiency. The External Auditors will continue to review all Internal Audit reports and discuss findings with the Internal Auditors.

# **Directors' Responsibility Statement**

The Directors are responsible in the preparation of the Annual Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Company and of the Group at the end of the financial year.

In preparing the financial statements, the Directors will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made. All applicable approved accounting standards and provisions of the Companies Act, 2016 have been complied with.

The Directors are also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Company and of the Group and which enables them to ensure that the financial statements comply with the relevant statutory requirements.

The Directors have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

#### **Compliance Statement**

Overall, the Board acknowledges the recommendations of the Code. The Board also concurs that there are still areas throughout the Group that require improvements and enhancements in order to achieve the best corporate governance standards. The Board as such will endeavour to achieve the higher target through progressively refreshing the internal standards or corporate governance.

This Corporate Governance Statement was approved by the Board of Directors on 21 February 2017.

#### INTRODUCTION

The Statement on Risk Management and Internal Control of the Group is set by the Board of Directors of Timberwell Berhad's ("The Board") made in compliance with the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

#### THE BOARD'S RESPONSIBILITY

The Board places importance on, and is committed to maintaining an effective risk management practices and a sound system of internal control in the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

Notwithstanding, as with any internal control system, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore, the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

#### THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

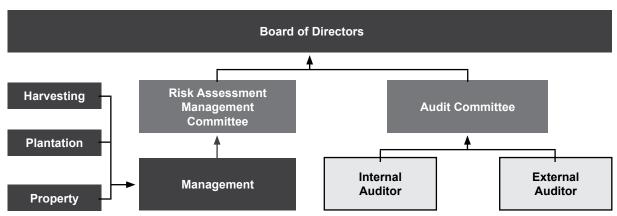
#### **RISK MANAGEMENT**

The Board maintains continuous commitment in strengthening the Group's risk management framework and activities. The management has been entrusted to continuously monitor the principal risks of the Group that have been identified, evaluate existing controls and formulate the necessary action plans with their respective process owners. The Chief Executive Officer ("CEO") is tasked with the responsibility of continuous monitoring and reviewing of the strategic directions of the Group.

Periodic meetings are held to assess and monitor the Group's risk as well as discuss, deliberate and address matters associated with strategic, financial and operational facets of the Group.

Business Risk Assessment Management Committee ("BRAMC") was established in 2012 to oversee and assess the Group's overall business risk profile. The BRAMC evaluate and set out the Group Risk Management Plan and the action and strategies adopted by the Group would be developed and executed by the Management and reviewed by the Audit Committee and BRAMC nominated by the Board.

#### **RISK MANAGEMENT FRAMEWORK**



BRAMC is mainly responsible for the following:-

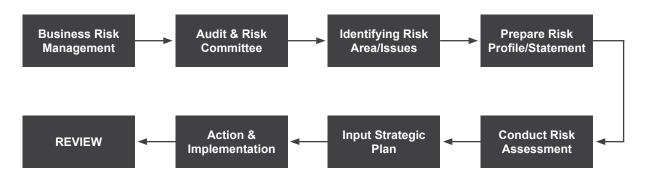
- assessing, improving and monitoring the Group Risk Management Framework ("RMF");
- · evaluating and monitoring the overall risk profile;
- · reviewing key business area and activities that are considered significant from a risk perspective; and
- providing guidance to the management in the development of appropriate and effective response strategies and contingency plans to manage or mitigate material risks that are in line with the nature of the identifiable risk.

The management (Each operation division) is responsible for :-

- · implementing the RMF, policies and procedures on risk management and internal control; and
- the compliance risks and obligations are effectively managed on a timely manner.

External and Internal Auditors are to provide an independent and objective report on operational and management activities addressing of the possible level of risk assessed.

#### **RISK MANAGEMENT PROCESS & APPROACH**



The principal risk areas and factors were identified, assessed and evaluated according to the risk management approach above.

The following are the principal risk areas/factors of the Group. These factors have a significant impact on the Group in terms of its results and strategic objectives, after considering likelihood and impact of the factor from both a financial and non-financial perspective.

NO	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
1.	Current image, shareholders and management	Fair Confidence of bankers	Under Control	Medium
2	BUSINESS  • Harvesting  • Plantations  • Properties  • Others (PPE)	Contractors     Fair Weather     Occupancy     Lack of control and monitor	Low impact     Affect the AWP     Impairment loss     Impairment loss	Medium     Medium     Low     Medium
3.	SHAREHOLDERS  • Major shareholders  • Shareholders expectation	Financial Position     Dividend & Profitability	Liquidity and cash flow problem     Loss of Shareholders' support	• Low

NO	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
4.	FINANCIAL • Financial Reporting Standard	Non-compliance with accounting standard	Suspended or reprimanded by MIA, MASB, Bursa possible penalties	• Low
	Property, Plant and Equipment  Financial Performance	Lack of control or monitor of assets movement  In off action decision	Loss of Assets	Medium
	Financial Performance (Funding and Costing)	Ineffective decision making & Inefficient costing/performance	Loss of credibility and funding	
	Budget and Business     Planning	Accuracy	Loss of credibility and funding	Medium
5.	• Directors	• Ability	Affect company performance	Medium
	Key Management	Competency	Affect company performance	Medium
	Forest Management Unit ("FMU")	Devotion	Affect company performance	Medium
	Harvesting Staffs	Competency	Affect company performance	Medium
	Plantation Staffs	Competency	Affect company performance	Medium
	Occupation Safety and Health	Awareness	Penalty for non-compliance & company's performance	Medium
6.	LICENCE & REGULATIONS  Obligation & Compliance (Annual Working Plan, Plantation Development Plan & Forest Management Plan	Proper preparation and compliance	Affect the FMU Licence     Agreement	Medium
	Certification (FSC & MTCS)	Non compliance	Reduce profitability and performance	• Low
	Bursa Securities (Listing Regulations)	Non compliance	• Penalty	Medium
7.	INDUSTRY & ECONOMIC (MALAYSIA & GLOBAL MARKET) • Other FMU Holders	Mutual Co-operation	Loss of market information	• Low
	Timber Association Sabah	Devoted leaders	Loss of market information	• Low
	Timber Demand & Market	Economic downturn or	Reduce profitability and	Medium
	Price Print & Warket	boom	performance	· Wediam
8.	Natural Disaster (Fire, Flood and Storm)	Dry and Wet season, full attention	Loss of Income	Medium
	Social Impact (3rd Party and Political Interferences)	Encroachment Goodwill policy	Penalty	Medium

The risk assessment profile and framework was reviewed on 31 March 2016 and the key risk areas and factors were updated to better reflect the Group and Company's current situation and business environment, particularly the Company's financial position which had substantially improved.

#### **Monitoring Mechanisms and Management Style**

Scheduled periodic meetings of the Board, Executive Committee, Board Committees and management represent the main platform by which the Group's performance and conduct are monitored. The daily running of the business is entrusted to the CEO and their respective management teams. Under the purview of the CEO, the heads of the respective departments of the Group are empowered with the responsibility of managing their respective operations.

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through its various Standing Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

#### **Internal Audit Function**

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. For 2016, the Group has outsourced its internal audit function to Messrs Lim Chong & Co., an independent professional services firm which reports to the Audit Committee on half-yearly basis at yearly cost of RM29,000.00. The Audit Committee acknowledges that an independent and adequately resourced internal audit function is required to provide assurance on the effectiveness of the system of the internal control in addressing the risks identified.

The internal auditor primarily acts as an assurance unit highlighting significant audit findings, areas for improvement, management comment on the audit findings and subsequently monitors the implementation of its recommended corrective actions.

An internal audit is carried out based on the internal audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The internal audit approach examined evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the adequacy and effectiveness of the internal control system and assessed the consequences of any potential risks and suggested improvements required.

For the financial year under review, some weaknesses on internal control were identified. However, after due and careful inquiry and based on the information and assurance provided, the Board is satisfied that there were no material losses as a result of weaknesses in the system of internal control, that would require separate disclosure in Annual Report. Nevertheless, for areas requiring attention, measures have been and are being taken to ensure ongoing adequacy and effectiveness of internal controls and to safeguard shareholders' investments and the Group's assets.

During the year, the Audit Committee had undertaken an assessment and review of the area of internal audit function in the Group as set out in the Paragraph 15.12 (1) (e) and (f) of the MMLR with the assistance of the Internal Auditor.

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

The principal features of the Company's internal control structure are summarised as follows:

## Board Meeting

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Chairman leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Standing Committees and Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept abreast on the Group's activities and its operation on quarterly basis by the management.

#### Board Committees

There is a clear definition to the duties and responsibilities of the Board Committees. These include the Audit Committee, the Nomination and Remuneration Committees, Investment Committee, Executive Committee and BRAMC.

#### • Organisational Structure and Responsibility Levels

The Management is committed to the highest standard of business conduct and integrity to build the Group into a highly credible organisation and to maintain these standards in all aspects of the business to ensure fair and equitable treatment of all stakeholders. To achieve these objectives, the Group has instituted an appropriate organisational structure for planning, executing, controlling and monitoring business operations. Policy guidelines, procedures and authority limits are established for all companies within the Group, to ensure clear accountabilities and responsibilities for all business units.

## • Budget and Reporting

Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board and the management to perform financial and operating reviews on the various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

#### **Assurance from Management**

The Board has received assurance from the Chief Executive Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

#### **Review of statement by the External Auditors**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

#### **CONCLUSION**

For the financial year ended 31 December 2016 and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.

#### **OBJECTIVE**

The objective of the Audit Committee ("AC") is to assist the Board of Directors ("the Board") in fulfilling is fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as integrity in financial reporting practices of the Company and its subsidiaries ("the Group").

#### **COMPOSITION AND MEETINGS ATTENDANCE**

The composition of the AC and their respective attendance record of meetings during the financial year ended 31 December 2016 are as follows:

Name of Committee Members	Designation	Date of Appointment	Meeting Attendance
Sui Diong Hoe (Chairman)	Independent Non-Executive Director	30/03/2006	5/5
Datuk Yap Pak Leong	Senior Independent Non-Executive Director	30/12/2004	5/5
Datuk Alladin Bin Mohd Hashim	Independent Non-Executive Director	27/11/2007	5/5

Mr Sui Diong Hoe, the Chairman of the AC is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

#### **TERMS OF REFERENCE**

The Terms of Reference of the AC is available on the corporate website of the Company at www.timwell.com.my.

#### **SUMMARY OF TERMS OF REFERENCE**

#### A. MEMBERSHIPS

The members of the AC shall be appointed by the Board from amongst its members. It shall consist of not less than three (3) members of whom a majority shall be independent directors and at least one of whom must be:

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and: (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or (ii) he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director shall be appointed as a member of the AC.

If a member of the AC resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months appoint such number of new members as may be required to make up the shortfall.

#### **B. SECRETARY**

The Company Secretary and/or Assistant Company Secretary and/or any other persons as may be appointed by the Audit Committee shall be the Secretary of the AC.

#### C. QUORUM OF MEETINGS

The quorum for the meeting of the AC shall be two (2) where the majority of members present must be Independent Non-Executive Director.

# D. MEETINGS

The AC shall cause minutes to be made in respect of the proceedings and resolutions of all its meetings. The minutes of the meetings of the AC shall be tabled at Board Meetings to inform the Board of the activities of the AC.

Other Board members and employees shall attend AC meetings only at the invitation of the AC. At least once a year, the AC shall meet with the external auditors.

AC Meetings may be conducted by means of telephone conference, video conference or any other form of audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.

# E. DUTIES AND RESPONSIBILITIES

- To assist the Board in discharging its statutory duties and responsibilities relating to accounting policies and procedure as well as reporting practices of the Company and the Group in accordance with Generally Accepted Accounting Practices.
- 2. To review, assess, evaluate, approve and/or report to the Board on the following:
  - (a) with External Auditors
    - i. the annual audit plan, auditors' report and management letter and management's response to the management letter.
    - ii. their evaluation of the system of internal controls.
    - iii. issues and/or findings arising from audits and management's response.
    - iv. the recommendation of nomination and re-appointment of the external auditors, the audit fee and any questions of resignation and dismissal to the Board of Director.
    - the suitability and independence of the external auditors, including reveiwing the external auditors' non-audit services.

### (b) the Internal Audit Functions

- i. the adequacy of the scope, functions, competency and resource of internal audit functions and that it has the necessary authority to carry out its work.
- ii. the audit plan of work programme, process, the results of internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations.
- iii. Review any special audit which the Audit Committee deems necessary.

## (c) Financial Reporting

The quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-

- i. Changes and implementation of major accounting policies and practices.
- Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transaction, and how these matters are addressed.
- iii. Going concern assumption.
- iv. Compliance with accounting standards, regulatory and other legal requirements.

## (d) Related Party Transactions

Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that arises questions of management integrity;

- 3. To report on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements to Bursa Securities;
- 4. To prepare the AC Report for inclusion in the Company's Annual Report;
- 5. To review the following for publication in the Company's Annual Report:
  - the disclosure statement of the state of internal control system and risk management of the Company and of the Group; and
  - ii. Circular to Shareholders on Recurrent Related Party Transactions.
- 6. To undertake any other such functions as may be agreed to by the AC and the Board.

#### F. RIGHTS AND AUTHORITY

In conducting its duties and responsibilities, the AC shall have:-

- 1. The authority to investigate any matter within its terms of reference.
- 2. Adequate resources required to perform its duties.
- The authority to seek full and unrestricted access to information, records and documents relevant to the Group and seek any information it requires from any employee and all employees are directed to cooperate with the Committee on its request.
- 4. Direct communication channels with the External and Internal Auditors.
- 5. The authority to engage, consult and obtain independent professional advice whenever it deems fits and able to secure the attendance of outsiders with relevant experience and expertise for consultation if it considers necessary.
- 6. The ability by itself of by manner to convene meetings and dialogue with the external and internal auditors, excluding the attendance of Management, whenever deemed necessary.

#### G. ASSESSMENT OF AUDIT COMMITTEE'S PERFORMANCE

The term of office and performance of an Audit Committee and each of its members shall be reviewed by Nominating Committee annually.

#### **ACTIVITIES OF AC**

The AC met five (5) times during the financial year ended 31 December 2016. The work carried out by the AC in discharging its duties and functions with respect to their responsibilities during the financial year were summarised as follows:

#### 1. Financial Results

- reviewed the unaudited quarterly results of the Company and Group including announcements, going
  concern of the Company and Group to avoid triggering criteria of Practice Note 17 of the MMLR of Bursa
  Securities, clarifications or explanations were sought from the management in particular on any significant
  changes to the items or transactions that would affect the financial position of the Company and the Group
  before the AC recommends to the Board for their approval and subsequent release to Bursa Securities.
- reviewed the unaudited quarterly results to ensure that the quarterly financial reporting and disclosures are
  presented in a true and fair view of the Group's financial performance in accordance with the Malaysian
  Financial Reporting Standards 134 Interim Financial Reporting Standards in Malaysia and International
  Accounting Standards 34 Interim Financial Reporting as well as the applicable disclosure provisions of
  the MMLR.

- prior to the issuance of the finalised audited financial statements of the Company and the Group, the AC had reviewed the audit status update presented by the External Auditors comprising amongst others, areas of audit emphasis, audit materiality, significant adjustments resulting from the audit, going concern assumption and impairment arising from the audit during the year under review.
- Reviewed any changes in the implementation of major accounting policies and practices to the Group.

#### 2. External Audit

- reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit.
- reviewed and discussed the External Auditors' audit report and areas of concern highlighted in the
  management letter (i.e. revenue recognition, going concern, property, plant and equipment, recoverability
  of receivables and proper measurement and recognition of liabilities), including management's response
  to the concerns raised by the External Auditors, and evaluation of the system of internal controls.
- met the External Auditors without the presence of Management to further discuss matters arising from audit.
- considered the re-appointment of External Auditors and their audit fees, after taking into consideration of the independence and objectivity of the External Auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

#### 3. Internal Audit

- The AC reviewed and approved the internal audit plan, methodology, functions and resources to ensure that adequate audit scope and coverage of the key risk areas of business operations of the Group are carried out.
- The AC reviewed and discussed the internal audit reports which outlined the recommendations towards
  correcting areas of weaknesses and ensured that management action plans were established for the
  implementation of the Internal Auditors' recommendations. The management was invited to attend the AC
  meeting to provide clarification on specific issues raised in the Internal Auditor's reports. A summary of
  internal audit reports presented to the AC provided status updates for management action plans to address
  the findings reported in the previous audit cycles.
- The Internal Auditors monitored the implementation of the management's action plan on outstanding issues through follow-up reports to ensure that all audit findings were adequately dealt with by the management.
- The AC reviewed the adequacy of the scope, functions and competency of the internal audit function, and the results of the internal audit process to ensure the appropriate actions are taken on the recommendations of the internal audit function.

# 4. Related Party Transactions

- The AC reviewed the system for identifying, monitoring and disclosing related party transactions for the Group and to ensure that related party transactions are not made to the detriment of minority shareholders of the Company.
- The report of Related Party Transactions of the Group was tabled and reviewed by the AC at every quarterly meeting.

## 5. Annual Reporting

- The AC reviewed and recommended the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016 to the Board for approval.
- The AC reviewed the Terms of Reference and made the necessary amendments in line with the MMLR.

#### **GROUP EXTERNAL AUDIT**

#### 1. DUTIES AND RESPONSIBILITIES

The External Auditor objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of this ISA explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As a part of an audit in accordance with ISAs, the External Auditor exercise professional judgment and maintain professional skepticism throughout the audit. They also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud
  or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that
  is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material
  misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,
  forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
  the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the External Auditor conclude that a material uncertainty exists, they are required to draw attention in their auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. The External Auditor conclusions are based on the audit evidence obtained up to the date of their auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The External Auditor communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that they identify during their audit.

They also provide those charged with governance with a statement that they have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on their independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the External Auditor determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The External Auditor describe these matters in their auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, they determine that a matter should not be communicated in their report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### 2. SUITABILITY AND INDEPENDENCE

The AC considered the suitability and independence of the external auditor Messrs Crowe Horwath during the discussion of the Group Audit Plan for the financial year ended 31 December 2016. The AC considered several factors including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors to the Group for the financial year under review.

The Board is aware of the potential conflict of interest situation that may arise if the Company's External Auditors are engaged to provide non-audit services to the Group. The External Auditors have reviewed the non-audit services provided to the Group during the year and that to the best of their knowledge, the non-audit services did not impair their independence. The Company also discloses fees received by the external auditors for non-audit work for the financial year under review in Additional Disclosure Requirements.

The fee incurred by the external auditor for audit and non-audit services for the financial year ended 31 December 2016 were as follows:-

TOTAL	89,000.00	22,650.00
Crowe Horwath KK Tax Sdn. Bhd. (a company affiliated to the external auditors' firm)	-	22,650.00
Crowe Horwath	89,000.00	-
Group	Audit Fees RM)	Non-Audit Fees (RM)

#### 3. SUMMARY OF ACTIVITIES

The external auditors also attend and brief the AC on matters relating to external audit. During the financial year, the external auditors attended three (3) AC meetings to provide review of the financial position of the Group and updates on the Financial Reporting Standards and relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

Time was also set aside for the External Auditors to have private discussions with the AC in the absence of the management, except for the Company Secretary. This is the forum at which the external auditors highlight, among other matters, any concern they may have on the compliance aspect of the financial statements. During the financial year, two (2) private sessions were held between the AC and the External Auditors.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

#### **GROUP INTERNAL AUDIT**

#### 1. DUTIES AND RESPONSIBILITIES

The basic understanding of the internal auditors' role is one of fundamental "checks and balances" for sound corporate governance. A robust and objective internal auditor with the technical skills and knowledge in accordance to Institute of Internal Auditors (IIA) to identify problems with risk control and forms an opinion on the adequacy and effectiveness of systems of risk management and internal control.

The internal auditor, on the other hand, seeks to advise management on whether its operations have sound systems of risk management and internal controls.

As a part of an audit function, the internal auditor also:

- Identify, assess, and mitigate risks that can affect a business area or processes.
- Evaluates and recommends improvements of the Group and Company's internal control.
- Support the Risk Management by monitoring risks and internal controls through technical competency for the management and the audit committee.
- Assess and make appropriate recommendations for improvement to the governance process.

#### 2. SUMMARY OF ACTIVITIES

The internal audit function of the Group is carried out by an external professional services firm, Messrs Lim Chong & Co., which reports to the AC.

Messrs Lim Chong & Co. provides independent and objective assurance on areas of operations reviewed, and advice on best practices that will improve and add value to the Group. Internal audit activities are aligned to the strategic plan/objectives of the Company.

For the financial year under review, the Internal Auditors had performed the following internal audit functions:-

- a) Group's Property, Plant and Equipment reviewed the areas of internal control of fixed assets and depreciation, capital expenditure proposal and capital asset disposal or transfer, which were demonstrated in the Standard Operating Procedure ("SOP"). The audit review also covers the follow-up by the management on the implementation of recommendations in their earlier reports (i.e. Goods and Services Tax Implementation and Business Process for Harvesting), which was tabled and deliberated at the AC meeting.
- b) Group's Business Process of Plantation reviewed the areas of Licensing compliance, cultivation planning, scheduling and maintenance, planting execution and replanting control. The audit review also covers the follow-up by the management on the implementation of recommendations in their earlier reports (i.e. Goods and Services Tax Implementation and Property, Plant and Equipment), which was tabled and deliberated at the AC meeting.
- c) In addition, the AC had undertaken an assessment and reviewed the internal audit function of the Group as set out in Paragraph 15.12 (e) and (f) of the MMLR over the period of last 5 years with the assistance of the Internal Auditors. The AC ensured that the internal control weaknesses were identified and corrective actions be taken by the management.

The internal audit report besides providing independent and objective assessment on the effectiveness and adequacy of the internal control system in managing operations it also suggested corrective action to be taken and recommendations for improvement. The report would then be tabled in the AC meeting for deliberation ensuring necessary actions taken.

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2016 was RM29,000.00.

#### **ANNUAL PERFORMANCE ASSESSMENT**

During the financial year, the Board, through the Nomination and Remuneration Committee had reviewed the term of office and assessed the performance of the AC on 21 February 2017. The Board was satisfied that the AC has discharged its duties in accordance with the Terms of Reference.

# **ADDITIONAL DISCLOSURE REQUIREMENTS**

#### 1. CORPORATE PROPOSAL AND UTILISATION OF PROCEEDS

The Company did not carry out any corporate proposals nor utilise proceeds derived from the corporate proposals during the financial year.

#### 2. SHARES BUY-BACK

The Company did not carry out any shares buy-back for the financial year.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

## 4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

#### 5. SANCTIONS AND/OR PENALITIES

There was no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

#### 6. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2016, the amounts of audit and non-audit fees paid or payable by the Company and the Group to the external auditors / internal auditors are as follows:-

	Company (RM)	Group (RM)
Audit fees	75,000.00	89,000.00
Non-audit fees	12,400.00	22,650.00
Total	87,400.00	111,650.00

#### 7. PROFIT FORECAST AND PROFIT GUARANTEE

The Company did not issue any profit forecast and profit guarantee for the financial year.

## 8. MATERIAL CONTRACTS

There were no material contracts of the Company, involving Directors' and major shareholders' interests, entered into since the end of the previous financial year or still subsisting at the end of the financial year under review.

#### 9. VARIATION IN RESULTS

There is no material variance between the results for the financial year under review and the audited results previously announced.



(Incorporated in Malaysia) Company No : 387185 - W

# **DIRECTORS' REPORT**

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, forest management, harvesting and trading of timber.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

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

RESULTS	The Group RM'000	The Company RM'000
Profit/(loss) after taxation for the financial year	(396_)	1,835
Attributable to: Owners of the Company Non-controlling interest	75 ( 471 )	1,835
	( 396 )	1,835

## **DIVIDENDS**

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

## **ISSUES OF SHARES AND DEBENTURES**

During the financial year:

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

(Incorporated in Malaysia) Company No : 387185 - W

# **DIRECTORS' REPORT**

## **OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

#### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

# **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

#### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

#### CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 32 to the financial statements. At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(Incorporated in Malaysia) Company No : 387185 - W

# **DIRECTORS' REPORT**

# **CONTINGENT AND OTHER LIABILITIES (CONT'D)**

No contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

# ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

#### **DIRECTORS**

The directors who served since the date of the last report are as follows:

DATUK YAP PAK LEONG
AGNES SOEI-TIN LAMEY
YBHG. DATO' SERI ABDUL AZIM BIN MOHD ZABIDI
DATUK ALLADIN BIN MOHD. HASHIM
SUI DIONG HOE
MELTON MARTIN
YAP FOOK FUNG (alternate director to Datuk Yap Pak Leong)
YBHG. DATO' SERI TIONG KING SING (APPOINTED ON 19.03.2017)

(Incorporated in Malaysia) Company No : 387185 - W

# **DIRECTORS' REPORT**

# **DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of the directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	Number	Of Ordinary	Shares Of F	RM1 Each
Direct interest in the Company	At 1.1.2016	Bought	Sold	At 31.12.2016
AGNES SOEI-TIN LAMEY	-	2,948,620	) -	2,948,620
DATUK YAP PAK LEONG	4,546,300	-	-	4,546,300
YAP FOOK FUNG	1,240,000	-	-	1,240,000
Indirect interest in the Company				
DATUK YAP PAK LEONG	1,512,000	-	-	1,512,000
AGNES SOEI-TIN LAMEY	28,740,498	-	14,973,898	13,766,600
YAP FOOK FUNG	15,000	-	-	15,000

The other directors holding office at the end of the financial year had no interest in shares and options over shares of the Company or its related corporations during the financial year.

# **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than other than the benefits shown under the Directors' Remuneration section of our report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into with companies in which certain directors have substantial financial interests as disclosed in Note 31(b) to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

(Incorporated in Malaysia) Company No : 387185 - W

# DIRECTORS' REPORT

# DIRECTORS' REMUNERATION

The details of the directors' remuneration are disclosed in Note 30(a) to the financial statements.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company or its related corporations during the financial year.

## AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services was RM89,000.

# **AUDITORS**

The auditors, Messrs. Crowe Horwath, Chartered Accountants have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 2 7 MAR 2017

Datuk Yap Pak Leong

Agries Soei-Tin Lamey

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Yap Pak Leong and Agnes Soei-Tin Lamey, being two of the directors of Timberwell Berhad, state that, in the opinion of the directors, the financial statements set out on pages 15 to 77 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 37, which is not part of the financial statements is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 2 7 MAR 2017

Datuk Yap Pak Leong

Agnes Soei-Tin Lamey

# STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Lee Yoke Wah, being the officer primarily responsible for the financial management of Timberwell Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 77 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Lee Yoke Wah at Kota Kinabalu in the State of Sabah

on this 2 7 MAR 2017

Belore me

Eric @ Patrick Sikodol Commissioner for Oaths (Pesuruhjaya Sumpah S 113)

Shoplot Unit No. G, 18, Ground Floor, Golden Centre Putatan Putatan, Sabah, Malaysia DIC (a) PATRICK

SUMP

ERIC @ PATRICK SIKODOL

SIKODOL

MALAYSIA

Lee Yoke Wah

Bunn



(Incorporated in Malaysia) Company No : 387185 - W Crowe Horwath AF 1018 Charlered Accountants Member Crowe Horwath International

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+6 088 233 733 Main +6 088 238 955 Fax www.crowehorwath.com.my audit.kk@crowehorwath.com,my

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

# Opinion

We have audited the financial statements of Timberwell Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

# **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

# Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



(Incorporated in Malaysia) Company No : 387185 - W

(Cont'd)

# Key Audit Matters (Cont'd)

Going concern assessment		
Key Audit Matter	How our audit addressed the key audit matter	
The accounts are prepared on a going concern basis in accordance with FRS101 Presentation of Financial Statements and as the directors assessment of the group's and company's ability to continue as a going concern can be highly judgemental, we identified going concern as a significant risk requiring special audit consideration.	Our procedures included, amongst others:  Evaluating the directors' assessment of the group's and company's ability to continue as a going concern. In particular, we reviewed cash flow projections for the next accounting period, reviewing and challenging the directors' assumptions, including expected selling price and future costs to be incurred.	
	<ul> <li>Evaluating the directors' plans for future actions in relation to their going concern assessment, taking into account any relevant events subsequent to the year- end through discussion with the Audit Committee.</li> </ul>	

Key Audit Matter	How our audit addressed the key audit matter
Existence and valuation  The Group carries significant biological assets (40% of total assets) at cost less accumulated amortization. The biological assets consist of initial costs incurred in obtaining and maintaining the Sustainable Forest Management Licence (SFML) issued by the state government of Sabah and cost of planted trees in industrial tree plantation area. The company's SFML which has a remaining life of 81 years (out of 100 years) gives rights to the company to extract timber and to replant trees over a significantly large area. The company has no titled ownership over the land but only certain rights over the land. There are judgements involved in the estimation of recoverable amounts which are inherently uncertain. Thus, this is one of the key judgmental areas that our audit has concentrated on.	Our procedures included, amongst others:  . Assessing the terms and conditions of the SFML and determining whether any breaches occurred which may result in termination of the concession lease.  . Assessing the reasonableness of the basis used in determining the recoverable amount of the value of the natural trees and planted trees.  . Making enquiries of management on the control in place in safeguarding the area from misappropriations and unauthorized activities.  . Inspection of and reliance on the annual compliance report certified and verified by the state authority and another independent party.  . Conducting site visit to the concession area.

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(Incorporated in Malaysia) Company No : 387185 - W

(Cont'd)

# Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the key audit matter
The property, plant, and equipment of the Group accounts for 55% of the total non-current assets which mainly consists of the assets held by the subsidiary, Timberwell Plywood Sdn Bhd at its Plywood Factory which had ceased operations since 2010 but its assets are currently leased out partially. There is therefore a risk that the assets are stated at a value above their recoverable amount.	Our procedures included, amongst others:  Assessing the competence, capabilities and objectivity of the professional values engaged, obtaining understanding of the work of that expert and evaluating the appropriateness of the expert's work before placing reliance on the expert's work.  Conducting site inspection on the property plant and equipment.

# Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



(Incorporated in Malaysia) Company No : 387185 - W

(Cont'd)

# Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

 Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia) Company No : 387185 - W

(Cont'd)

### Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (Cont'd):

- Obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of
  expressing an opinion on the effectiveness of the Group's and the Company's internal
  control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the
  entities or business activities within the Group to express an opinion on the financial
  statements of the Group. We are responsible for the direction, supervision and
  performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia) Company No: 387185 - W

(Cont'd)

### Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia) Company No : 387185 - W

(Cont'd)

### Other Reporting Responsibilities

The supplementary information set out in Note 37 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Y.S. TONG, JP

Approval No: 596/03/17/(J/PH)

Chartered Accountant

CROWE HORWATH

Chartered Accountants

Kota Kinabalu

Dated 2 7 MAR 2017

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(Incorporated in Malaysia) Company No: 387185 - W

# STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

ASSETS	Note	The G 2016	The Group	The Company 2016	mpany 2015
NON-CURRENT ASSETS					
Biological assets	2	19,756	19,078	19,756	19,078
Property, plant and equipment	9	25,431	26,955	8,686	690'6
Investments in subsidiaries	7	1	•	21,000	21,598
Non-trade receivables	8	715	029	629	514
		45,902	46,703	50,101	50,259
CURRENT ASSETS					
Inventories	6	307	1,172	307	1,172
Trade receivables	10	165	1,915	82	1,700
Non-trade receivables, deposits and prepayments	8	1,641	269	1,399	613
Amounts due from subsidiaries	11	ı	'	125	73
Tax recoverable		354	438	347	367
Fixed deposit with a licensed bank	12	371	360	371	360
Cash and bank balances		761	293	684	29
		3,599	4,875	3,315	4,352
TOTAL ASSETS		49,501	51,578	53,416	54,611

The Statements of Financial Position continues on page 16.

The annexed notes form an integral part of these financial statements.

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

EQUITY AND LIABILITIES	Note	0	<b>2016</b>		<b>2015</b>	_	<b>2016</b>	_	<b>2015</b>	
EQUITY		_				-		-		
Share capital	13		89,051		89,051		89,051		89,051	
Share premium	4		9,626		9,626		9,626		9,626	
Revaluation reserve	15		5,938		5,938		ı		ı	
Accumulated losses		_	(9,486)	<u></u>	69,574 )	_	72,172 )	_	74,007 )	
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			35,116		35,041		26,505		24,670	
Non-controlling Interest	7	_	1,366 )	$\smile$	895 )		•		,	
TOTAL EQUITY			33,750		34,146		26,505		24,670	
NON-CURRENT LIABILITIES										
Deferred taxation	16		6,172		6,565		3,955		4,149	
Hire purchase payables	17		225		299		225		299	
Non-trade payables	18		3,084		3,444		3,084		3,444	
			9,481		10,308		7,264		7,892	
(Forward)			9,481	_	10,308	,	7,264		7,892	

The Statements of Financial Position continues on page 17.

The annexed notes form an integral part of these financial statements.

# TIMBERWELL BERHAD (Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Note	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000
(Cont'd)		9,481	10,308	7,264	7,892
CURRENT LIABILITIES					
Trade payables	19	4,800	2,175	4,800	2,156
Non-trade payables and accruals	18	1,337	4,832	1,211	4,623
Amounts due to subsidiaries	11	ı	1	13,503	15,153
Hire purchase payables	17	133	26	133	6
Bank overdraft (unsecured)		ı	20	1	20
		6,270	7,124	19,647	22,049
TOTAL LIABILITIES	l	15,751	17,432	26,911	29,941
TOTAL EQUITY AND LIABILITIES		49,501	51,578	53,416	54,611
NET ASSETS PER SHARE	20	39.43 sen	39.35 sen		

The annexed notes form an integral part of these financial statements.

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

			Th	e G	rou	р		The C	omp	any	
	Note		<b>2016</b> RM'000			<b>2015</b> RM'000		<b>2016</b> RM'000	·	<b>2015</b> RM'000	
REVENUE	21		14,526			25,154		14,526		25,083	
COST OF SALES	22	(_	11,723	)	(	20,637 )	(	11,723 )	(_	20,495	)
GROSS PROFIT		_	2,803		_	4,517		2,803		4,588	-
OTHER OPERATING INCOME	23		865			784		2,182		258	
OTHER OPERATING EXPENSES		(	1,142	)	(	1,143 )		-		-	
ADMINISTRATIVE EXPENSES		(	2,875	)	(	2,303 )	(	2,904 )	(	2,901	)
SELLING AND DISTRI- BUTION EXPENSES		(_	1	)	(_	34 )	(_	1 )	(_	34	)
PROFIT/(LOSS) FROM OPERATIONS		(	350	)		1,821	_	2,080		1,911	_
FINANCE COSTS	24	(	327	)	(	527 )	(	327 )	(	495	)
PROFIT/(LOSS) BEFORE TAXATION	25	(	677	)		1,294	_	1,753	_	1,416	
INCOME TAX EXPENSE	26		281		(	543 )		82	(	697	)
PROFIT/(LOSS) AFTER TAXATION		(	396	)		751		1,835	_	719	-
OTHER COMPREHENSIVE INCOME			-			-		-		-	
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL		_		-			_		_		_
YEAR		(	396	)		751	_	1,835		719	

The Statements of Profit or Loss and Other Comprehensive Income continues on page 19.

The annexed notes form an integral part of these financial statements.

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The C	Group	The Con	npany
	Note	2016	2015	2016	2015
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:	Ξ	RM'000	RM'000	RM'000	RM'000
Owners of the Company		75	1,067	1,835	719
Non-controlling interest		( 471 )	(316_)		
		( 396 )	751	1,835	719
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO:					
Owners of the Company Non-controlling interest		75 ( 471 )	1,067 ( 316)	1,835 -	719 -
•		( 396 )	751	1,835	719
EARNINGS PER SHARE					
BASIC	27	0.08 sen	1.20 sen		
DILUTED		Not applicable	Not applicable		

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	Non-Dis	Non-Distributable		^	Attributable To		Non-	
	Share Capital	Share Premium	Revaluation Reserve	Acc	Accumulated Losses	Owners Of The Company	O	Controlling Interest	Total Equity
The Group	RM'000	RM'000	RM'000	_	RM'000	RM'000		RM'000	RM'000
Balance at 1.1.2015	89,051	9,626	5,938	$\smile$	70,641 )	33,974	$\smile$	679 )	33,395
Profit after taxation/Total comprehensive					1000	7	`	0	Î
income/(expense) ior me imancial year	ı	1	1		1,067	1,067		316 )	/51
Balance at 31.12.2015/1.1.2016	89,051	9,626	5,938	$\smile$	69,574 )	35,041	$\smile$	895 )	34,146
Profit after taxation/Total comprehensive									
income/(expense) for the financial year	1	•	1		75	75	$\smile$	471 ) (	396)
Balance at 31.12.2016	89,051	9,626	5,938	)	69,499 )	35,116	<u> </u>	1,366 )	33,750

The annexed notes form an integral part of these financial statements.

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Company	<non-distrik Share Capital RM'000</non-distrik 	outable> Share Premium RM'000	Accumulated Losses RM'000	Total Equity RM'000
Balance at 1.1.2015	89,051	9,626	( 74,726 )	23,951
Profit after taxation/Total comprehensive income for the financial year	<del>_</del>	-	719	719
Balance at 31.12.2015/1.1.2016	89,051	9,626	( 74,007 )	24,670
Profit after taxation/Total comprehensive income for the financial year		-	1,835	1,835
Balance at 31.12.2016	89,051	9,626	( 72,172 )	26,505

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### STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

CASH FLOWS FROM OPERATING ACTIVITIES		The <b>2016</b> RM'000	Grou	ip <b>2015</b> RM'000		The Co 2016 RM'000	omp	<b>any</b> <b>2015</b> RM'000	
Profit/(Loss) before taxation	(	677 )		1,294		1,753		1,416	
Adjustments for:									
Amortisation of biological assets		111		111		111		111	
Depreciation of property, plant		1 614		4 700		470		225	
and equipment Impairment loss on investment		1,614		1,722		473		335	
in subsidiary companies		_		_		598		931	
Interest expenses		327		527		327		495	
Interest income	(	305 )	(	20 )	(	284 )	(	9	)
Property, plant and equipment written off		0		20		0		24	
Net gain on disposal of property,		9		38		9		34	
plant and equipment		_	(	217 )		-	(	40	)
Waiver of liabilities	(	119 )	`	-		-	`	-	,
Operating profit before working capital changes	_	960	_	3,455		2,987	_	3,273	-
Increase in inventories		865	,	424 )		865	,	424	١
(Increase)/Decrease in receivables		688	(	937 )		687	(	610	,
Increase in payables	(	1,028 )	`	677	(	1,128 )	`	692	,
Decrease in amounts due from									
subsidiaries		-		-	(	52 )		79	
Increase in amounts due to subsidiaries		-		-	(	1,650 )		39	
CASH FROM OPERATIONS		1,485		2,771		1,709		3,049	-
Interest paid	(	327 )	(	527 )	(	327 )	(	495	)
Interest received	`	305	`	9 ´	`	284	`	9	,
Tax refund		416		<u>-</u>		350		<u>-</u>	
Tax paid	(_	454 )	(_	180 )	(_	442 )	(_	124	_)
NET CASH FROM OPERATING ACTIVITIES/BALANCE									
CARRIED FORWARD		1,425		2,073		1,574		2,439	

The Statements of Cash Flows continues on page 23.

(Incorporated in Malaysia) Company No : 387185 - W

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>.</b>		Grou			The Co	mpa	-
	Note	<b>2016</b> RM'000		<b>2015</b> RM'000	F	<b>2016</b> RM'000	ı	<b>2015</b> RM'000
(Cont'd)								
NET CASH FROM OPERATING ACTIVITIES/BALANCE BROUGHT FORWARD		1,425		2,073		1,574		2,439
CASH FLOWS FOR INVESTING ACTIVITIES	_							
Acquisition of property, plant and equipment Proceeds from disposal of	28	( 19 )	(	236 )	(	19 )	(	566 )
property, plant and equipment Acquisition of biological assets	(	- ( 789 )	(	360 867 )	(	- 789 )	(	40 867 )
NET CASH FOR INVESTING ACTIVITIES		808 )	(_	743 )	(	808 )	(_	1,393 )
CASH FLOWS FOR FINANCING ACTIVITIES								
Repayment of term loans Payment of hire purchase		-	(	1,159 )		-	(	1,159 )
liabilities	(	118 )	(	199 )	(	118 )	(	7 )
NET CASH FOR FINANCING ACTIVITIES	(	118 )	(	1,358 )	(	118 )	(	1,166 )
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		499	(	28 )		648	(	120 )
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		633		661		407		527
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29	1,132		633		1,055		407

The annexed notes form an integral part of these financial statements.

(Incorporated in Malaysia) Company No: 387185 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia.

The Company is principally engaged in the business of investment holding, forest management, harvesting and trading of timber.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

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

### 2. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated

### 3. Basis Of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):

## FRSs and/or IC Interpretations (Including The Consequential Amendments)

FRS 14 Regulatory Deferral Accounts

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 101: Disclosure Initiative

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 - 2014 Cycle

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. Basis Of Preparation (Cont'd)

- 3.1 The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.
- 3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

FRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in Ju 2014)	uly 1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	of 1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax As for Unrealised Losses	ssets 1 January 2017
Amendments to FRS 140 – Transfers of Investment Prope	erty 1 January 2018
<ul> <li>Annual Improvements to FRS Standards 2014 – 2016 Cyc</li> <li>Amendments to FRS 12: Clarification of the Scope of Standard</li> </ul>	cles: 1 January 2017
<ul> <li>Annual Improvements to FRS Standards 2014 – 2016 Cyc</li> <li>Amendments to FRS 1: Deletion of Short-term Exempti for First-time Adopters</li> </ul>	cles: ions
<ul> <li>Amendments to FRS 128: Measuring an Associate or J Venture at Fair Value</li> </ul>	loint 1 January 2018

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. Basis Of Preparation (Cont'd)

- 3.2 As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework for the annual period beginning on or after 1 January 2018. Therefore, the FRSs which are effective for annual periods beginning on or after 1 January 2018 above will not be applicable to the Group. The adoption of other accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.
- 3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Company is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

### 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

### (a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

(Incorporated in Malaysia) Company No: 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Critical Accounting Estimates and Judgements

### (a) Depreciation of Property, Plant and Equipment(Cont'd)

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### (b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

### (d) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(Incorporated in Malaysia) Company No: 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical Accounting Estimates and Judgements (Cont'd)

### (e) Revaluation of Property, Plant and Equipment

Certain property, plant and equipment of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining the prices based on the comparison method and nett current replacement cost approach including the assumption that the plant and equipment concern can be recommisioned/serviceable. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

### (f) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

### 4.2 Basis of Consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

(Incorporated in Malaysia) Company No: 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Basis of Consolidation (Cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

(Incorporated in Malaysia) Company No: 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Basis of Consolidation (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognistion of an investment in an associate or a joint venture.

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are realisable in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

### 4.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Functional and Foreign Currency

### (a) Functional and Presentation Currency

The individual financial statements of each equity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

### (b) Transactions and Balances

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

### 4.5 Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value through profit or loss are recognised immediately in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Financial Instruments (Cont'd)

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

### (a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

### Financial Assets at Fair Value Through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

### • Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

### • Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Financial Instruments (Cont'd)

### (a) Financial Assets (Cont'd)

• Loans and Receivables Financial Assets (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

• Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

### (b) Financial Liabilities

Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Financial Instruments (Cont'd)

### (b) Financial Liabilities (Cont'd)

### Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

### **Ordinary Shares**

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Financial Instruments (Cont'd)

### (d) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 4.6 Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable. The cost of the investments included transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### 4.7 Property, Plant and Equipment

Property, plant and equipment, other than leasehold land, buildings, and plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land, buildings and plant and machinery are stated at valuation less accumulated depreciation and impairment losses recognised after the date of the revaluation.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.7 Property, Plant and Equipment (Cont'd)

Leasehold land, buildings, plant and machinery are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another assets) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates of depreciation used for this purpose are:

Leasehold land over the remaining lease period of 66 years

Buildings 2.63% - 10%

Office renovation 10%

Plant and machineries 6.67% - 10%

Furniture and fittings 10%
Office equipment 10%
Motor boats 20%

Motor vehicles 10% - 20% Bridges 2% - 6.67%

Infrastructure 10%

Road consists of costs for the construction of mainline roads, such as clearing and grading, are amortised over the remaining unexpired period of the forest management unit licence.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at end of the reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.7 Property, Plant and Equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the assets.

### 4.8 Biological Assets

Biological assets are stated at cost which comprises expenditure incurred on land clearing, new planting, enrichment planting, silvicultural treatments, upkeep and maintenance of the sustainable forest management concession. The expenditure is being amortised over the remaining unexpired period of the forest management unit licence. However, for the cost of planted trees in industrial tree plantation area will be amortised upon commencement of log extraction on the basis of the volume of logs extracted in the period as a proportion of the estimated total volume that can be extracted.

### 4.9 Impairment

### (i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.9 Impairment (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

### (ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.9 Impairment (Cont'd)

(ii) Impairment of Non-Financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

### 4.10 Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payment and, are depreciated in accordance with the policy set out in Note 4.7 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

### 4.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.12 Income Taxes

### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

### (b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.12 Income Taxes (Cont'd)

### (c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

### 4.13 Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are recognised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

### 4.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits pledged with bank that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 4.15 Employee Benefits

### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.15 Employee Benefits (Cont'd)

### (ii) Defined contribution plans

The Group's contributions to a defined contribution plan are recognised in the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plan.

### 4.16 Related Parties

A party is related to an entity (referred to as the reporting entity) if:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(Incorporated in Malaysia) Company No: 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.16 Related Parties (Cont'd)

- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

### 4.17 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

### 4.18 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.18 Fair Value Measurements (Cont'd)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date:
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 4.19 Revenue Recognition

### (i) Sales of goods

Sales is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance or performance of services and where applicable, net of returns, GST, cash and trade discounts.

### (ii) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

### (iii) Interest income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.19 Revenue Recognition (Cont'd)

### (iv) Dividend income

Dividend income from the other investment is recognised when the right to receive payment is established.

### (v) Rental income

Rental income is accounted for on a straight-line method over the lease term.

### 5. BIOLOGICAL ASSETS

	The	Group	The Co	mpany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	19,078	18,322	19,078	18,322
Additions	789	867	789	867
	19,867	19,189	19,867	19,189
Amortisation during				
the financial year	(111_)	(111_)	(111_)	(111_)
At 31 December	19,756	19,078	19,756	19,078

The Company has been granted a sustainable forest management licence over an area of 71,293 hectares in the Lingkabau Forest Reserve in Sabah for 100 years.

(Incorporated in Malaysia) Company No : 387185 - W NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# 6. PROPERTY, PLANT AND EQUIPMENT

The Group						
	At 20016	000:±:77	Written		_	At 22 2016
Net Book Value	RM'000	RM'000	RM'000		RM'000	S1.12.2010 RM'000
Leasehold land	3,287	ı	ı	<u> </u>	87 )	3,200
Buildings	9,168	ı	1	_	335 )	8,833
Road and bridges	8,050	ı	1		259 )	7,791
Plant and machineries	6,209	က	`		841 )	5,370
Motor vehicles	196	94	1	_	( 62	211
Office equipment, furniture and fittings	43	2	ω _	( 8	11 )	26
Office renovation	2	ı	ı		2 )	ı
	26,955	66	)   	) (	1,614 )	25,431

(Incorporated in Malaysia) Company No : 387185 - W NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group						
	Αŧ		Written		Depreciation	n At
	1.1.2015	Additions	JJO	Disposal	Charges	31.12.2015
Net Book Value	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	3,374	ı	ı	ı	( 87	3,287
Buildings	9,294	210 (	13 )	1	( 323	9,168
Road and bridges	8,309	ı	1	1	( 259	8,050
Plant and machineries	7,082	က	ı	,	928	6,209
Motor vehicles and motor boats	178	79	1	,	( 61	196
Office equipment, furniture and fittings	309	41	25 )	( 143 )	( 112	) 43
Office renovation	9	ı	ı	ı	4	2
	28,552	306	38 )	( 143 )	( 1,722	26,955

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

					Αc	ccumulated	
The Group	At	At	Αd	ccumulated	Ir	mpairment	Net Book
	Cost	Valuation	D	epreciation		Loss	Value
2016	RM'000	RM'000		RM'000		RM'000	RM'000
Leasehold land	-	3,544	(	344 )		-	3,200
Buildings	810	13,977	(	3,079 )	(	2,875 )	8,833
Office renovation	56	-	(	56 )		-	-
Road and bridges	10,873	-	(	3,082 )		-	7,791
Plant and machineries	1,212	15,187	(	11,021 )	(	8 )	5,370
Nursery	170	-	(	170 )		-	-
Motor vehicles	1,413	-	(	1,158 )	(	44 )	211
Office equipment,							
furniture and fittings	160	-	(	132 )	(	2 )	26
	14,694	32,708	(	19,042 )	(	2,929 )	25,431
2015							
Leasehold land	-	3,544	(	257 )		-	3,287
Buildings	810	13,977	(	2,744 )	(	2,875 )	9,168
Office renovation	56	-	(	54 )		-	2
Road and bridges	10,873	-	(	2,823 )		-	8,050
Plant and machineries	1,332	15,187	(	10,302 )	(	8 )	6,209
Nursery	170	-	(	170 )		-	-
Motor vehicles	1,327	-	(	1,087 )	(	44 )	196
Office equipment,							
furniture and fittings	211		(	166 )	(	2 )	43
	14,779	32,708	(	17,603 )	(	2,929 )	26,955

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### **The Company**

Net Book Value	At 1.1.2016 RM'000	Additions RM'000	Written Off RM'000	Ċ	reciation harges RM'000	At 31.12.2016 RM'000
Buildings	218	-	-	(	27 )	191
Office renovation	2	-	-	(	2)	-
Road and bridges	8,050	-	-	(	259 )	7,791
Plant and machineries	606	3	( 1)	(	104 )	504
Motor vehicles	151	94	-	(	71 )	174
Office equipment,				•	•	
furniture and fittings	42	2	( 8)	(	10 )	26
	9,069	99	( 9)	(	473 )	8,686

Net Book Value	At 1.1.2015 RM'000	Additions RM'000	Written Off RM'000	Depreciation Charges RM'000	At 31.12.2015 RM'000
Buildings Office renovation Road and bridges Plant and machineries Motor vehicles Office equipment, furniture and fittings	36 6 8,309 43 5	210 - - 590 155	( 13 ) - - - - ( 21 )	( 15) ( 4) ( 259) ( 27) ( 9) ( 21)	218 2 8,050 606 151
	8,469	969	34	( 335 )	9,069

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2016	RM'000		epreciation RM'000		oairment Loss :M'000	Value RM'000
Buildings Office renovation Road and bridges Plant and machineries Nursery Motor vehicles Office equipment, furniture and fittings	810 56 10,873 1,038 170 733	( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( (	619 ) 56 ) 3,082 ) 526 ) 170 ) 515 )	(	- - 8) - 44)	191 - 7,791 504 - 174 26
2015	13,833	(	5,095 )	(	52 )	8,686
Buildings Office renovation Road and bridges Plant and machineries Nursery Motor vehicles Office equipment, furniture and fittings	810 56 10,873 1,042 170 647 202	( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( (	592 ) 54 ) 2,823 ) 428 ) 170 ) 452 )	(	- - 8) - 44) -	218 2 8,050 606 - 151 42 9,069

The Group's leasehold land was revalued in 2012 based on comparison method of valuation. The Group's buildings and plant and machinery were revalued in 2012 and 2010 respectively on net current replacement cost approach of valuation.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

If the leasehold land, buildings and plant and machineries were measured using the cost model, the carrying amounts would be as follows:

2016	Cost	Depreciation		Value
	RM'000	RM'000		RM'000
Leasehold land	2,192	(	729 )	1,463
Buildings	14,677		7,061 )	7,616
Plant and machineries	48,783		48,783 )	-
	65,652	(	56,573 )	9,079
2015				
Leasehold land	2,192	(	685 )	1,507
Buildings	14,677		6,830 )	7,847
Plant and machineries	48,827		48,827 )	-

At end of the reporting period, the carrying amount of assets acquired under hire purchase terms are as follows:

•	The G	Group	The Company		
	2016	2015	2016	2015	
Plant and machinery Motor vehicles	387 166	430 112	387 166	430 112	
Woldi verilcies	100	112	100	112	
	553	542	553	542	

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 7. INVESTMENTS IN SUBSIDIARIES

The Company			
2016	2015		
RM'000	RM'000		
52,351	52,351		
19,596	19,596		
71,947	71,947		
50,349	49,418		
598	931		
50,947	50,349		
21,000	21,598		
	2016 RM'000 52,351 19,596 71,947 50,349 598 50,947		

Details of the subsidiaries are as follows:

		Issued	itage of Share Held by	
	Country of	_	rent	
Name of subsidiary	Incorporation	2016 %	2015 %	Principal activities
Timberwell Plywood Sdn. Bhd.	Malaysia	59	59	Ceased operations
Timberwell Properties Sdn. Bhd.	Malaysia	100	100	Property investment and holding
Timberwell Forest Sdn. Bhd.	Malaysia	100	100	Ceased operations
Timberwell Plantations Sdn. Bhd.	Malaysia	100	100	Ceased operations

During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment losses of RM598,000 (2015: RM931,000), representing the write-down of the investments to their recoverable amounts, was recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income. The recoverable amount is based on the net asset value of the subsidiaries.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:

		The Group			
		<b>2016</b> RM'000		<b>2015</b> RM'000	
Timberwell Plywood Sdn. Bhd.	(	1,366 )	(	895)	

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

At 04 December	Ti	mberwell   <b>2016</b> RM'000	Plywood	<b>Sdn. Bhd. 2015</b> RM'000
At 31 December Non-current assets Current assets Non-current liabilities Current liabilities	(	16,567 157 2,216 2,153		17,709 392 2,415 ) 2,183 )
Net assets	_	12,355	_	13,503
Financial year ended 31 December Loss for the financial year Total comprehensive expenses	(	1,147 1,147	,	772 ) 772 )
Net cash flows from/(for) operating activities Net cash flows from/(for) financing activities	(	267 199	(_	175 189 )

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 8. Non-Trade Receivables, Deposits And Prepayments

	The C	Group	The Company		
Non-current	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000	
Third parties	715	670	659	514	
Current					
Third parties Deposit Prepayments	1,526 21 94	3,118 65 243	1,284 21 94	3,034 65 243	
Less: Allowance for impairment loss	2,356 - 2,356	4,096 2,729 1,367	2,058 - 2,058	3,856 2,729 1,127	
Allowance of impairment losses:					
At 1 January Written off during the financial year	2,729 ( 2,729 )	2,893 ( 164 )	2,729 ( 2,729 )	2,729	
At 31 December	-	2,729	-	2,729	
Current					
Non-trade receivables	1,641	697	1,399	613	

Non-trade receivables, deposits and prepayments is unsecured, interest free and has no fixed terms of repayment.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9.	INVENTORIES	The G	Group	The Company			
		<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000		
	Cost						
	Finished goods	307	1,172	307	1,172		
	Recognised in profit or loss:						
	Inventories recognised as cost of sales	307	1,172	307	1,172		
10.	TRADE RECEIVABLES	<b>T</b> I. 6		<b>T</b> I. 0			
		The G 2016	iroup 2015	The Com 2016	pany 2015		
		RM'000	RM'000	RM'000	RM'000		
	Third party Less: Allowance for impairment	165	2,914	82	2,699		
	losses	-	999	-	999		
		165	1,915	82	1,700		
	Allowance for impairment losses:						
	At 1 January Written off during	999	1,005	999	999		
	the financial year (	999 )	(6_)	(999_)			
		-	999	-	999		

The Group's normal trade credit terms ranging from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 11. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts due are to be settled in cash.

#### 12. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit is pledged to a licensed bank as a security for credit facilities granted to the Company.

The weighted average effective interest rate of fixed deposit at the end of the reporting period is 2.45% (2015: 2.50%) per annum. The maturity period of the fixed deposits at end of the reporting period is 1 month (2015: 1 month).

#### 13. SHARE CAPITAL

	The Company							
	2016	2015	2016	2015				
Authorised	Number	of shares	RM	RM				
Ordinary share of RM1 each	500,000,000	500,000,000	500,000,000	500,000,000				
Issued and fully paid-up								
Ordinary share of RM1 each	89,050,667	89,050,667	89,050,667	89,050,667				

#### 14. SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

#### 15. REVALUATION RESERVE

The revaluation reserve represents the increase in the fair value of leasehold land, buildings, and plant and machinery of the Group (net of deferred tax).

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### **16. DEFERRED TAXATION**

		The Group					pany		
		2016		2015	2016				2015
RM'000		RM'000	RM'000		RM'000			RM'000	
At 1 January Recognised in profit		6,565		6,305			4,149		3,689
or loss (Note 26)	(	393 )		260		(	194 )		460
At 31 December		6,172		6,565		:	3,955	į	4,149

The deferred tax liabilities arose from the following temporary differences:

		The Group				The Co	oany	
		2016		2015		2016		2015
		RM'000		RM'000		RM'000		RM'000
Property, plant and								
equipment		4,035		4,394		1,818		1,978
Biological assets		2,223		2,174		2,223		2,174
Hire purchase	(	86 )		-	(	86 )		-
Others		-	(	3 )	_	_	(	3 )
	_	6,172		6,565	_	3,955		4,149

### 17. HIRE PURCHASE PAYABLES

	The G	Group	The Company			
	2016	2015	2016	2015		
	RM'000	RM'000	RM'000	RM'000		
Minimum hire purchase payments:						
Repayable within one						
year	156	128	156	128		
Repayable between						
one to five years	243	336	243	336		
	399	464	399	464		

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 17. HIRE PURCHASE PAYABLES (CONT'D)

	The G	roup	The Company			
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000		
Cont'd	399	464	399	464		
Less: Future finance charges	41	68	41_	68		
Representing value of hire purchase payables	358	396	358	396		
Present value of hire purchase payables:						
Repayable within one year Repayable between	133	97	133	97		
one to five years	225	299	225	299		
	358	396	358	396		
Representing hire purchase payables:						
Current	133	97	133	97		
Non-current	225	299	225	299		
	358	396	358	396		

The hire purchase facility bears effective interest rate ranging from 5.13% to 9.45% (2015: ranging from 5.13% to 9.45%) per annum and will be fully paid in 2019.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 18. Non-Trade Payables And Accruals

<b>:015</b> M'000
M'000
4,503
120
3,444
8,067
M'000
4,623
3,444
8,067

Three of the related parties amounting to RM3,084,000 (2015: RM3,444,000) bear interest rate at 9% (2015: 9%) per annum and shall be fully paid in year 2018.

#### 19. TRADE PAYABLES

The normal trade credit term granted to the Group ranging from 30 to 60 days.

Included in trade payables are non-refundable advance payment received from buyers amounting to RM 2,024,000.

#### 20. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the end of the reporting period of RM35,116,000 (2014: RM35,041,000) divided by the enlarged number of ordinary shares in issue at the end of the reporting period of 89,050,667 (2015: 89,050,667), details of which are as follows:

	The C	The Group		
	2016	2015		
	RM'000	RM'000		
Ordinary shares of RM1.00 each in issue at				
the end of the reporting period	89,051	89,051		

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 21. REVENUE

Revenue of the Group and of the Company represents the invoiced value of goods sold and services rendered less trade discounts and returns is as follows:

	The G	Froup	The Cor	The Company		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>		
	RM'000	RM'000	RM'000	RM'000		
Sale of timber products	14,526	25,083	14,526	25,083		
Rental	-	21	-	-		
Management fee	-	50	-	-		
	14,526	25,154	14,526	25,083		

#### 22. COST OF SALES

Cost of sales represents cost of inventories sold and services rendered.

#### 23. OTHER OPERATING INCOME

	The G	Group	The Co	mpany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income	-	-	1,680	-
Gain on disposal of				
property, plant and				
equipment	-	217	-	40
Interest income	305	20	284	9
Miscellaneous	34	55	34	7
Realised gain on				
foreign exchange	-	6	-	6
Rental income	407	486	184	196
Waiver of liabilities	119			
	865	784	2,182	258

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 24. FINANCE COSTS

	The G	Froup	The Company			
	2016	2015	2016	2015		
	RM'000	RM'000	RM'000	RM'000		
Interest expense						
- Advances from						
related parties	243	383	243	383		
<ul> <li>Bank borrowings</li> </ul>	-	59	-	59		
- Hire purchase	34	35	34	3		
<ul> <li>Loan and receivables</li> </ul>	-	-	-	-		
- Shareholder	50	50	50	50		
	327	527	327	495		

### 25. PROFIT/(LOSS) BEFORE TAXATION

	The C	Proup	The Company		
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000	
Profit/(Loss) before taxation is arrived at after charging:					
Auditors' remuneration: - audit fees - non-audit fees: - affiliates of Crowe	89	89	78	75	
Horwath in Malaysia Amortisation of	23	23	12	12	
biological assets Depreciation of property, plant and	111	111	111	111	
equipment	1,614	1,722	473	335	
Directors' remuneration (Note 30) Impairment loss on investment in	244	158	240	154	
subsidiaries Plant and equipment	-	-	598	931	
written off	9	38	9	34	
Rental of premises	71	51	71	51	
Staff costs (Note 34)	852	812	784	665	

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### **26. INCOME TAX EXPENSE**

La como torr				<b>2015</b> RM'000				<b>ny 2015</b> RM'000
Income tax - current year - overprovision in the previous financial year	(	157 45 )		283	(	157 45 )		237
Deferred taxation	(	45 )			(	40 )		
<ul> <li>origination of temporary differences</li> <li>reversal of temporary differences</li> <li>under/(over)provision in the previous</li> </ul>	(	114 199 )	(	553 203 )		114		552 -
financial year	(	308 )	(	90 )	(	308 )	(	92 )
Total income toy	(	393 )		260	(	194_)		460
Total income tax expense	(	281 )	_	543	(	82 )		697

Subject to agreement with tax authorities, the unutilised tax losses and unabsorbed capital allowances at end of the reporting period available to be carried forward for offset against future taxable business income are as follows:

	The G	The Group		
	<b>2016</b> RM'000	<b>2015</b> RM'000		
Unutilised tax losses Unabsorbed capital allowances	20,708 28,880	20,615 28,435		
	49,588	49,050		

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 26. INCOME TAX EXPENSE (CONT'D)

A reconciliation of the income tax expense applicable to the profit/(loss) before taxation at the statutory income tax rate to the income tax expense at the effective tax rate of the Group and of the Company is as follows:

		The Group			The Company			าง
	F	<b>2016</b> RM'000	F	<b>2015</b> RM'000	F	<b>2016</b> RM'000		<b>2015</b> RM'000
Profit/(Loss) before taxation	(	677 )		1,294		1,753		1,416
Taxation at statutory tax rate of 24% (2015: 25%)	(	162 )		324		421		354
Expenses not deductible for tax purposes		259		316		320		435
Non-taxable income Deferred tax assets not recognised during the	(	72 )	(	44 )	(	470 )		-
financial year Overprovision of deferred tax in the		47		37		-		-
previous financial year Overprovision of income tax in	(	308 )	(	90 )	(	308 )	(	92 )
previous financial year	(	45 )		-	(	45 )	,	_
Total income tax expense	(	281 )		543	(	82 )		697

### 27. EARNINGS PER SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

	The Gr	oup
	2016	2015
Profit/(Loss) after taxation (RM'000)	(396_)	751
Profit attributable to owners of the Company (RM'000)	75	1,067
Weighted average number of ordinary shares in issue (units'000)	89,051	89,051
Basic earnings per share (sen)	0.08	1.20

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 28. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

		The Group			The Company			ny
		<b>016</b> ⁄/'000		<b>2015</b> M'000		<b>.016</b> M'000		<b>2015</b> RM'000
Acquisition of property, plant and equipment Financed by hire		99		306		99		969
purchase arrangments	(	80 )	(	70 )	(	80 )	(	403 )
	,	19		236		19		566

#### 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:

	The	Group	The Company		
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000	
Fixed deposit with a licensed bank	371	360	371	360	
Cash and bank balances Bank overdraft	761	293	684	67	
(unsecured)		(20)		(	
	1,132	633	1,055	407	

#### 30. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include non-executive directors of the Company and certain members of senior management of the Group and of the Company.

(Incorporated in Malaysia) Company No : 387185 - W

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(a) The key management personnel compensation during the financial year are as follows:

	The G	Group	The Company		
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000	
Directors					
<u>Directors of the Company</u> <i>Non-executive Directors</i>					
Short-term employee benefits:					
- Fees	143	120	143	120	
<ul> <li>Other emoluments</li> </ul>	97	34	97	34	
	240	154	240	154	
Directors of the Subsidiarie Non-executive Directors	<u>es</u>				
Short-term employee benefits:	,				
- Fees	4	4			
Total directors' remuneration (Note 25)	244	158	240	154	

#### **Other Key Management Personnel**

	The G	roup	The Co	mpany
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000
Short-term employee				
benefits	876	768	816	658
Defined contribution plan benefits	109	96	101	82
Total compensation for other key management				
personnel	985	864	917	740

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:

	2016		2015	
	Executive	Non- Executive	Executive	Non- Executive
	Directors	Directors	Directors	Directors
RM50,000 and below	_	7	-	5

#### 31. RELATED PARTY DISCLOSURES

#### (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies

#### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

The	Group/The Company	2016	2015
		RM'000	RM'000
(a)	Interest paid/payable for advances		
	granted from business entity/company		
	connected to the directors	254	302

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 31. RELATED PARTY DISCLOSURES (CONT'D)

#### (b) Significant Related Party Transactions and Balances (cont'd)

The	Group/The Company (cont'd)	<b>2016</b> RM'000	<b>2015</b> RM'000
(b)	Interest paid/payable to directors	-	4
(c)	Interest paid/payable to shareholder	2	29
(d)	Interest paid/payable to Chief Executive Officer	-	18
(e)	Transactions with a company which the Chief Executive Officer of the Company is connected to a director of that company: - Interest paid/payable for advances granted	37	64

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

#### 32. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required:

	The G	Proup	The Co	mpany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Bank guarantees granted to secure a performance bond made in favour of				
the Forestry Department Bank guarantee facility in	5,000	5,000	5,000	5,000
favour of third party	24	19	<u> </u>	
	5,024	5,019	5,000	5,000

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 33. CAPITAL COMMITMENTS

	The C	Broup	The Company		
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000	
Approved but not contracted for: - Industrial tree-planting					
project (2014 - 2023)	110,275	111,064	110,275	111,064	
<ul> <li>Biological assets</li> </ul>	1,100	1,836	1,100	1,836	
- Plant and equipment		280		280	

#### 34. EMPLOYEES INFORMATION

	The G	roup	The Company		
	2016	2015	2016	2015	
	RM'000	RM'000	RM'000	RM'000	
Staff cost (including					
other key management					
personnel as disclosed					
in note 30)					
<ul> <li>Employees' Provident</li> </ul>					
Fund contributions	100	84	92	67	
- Salaries, wages and					
bonuses	745	724	686	594	
- Socso	7	4	6	4	
	852	812	784	665	

#### 35. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:

#### (a) Market Risk

#### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

#### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Company does not have any floating rate borrowings and hence, no sensitivity analysis is presented.

#### (iii) Equity Price Risk

The Group and the Company does not have quoted investments and hence is not expose to equity price risk.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.1 Financial Risk Management Policies (Cont'd)

#### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

#### (i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

#### (ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.1 Financial Risk Management Policies (Cont'd)

#### (b) Credit Risk (Cont'd)

#### (iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by subsidiaries) as at the end of the reporting period is as follows:

The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Amount RM'000
2016			
Not past due	54	-	54
Past due: - 3 – 6 months - over 6 months	5 106	- -	5 106
	165	-	165
2015			
Not past due	1,426	-	1,426
Past due: - less than 3 months - 3 – 6 months - over 6 months	437 27 1,024	- - 999	437 27 25
	2,914	999	1,915

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.1 Financial Risk Management Policies (Cont'd)

#### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Certain substantial shareholders have committed to provide financial support to the Company should the Company requires funds for its business activities.

#### Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2016					
Hire purchase payables Trade payables Non-trade payables	7.57 Nil	358 4,800	399 4,800	156 4,800	243 -
and accruals	9.00	4,422	4,422	1,338	3,084
		9,580	9,621	6,294	3,327

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.1 Financial Risk Management Policies (Cont'd)

Maightad

#### (c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):

The Group	Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2015					
Hire purchase payables Trade payables Non-trade payables	7.94 Nil	396 2,175	464 2,175	128 2,175	336 -
and accruals	9.00	8,276	8,276	4,832	3,444
Bank overdraft (unsecured)	Nil	20	20	20	-
	<del>-</del>	10,867	10,935	7,155	3,780

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 35. FINANCIAL INSTRUMENTS (CONT'D)

### 35.1 Financial Risk Management Policies (Cont'd)

#### (c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):

The Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2016					
Amounts due to subsidiaries Hire purchase payables	Nil 7.57	13,503 358	13,503 399	13,503 156	- 243
Trade payables Non-trade payables	Nil	4,800	4,800	4,800	-
and accruals	9.00	4,295	4,295	1,211	3,084
		22,956	22,997	19,670	3,327
2015	•				
Amounts due					
to subsidiaries Hire purchase	Nil	15,153	15,153	15,153	-
payables	7.94	396	464	128	336
Trade payables Non-trade payables	Nil	2,156	2,156	2,156	-
and accruals Bank overdraft	9.00	8,067	8,067	4,623	3,444
(unsecured)	Nil	20	20	20	-
	<u>-</u> _	25,792	25,860	22,080	3,780

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM22 million. The Company has complied with this requirement.

#### 35.3 Classification of Financial Instruments

	The	Group	The Company	
	2016	2015	2016	2015
Financial Assets	RM'000	RM'000	RM'000	RM'000
Loans and receivables financial assets				
Trade receivables	165	1,915	82	1,700
Non-trade receivables and deposits	2,262	1,124	1,964	884
Amounts due from subsidiaries	-	-	125	73
Fixed deposit with a licensed bank	371	360	371	360
Cash and bank balances	761	293	684	67
	3,559	3,692	3,2266	3,084

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

#### 35.3 Classification of Financial Instruments (Cont'd)

	The	Group	The Company	
	2016	2015	2016	2015
Financial Liabilities	RM'000	RM'000	RM'000	RM'000
Other financial liabilities	250	206	250	206
Hire purchase payables	358	396	358	396
Trade payables	4,800	2,175	4,800	2,156
Non-trade payables and accruals	4,422	8,276	4,295	8,067
Amounts due to subsidiaries Bank overdraft	-	-	13,503	15,153
(unsecured)		20		20
	9,580	10,867	22,956	25,792

#### 35.4 Fair Value Information

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of hire purchase payables that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments ranging from 5.13% to 9.45% (2015: 5.13% to 9.45%) and the fair value is within level 2 of the fair value hierarchy.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 36. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

# 37. Supplementary Information - Disclosure Of Realised And Unrealised Profits/Losses

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	The C	Group	The Company			
	<b>2016</b> RM'000	<b>2015</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000		
Total accumulated losses:						
- realised - unrealised	( 134,032 ) ( 6,348 )	( 132,820 ) ( 6,565 )	( 68,217 ) ( 3,955 )	( 69,858 ) ( 4,149 )		
Less: Consolidation	( 140,380 )	( 139,385 )	( 72,172 )	( 74,007 )		
adjustments	70,881	69,811	-			
At 31 December	(69,499_)	(69,574_)	(72,172_)	( 74,007 )		

#### TIMBERWELL BERHAD ANNUAL REPORT 2016

## **LIST OF PROPERTIES**

AS AT 31 DECEMBER 2016

## TIMBERWELL PLYWOOD SDN.BHD. 2 parcels of industrial land situated in the District of Sandakan, Sabah

Location	Land Area	Tenure	Approximate Age (year) of Building	Description	Net Book Value as at 31.12.2015 (RM'000)
CL075385670	29.19 acres	99 years	20	Industrial	11.842
		(01.01.1980 to		land with	,
CL075385689		31.12.2078)		storage sheds,	(After
				integrated	revaluation)
				processing	
				plant cum office	

### **ANALYSIS OF SHAREHOLDINGS**

AS AT 3 APRIL 2017

Authorised share capital : RM500,000,000

Issued and paid-up share capital : RM89,050,677 divided into 89,050,677 Ordinary Shares

Class of shares : Ordinary Shares

Voting rights : One (1) vote per one ordinary share (on a poll)

#### **DISTRIBUTION OF SHAREHOLDINGS**

	No. of	% of		% of Issued and Paid-Up
Size of Shareholdings	Shareholders	Shareholders	No. of Shares	Capital
1 – 99	22	1.70	818	0.00
100 - 1,000	493	38.16	460,333	0.52
1,001 – 10,000	605	46.83	2,016,317	2.26
10,001 – 100,000	116	8.98	3,502,758	3.93
100,001 – 4,452,532 *	50	3.87	34,014,937	38.20
4,452,533 and above **	6	0.46	49,055,514	55.09
TOTAL:	1,292	100.00	89,050,677	100.00

#### Notes:

#### LIST OF SUBSTANTIAL SHAREHOLDERS (AS AT 3 APRIL 2017)

Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Dato' Seri Tiong King Sing	21,210,322	23.82	-	-
Lam Man Kai	6,074,406	6.82	-	-
Lam Soei Lim	5,904,540	6.63	170,400#	0.19
Tan Toeng Swie @ Lam Toeng Sui	6,061,073	6.81	3,000#	0.003
Lam Soei Lang	6,036,673	6.78	14,666#	0.02
Agnes Soei-Tin Lamey	6,007,740	6.75	-	-
Datuk Yap Pak Leong	4,546,300	5.11	1,512,000#	1.70

#### Note:

#### **DIRECTORS' INTEREST IN SHARES IN THE COMPANY**

Name of Directors	<b>Direct Interest</b>	%	Indirect Interest	%
Dato' Seri Abdul Azim Bin Mohd Zabidi	-	_	-	_
Dato' Seri Tiong King Sing	21,210,322	23.82	-	-
Datuk Alladin Bin Mohd Hashim	-	-	-	-
Datuk Yap Pak Leong	4,546,300+	5.11	1,512,000^	1.70
Sui Diong Hoe	-	-	-	-
Agnes Soei-Tin Lamey	6,007,740	6.75	-	-
Melton Martin	-	-	-	-
Yap Fook Fung (Alternate Director to Datuk Yap Pak				
Leong)	1,240,000	1.39	15,000^	0.02

#### Notes:-

<sup>\*</sup> Less than 5% of issued shares

<sup>\*\* 5%</sup> and above of issued shares

<sup>\*</sup> Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.

<sup>+</sup> Held in own name / through nominee companies.

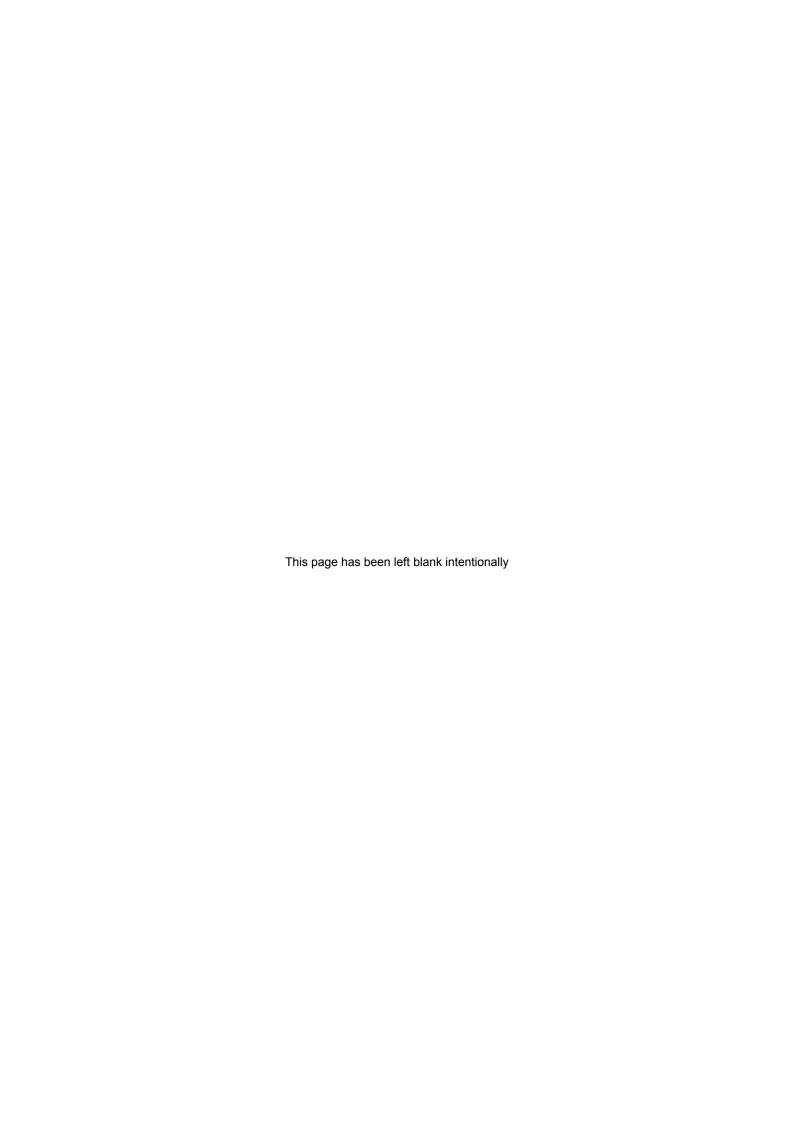
<sup>^</sup> Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.

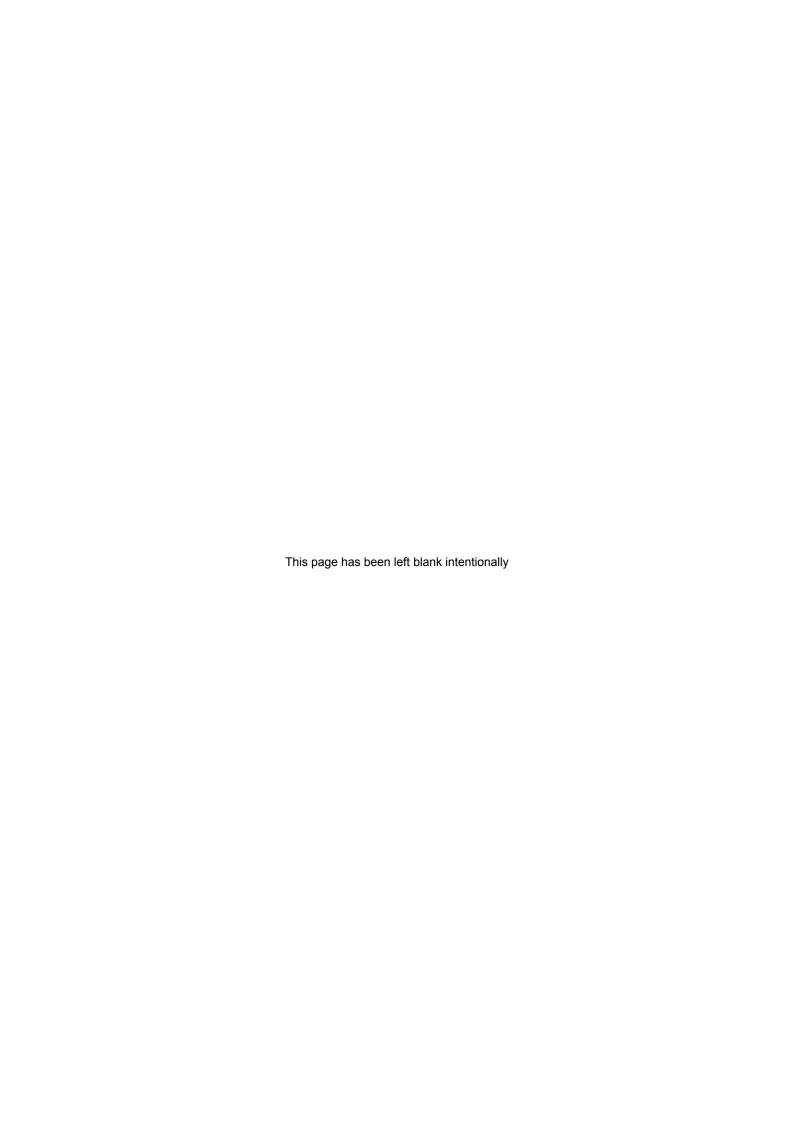
### **ANALYSIS OF SHAREHOLDINGS**

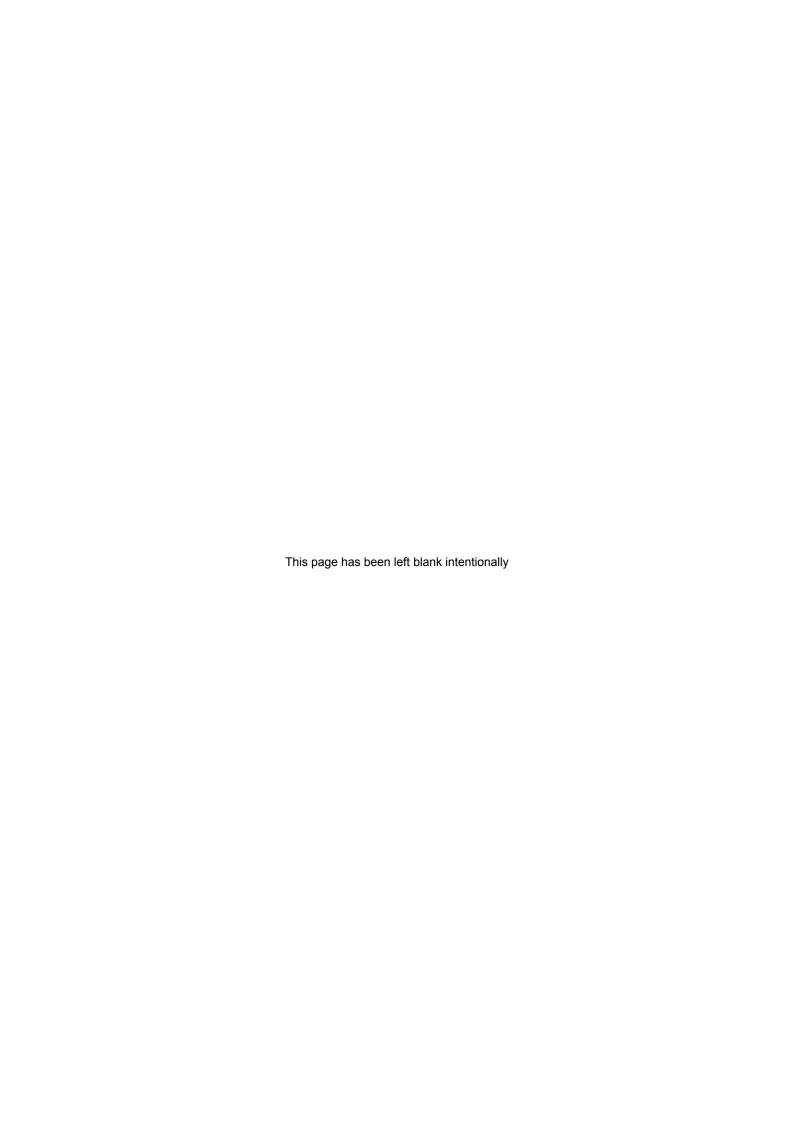
AS AT 3 APRIL 2017

# LIST OF THIRTY LARGEST SHAREHOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

N.a	Nove	No. of	0/
<b>No.</b>	Name	Shares Held	22.92
1	RHB Nominees (Tempatan) Sdn. Bhd. [OSK Capital Sdn. Bhd. for Dato' Seri Tiong King Sing]	21,210,322	23.82
2	Lam Man Kai	6,074,406	6.82
3	Lam Soei Lang	6,036,673	6.78
4	Tan Toeng Swie @ Lam Toeng Sui	5,755,273	6.46
5	Agnes Soei-Tin Lamey	5,054,420	5.68
6	Lam Soei Lim	4,924,420	5.53
7	RHB Nominees (Tempatan) Sdn. Bhd.	3,458,700	3.88
•	[Pledged securities account for Hew Mui Lan]	0,100,700	0.00
8	Harmony Chime Sdn. Bhd.	2,367,533	2.66
9	Ting Sing Hong	2,282,500	2.56
10	CIMSEC Nominees (Tempatan) Sdn. Bhd.	2,208,000	2.48
.0	[CIMB Bank for Yap Pak Leong (MQ0379)]	2,200,000	2.10
11	Kenanga Nominees (Tempatan) Sdn. Bhd.	1,638,100	1.84
	[Pledged securities account for Chiong Sui Chai & Sons Sdn. Bhd.]		
12	Kenanga Nominees (Tempatan) Sdn. Bhd.	1,498,600	1.68
	[Pledged securities account for Patrick Chiong Sui Chai]		
13	Bonus River Sdn. Bhd.	1,459,000	1.64
14	RHB Nominees (Tempatan) Sdn. Bhd.	1,288,000	1.45
	[Pledged securities account for Bounty Leisure Sdn. Bhd.]		
15	Bounty Leisure Sdn. Bhd.	1,250,000	1.40
16	Yap Fook Fung	1,240,000	1.39
17	Hew Tien Shoong	1,000,000	1.12
18	Lee Li-Ly	1,000,000	1.12
19	Lam Soei Lim	980,120	1.10
20	Agnes Soei-Tin Lamey	953,320	1.07
21	Kenanga Nominees (Tempatan) Sdn. Bhd.	933,700	1.05
	[Pledged securities account for Yap Pak Leong]		
22	Kenanga Nominees (Tempatan) Sdn. Bhd.	904,600	1.02
	[Pledged securities account for Yap Pak Leong]		
23	RHB Nominees (Tempatan) Sdn. Bhd.	800,000	0.90
	[Pledged securities account for Pau Chiong Ung]		
24	Cartaban Nominees (Asing) Sdn. Bhd.	695,600	0.78
	[Credit Industriel ET Commercial, Singapore for Chou Chih-Chi]		
25	Robert Tan	650,000	0.73
26	MKW Jaya Sdn Bhd	640,000	0.72
27	Chen Chee Min	570,666	0.64
28	CIMSEC Nominees (Tempatan) Sdn. Bhd.	500,000	0.56
	[CIMB for Yap Pak Leong]		
29	Anders Moller	480,000	0.54
30	Lim Lee Li	394,000	0.44







### TIMBERWELL BERHAD (387185-W)

### **PROXY FORM**

I/We,_	NRIC No./Passport No./Company No				
of					
being	a member/members of Timberwell Berhad hereby appoint				
NRIC	No./Passport No of				
	*and/or failing him/her				
NRIC					
of the	ng him/her, *the Chairman of Meeting as *my/our proxy to vote for *me/us on my/ou Company to be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kema on Friday, 12th day of May 2017 at 1.00 p.m., and at every adjournment thereof.				
	e indicate with an (X) in the appropriate space how you wish your vote to be cast to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her dis				u wish your
Item	Agenda				
1.	To receive the Audited Financial Statements for the year ended 31 December 20	16.			
	Ordinary Business		Resolution	on For	Against
2.	To approve the Directors' fees in respect of the financial year ended 31 December		1		
3.	To approve the Directors' remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries for financial period from 1 January 2017 until the next Annual General Meeting.		2		
4.	To re-elect Madam Agnes Soei-Tin Lamey as a Director.		3		
5.	To re-elect Datuk Yap Pak Leong as a Director.		4		
6.	To re-elect Dato' Seri Tiong King Sing as a Director.		5		
7.	To re-appoint Messrs Crowe Horwath (AF 1018) as Auditors.		6		
	Special Business				
8.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2	2016.	7		
9.	9. Retention of Independent Non-Executive Director - Dato' Seri Abdul Azim Bin Mohd Zabidi.		8		
10.	Retention of Independent Non-Executive Director - Datuk Yap Pak Leong.		9		
Datad	this day of 2017				
Dated	tills day of 2017	No. of shares	e hold		
CDS Account			-		
Signature(s)/Common Seal of Shareholder(s)  Telephone No.			0.		
The pr	roportion of my/our shareholding to be represented by my/our proxy/proxies is as t	follows:			
First named proxy %					
	Second named proxy % 100 %				
*Delet	e whichever is not applicable.				
NOTES	<b>5:</b>				

- 1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company, if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- 2. To be valid, this form duly completed must be deposited at the registered office of the Company at Lot 8 & 9, Block A, 2nd Floor, Damai Point Commercial Centre, Off Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or adjournment thereof.
- 3. A member shall be entitled to appoint more than one (1) proxy to attend, vote and speak at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- 6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 4 May 2017.

Fold this flap for sealing		
Then fold here		
		AFFIX
		STAMP
	The Company Secretary	
	TIMBERWELL BERHAD	
	(387185-W)	
	Lot 8 & 9, Block A, 2nd Floor	
	Damai Point Commercial Centre Off Jalan Damai, Luyang	
	88300 Kota Kinabalu, Sabah.	
1st fold here		

If undelivered, please return to:

Securities Services (Holdings) Sdn Bhd (36869-T) Level 7 Menara Milenium, Jalan Damanlela Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur

(387185-W)

#### **CORPORATE OFFICE**

2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah. Tel: 088 222 190 Fax: 088 235 907

Email: enquiry@timwell.com.my Website: www.timwell.com.my