

TIMBERWELL BERHAD

We Practice Sustainable Forestry



ANNUAL REPORT 2018

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of Timberwell Berhad (“Company”) will be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Tuesday, 21st day of May 2019 at 2:00 p.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|---|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2018 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 RM250,000.00 for the financial year ended 31 December 2018. | 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 RM150,000.00 for the period from 22 May 2019 until the next Annual General Meeting of the Company. | RESOLUTION 2 |
| 4. | To re-elect the following directors who retire in accordance with Clause 97 of the Constitution of the Company and being eligible offer themselves for re-election:- | |
| | a. Datuk Yap Pak Leong | RESOLUTION 3 |
| | b. Madam Agnes Soei-Tin Lamey | RESOLUTION 4 |
| 5. | To approve the payment of a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018. | RESOLUTION 5 |
| 6. | To appoint Auditors for ensuing year and to authorise the Directors to determine their remuneration. | RESOLUTION 6 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modification:-

- | | | |
|----|---|---------------------|
| 7. | 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 per centum (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

8. **Ordinary Resolution**

- **Retention of Independent Director in accordance with the Malaysian Code on Corporate Governance 2017**

(a) "THAT authority be and is hereby given to Dato' Seri Abdul Azim Bin Mohd Zabidi, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

RESOLUTION 8

(b) "THAT subject to the passing of Resolution 3, authority be and is hereby given to Datuk Yap Pak Leong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

RESOLUTION 9

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Twenty-Third Annual General Meeting, a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018, if approved, will be paid on 2 July 2019 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 3 June 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 3 June 2019 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

TAN KOK SIONG (LS 0009932)
TAN BEE HWA (MAICSA 7058049)
Company Secretaries

Kota Kinabalu
22nd day of April 2019

NOTES:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend participate, speak 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.
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 not more than two (2) proxies 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.

NOTICE OF ANNUAL GENERAL MEETING

4. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, he may appoint not more than two (2) proxies in respect of each Securities Account he holds in ordinary shares of the Company standing to the credit of the said Securities Account. 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.

Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of 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, participate, speak and vote at the Annual General Meeting is 13 May 2019.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

(a) Item 1 of the Agenda
- Audited Financial Statements for the financial ended 31 December 2018

This Agenda item is meant for discussion only, as the provision of Section 248 and 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 item will not be put for voting.

(b) Item 2 of the Agenda
- Directors’ fees (Resolution 1)

Section 230(1) of the Companies Act 2016 provides that fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The payment of the Directors’ fees for the financial year ended 31 December 2018 will only be made if the proposed Resolution 1 has been passed at the Twenty-Third Annual General Meeting (“23rd AGM”) pursuant to Clause 105 of the Company’s Constitution and Section 230(1) of the Companies Act 2016.

(c) Item 3 of the Agenda
- Directors’ Remuneration and any benefit payable (Resolution 2)

The Directors’ remuneration (excluding Directors’ fees) comprises only the meeting allowance payable to the Board of the Company and its subsidiary as follows:-

	Executive Director(s) (RM’000)	Independent Directors (RM’000)	Total Amount (RM’000)
Meeting Allowance	10	140	150

In determining the estimated amount of remuneration payable to the Directors, the Board of Directors (“the Board”) considered various factors including the number of scheduled meetings for the Board, Board Committees and general meeting(s) of the Company as well as the number of Directors involved in these meetings.

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 22 May 2019 until the next Annual General Meeting (“AGM”). Payment of the Directors’ remuneration will be made by the Company and its subsidiaries at their discretion, if the proposed Resolution 2 is passed at the 23rd AGM.

NOTICE OF ANNUAL GENERAL MEETING

(d) Item 6 of the Agenda
- Appointment of Auditors (Resolution 6)

Messrs. Crowe Malaysia PLT has indicated that they do not wish to seek for re-appointment as auditors at the forthcoming 23rd AGM of the Company.

The Notice of Nomination for the appointment of Messrs. Baker Tilly Monteiro Heng PLT as auditors (a copy of which is annexed and marked as "Appendix A") has been received by the Company.

(e) Item 7 of the Agenda
- 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 per centum (10%) of the total number of issued share 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) Item 8 of the Agenda
- Continuing in Office as Independent Non-Executive Director (Resolutions 8 and 9)

The Nomination and Remuneration 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:-

- i. 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.

Under the Malaysia Code on Corporate Governance 2017 ("Code") retention of an Independent Director above 12 years will require shareholders' approval through the two-tier voting process:-

Tier 1: Voting by large shareholder(s); and
Tier 2: Voting by other shareholders.

Shareholders' approval for Ordinary Resolutions 8 and 9 will be sought on two tier voting basis, if passed, will allow the Independent Directors to be retained and continue acting as Independent Directors to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements of Bursa Securities and in line with the practice 4.2 of the Code.

APPENDIX A

Date: 15 April 2019

DATO SRI TIONG KING SING
A-9-0, Jalan BK 5A/2D
Bandar Kinrara
47180 Puchong
Selangor Darul Ehsan

The Board of Directors
TIMBERWELL BERHAD
Lot 8 & 9, Block A, 2nd Floor
Damai Point Commercial Centre
Off Jalan Damai Luyang
88300 Kota Kinabalu, Sabah

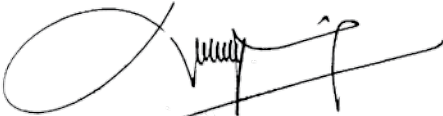
Dear Sirs,

NOTICE OF NOMINATION OF NEW AUDITORS IN PLACE OF RETIRING AUDITORS

I, Dato Sri Tiong King Sing, being a member of the Company, hereby give notice to nominate **Messrs. Baker Tilly Monteiro Heng PLT, AF0117** as Auditors of the Company in place of the retiring auditors and propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:

“THAT **Messrs. Baker Tilly Monteiro Heng PLT, AF0117**, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Malaysia PLT to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors”.

Your faithfully



Dato Sri Tiong King Sing

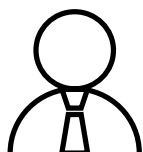


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CORPORATE INFORMATION



BOARD OF DIRECTORS

Dato' Seri Abdul Azim Bin Mohd Zabidi
Chairman, Independent Non-Executive Director

Dato Sri Tiong King Sing
Managing Director

Datuk Yap Pak Leong
Senior Independent Non-Executive Director

Loo Choo Hong
Independent Non-Executive Director

Melton Martin
Independent Non-Executive Director

Agnes Soei-Tin Lamey
Independent Non-Executive Director

Yap Fook Fung
Alternate Director to Datuk Yap Pak Leong

AUDIT COMMITTEE

Loo Choo Hong (*Chairman*)
Datuk Yap Pak Leong
Agnes Soei-Tin Lamey

RISK MANAGEMENT COMMITTEE

Datuk Yap Pak Leong (*Chairman*)
Agnes Soei-Tin Lamey
Melton Martin

INVESTMENT COMMITTEE

Datuk Yap Pak Leong (*Chairman*)
Dato Sri Tiong King Sing
Agnes Soei-Tin Lamey

NOMINATION AND REMUNERATION COMMITTEE

Datuk Yap Pak Leong (*Chairman*)
Agnes Soei-Tin Lamey
Melton Martin

EXECUTIVE COMMITTEE

Datuk Yap Pak Leong (*Chairman*)
Agnes Soei-Tin Lamey
Datuk Pau Chiong Ung

CHIEF EXECUTIVE OFFICER

Datuk Pau Chiong Ung

COMPANY SECRETARIES

Tan Kok Siong (LS0009932)
Tan Bee Hwa (MAICSA 7058049)

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

PRINCIPAL BANKERS

Affin Bank Berhad
Public Bank Berhad

CORPORATE OFFICE

2nd Floor, Wisma BSN Sabah
Jalan Kemajuan, Karamunsing
88000 Kota Kinabalu, Sabah
Tel: 088-214222 / 222190
Fax: 088-222727 / 235907
Email: enquiry@timwell.com.my
Website: www.timwell.com.my

STOCK EXCHANGE LISTING

Main Market of the Bursa
Malaysia Securities Berhad
Sector: Industrial Products
Stock Code: TIMWELL
Stock No.: 7854

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

AUDITORS

Messrs Crowe Malaysia PLT
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

BUSINESS PROFILE

VISION STATEMENT

To be a regionally respected player in forest resource management and development based in East Malaysia.

MISSION STATEMENT

To manage the natural forest under licence as renewable resource in economically viable, environmentally friendly and socially responsible manner to ensure sustainability.

CORE VALUES

■ Stakeholder Satisfaction

A commitment to meet and surpass our stakeholder expectations

■ Integrity and Transparency

A commitment to be ethical, sincere, and open in our dealing.

■ Fairness

A commitment to be objective and responsible, thereby promoting trust and respect.

■ Leadership by Example

A commitment to set standards and lead by example

■ Profit with Honour

A commitment to pursue profit by building long term values.

■ Pursuit of Excellence

A commitment to strive for the best in everything we do.

TIMBERWELL BERHAD was incorporated as public company in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016 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 ("License Area"). 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.

On 12 April 2018, the Company and the Chief Minister of the State of Sabah had entered into a Supplemental Agreement to amend the SFMLA dated 10 September 1997. The amendments involve rezoning New License Area, Rezoned Area and Excised Area. The New License Area had indicated an increase in the Industrial Tree Plantation area may enhance the Company's long term prospect as it will enable the Company, to increase its production capacity and area for planting.

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 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 30,125.38 hectares within the Lingkabau Forest Reserve. The indigenous industrial tree plantation species being cultivated includes Laran (*Neolamarckia Cadamba*), Binuang (*Ocotelea 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 Division

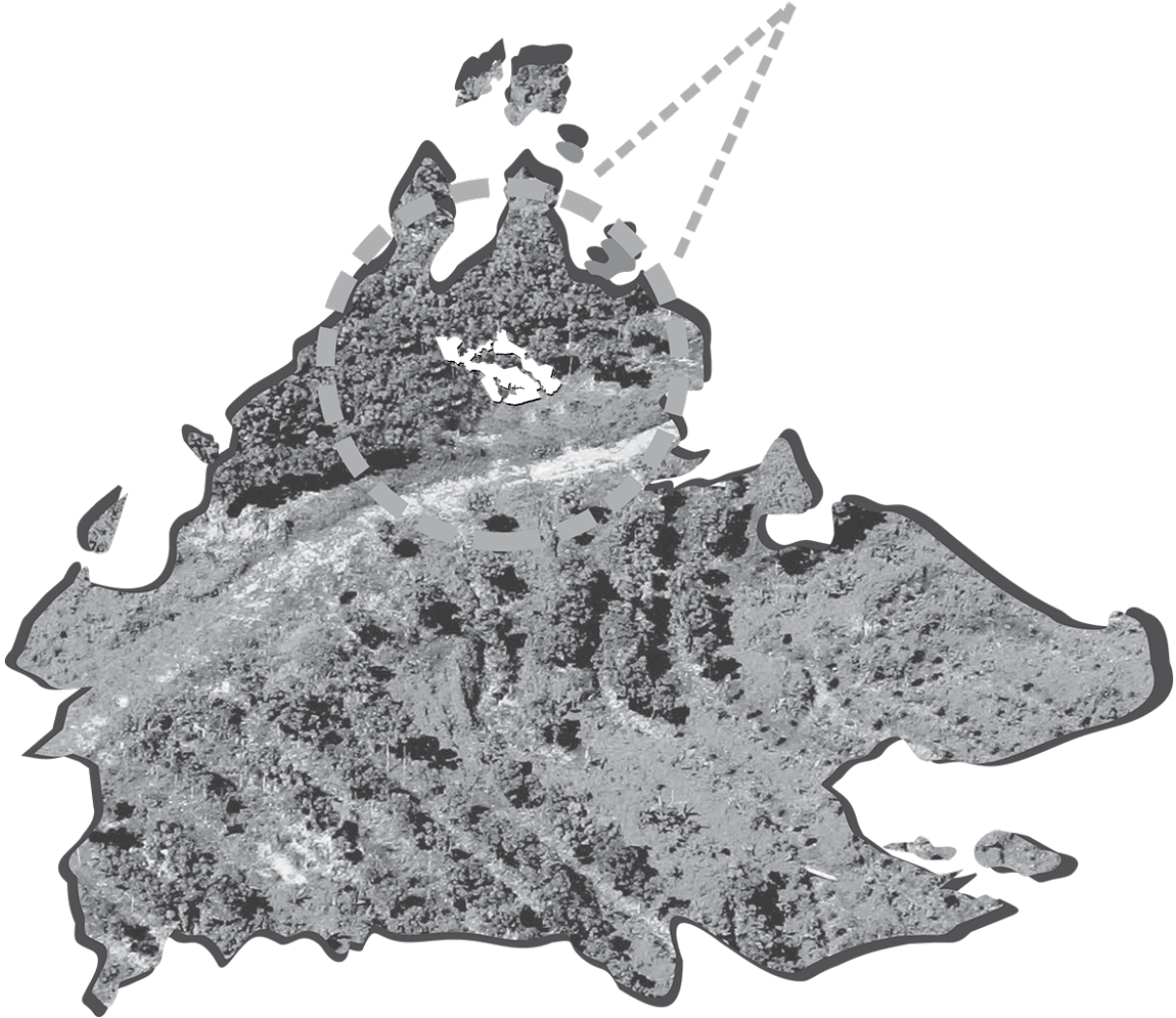
The activities include timber marketing and trading of timber.

Property Division

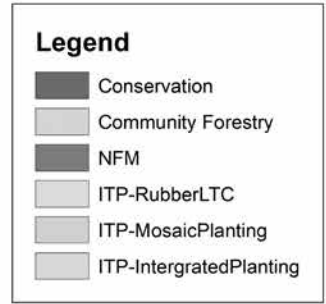
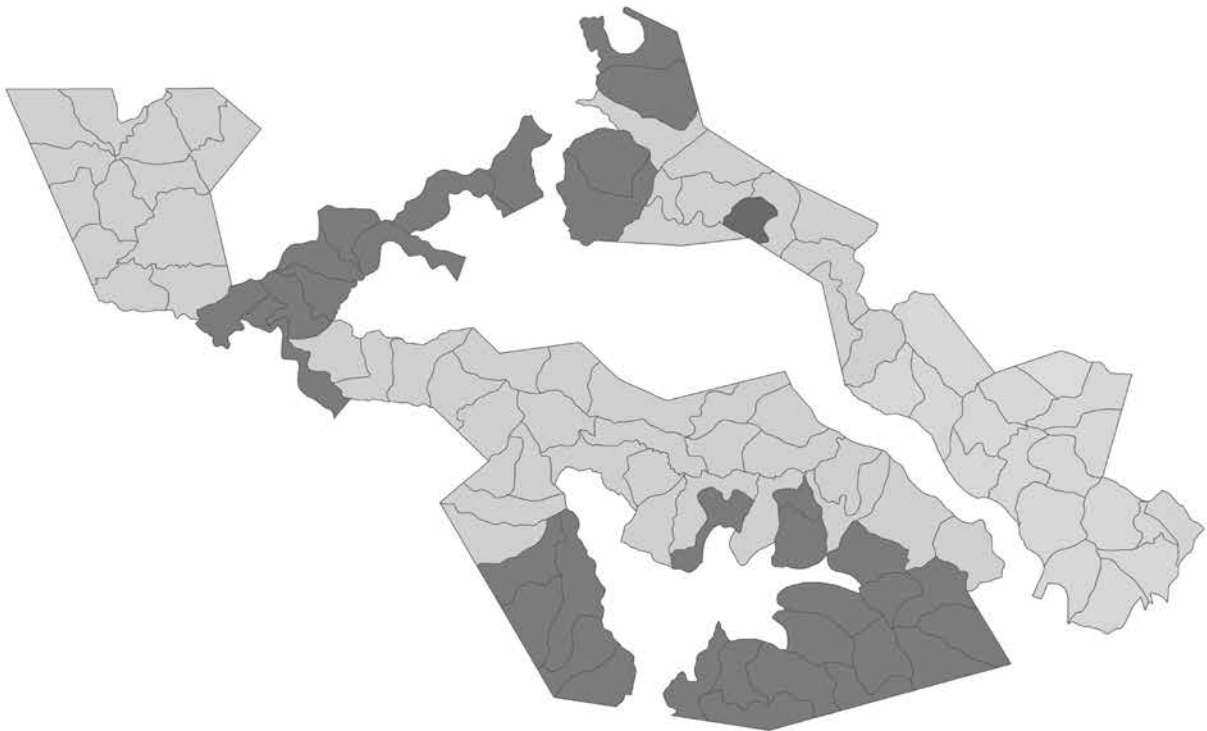
The Property division involves in management and investment and holding of the Group's properties.

LOCATION MAP

Lingkabau Forest Reserve



LOCATION MAP



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)



DIRECTORS' PROFILE



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

*Chairman
Independent Non-Executive Director
Aged 59 / 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, XOX Berhad and Fintech Global Berhad. He was also appointed as Chairman of the National Sports Institute and subsequent to that, appointed Malaysia's Chef-de-Mission to the Asian Games 2018 in Jakarta, Indonesia. 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 2018.

Details of number of board meetings attended by him during the financial year are set out in page 41 of this Annual Report.

DIRECTORS' PROFILE



**DATO SRI TIONG
KING SING JP.**

*Managing Director
Aged 58 / Malaysian / Male*

Dato Sri 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 Sri 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 Sri 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 ("SPDP") 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 2018.

Details of number of board meetings attended by him during the financial year are set out in page 41 of this Annual Report.

DIRECTORS' PROFILE



DATUK YAP PAK LEONG

*Senior Independent
Non-Executive Director
Aged 84 / 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 Risk 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 and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.

Details of number of board meetings attended by him during the financial year are set out in page 41 of this Annual Report.



LOO CHOO HONG

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

Mr Loo Choo Hong was appointed to the Board on 12 May 2017. He is the Chairman of the Audit Committee of the Company. He was admitted as a member of the ACCA in 1998, and is currently a Fellow member of the accountancy body. He is also a member of the MIA and an associate member of the Institute of Internal Audit since 2001 and 2005 respectively. Mr Loo commenced his career as an Audit Assistant in a local accounting firm in 1998 and subsequently left as an Audit Supervisor in 2001, before he joined K.H. Kwong & Company as an Audit and Tax Manager. In 2005, he founded Messrs C.H. Loo & Co. and Pro Cast Management Services which offer various professional corporate and management services. Pro Cast Group of Companies was merged with ASQ Group in January 2018, he is currently the tax director of ASQ Tax Services Sdn. Bhd. and the Principal of C.H. Loo & Co.

Mr Loo is also an Independent Non-Executive Director, the Chairman of the Audit Committee of Wang Zheng Berhad and Gabungan AQRS Berhad and a member of the Nomination Committee and Remuneration Committee of Gabungan AQRS Berhad. In addition, he holds several other directorships in a number of private limited 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 sanctions or penalties imposed on him by the relevant regulatory bodies during the financial year 2018.

Details of number of board meetings attended by him during the financial year are set out in page 41 of this Annual Report.

DIRECTORS' PROFILE



AGNES SOEI-TIN LAMEY
Independent Non-Executive Director
Aged 65 / 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, Risk Management Committee and Audit Committee. She has more than ten (10) years working experiences in Chartered Accountant firm in United Kingdom. Since coming to Malaysia in 1991, 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 2018.

Details of number of board meetings attended by her during the financial year are out in page 41 of this Annual Report.



MELTON MARTIN (B.K, S.K)
Independent Non-Executive Director
Aged 38 / Malaysian / Male

Melton Martin was appointed a Director of Timberwell Berhad on 1 January 2016. He is a member of the Nomination and Remuneration Committee and Risk Management Committee.

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 was appointed as the Community Development Supervisor in UPPM (Community Development Leader Unit) N.40 Labuk under The Department Chief Minister of Sabah.

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 2018.

Details of number of board meetings attended by him during the financial year are set out in page 41 of this Annual Report.

DIRECTORS' PROFILE



YAP FOOK FUNG
*Alternate Director to
Datuk Yap Pak Leong
Aged 50 / 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 2018.

KEY SENIOR MANAGEMENT

DATUK PAU CHIONG UNG

Chief Executive Office

Aged 67 / 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. 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 its subsidiary as at 27 March 2019 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) years, other than traffic offences, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2018.



CORPORATE PERSPECTIVE

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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 2018.

OVERVIEW

The Malaysian economy recorded a steady pace of growth in Gross Domestic Product ("GDP") from 4%-5% in 2018 despite the challenging international economic environment. The careful credit expansion in the US had a significant effect worldwide, resulting in the maintenance of timber prices as well as other commodities which 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 in the year under review.

FINANCIAL REVIEW

During the financial period under review, the Group posted a Revenue of RM35.6 million compared to RM31.2 million in the corresponding period of 2017. This marked improvement can be attributed to a higher rate of log production and stable demand for logs from the local market.

In May 2018, we had to face a new challenge when the Sabah State Government announced an export ban of round logs. The Company had to re-strategise its business model to focus on sale of logs to the local market. Additionally, the Company is working with local mills to export sawn timber in order to remain viable and profitable. We are happy to announce that we have obtained an export license of sawn timber from Sabah Forestry Department on 12 September 2018.

The Group showed an impressive Profit from Operations of RM7.9 million (2017: 4.5million) after taking into account the fair value gain on Biological Assets amounting to RM2.7 million (2017: RM1.2million).

The Company had engaged Messrs. Smith Gore Sabah to conduct a fair valuation on Biological Assets in advance to the MFRS 141. The Net Present Value ("NPV") derived from the valuation report dated 31 December 2018 are summarised as per table below:

Particulars	NPV as at 31 December 2018 RM'000
Biological Assets (planted trees)	21,279
Intangible Assets (Unharvested natural standing trees)	96,936
Total	118,215

The fair value gain in Biological Assets is reflected in the financial report and the fair valuation of Intangible Assets is used for impairment testing purposes. The fair value gain on Biological Assets has the effect of increasing the Net Assets per Share of the Company by 10.15 sen.

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, Management has put in place a programme to maintain the development of our Forest Management Units ("FMU") 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 ("NFM"), Conservation and Industrial Tree Plantation ("ITP").

CHAIRMAN'S STATEMENT

OPERATIONS REVIEW (CONT'D)

Subsequently, the Company has on 12 April 2018 entered into a Sustainable Forest Management Licence Agreement ("Supplemental") under the 100 years Principle Agreement; Sustainable Forest Management Licence Agreement dated 10 September 1997 with the Chief Minister of the State of Sabah for conversion of 15,438.30 hectares into Protection Forest Reserve ("Class One") and excise 10,195.28 hectares for socio-economic purpose. Pursuant to the amendments' exercise, the changes of the licensed area are indicated as follows:

Land use	Before (Hectare)	After (Hectare)
Industrial Tree Plantation	15,429.91	30,399.14
Natural Forest Management	46,522.67	15,260.28
Conservation Forest	9,340.42	-
Licensed Area/New Licensed Area	71,293.00	45,659.42

Affected Area		
(i) Rezoned Area	-	15,438.30
(ii) Excised Area	-	10,195.28
Total Area	71,293.00	71,293.00

The amendments may enhance the Company's long term prospect as the ITP areas are increased from 15,156.15 hectares (after excluding the community forest zone of 273.76 hectares) to 30,125.38 hectares which will enable the Company to enhance its production capacity and area for planting.

To-date, the industrial tree plantation area is planted with various tree species including mahogany and rubber 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 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.

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 1 May 2018.

The Company has been evaluated through the TLAS System 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. Therefore, materials harvested by the Company are classified as Verified Legal Compliant ("VLC") within the GFS Wood Tracking Program.

In recognition of the continuous effort by Management and the Board of Directors, the Company was again awarded the Compliance Certificate by the Sabah Forestry Department on the 20 July 2018, for its achievement of the overall performance in accordance to Annual Work Plan ("AWP") 2017.

Further to the compliance achieved by the Company, the proposed 2019 AWP of the Company has been forwarded for approval by the Sabah Forestry Department.

CHAIRMAN'S STATEMENT

DIVIDEND

The Board recommends the declaration of Final Single-Tier dividend of two (2) cents per ordinary shares payment for this year, subject to Shareholders' approval in the Annual General Meeting ("AGM") to be held on 21 May 2019.

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 2019. 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 2019.

ACKNOWLEDGEMENT

I would like to express my heartfelt thanks to 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

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management 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 2018 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 Agreement (“SFMLA 06/97”) for 100 years commencing 10 September 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.

Subsequently, the Company has on 12 April 2018 entered into a Sustainable Forest Management Licence Agreement (“Supplemental”) under SFMLA06/97 for conversion of 15,438.30 hectares into Protection Forest Reserve (“Class One”) and excise 10,195.28 hectares for socio-economic purpose.

The entire concession area is zoned into Natural Forest Management (“NFM”), Industrial Tree Plantation (“ITP”), and Community Forest as indicated in the following table:

Land use	Hectares (Ha)
Industrial Tree Plantation	30,125.38
Natural Forest Management	15,260.28
Community Forest	273.76
Total Area	45,659.42

The amendments may enhance the Company’s long term prospect as the ITP areas are increased from 15,156.15 hectares (after excluding the community forest zone of 273.76 hectares) to 30,125.38 hectares which will enable the Company to enhance its production capacity and area for planting.

FINANCIAL REVIEW

Against the backdrop of export ban on timber which announced by the Sabah State Government in May 2018, the Group has implemented few changes in business strategy and strict controls on capital management, including the following:

- Explore more local downstream manufacturer to increase the demand of our timbers.
- Working with the local sawmills for the exportation of sawn timber. The Company has obtained 2 licenses which are the Supplier and Export license for sawn timber from Sabah Forestry Department on 25 September 2018 and 1 October 2018 respectively.
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group generated a revenue of RM35.6million in year 2018 which has increased RM4.4 million compared to the year 2017 (RM31.2million). The revenue increased marginally by 14.1%. The rise in revenue is mainly due to better production and stable local market demand.

The profit after tax figure of RM6.4 million was arrived at after taking into account the fair value gain derived from Biological Assets (“BA”) amounting to RM2.7 million (2017: RM1.2 million).

The Company has appointed Messrs. Smith Gore Sabah to conduct a fair valuation on BA on 27 March 2017 in accordance to MFRS 141. In arriving at the valuation, the valuer has assessed the fair value of the following areas in the FMU 3 by using the Discounted Cash Flow method as the basis of the valuation.

- i) Biological Assets (“Planted trees”) at the ITP area.
- ii) Intangible Assets (“IA”) (Natural unharvested standing trees) at the NFM and ITP area.

The summary of the valuation report dated 31 December 2018 are shown in the table below:

Net Present Value (“NPV”)	1 January 2017 RM’000	31 December 2017 RM’000	31 December 2018 RM’000
Biological Assets	15,802	17,698	21,279
Intangible Assets	76,439	95,725	96,936
Total	92,241	113,423	118,215

The Fair Value Gain derived from BA are illustrated as per table below:

Particulars	NBV as at 31 December 2018 RM’000	NPV as Valuation Report 31 December 2018 RM’000	Fair Value Gain RM’000
Biological Assets	12,238	21,279	9,041
Intangible Assets	8,853	96,936	88,083
Total	21,091	118,215	97,124

The variance shown in the table above indicated the NPV of the BA and IA increase by RM9 million and RM88 million respectively. The Fair Value Gain derived from Biological Assets of RM9 million net of deferred tax is reflected in the Audited Financial Statements for the financial year ended 31 December 2018 and the fair valuation of IA is used for impairment testing purposes.

The net assets per share of the Company as at 31 December 2018 after taking into account the fair valuation were illustrated below:-

Particulars	Audited result as at 31 December 2018 before fair valuation	Effect of the fair valuation	After the fair valuation
Equity Attributable to the owners of the Company (RM’000’)	39,963	9,041	49,004
No. of shares (’000)	89,051	89,051	89,051
Net Assets per share (sen)	44.88	10.15	55.03

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

The focal operations of the Company are timber harvesting and area rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2018 Annual Work Plan (“2018 AWP”) stipulates the targets for all the activities in the entire year and the achievements are assessed in the year ending 31 December 2018.

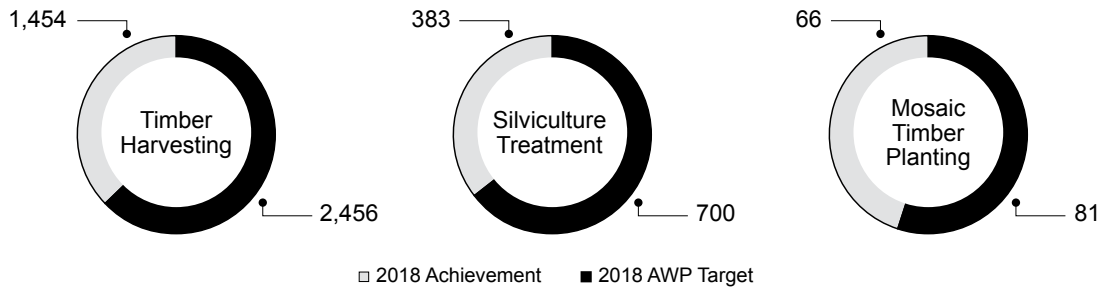


Figure 1: Areas in hectare for 2018 AWP target and the year ending 2018 achievements

The Company managed to harvest about 60% of the targeted area for harvesting in 2018. This is due to additional verification for areas adjacent to settlement and tedious field operation in natural forest harvesting area. The Company will take further action to identify high conservation value for the community to ensure the operation in 2019 will be more efficient.

The market for timber remains challenging in 2018. The change of the state government policy on round logs export has compelled the Company to advocate the focus on domestic timber market. Despite the challenges the Company managed to produce higher timber volume in 2018.

Apart from the main tasks, other supporting activities carried out by the Company in 2018 are Area Surveillance, Community Development and Outreach and Environmental Inspection for Environmental Compliances. All the tasks are carried out in full compliance to the approved 2018 AWP.

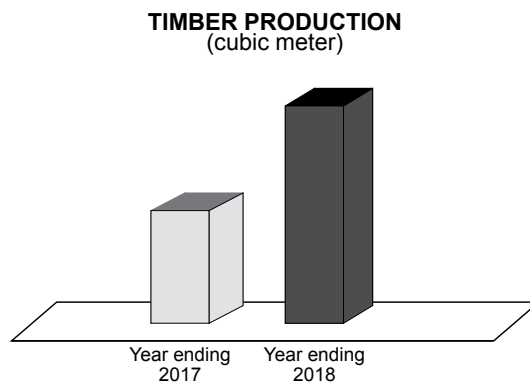


Figure 2: Comparison of logs production volume for year ending 2017 and 2018

MANAGEMENT DISCUSSION AND ANALYSIS

ACHIEVEMENT & ACOMPLISHMENT

At the ending of 2018, the Company attained the following achievement:

★ ★ ★
Approval of the
2018 AWP on the
19 February 2018

★ ★ ★
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 1 May 2018

★ ★ ★
Compliance Certificate in
Compliance to 2017 AWP by the
Sabah Forestry Department on the
20 July 2018

OUTLOOK & PROSPECT

The Management has improved the harvesting output in 2018. However, further improvement is required in Reduce Impact Logging (“RIL”) to ensure efficient planning and field operation.

The Management with the consent of the Executive Committee will continue to target larger area for harvesting and have incorporated the increase in the 2019 AWP. In tandem with the increase of area, the additional contractor for harvesting and rehabilitation will also be maintained to expedite the harvesting and rehabilitation activity.

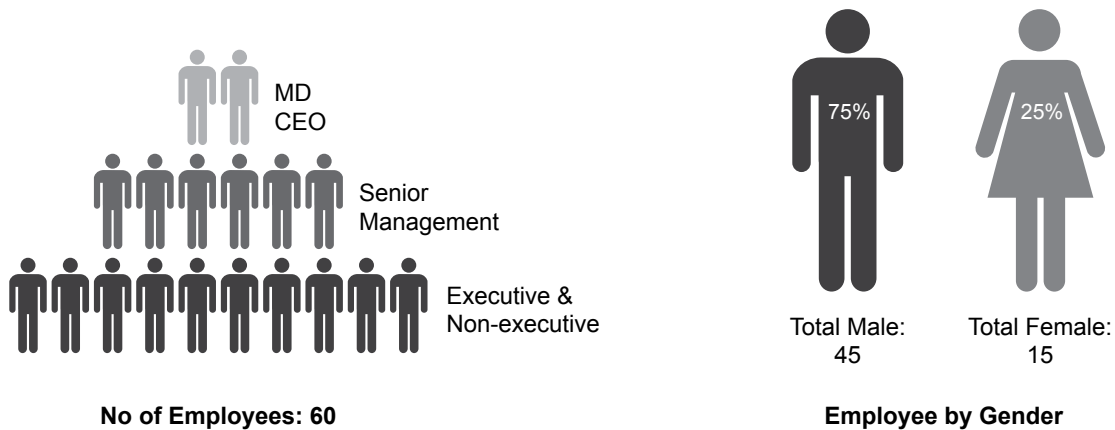
The Management is vigilant to the volatile timber market and will continue to improve productivity and efficiency in its operation. Within the principles of Sustainable Forest Management, the Management strives to carry out its tasks in a prudent and discreet manner while adapting to any improvement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

WORKFORCE

The Company is committed in creating a dynamic workplace that is able to attract, retain and develop talents as an inherent component of maintaining sustainability.

The Group itself have a diverse, multi-cultural workforce consisting of competent industry professionals. Both genders are well represented at all levels of the Group, comprising Technical and Non-Technical staffs and also the Management.

As at 31 December 2018, the workforce are equipped with 60 employees.



MANAGEMENT DISCUSSION AND ANALYSIS

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 continued exploring the employee development plans and 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.

The Company's Succession Planning has been review and assessed accordingly in the Nomination and Remuneration Meeting on 8 February 2018.

CONTINUING EDUCATION PROGRAM

The Employer Sponsorship Programme allows a corporate to work along with outstanding employees in grooming them for senior management positions within the Company. For employers, it is a chance to finance education for talented employees while encouraging them to stay and grow with the Company.

Benefit to employers:

- Retain and motivate high-caliber employees - reduces recruitment expenses, training and lost productivity during the learning phase for new employee.
- Upgrade skills of high performing employees to enable greater performance in senior role and allow them to undertake a greater variety of works.
- Attract potential new recruits who seek to improve their skills and the opportunities associated with those new skills.
- Educational opportunities allow employees to grow their skills and pursue their professional goals, while also integrating what they have learned into their day-to-day responsibilities in the workplace.
- Sponsorship can be used to reward exceptional performance and target employees for career advancement, lead the increase of employee loyalty and improved the productivity and adherence to quality standards.

In year 2018, the Company has sponsored two (2) employees to further their studies to advance or diversify their job-related skills (i.e. Professional Certification for Chartered Company Secretary and Bachelor of Accounting). The Company value what the employees bring back to the organisations and are willing to sponsor them as they know that the strategies and insights, which their employees learn will be put to best use at the work place.

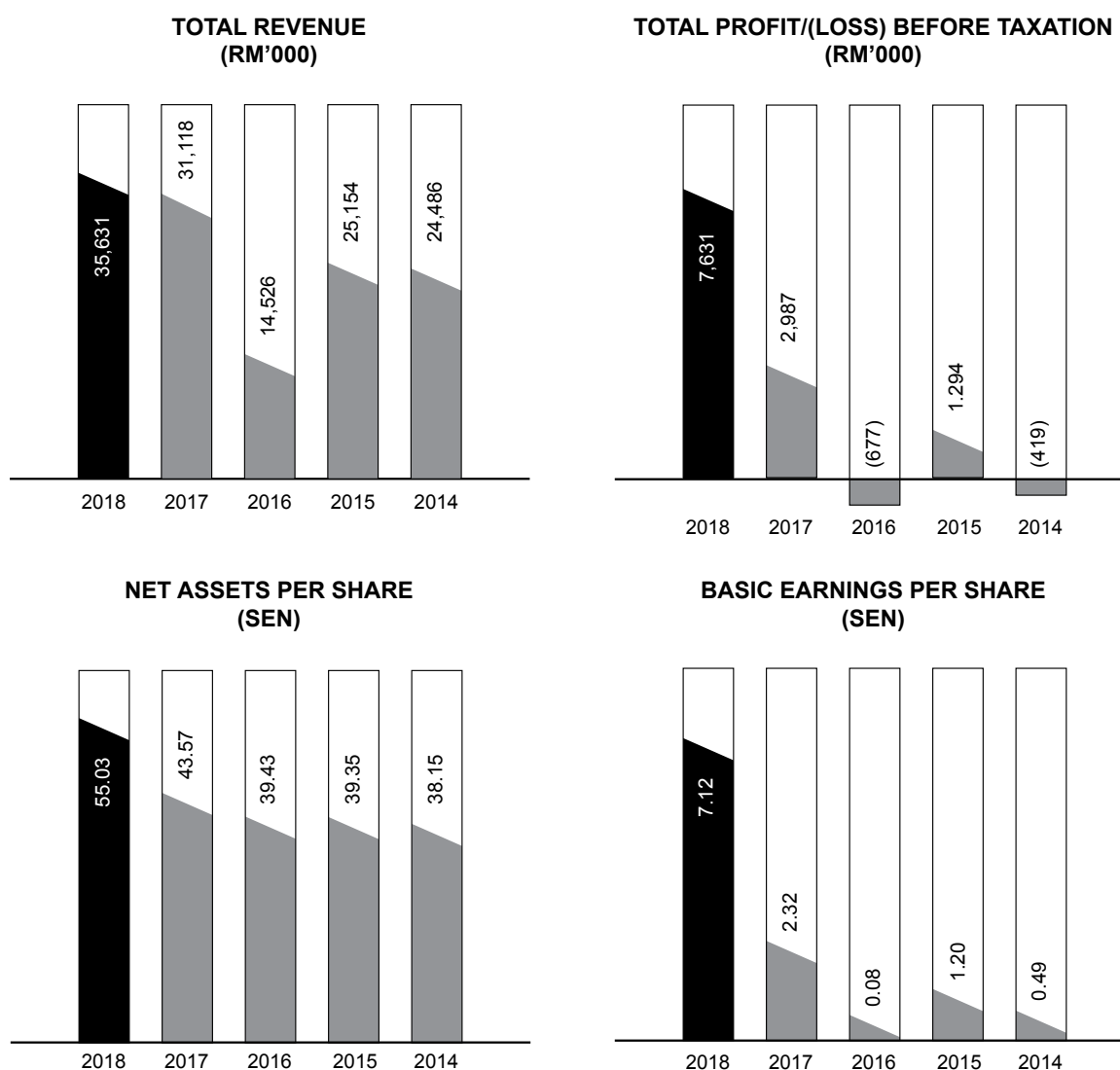
EMPLOYEE DEVELOPMENT & TRAINING

The Company believes that the people need to be developed, challenged and nurtured to be motivated in delivering the Company's business goals. During the year, our workforce has attended various training and engagements pertaining to compliance awareness, product knowledge, technical skills, finance, health and safety, and environment security. With the training comprises both internal and external courses, where the records are maintained in the Head office.

We continue to place emphasis on maintaining a safe working environment. The Management continues to inculcate the Health and Safety mindset and culture within the organization, particularly for onsite employees. A weekly reporting of our Rangers from the worksite via a tracking system called “Smart Tracker” records all activities done in the forest and its vicinity. Alongside regular management site visit to verify their weekly report are done in a proper and safe manner.

Our Camp management is continually engaging its operation workforce for a “gotong-royong” culture at least twice a month. This also involved activity to prevent the breeding of Aedes Mosquito in the employee living quarters. The blood testing was also conducted for malaria disease and the samples tested have given negative result.

FIVE (5) YEARS FINANCIAL HIGHLIGHTS



	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue					
-Continuing Operations	35,631	31,118	14,526	25,154	24,486
-Discontinued Operations	-	-	-	-	-
Total Revenue	35,631	31,118	14,526	25,154	24,486
Profit/(Loss) Before Taxation					
-Continuing Operations	7,631	2,987	(677)	1,294	(419)
-Discontinued Operations	-	-	-	-	-
Total Profit/(Loss) Before Taxation	7,631	2,987	(677)	1,294	(419)
Income/(Loss)Attributable To Equity	6,344	2,070	75	1,067	433
Shareholder's Fund	49,004	38,800	35,116	35,041	33,974
Basic Earnings Per Share (Sen)	7.12	2.32	0.08	1.20	0.49
Net Assets Per Share (Sen)	55.03	43.57	39.43	39.35	38.15



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

2018 was another challenging year for the Group. The International economic growth remains generally low throughout the year and the changes in the State Government policy on round logs export in May 2018 compelled the Company to advocate the focus on domestic timber market.

The Company was again awarded the Certificate of Compliance by the Sabah Chief Conservator of Forest for fulfilling the requirements for 2017 Annual Work Plan with an improved performance. Due to the challenges and performance, the Group continued to strive to improve its productivity and efficiency and adopt a prudent approach in planting within a discreet and manageable area.

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

For 2019, the Company pledged to continue the effort and has committed to replant a practical rehabilitation planting area with a combination of mosaic gap planting design and liberation treatment and carry out forest improvement through Silviculture activity and continue to practice Reduced Impact Logging ("RIL").

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.



SUSTAINABILITY REPORT

OVERVIEW

The Company is a licence-holder of Sustainable Forest Management Licence Agreement 06/97 (“SFMLA 06/97”), covering an area of 71,293 hectare of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah. Subsequently, the Company has on 12 April 2018 entered into a Sustainable Forest Management Licence Agreement (“Supplemental”) under the 100 years SFMLA 06/97 for conversion of 15,438.30 hectares into Protection Forest Reserve (“Class One”) and excise 10,195.28 hectares for socio-economic purpose. Pursuant to the exercise, the remaining licensed area is 45,659.42 hectares.

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;
- 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 (ha)	Achieved (ha)
1.	Timber harvesting	2456	1454
2.	Silviculture treatment	700	383
3.	Timber plantation	81	66

Timber harvesting during the year is concentrated in salvage harvesting in Industrial Tree Plantation area while RIL harvesting in the natural forest area was carried out circumspectly in full compliance to RIL guidelines.

SUSTAINABILITY REPORT

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 2018, 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.

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 2018. The Company also maintains its support to the European Union Reduced Emission from De-forestation and De-foliation (“EU-REDD+”) Project in Kampung Gana. One of the proposed project is the eco-tourism development for Kokobuan Waterfall as part of the project’s sustainable livelihood activities for the Kampung Gana Communities. As the waterfall is in the Lingkabau Forest Reserve, the Company may preserve some portion of the area to ensure the waterfall remains undisturbed.

The Company’s involvement in the local communities in 2018 includes the following:

- Conducting consultations with local communities via formal and informal dialogues in Kampung Dampiron, Kampung Tagapalang and Kampung Gana.
- Verification and survey of ancestry graveyard for Kampung Dampiron and Kampung Tagapalang.
- Monitoring and verifications of the identified High Conservation Value Forest (“HCVF”) with active inputs and participation of the relevant community including the proposed eco-tourism development for Kokobuan waterfall in Compartment 138 of Lingkabau Forest Reserve.
- Contributed materials for the repairs of building in Sekolah Kebangsaan Abuan and Nor Hidayah Surau in Kampung Abuan.
- The Company has also contributed in kinds for the activities organised by Gereja SIB Kampung Abuan and Persatuan Panel Penasihat Klinik Kesihatan Abuan.



Figure 1: Locating and verifying grave site in Kampung Dampiron

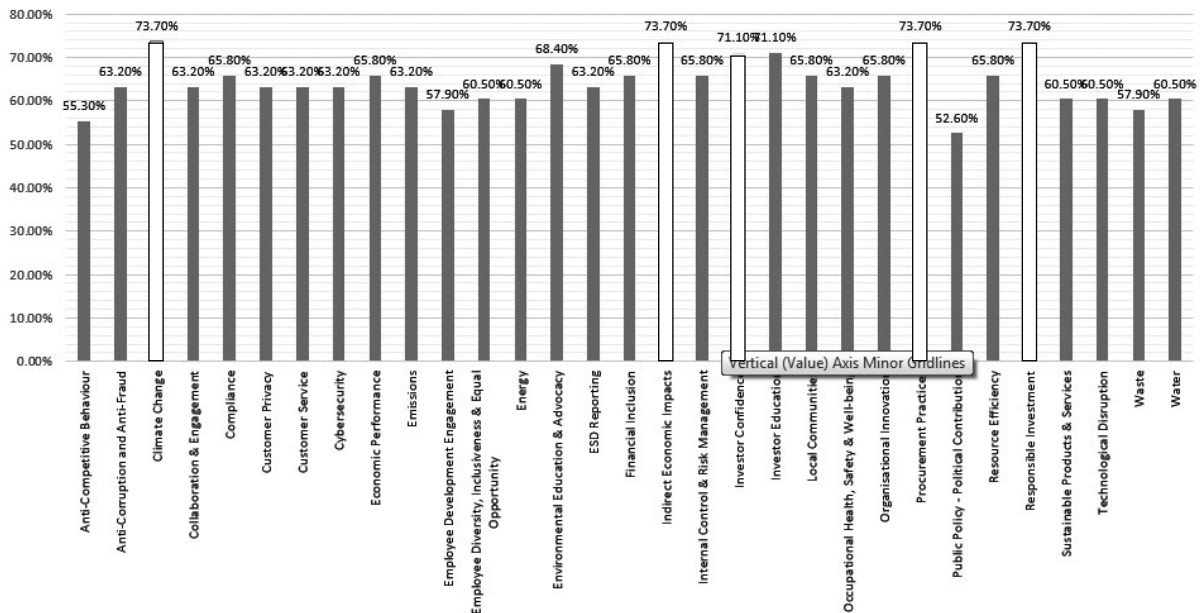
SUSTAINABILITY REPORT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (“EES”)

In line with the Sustainability Reporting Guide and Toolkits (“the Guide”) released by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 8 October 2015 and the subsequently released second edition on 13 December 2018, all PLC are called to adopt a holistic approach to business management, taking into consideration the Economic, Environmental and Social (“EES”) key matters alongside financial implications.

As part of its sustainability process, especially in determining the key matters that are important for the Company and its environment, the Company has engaged various stakeholders namely, the Investors/Shareholders, Suppliers, Bankers and Auditors, and Employees through a Survey held on 29 August 2018 that sought to identify, evaluate and manage the material sustainability key matters and improve awareness of the key matters that could significantly impact the Company and its stakeholders. The list of key matters was based on the EES provided in the Guide. The survey was in printed as well as in online forms to reach all the intended participants.

TWB’s Key Matters for Economic, Environmental & Social



Based on the summary of the survey shown above, the Company conducted an in-house Sustainability Workshop on 3 October 2018 which aims to cover the following objective:

		Compliance Focused
1.	Set the objectives	To meet with the regulatory requirements.
2.	Identify the Topics	Covers a range of required sustainability topics.
3.	Collect the Information	Selective case studies and limited ad-hoc data.
4.	Communicate the Results	Minimal content made publically available on an inconsistent basis.

SUSTAINABILITY REPORT

The activities conducted during the workshop:

a) Summary of Stakeholder, Stakeholder Engagement Methods, and Challenges Faced or Anticipated and How to Improve (Table A);

STAKEHOLDER	STAKEHOLDER ENGAGEMENT METHODS	CHALLENGES FACED OR ANTICIPATED AND HOW TO IMPROVE
Government / Regulation	Meeting Consultation	Changes in Government's Policy / Regulation
Shareholders	AGM	Dividend
Contractors	Interview Meeting	Non-Performance Non-Compliant
Employees	Interview Meeting	Skills & Knowledge Experience
Consumer / Buyer	Marketing & Satisfaction	Price Certification Demand Donald Trump Negative Effects on Trade
Community	Website Employment Dialogue	Lack of Education NGOs, Natural Society LEAP

b) Stakeholder Prioritisation Process & Matrix (Table B);

		Stakeholder influence - dependency matrix			
Stakeholder dependence on the organisation (or objective, project or business line)	High dependence				CONTRACTOR EMPLOYEE CONSUMER / BUYER
	Low dependence		SHAREHOLDERS COMMUNITY		GOVERNMENT & REGULATIONS
		No influence	Low influence	Some influence	Formal power / High influence
		Stakeholder influence on the organisation (or objective, project or business line)			

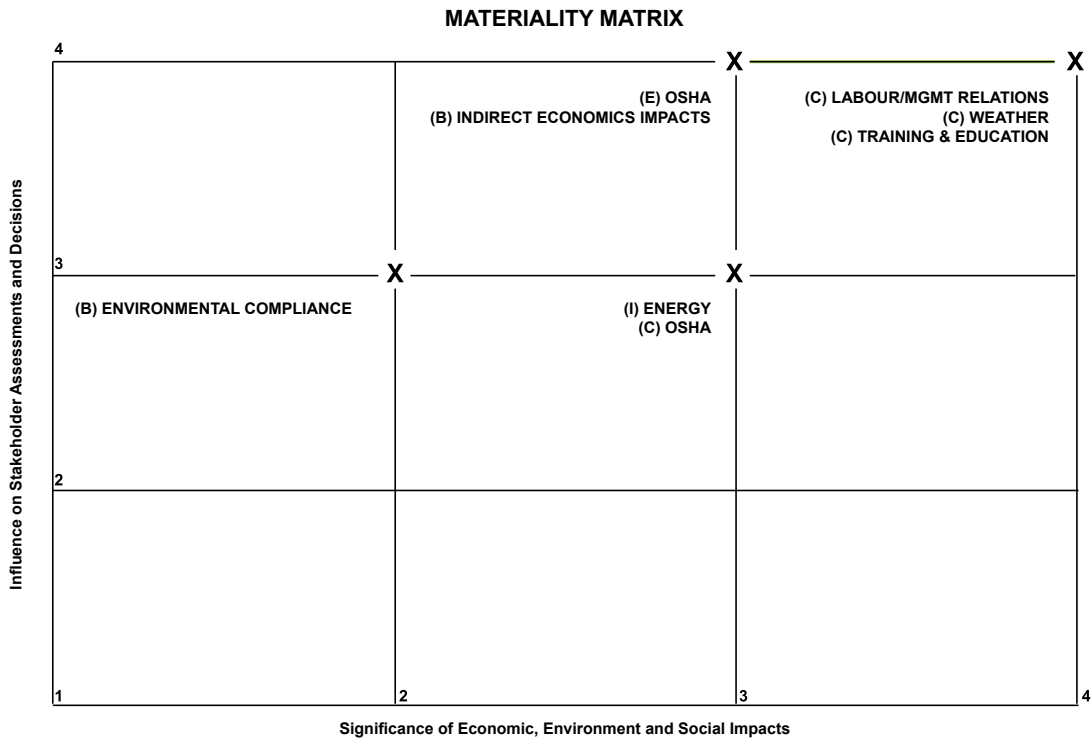
SUSTAINABILITY REPORT

c) Influence on Stakeholder Assessment and Decisions (Table C);

INFLUENCE ON STAKEHOLDER ASSESSMENT AND DECISIONS (SCALE 1 TO 4 FOR LEVEL OF INFLUENCES)

STAKEHOLDER (Selected)	RELEVANT EES MATTERS	AVERAGE SCORE FOR OVERALL INFLUENCE (Y)	SIGNIFICANCE OF EES IMPACTS (SCALE 1 TO 4 FOR LEVEL OF SIGNIFICANCES) (X)
Contractors	Labour/Management Relations	4	4
	Energy	3	3
	Weather/OSHA	4	4
	OSHA	3	3
Employees	OSHA	4	3
	Training & Education	4	4
Consumer / Buyer	Indirect Economic Impacts	4	3
	Environmental Compliance	3	2

d) Materiality Matrix (Table D);



SUSTAINABILITY REPORT

From the Stakeholder Prioritisation Process & Matrix, the Company has identified 2 stakeholders whom have high influence and high dependence to the Company. There are the Contractor and Employee. Based on the Materiality Matrix (Table D arising from the EES, the areas has significant impact and influence to the Company are illustrated in the table below:

Stakeholder	Relevant EES Matters
Contractor	Labour and Management Relations Weather Condition
Employee	Training and Education

CONTRACTOR

Contractor have high influence and high dependence to the Company and their most significant impact and influences key matters are Labour and Management Relations and Weather Conditions.

In our Company, the engaged contractors for harvesting, silviculture, liberation treatment, planting and maintenance were all briefed prior to commencement of activities on requirements to observe environmental mitigations such as prohibition of any activities along the river/stream reserve. They also observed the open burning prohibitions.

Labour and Management Relations

During the year, with regard to labour and management relations, the Company have incorporated in the engagement contract agreement that the contractor shall ensure that all the employees involved in forestry activities in the assigned area are registered with Forestry Department by filling of the 'Certificate of Identity' and ensure that the annual endorsement of the certificate is carried out. The contractors have also initiated effort to regularize its workers with all the relevant authorities. For the forthcoming year, the Company plans to inculcate more safety and environmental awareness to the contractors.

For the year 2018, all contractors have fulfilled the TLAS audit with respect to safety related and environmental mitigation principles. However, the Company intend to further educate the Contractors in order to make them aware that the actions taken is not only as part of their obligation but more on working etiquette.

Weather Conditions

The contractors are required to update a daily weather chart and submitted to the office on weekly basis commencing mid of 2018. The rainfall occurrences are counter checked by the Company field rangers and the record kept in the site office.

SUSTAINABILITY REPORT

EMPLOYEE

The Company having a diverse, multi-cultural workforce consisting of skilled and technical employee including team of professional in the senior management level.

Training and Education

The Company places much emphasis on its staff training and development programmes. As with its Board of Directors, staff are also encouraged to undertake continuing professional education to equip themselves with the latest technical and statutory updates to stay relevant and be prepared for their jobs.

In year 2018, a total of 7 trainings related to the Company's operations were held for all levels of employees. The trainings are as listed below:

No.	Continuing Education Programme Attended	Month Attended
1.	WWF High Conservation Value ("HCV") Intro and Refresher Training	July 2018
2.	Sustainability Engagement Series for CFO and CSO	July 2018
3.	Bursa Malaysia with MIA partnership "Evolutions of future CFO"	August 2018
4.	Sabah Timber Legality Assurance System stakeholders Consultation	October 2018
5.	Sabah Forestry Department "Sustainable Forest Management Implementation and other related issues"	November 2018
6.	MTIB "Strategy Workshop of National Timber Industry Census study"	November 2018
7.	Sabah Forestry Department "The Sixth Project Steering Committee (PSC) Meeting of the EU Funded Programme Tackling Climate Change Through Sustainable Forest Management And Community Development"	December 2018

For the upcoming year, the Company have included in Annual Work Plan 2019 to conduct further training as indicated below:

Type of Training	Personnel Involved	Implementation
RIL Operator Refresher	Tractor operators Timber Fellers Hookman	2nd Quarter
Wildlife awareness course In collaboration with World Wildlife Fund ("WWF")	Supervisors Rangers Selected staff	3rd Quarter
First Aid training	Safety Committee	3rd Quarter

Moving forward, the Company will continue the practice of measuring, disclosing and accounting for corporate performance towards the goal of sustainable development. Sustainability key matters 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 2018, and presents our commitments for the future years.



CORPORATE GOVERNANCE

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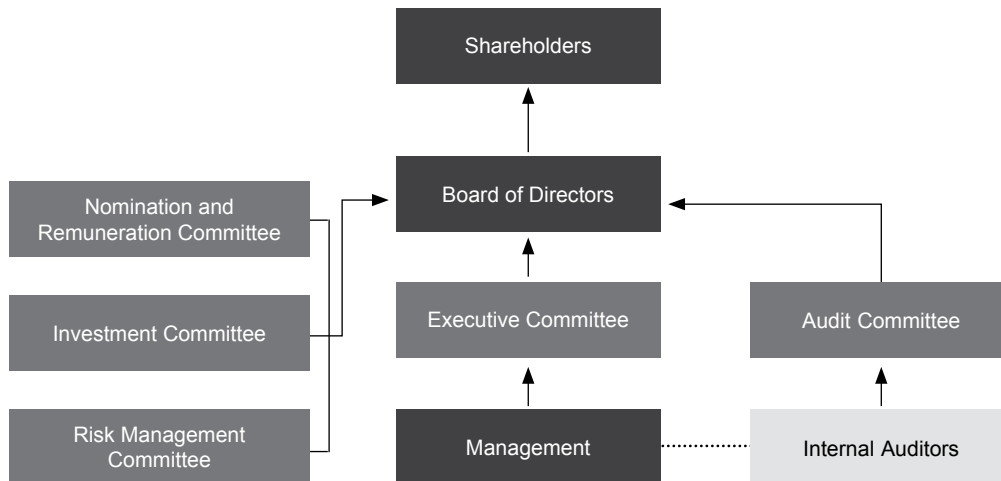
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2017 (“Code”) are applied and maintained throughout the Group with the ultimate objective of safeguarding the interests of the shareholders as well as the stakeholders and the financial performance of the Group.

The Board is pleased to set out below how the Group has applied the three (3) key principles laid down in the Code. 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 practices of the Code.

This statement is to be read together with the Corporate Governance Report (“CG Report”) which is available on the Company’s website at www.timwell.com.my as well as via an announcement on the website of Bursa Malaysia Securities Berhad (“Bursa Securities”) (<http://www.bursamalaysia.com>).

CORPORATE GOVERNANCE STRUCTURE



PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

1. BOARD’S LEADERSHIP ON OBJECTIVES AND GOALS

1.1 Strategic Aims, Values and Standards

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.1 Strategic Aims, Values and Standards (cont'd)

The Sustainability Statements, which the details are presented on page 30 to 36 stated the actions taken by the Company in protecting the environment while striving to achieve a better performance towards the goal of sustainable development.

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 reviewed by the Board on 26 March 2019. The Board Charter has been published on the Company's website, www.timwell.com.my.

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 periodically to ensure that it complies with the best practices and regulations.

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 Management, must:-

- approve and proactively participate in strategic decisions.
- ensure adherence to its fiduciary obligation;
- 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;
- ensure that there is a sound framework for internal control and risk management;
- set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- establish a succession planning for Board and Senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits; and
- promote good corporate governance culture within the Group, which reinforces ethical, prudent and professional behavior.

The Board, through the Audit Committee, Risk Management Committee and other relevant Committees, provides effective oversight of Management's performance, risk assessment and controls over business operations, and compliance with regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.2 The Roles of Chairman and CEO

The Board has adopted the recommendation of the Code that the position of the Chairman and the 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 an Independent Non-Executive Director was appointed as the Chairman of the Board on 28 August 2006. Datuk Pau Chiong Ung was appointed as the CEO of the Company on 23 May 2006.

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 www.timwell.com.my.

1.3 Separation of the Positions of the Chairman and CEO

The position of the Chairman and the CEO is held by different individuals, accordingly there is a clear division of responsibilities between the Chairman and the 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 as an Independent Non-Executive Directors is independent of management and free from any business or other relationship, which could materially interfere with the exercise of his independent judgment. Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by Management are fully deliberated and examined, in the interest of shareholders as well as stakeholders.

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 CEO is responsible for the implementation of broad policies approved by the Board and he is obliged to report to the Board and discuss with them at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. He is supported by Management and the Group Accountant.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.4 Qualified and Competent Secretaries

In performing their duties, all Directors have access to the services of the Company Secretaries. The Company Secretaries acts as the corporate governance counsel and ensures good information flow within Board, Board Committees and Management. The Company Secretaries attended all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016 ("the Act"), Main Market Listing Requirements ("MMLR"), the Code, etc.

1.5 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 all the Board members are adequately provided with status report and Board papers within a reasonable period prior to the meeting to assist them to make the best decisions in the best interest of the Company at all times. However, urgent matters may be tabled at the meeting itself. To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. 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 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 2018, a total of five (5) 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	4/5
Dato Sri Tiong King Sing	Managing Director	3/5
Datuk Yap Pak Leong (or his Alternate Director: Ms Yap Fook Fung)	Senior Independent Non-Executive Director	5/5
Mr Loo Choo Hong	Independent Non-Executive Director	5/5
Madam Agnes Soei-Tin Lamey	Independent Non-Executive Director	5/5
Mr Melton Martin	Independent Non-Executive Director	5/5

All Directors complied with the requirements of Paragraph 15.05(3)(c) of the MMLR which stipulates a minimum of 50% attendance of the Board meetings held in a financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.6 Access to Information and Advice

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

Board meetings are prepared diligently and are structured with a pre-determined agenda. Prior to the 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, 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, 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.

1.7 Code of Ethics and Conduct

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standards is formalised through the Company's Code of Ethics and Conduct, which requires all Directors and Employees to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

The Code of Ethics and Conduct is accessible on the Company's website.

1.8 Whistle Blowing Policy

The Board has also adopted a whistleblowing policy ("WP") setting out the appropriate communication and feedback channels to facilitate whistleblowing. The implementation of the WP is in line with Section 587 of the Companies Act 2016 ("the Act") where provisions have been made to protect Timberwell's officers who make disclosures on breach or non-observance of any requirement or provision of the Act or on any serious offence involving fraud and dishonesty.

The WP is accessible on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION

1. STRENGTHEN BOARD'S OBJECTIVITY

1.1 Board Committees

The Board is supported by the following Board Committees whose compositions are in accordance with the best practices as prescribed by the Code to ensure the Board's effectiveness and to efficiently discharge its duties and responsibilities. Each Board Committee operates within its terms, which clearly define its functions and responsibilities. Minutes of Board Committee meetings are circulated at the Board Meetings.

A. Audit Committee ("AC")

The objective, composition, terms of reference and activities of this Committee together with its report are presented on pages 63 to 67 of the Annual Report.

B. Nomination and Remuneration Committee

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 current members of the NRC are as follows:

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Madam Agnes Soei-Tin Lamey	Independent Non-Executive Director
Mr Melton Martin	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.

The detailed terms of references of the NRC is made available on the Company's website at www.timwell.com.my.

Nomination Function

The NRC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

Management shall engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

1. STRENGTHEN BOARD'S OBJECTIVITY (CONT'D)

1.1 Board Committees (cont'd)

B. Nomination and Remuneration Committee (cont'd)

Nomination Function (cont'd)

The NRC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NRC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

Remuneration Function

The NRC also reviews the remuneration of the Board and Senior Management from time to time with a view to ensuring the Company offers fair compensation and is able to attract and retain talent who can add value to the Company. The Directors' Fees paid to the Directors are tabled at the Company's Annual General Meeting ("AGM") for approval.

Summary of Activities of NRC

During the financial year under review, five (5) meetings were held and attended by all members. The main the activities carried out by the NRC during the financial year under review were as follows:

- reviewed the terms of reference of NRC;
- reviewed and 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 Chief Financial Officer ("CFO");
- reviewed and recommended to the Board, the re-election and re-appointment of retiring Directors who will be retiring at the forthcoming AGM of the Company;
- assessed and evaluated the level of independence of Independent Directors;
- reviewed and assessed the term of office and performance of the AC and each of its members;
- assisted the Board in assessing the training needs of the Directors during the year;
- reviewed and deliberated on the Directors' Fee and Directors' remuneration; and
- reviewed and assessed the renewal of employment contract of CEO.
- reviewed and recommended to the Board the remuneration package and bonus payout of the CEO.

The NRC is satisfied with the effectiveness of the Board and its Committees, including the contributions by each of the members based on the annual assessments conducted and affirmed by each of the members of the Board. The NRC is confident that each of the members of the Board and its Board Committees will continue to operate and contribute effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

1. STRENGTHEN BOARD'S OBJECTIVITY (CONT'D)

1.1 Board Committees (cont'd)

C. Risk Management Committee ("RMC")

The RMC 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 AC and RMC nominated by the Board.

The current members of the RMC are as follows:

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Madam Agnes Soei-Tin Lamey	Independent Non-Executive Director
Mr Melton Martin	Independent Non-Executive Director

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 3 October 2018 and the key risk areas were updated to better reflect the Group and Company's current situation and business environment. In 2018, two (2) meetings was held to discharge its duties and responsibilities.

D. Executive Committee ("Exco")

The current members of the Exco are as follows:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

1. STRENGTHEN BOARD'S OBJECTIVITY (CONT'D)

1.1 Board Committees (cont'd)

D. Executive Committee ("Exco") (cont'd)

Duties and Responsibilities (cont'd)

- 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 2018, three (3) meetings were held to discharge its duties and responsibilities.

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

E. Investment Committee

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.

The current members of the Investment Committee are as follows:

Name of Directors	Designation
Datuk Yap Pak Leong (Chairman)	Senior Independent Non-Executive Director
Datuk Pau Chiong Ung	CEO
Dato Sri Tiong King Sing	Managing Director

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 Exco.

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. The ultimate responsibility for the final decision on the recommendations lies with the entire Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

1. STRENGTHEN BOARD'S OBJECTIVITY (CONT'D)

1.2 Board Composition

The Board consisted of six (6) members, comprising five (5) Independent Non-Executive Directors and one (1) Managing Director.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and the Code as more than half of its members are Independent Directors. 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 13 to 17 of this Annual Report.

1.3 Board Balance and Independence

The Board comprises only one (1) Executive Director and a strong presence of five (5) Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board to safeguard the interests of the Bank and all stakeholders.

Independence is important for ensuring objectivity and fairness in board's decision making. All Independent Directors 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.

1.4 Tenure of Independent Directors

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 Non-Executive 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 an Independent Director. For a Director retained as an Independent Director after the twelfth (12) years, the Board shall seek shareholders' approval annually through a two-tier voting process as provided under the Code.

The Company does not have tenure limits for Independent Directors and the Board is of the opinion that the ability of an Independent Director to exercise his/her independence and objective judgment in Board deliberations shall not be a function of his/ her length of service as an Independent Director.

The NRC had reviewed and recommended to the Board for Dato' Seri Abdul Azim Bin Mohd Zabidi and Datuk Yap Pak Leong, who have served the Company for the tenure of more than twelfth (12) years to continue to serve as Independent Directors of the Company, subject to annual shareholders' approval through a two-tier voting process as stipulated in the Code.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

1. STRENGTHEN BOARD'S OBJECTIVITY (CONT'D)

1.5 Board Diversity and Senior Management Team

The Board acknowledges the importance of diverse Board and Senior Management. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

1.6 Board Gender Diversity

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy.

The Board shall endeavour to reach 30% female Director target by 2020 as stated in the Board Charter and will consider appointing female Director as part of its future selection of candidates.

The Board currently comprises six (6) members, out of which one (1) is a female Director.

1.7 Board Appointment Process

The Company has in place formal and transparent procedures for the appointment of new Directors and Senior Management i.e. Board Diversity Policy. The Company strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

As for the appointment of Independent Non-Executive Directors, the NRC evaluates the ability to discharge such responsibilities before making 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 nomination, selection, remuneration and succession policies for the Group.

1.8 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 AGM immediately after their appointment. The Constitution also require that one-third (1/3) 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 of each Director standing for election are available in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

2. OVERALL BOARD EFFECTIVENESS

2.1 Annual Evaluation

On annual basis, the relevant assessment and review forms / questionnaires in relation to the board evaluation will be circulated to all the Directors to complete in advance of the meeting of the NRC in order to collate the assessment results for the NRC's 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's 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 adopts from Corporate Governance Guide issued by Bursa Securities, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes. The NRC has concluded review of the performance of the board committees.

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.

The NRC also undertakes yearly evaluation of the performance of the CFO, whose remuneration is directly linked to performance, based on the score sheet. For this purpose, the performance evaluation for the year 2018 of the CFO was reviewed by the NRC on 25 February 2019.

2.2 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 MMLR.

All Directors have completed the Mandatory Accreditation Programme as prescribed by 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.

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 attended 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:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

2. OVERALL BOARD EFFECTIVENESS

2.2 Directors' Training (cont'd)

No.	Continuing Education Programme Attended	Month Attended
1.	Dato' Seri Abdul Azim Bin Zabidi 1. Corporate Governance Briefing Sessions "MCCG Reporting and CG Guide" 2. Post Commonwealth Games "Challenges of Sport in Malaysia" 3. Common Pitfalls in Transaction and RPT Rules and Managing RRPT 4. Olympic Marketing Seminar	March 2018 May 2018 July 2018 September 2018
2.	Dato Sri Tiong King Sing 1. Technical Dialogue of Traffic Management and Safety on Road Diversion, JKR Bintulu. 2. Engagement Session and Dialogue on the Federal Road with the Ministry of Works, Kuala Lumpur 3. Seminar on Agricultural with the Magistrate of YunLin, Taiwan. 4. Seminar on Agriculture by National Pingtung University of Science and Technology, Taichung Taiwan.	January 2018 February 2018 March 2018 December 2018
3.	Datuk Yap Pak Leong 1. SSM What's new for Company Secretaries? 2. MIA "2019 Budget Seminar" 3. MIA "Best Practices in the Presentation of Financial Statements & Annual Reports"	July 2018 November 2018 December 2018
4.	Madam Agnes Soei-Tin Lamey 1. SSM What's new for Company Secretaries? 2. MIA "2019 Budget Seminar" 3. Malaysian Sustainable Palm Oil Awareness Training	July 2018 November 2018 December 2018
5.	Mr Loo Choo Hong 1. MIA "The Insights to Preparing Transfer Pricing Documentation" 2. Chartered Tax Institute of Malaysia "National Tax Conference 2018" 3. Chartered Tax Institute of Malaysia "2019 Budget Seminar"	May 2018 July 2018 November 2018
6.	Mr Melton Martin 1. MIA "2019 Budget Seminar"	November 2018
7.	Ms Yap Fook Fung (<i>Alternate Director to Datuk Yap Pak Leong</i>) 1. MIA "2019 Budget Seminar"	November 2018

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION

The 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 the 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 as compared to other Board members in recognition of his additional responsibilities.

The details of the remuneration of the Directors of the Group and Company, paid and payable for the financial year ended 31 December 2018 are as follows:

	Fees and Allowances RM'000
Executive Directors	46.5
Non-Executive Directors	295.5
Total	342.0

	Director Fees RM'000	Meeting Allowances RM'000	Total RM'000
Dato' Seri Abdul Azim Bin Zabidi (Chairman)	45.0	10.0	55.0
Dato Sri Tiong King Sing	40.5	6.0	46.5
Datuk Yap Pak Leong	42.0	20.0	62.0
Madam Agnes Soei-Tin Lamey	40.0	22.5	62.5
Mr Loo Choo Hong	40.0	15.0	55.0
Mr Melton Martin	40.0	13.5	53.5
Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	-	7.5	7.5
Total	247.5	94.5	342.0

The numbers of the Company's Directors with total remuneration fall within the successive bands are as follows:-

Range of remuneration	Number of Directors		
	Executive	*Non-Executive	*Total
Above RM50,000	-	5	5
Below RM50,000	1	-	1
Total	1	5	6

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

The number of top five (5) senior management whose remuneration (comprising salary, bonus, benefits in-kind and other emoluments) for the financial year ended 31 December 2018 within the successive bands of RM50,000 is as follows:

	Position	Basic Salaries, Bonus and Other Employee Benefit RM'000	Employer Contribution (EPF) RM'000	Total RM'000
Datuk Pau Chiong Ung	Chief Executive Officer	507.5	60.9	568.4
Lee Seng Choon	Log Pond & Plantation Manager	121.3	14.6	135.9
William Joseph Jomiu	FMU Manager	114.2	13.8	128.0
Lee Yoke Wah	Corporate Services Manager	113.1	13.6	126.7
Suhaili Bin Sainan	Assistant FMU Manager	79.1	9.5	88.6
Total		935.2	112.4	1,047.6

The top five (5) senior management with total remuneration fall within the successive bands are as follows:-

Remuneration Band	Number of top five (5) senior management
RM50,001 to RM100,000	1
RM100,001 to RM200,000	3
RM200,001 to RM300,000	-
RM300,001 to RM400,000	-
RM500,000 and above	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AC

1. AC Composition and Chairman

The AC is made up exclusively of Independent Directors based on the recommendation of the Code and it also fulfils the requirements of the MMLR which requires the Committee to comprise no fewer than three (3) members and that all members must be Non-Executive Directors with a majority of them being Independent Directors.

The Chairman of the AC, Mr Loo Choo Hong is not the Chairman of the Board and is an Independent Director.

This is in compliance with the recommendation of the Code as well as the MMLR. The role and responsibilities of the Committee as well as their rights are set out in the Terms of Reference contained on the Company's website.

Details of the activities carried out by the AC in 2018 are set out on pages 63 to 67.

2. Oversight and Assessment of the Suitability and Independence of External Auditors

The Board considered the suitability and independence of the External Auditors during the discussion of the Group Audit Plan for the financial year ended 31 December 2018. The factors that take into account 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.

AC on 25 February 2019 conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of Crowe Malaysia PLT in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

The AC had also obtained assurance confirming that the External Auditors are independent in accordance with the terms of all relevant professional and regulatory requirements.

3. 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.

4. Financial Literacy of the AC

The AC complies with the recommendation of the Code requiring all members to be independent and at least one (1) member fulfils qualifications prescribed by the MMLR. There is a strong element of independence to fulfil their role objectively and provide a critical and sounding view in ensuring the integrity of financial controls and integrated reporting, and identifying and managing key risk. All members of the AC are financially literate.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I – AC (CONT'D)

5. Relationship with the auditors

The Board has established a transparent relationship with the Company's External Auditors and Internal Auditors via the AC who has explicit authority to communicate directly with them. The External Auditors confirmed to the AC 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.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

1. Risk Management and Internal Control Framework

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while Management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objective.

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Risk Assessment Management Committee supports the Board in monitoring the Company risk exposures, the design and operating effectiveness of the underlying risk management and the internal control systems. Thereafter, the Risk Management Committee will report to the Board after due review of the effectiveness of the Group's risk management and internal control by the AC.

The risk management processes in identifying, evaluating and managing significant risks facing by the Company are embedded into the operating and business processes. These processes are undertaken by the CEO and Management in their course of work. Key matters covering the financial performance, operating, market, regulation and compliance, environment and etc. are reviewed and deliberated in the Business Risk Assessment Management Committee.

The Board has been integrating the risk issues into their decision making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the AC Report and the Statement on Internal Control.

2. Internal Audit Function

The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures, and a continuous review of the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the year.

The Statement on Risk Management and Internal Control set out on pages 56 to 62 of this Annual Report provides an overview of the state of internal controls within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I - COMMUNICATION WITH 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 the shareholders and other stakeholders are well informed of the 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 corporate website also serves as another channel of communication for the shareholders, the investors and the general public. Information such as announcements made to Bursa Securities as well as documents such as Board Charter, Whistleblowing Policy, and Code of Ethics and Conduct can be obtained from the corporate website at www.timwell.com.my.

PART II - CONDUCT OF GENERAL MEETING

The AGM of the Company provides the principal forum of dialogue and interaction between the Board and the shareholders. The Board presents the progress and performance of the Company in the AGM 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, the Board members and the external auditors are available to respond to the shareholders' queries.

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 eight (28) days prior to the meeting so that shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM.

In line with the MMLR of Bursa Securities, the Company will implement poll voting for all the resolutions set out in the notice of 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 Company will appoint scrutineers to validate the votes cast at the AGM. The outcome of resolutions tabled and passed at the AGM are released to Bursa Securities on the same meeting day.

This Corporate Governance Overview Statement was approved by the Board on 26 March 2019.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 effective risk management practice 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.

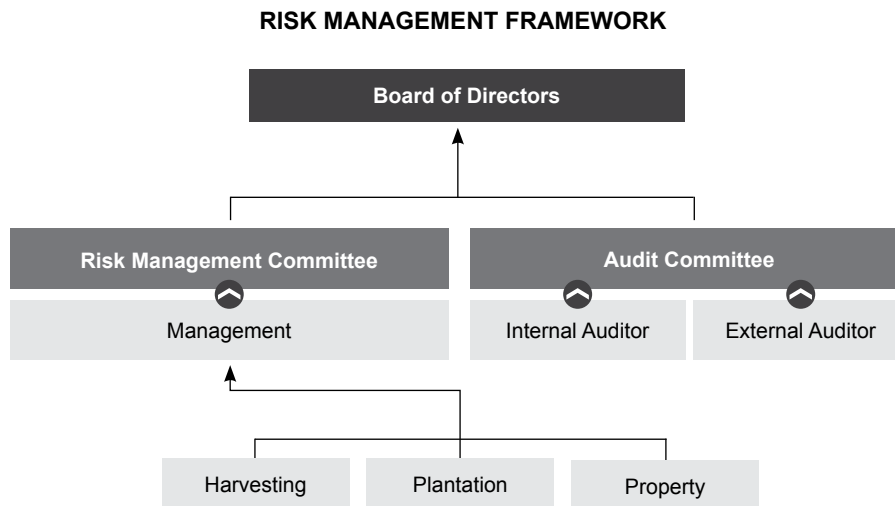
THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

The Board maintains continuous commitment in strengthening the Group's risk management framework and activities. 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.

Risk Management Committee ("RMC") was established in 2012 to oversee and assess the Group's overall business risk profile. The RMC evaluates and sets out the Group Risk Management Plan and ensure that the action and strategies adopted by the Group would be developed and executed by Management and reviewed by the Audit Committee and RMC.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK (CONT'D)

RMC 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 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.

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 & OUTPUT

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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

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	IMAGE <ul style="list-style-type: none"> Current image, shareholders and management Corporate Social Responsibility 	<ul style="list-style-type: none"> Profitability and Sustainability Effects of support from the local communities. 	<ul style="list-style-type: none"> Effects of support from Banker and recruitment of good management staff and employees. Low 	<ul style="list-style-type: none"> Medium
2	BUSINESS <ul style="list-style-type: none"> Harvesting Plantations Properties Others (Disposal of Fixed Assets) 	<ul style="list-style-type: none"> Contractors Fair Weather, Soil Suitability and Weather Condition, Proper application of fertilizers. Occupancy and Maintenance Under control and monitor 	<ul style="list-style-type: none"> Great Impact Affect the profitability Impairment loss Impairment loss 	<ul style="list-style-type: none"> Medium High Medium Medium
3	SHAREHOLDERS <ul style="list-style-type: none"> Major shareholders Shareholders expectation 	<ul style="list-style-type: none"> Financial Position Dividend & Profitability 	<ul style="list-style-type: none"> Liquidity and cash flow problem Loss of Shareholders' support 	<ul style="list-style-type: none"> Low Low
4	FINANCIAL <ul style="list-style-type: none"> International Financial Reporting Standard and Malaysia Financial Reporting Standards Property, Plant and Equipment Financial Performance (Funding and Costing) Budget and Business Planning 	<ul style="list-style-type: none"> Compliance with accounting standard Control or monitor of assets movement Effective decision making & Efficient costing/performance Accuracy & Comprehensive 	<ul style="list-style-type: none"> Suspended or reprimanded by MIA, MASB, Bursa Securities, Securities Commission ("SC"), Companies Commission of Malaysia ("CCM") and possible penalties that maybe imposed. Loss of Assets Loss of credibility and funding Loss of credibility and funding 	<ul style="list-style-type: none"> Medium Medium Low Medium

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
5	HUMAN CAPITAL			
	• Directors	• Ability and concern of the Company.	• Affect Company performance and Profitability	• Medium
	• Key Management	• Competency and concern of the Company	• Affect Company performance and Profitability	• Medium
	• Forest Management Unit ("FMU")	• Devotion	• Affect Company performance and Profitability	• Medium
	• Harvesting Staffs	• Competency	• Affect Company performance and Profitability	• Medium
	• Plantation Staffs	• Competency	• Affect Company performance and Profitability	• Medium
	• Occupation Safety and Health	• Safety Procedure and Awareness	• Penalty for non-compliance & Company's performance	• Medium
	• Foreign Workers	• Levy and approval from Immigration	• Loss of workers	• High
• Minimum Wages	• Performance	• Penalty for non-compliance	• Medium	
6	LICENCE & REGULATIONS			
	• Obligation & Compliance (Annual Working Plan ("AWP"), Plantation Development Plan ("PDP") & Forest Management Plan ("FMP"))	• Proper preparation and compliance	• Affect the FMU License Agreement	• Medium
	• MTCS Certification	• Compliance	• Reduce profitability and performance	• Medium
	• Bursa Securities (Listing Regulations)	• Compliance	• Non-Compliance and possible penalty that maybe imposed	• Low
	• SC	• Compliance	• Non-Compliance and possible penalty that maybe imposed	• Low
	• CCM	• Compliance	• Non-Compliance and possible penalty that maybe imposed	• Low
• Relevant Authority	• Good working relationship with the authority	• Affect the FMU and the core business of the Company	• Significant	

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
7	INDUSTRY & ECONOMIC (MALAYSIA & GLOBAL MARKET) <ul style="list-style-type: none"> • Other FMU Holders • Timber Association Sabah • Timber Demand & Market Price • Competition with Artificial Timber Replacement • Sabah Timber Industry Association 	<ul style="list-style-type: none"> • Mutual Co-operation • Devoted leaders • Economic downturn or boom • Competition • Downstream Production 	<ul style="list-style-type: none"> • Loss of market information • Loss of market information • Reduce profitability and performance • Loss of market information • Loss of Income 	<ul style="list-style-type: none"> • Medium • Low • Medium • Medium • Medium
8	ENVIRONMENT <ul style="list-style-type: none"> • Natural Disaster (Fire, Flood and Storm) • Social Impact (3rd Party) • Environmental Impact Assessment and Environmental Compliance Report 	<ul style="list-style-type: none"> • Dry and Wet season, full attention • Encroachment Goodwill policy • Environmental Mitigation Measures 	<ul style="list-style-type: none"> • Loss of Income • Penalty by the Authority • Penalty by the Authority 	<ul style="list-style-type: none"> • Medium • Medium • Medium

The risk assessment profile and framework was reviewed on 3 October 2018 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 2018, 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 RM30,000.00. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

Internal Audit Function (cont'd)

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. 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.

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 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 Committee, Investment Committee, Executive Committee and RMC.

- Organisational Structure and Responsibility Levels

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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

Assurance from Management

The Board has received assurance from the CEO 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

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and has reported to the Board that nothing has come to their attention that caused 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. This Statements was reviewed by AC and approved by the Board on 26 March 2019.

CONCLUSION

For the financial year ended 31 December 2018 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.

REPORT OF AUDIT COMMITTEE

OBJECTIVE

The objective of the Audit Committee (“AC”) is to assist the Board of Directors (“the Board”) in fulfilling its 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 2018 are as follows:

Name of Committee Members	Designation	Date of Appointment	Meeting Attendance
Loo Choo Hong (Chairman)	Independent Non-Executive Director	12/05/2017	5/5
Datuk Yap Pak Leong	Senior Independent Non-Executive Director	30/12/2004	5/5
Agnes Soei-Tin Lamey	Independent Non-Executive Director	12/05/2017	5/5

All the members fulfill the provision of Paragraph 15.09(1)(c) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

TERMS OF REFERENCE

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

ACTIVITIES OF AC

The AC met five (5) times during the financial year ended 31 December 2018. 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

- The AC had 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 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 recommending to the Board for approval and subsequent release to Bursa Securities.
- The AC had 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 (“MFRS”) as well as the applicable disclosure provisions of the MMLR.
- 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 prior to the issuance of the finalised audited financial statements of the Company and the Group.
- The AC had reviewed any changes in the implementation of major accounting policies and practices to the Group.

REPORT OF AUDIT COMMITTEE

ACTIVITIES OF AC (CONT'D)

2. External Audit

- The AC had 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.
- The AC had 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.
- The AC had met with the External Auditors without the presence of Management to further discuss matters arising from audit.
- The AC had 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 had 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 had reviewed 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. 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 AC had ensured that 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 Management.
- The AC had 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 had reviewed the system for identifying, monitoring and disclosing related party transactions for the Group and ensured 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 had 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 2018 to the Board for approval. This Statement was approved by the Board on 26 March 2019.
- The AC had reviewed the Terms of Reference which had incorporated the necessary amendments in line with the MMLR, the Malaysia Code on Corporate Governance 2017 and Companies Act 2016 on 28 March 2018.

REPORT OF AUDIT COMMITTEE

GROUP EXTERNAL AUDIT

1. DUTIES AND RESPONSIBILITIES

The External Auditors' 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 auditor 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 Auditors 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 Auditors' 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 Auditors 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 Auditors 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 Auditors 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.

REPORT OF AUDIT COMMITTEE

GROUP EXTERNAL AUDIT (CONT'D)

2. SUITABILITY AND INDEPENDENCE

The AC had considered the suitability and independence of the external auditors, Messrs Crowe Malaysia PLT during their discussion of the Group Audit Plan for the financial year ended 31 December 2018. The factors that taken into account 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 had also disclosed 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 Auditors for audit and non-audit services for the financial year ended 31 December 2018 were as follows:-

Group	Audit Fees (RM)	Non-Audit Fees (RM)
Crowe Malaysia PLT	118,000	18,000
Crowe Horwath KK Tax Sdn. Bhd. (a company affiliated to the external auditors' firm)	-	32,150
Total	118,000	50,150

3. SUMMARY OF ACTIVITIES

The External Auditors will 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 Management. 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.

REPORT OF AUDIT COMMITTEE

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:

- Identifies, assesses, and mitigates risks that can affect a business area or processes.
- Evaluates and recommends improvements of the Group and Company's internal control.
- Supports the Risk Management by monitoring risks and internal controls through technical competency for the management and the audit committee.
- Assesses and makes 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., who 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.

During the financial year, Internal Auditors had conducted the following audits as per the approved internal audit plan:-

- a) Audit on the business operation process of the Group on the (i) Sales and Trade Receivable; and (ii) Purchase and Payable Process.
- b) Follow-up Audit Review on the (i) Plantation; (ii) Goods & Services Tax ("GST") and Transfer Pricing (GST Implication); and (iii) Human Resources Management.

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2018 was RM30,000.00.

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 26 February 2018. The Board was satisfied that the AC and its members have discharged their duties in accordance with the AC's 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. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2018, 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	106,500	118,000
Non-audit fees	40,400	50,150
Total	146,900	168,150

3. PROFIT FORECAST AND PROFIT GUARANTEE

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

4. 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.

5. VARIATION IN RESULTS

There were no variance of 10% or more between the results for the financial year under review and the audited results previously announced.



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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 2018.

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 8 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 after taxation for the financial year	<u>6,428</u>	<u>6,296</u>
Attributable to:		
Owners of the Company	6,344	6,296
Non-controlling interest	<u>84</u>	<u>-</u>
	<u>6,428</u>	<u>6,296</u>

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2017 are as follows:

	RM'000
<u>In respect of the financial year 31 December 2017</u>	
A final dividend of 1.00 sen per ordinary shares, approved by the shareholders at the Annual General Meeting held on 23 May 2018, paid on 2 July 2018	<u>891</u>

At the forthcoming Annual General Meeting, a final dividend of 2 sen per ordinary share amounting to RM1,781,013 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2019.

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 issued and paid-up share capital of the Company; and

DIRECTORS' REPORT

(b) there were no issues of debentures by the Company.

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.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 34 to the financial statements. At the date of this report, there does not exist:

- (a) 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
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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 other than the fair value gain on biological assets as disclosed in Note 5 to the financial statements.

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 names of directors of the Company who served during the financial year and up to the date of this report are as follows:

DATUK YAP PAK LEONG
AGNES SOEI-TIN LAMEY
YBHG. DATO' SERI ABDUL AZIM BIN MOHD ZABIDI
YBHG. DATO SRI TIONG KING SING
LOO CHOO HONG
MELTON MARTIN
YAP FOOK FUNG (alternate director to Datuk Yap Pak Leong)

DIRECTORS' REPORT

DIRECTORS (CONT'D)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

DATUK PAU CHIONG UNG

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:

<i>Direct interest in the Company</i>	Number Of Ordinary Shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
AGNES SOEI-TIN LAMEY	6,007,740	-	-	6,007,740
DATUK YAP PAK LEONG	4,546,300	-	-	4,546,300
YBHG. DATO SRI TIONG KING SING	21,210,322	-	-	21,210,322
YAP FOOK FUNG	1,240,000	-	-	1,240,000
<i>Indirect interest in the Company</i>				
DATUK YAP PAK LEONG	1,512,000	-	-	1,512,000
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 the benefits included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 32(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.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 31(a) to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM14,000. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

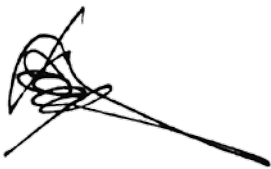
The significant event during the financial year is disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed that they would not be seeking for re-appointment.

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services was RM118,000.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 8 APRIL 2019



Datuk Yap Pak Leong



Agnes Soei-Tin Lamey

**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 82 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 8 APRIL 2019**



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 82 to 164 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 8 April 2019



Lee Yoke Wah

Before me



ERIC @ PATRICK SIKODOL
Commissioner for Oaths
(Pesuruhjaya Sumpah S 113)
Shoplot Unit No. G. 18,
Ground Floor, Golden Centre Putatan
88200 Putatan, Sabah, Malaysia





Crowe Malaysia PLT LLP0018817-LCA
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

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 2018 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 82 to 164.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TIMBERWELL BERHAD**

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

Key Audit Matters (Cont'd)

Biological Assets – RM21,279,000	
Area of focus	Response
<p>Valuation of Biological Assets</p> <p>The biological assets of the Group are carried at fair value less costs to sell and accounts for 34% of total assets. The biological assets consist of cost of planted trees in industrial tree plantation area.</p> <p>The fair value of the Group's biological assets was determined from a valuation exercise undertaken by a professionally qualified valuer (the "Valuer"). The engaged Valuer applied the Discounted Cash Flow (DCF) Method in measuring the fair value of the biological assets. Details of the significant unobservable inputs used in the valuation are disclosed in Note 5 to the financial statements.</p> <p>We considered this to be a key audit matter due to the significance of the balance to the financial statements as a whole, the associated risk in relying on the work of an expert, and subjectivity involved in determining valuations for biological assets.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ▪ Assessing the competence, capabilities and objectivity of the engaged Valuer; ▪ Obtaining an understanding of the valuation process and techniques adopted by the Valuer to evaluate the appropriateness of the expert's work and whether they are consistent with industry norms; ▪ Obtaining the valuation report and meeting with Valuer to assess and challenge the appropriateness and reasonableness of the significant unobservable inputs and the key assumptions underlying the projected cash flows.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

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.

Responsibilities of the 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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.



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:

- 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.
- 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.



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 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.

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.

OTHER MATTERS

1. As stated in Note 3.1 to the financial statements, Timberwell Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the Statements of Financial Position of the Group and of the Company as at 31 December 2017 and 1 January 2017, 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2017 do not contain misstatements that materially affect the financial position as at 31 December 2018 and the financial performance and cash flows for the financial year then ended.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TIMBERWELL BERHAD**

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

OTHER MATTERS (CONT'D)

2. 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.

A handwritten signature in black ink, appearing to read "Gus Malan".

CROWE MALAYSIA PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Kota Kinabalu

Dated 08 April 2019

A handwritten signature in black ink, appearing to read "Michael Y.S. Tong".

MICHAEL Y.S. TONG, JP
Approval No: 596/03/19/(J/PH)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018

ASSETS	Note	The Group		The Company		
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
NON-CURRENT ASSETS						
Biological assets	5	21,279	17,698	21,279	17,698	15,802
Intangible assets	6	8,786	8,898	8,786	8,898	9,010
Property, plant and equipment	7	14,490	27,091	9,486	9,644	8,686
Investments in subsidiaries	8	-	-	21,000	21,000	21,000
Investment properties	9	11,660	-	-	-	-
Non-trade receivables	10	794	847	794	847	659
		57,009	54,534	61,345	58,087	55,157
CURRENT ASSETS						
Inventories	11	1,142	1,582	1,142	1,582	307
Trade receivables	12	2,899	1,627	2,849	1,534	82
Non-trade receivables, deposits and prepayments	10	431	583	236	295	1,399
Amounts due from subsidiaries	13	-	-	168	147	125
Current tax assets		-	-	-	-	347
Fixed deposit	14	390	380	390	380	371
Cash and bank balances		906	1,045	828	977	684
		5,768	5,217	5,613	4,915	3,315
TOTAL ASSETS		62,777	59,751	66,958	63,002	58,472

The Statements of Financial Position continues on page 83.

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

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018

EQUITY AND LIABILITIES	Note	The Group		The Company	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
EQUITY					
Share capital	15	98,677	98,677	98,677	98,677
Share premium		-	9,626	-	9,626
Revaluation reserve	16	7,552	7,552	784	-
Accumulated losses		(57,225)	(62,678)	(59,256)	(68,329)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		49,004	43,551	40,205	30,348
Non-controlling Interest	8	(1,174)	(1,258)	-	-
TOTAL EQUITY		47,830	42,293	40,205	30,348
NON-CURRENT LIABILITIES					
Deferred tax liabilities	17	8,169	8,571	6,557	5,919
Hire purchase payables	18	234	224	234	225
Non-trade payables	19	1,894	2,741	1,894	3,084
(Forward)		10,297	11,536	8,685	8,477
		10,297	11,536	8,685	8,477

The Statements of Financial Position continues on page 84.

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

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	The Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	The Company 31.12.2017 RM'000	1.1.2017 RM'000
(Cont'd)		10,297	11,536	10,694	8,685	8,884	8,477
CURRENT LIABILITIES							
Trade payables	20	1,251	2,591	4,800	1,251	2,591	4,800
Non-trade payables and accruals	19	2,823	3,068	1,337	2,691	2,937	1,211
Amounts due to subsidiaries	13	-	-	-	13,550	13,527	13,503
Hire purchase payables	18	207	219	133	207	219	133
Current tax liabilities		369	44	-	369	44	-
		4,650	5,922	6,270	18,068	19,318	19,647
TOTAL LIABILITIES		14,947	17,458	16,964	26,753	28,202	28,124
TOTAL EQUITY AND LIABILITIES		62,777	59,751	54,557	66,958	63,002	58,472
NET ASSETS PER SHARE	21	55.03 sen	48.91 sen	43.75 sen			

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

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
REVENUE	22	35,631	31,188	35,631	31,188
COST OF SALES		(25,672)	(23,561)	(25,672)	(23,561)
GROSS PROFIT		9,959	7,627	9,959	7,627
OTHER OPERATING INCOME	23	168	467	24	277
FAIR VALUE GAIN ON BIOLOGICAL ASSETS		2,724	1,194	2,724	1,194
OTHER OPERATING EXPENSES		(351)	(1,140)	-	-
ADMINISTRATIVE EXPENSES		(4,410)	(3,510)	(3,709)	(3,301)
SELLING AND DISTRIBUTION EXPENSES		(171)	(171)	(171)	(171)
PROFIT FROM OPERATIONS		7,919	4,467	8,827	5,626
FINANCE COSTS	24	(288)	(285)	(288)	(285)
PROFIT BEFORE TAXATION	25	7,631	4,182	8,539	5,341
INCOME TAX EXPENSE	26	(1,203)	(1,673)	(2,243)	(1,673)
PROFIT AFTER TAXATION		6,428	2,509	6,296	3,668
OTHER COMPREHENSIVE INCOME	27				
<u>Items that Will Not be Reclassified subsequently to profit or loss</u>					
Revaluation of property, plant and equipment		-	2,191	-	784
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		6,428	4,700	6,296	4,452

The Statements of Profit or Loss and Other Comprehensive Income continues on page 86.

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

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		6,344	2,978	6,296	3,668
Non-controlling interest		84	(469)	-	-
		<u>6,428</u>	<u>2,509</u>	<u>6,296</u>	<u>3,668</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		6,344	4,592	6,296	4,452
Non-controlling interest		84	108	-	-
		<u>6,428</u>	<u>4,700</u>	<u>6,296</u>	<u>4,452</u>
EARNINGS PER SHARE					
BASIC	28	<u>7.12 sen</u>	<u>3.34 sen</u>		
DILUTED		<u>Not applicable</u>	<u>Not applicable</u>		

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The Group	Note	Non-Distributable				Accumulated Losses RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Revaluation Reserve RM'000				
Balance at 1.1.2017		89,051	9,626	5,938	(65,656)	38,959	(1,366)	37,593	
Profit after taxation for the financial year		-	-	-	2,978	2,978	(469)	2,509	
Other comprehensive income for the financial year:									
- Revaluation of property, plant and equipment	27	-	-	1,614	-	1,614	577	2,191	
Total comprehensive income for the financial year		-	-	1,614	2,978	4,592	108	4,700	
Transfer to share capital upon implementation of the Companies Act 2016	15	9,626	(9,626)	-	-	-	-	-	
Balance at 31.12.2017/1.1.2018		98,677	-	7,552	(62,678)	43,551	(1,258)	42,293	
Profit after taxation/ total comprehensive income for the financial year		-	-	-	6,344	6,344	84	6,428	
Contribution to owners of the company:									
- Dividend	29	-	-	-	(891)	(891)	-	(891)	
Balance at 31.12.2018		98,677	-	7,552	(57,225)	49,004	(1,174)	47,830	

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	←-----Non-Distributable-----→				Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Accumulated losses RM'000	
The Company						
Balance at 1.1.2017		89,051	9,626	-	(68,329)	30,348
Profit after taxation for the financial year		-	-	-	3,668	3,668
Other comprehensive income for the financial year:						
- Revaluation of property, plant and equipment	27	-	-	784	-	784
Total comprehensive income for the financial year		-	-	784	3,668	4,452
Transfer to share capital upon implementation of the Companies Act 2016		9,626	(9,626)	-	-	-
Balance at 31.12.2017/1.1.2018		98,677	-	784	(64,661)	34,800
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	6,296	6,296
Contribution to owners of the company:						
- Dividend	29				(891)	(891)
Balance at 31.12.2018		98,677	-	784	(59,256)	40,205

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CASH FLOWS FROM OPERATING ACTIVITIES	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	7,631	4,182	8,539	5,341
Adjustments for:				
Amortisation of intangible assets	112	111	112	111
Allowance for impairment loss on receivables	50	-	-	-
Depreciation of property, plant and equipment	1,004	1,605	653	465
Fair value gain on biological assets	(2,724)	(1,194)	(2,724)	(1,194)
Fair value loss on investment properties	300	-	-	-
Interest expenses	288	285	288	285
Interest income	(20)	(60)	(18)	(49)
Loss on disposal of property, plant and equipment	5	-	-	-
Property, plant and equipment written off	119	-	2	-
Gain on disposal of property, plant and equipment	-	(168)	-	(168)
Reversal of impairment losses on property, plant and equipment	-	(52)	-	(52)
Operating profit before working capital changes	6,765	4,709	6,852	4,739
(Increase)/Decrease in inventories	440	(1,275)	440	(1,275)
Increase in receivables	(1,115)	(536)	(1,201)	(536)
Decrease in payables	(2,433)	(825)	(2,434)	(825)
Increase in amounts due from subsidiaries	-	-	(21)	(22)
Increase in amounts due to subsidiaries	-	-	23	24
CASH FROM OPERATIONS	3,657	2,073	3,659	2,105
Interest paid	(288)	(285)	(288)	(285)
Interest received	20	60	18	49
Tax refund	-	193	-	181
Tax paid	(1,281)	(960)	(1,281)	(960)
NET CASH FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD	2,108	1,081	2,108	1,090

The Statements of Cash Flows continues on page 90.

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Cont'd)					
NET CASH FROM OPERATING ACTIVITIES/ BALANCE BROUGHT FORWARD		2,108	1,081	2,108	1,090
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	30(a)	(248)	(109)	(247)	(109)
Proceeds from disposal of property, plant and equipment		11	183	-	183
Acquisition of biological assets	5	(857)	(702)	(857)	(702)
NET CASH FOR INVESTING ACTIVITIES		<u>(1,094)</u>	<u>(628)</u>	<u>(1,104)</u>	<u>(628)</u>
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividend paid		(891)	-	(891)	-
Payment of hire purchase liabilities	30(b)	(252)	(160)	(252)	(160)
NET CASH FOR FINANCING ACTIVITIES		<u>(1,143)</u>	<u>(160)</u>	<u>(1,143)</u>	<u>(160)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(129)	293	(139)	302
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<u>1,425</u>	<u>1,132</u>	<u>1,357</u>	<u>1,055</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30(c)	<u>1,296</u>	<u>1,425</u>	<u>1,218</u>	<u>1,357</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in 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 8 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards', with 1.1.2017 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 4 to the financial statements. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. The financial impacts on the transition from FRSs to MFRSs are disclosed in Note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. BASIS OF PREPARATION (CONT'D)

- 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:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015-2017 Cycles	1 January 2019

The adoption of the above 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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. 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. The carrying amount of property and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(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) *Valuation of Investment Properties*

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers. The independent professional valuers have exercised judgement in determining the remaining useful lives of the buildings used in the valuation process. The carrying amount of investment properties as at the reporting date is disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

(d) *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 net current replacement cost approach including the assumption that the plant and equipment concern can be recommissioned/serviceable. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(e) *Valuation of Biological Assets*

Biological Assets of the Group are reported at fair value which is based on valuations performed by independent professional valuers. The independent professional valuers have exercised judgement in determining the discount rate and estimated yield used in the valuation process. The carrying amount of biological assets as at the reporting date is disclosed in Note 5 to the financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of Consolidation (Cont'd)

(a) Business Combinations

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 recognised 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.

(b) Non-controlling Interests

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.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of Consolidation (Cont'd)

(d) Loss of Control

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.

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 MFRS 9 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 MFRS 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 value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(b) Financial Liabilities

(i) 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. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are 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 (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 liability or a shorter period (where appropriate).

(c) Equity Instruments

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

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Property, Plant and Equipment

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

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

Leasehold land, buildings, motor vehicles and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Property, Plant and Equipment (Cont'd)

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.

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 measured at fair value less costs to sell, based on market prices of logs. Market prices are obtained from observable market prices (where available), contracted prices or estimated future prices. The costs to sell include the incremental selling costs, including royalty payable to authority and estimated costs of transport to market. Changes in fair value of biological assets are recognised in profit or loss.

In measuring the fair value of biological assets, various management estimates and judgements are required. Estimates and judgements in determining the fair value of biological assets relate to the market prices, discount rate, and estimated yield.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Intangible Assets

Intangible assets are stated at cost which comprises the initial 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.

4.10 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to date of change in use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Leased Assets

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and comprises the production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 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.

4.14 Impairment

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Impairment (Cont'd)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or 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 an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

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. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

4.16 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 are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 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 the related tax benefits will be realised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Income Taxes (Cont'd)

(b) Deferred Tax (Cont'd)

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.17 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.18 Employee Benefits

(a) 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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 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 an 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.20 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sales of goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue From Other Sources And Other Operating Income

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

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

5. BIOLOGICAL ASSETS

Fair value	The Group/Company	
	2018	2017
	RM'000	RM'000
At 1 January	17,698	15,802
Additions	857	702
Changes in fair value	2,724	1,194
At 31 December	<u>21,279</u>	<u>17,698</u>

- (a) Biological assets represent the forest planting expenditures incurred on the development of the Group's Sustainable Forest Management Project under a Sustainable Forest Management Licence Agreement with the Sabah State Government over an area of 45,659 hectares (2017: 71,293 hectares) in the Lingkabau Forest Reserve in Sabah for 100 years since 1997.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. BIOLOGICAL ASSETS (CONT'D)

- (b) Biological assets are stated at fair value, which have been determined based on valuations performed by independent professional valuers at the end of the reporting date using the Discounted Cash Flow (DCF) approach based on the following significant unobservable inputs:

<u>Unobservable Inputs</u>	<u>Relationship of Unobservable Inputs to Fair Value</u>
(i) Log selling price per m3 of RM450 (2017: RM450)	The higher selling price, the higher the fair value.
(ii) Discount rate of 11%-12% (2017: 11-12%)	The higher the discount rate, the lower the fair value.
(iii) Estimated yield per hectare of wood/timber (m3/ha) ranging from 43 to 111 (2017: 43 to 111)	The higher the yield rate, the higher the fair value.

The fair values of the biological assets are within level 3 of the fair value hierarchy. There were no transfers between level 1, level 2 and level 3 during the financial year.

The fair value measurements of the biological assets are based on the highest and best use which does not differ from their actual use.

6. INTANGIBLE ASSETS

	The Group/Company	
	2018	2017
	RM'000	RM'000
Cost		
At 1 January/31 December	10,411	10,411
	<hr/>	<hr/>
Accumulated amortisation		
At 1 January	1,513	1,402
Amortisation during the financial year (Note 25)	112	111
	<hr/>	<hr/>
At 31 December	1,625	1,513
	<hr/>	<hr/>
Net book value		
At 31 December	8,786	8,898
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2018 RM'000	Additions RM'000	Reclassi- fication (Note 9) RM'000	Disposal RM'000	Written Off RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
<i>Net Book Value</i>							
Leasehold land	4,233	-	(4,233)	-	-	-	-
Buildings	8,234	8	(7,727)	-	(8)	(56)	451
Road and bridges	7,532	-	-	-	-	(259)	7,273
Plant and machineries	6,198	369	-	-	(45)	(484)	6,038
Motor vehicles	809	113	-	(16)	(66)	(193)	647
Office equipment, furniture and fittings	85	8	-	-	-	(12)	81
	27,091	498	(11,960)	(16)	(119)	(1,004)	14,490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The Group	At 1.1.2017 RM'000	Additions RM'000	Reclassi- fication RM'000	Disposal RM'000	Reversal of Impairment Losses RM'000	Depreciation Charges RM'000	Revaluation Surplus/ (Deficit) RM'000	At 31.12.2017 RM'000
<i>Net Book Value</i>								
Leasehold land	3,200	-	-	-	-	(85)	1,118	4,233
Buildings	8,833	-	(23)	-	-	(330)	246	8,234
Road and bridges	7,791	-	-	-	-	(259)	-	7,532
Plant and machineries	5,370	-	-	(15)	8	(819)	1,654	6,198
Motor vehicles	211	308	-	-	44	(102)	348	809
Office equipment, furniture and fittings	26	46	23	-	-	(10)	-	85
	25,431	354	-	(15)	52	(1,605)	2,874	27,091

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The Group	At Cost RM'000	At Valuation RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Loss RM'000	Net Book Value RM'000
2018					
Buildings	-	507	(56)	-	451
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,600)	-	7,273
Plant and machineries	-	6,672	(634)	-	6,038
Nursery	170	-	(170)	-	-
Motor vehicles	-	868	(221)	-	647
Office equipment, furniture and fittings	239	-	(156)	(2)	81
	11,338	8,047	(4,893)	(2)	14,490
2017					
Leasehold land	-	4,233	(-)	-	4,233
Buildings	-	14,476	(2,750)	(3,492)	8,234
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,341)	-	7,532
Plant and machineries	-	6,375	(177)	-	6,198
Nursery	170	-	(170)	-	-
Motor vehicles	-	842	(33)	-	809
Office equipment, furniture and fittings	231	-	(144)	(2)	85
	11,330	25,926	(6,671)	(3,494)	27,091

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The Company	At 1.1.2018 RM'000	Additions RM'000	Written off RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
<i>Net Book Value</i>					
Buildings	499	8	-	(56)	451
Road and bridges	7,532	-	-	(259)	7,273
Plant and machineries	844	369	(2)	(141)	1,070
Motor vehicles	684	113	-	(185)	612
Office equipment, furniture and fittings	85	7	-	(12)	80
	9,644	497	(2)	(653)	9,486

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The Company	At	Additions	Reclassi- fication	Disposal	Reversal of Impairment Losses	Depreciation Charges	Revaluation Surplus	At
	1.1.2017							31.12.2017
Net Book Value	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Buildings	191	-	(23)	-	-	(21)	352	499
Road and bridges	7,791	-	-	-	-	(259)	-	7,532
Plant and machineries	504	-	-	(15)	8	(81)	428	844
Motor vehicles	174	308	-	-	44	(94)	252	684
Office equipment, furniture and fittings	26	46	23	-	-	(10)	-	85
	8,686	354	-	(15)	52	(465)	1,032	9,644

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The Company	At Cost RM'000	At Valuation RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2018				
Buildings	-	507	(56)	451
Office renovation	56	-	(56)	-
Road and bridges	10,873	-	(3,600)	7,273
Plant and machineries	-	1,184	(114)	1,070
Nursery	170	-	(170)	-
Motor vehicles	-	797	(185)	612
Office equipment, furniture and fittings	231	-	(151)	80
	11,330	2,488	(4,332)	9,486
2017				
Buildings	-	499	-	499
Office renovation	56	-	(56)	-
Road and bridges	10,873	-	(3,341)	7,532
Plant and machineries	-	844	-	844
Nursery	170	-	(170)	-
Motor vehicles	-	684	-	684
Office equipment, furniture and fittings	224	-	(139)	85
	11,323	2,027	(3,706)	9,644

During the previous financial year, the Group's leasehold land, buildings, plant and machineries, and motor vehicles were revalued by an independent professional valuer. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income as disclosed in Note 27 to the financial statements and accumulated in equity under the revaluation reserve.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The details of the Group's property, plant and equipment carried at fair value are as follows:

The Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Leasehold land	-	-	-	-
Buildings	-	-	451	451
Plant and machineries	-	-	6,038	6,038
Motor vehicles	-	-	647	647
	-	-	7,136	7,136
2017				
Leasehold land	-	4,233	-	4,233
Buildings	-	-	8,234	8,234
Plant and machineries	-	-	6,198	6,198
Motor vehicles	-	-	809	809
	-	4,233	15,241	19,474

The Company

2018				
Buildings	-	-	451	451
Plant and machineries	-	-	1,070	1,070
Motor vehicles	-	-	612	612
	-	-	2,133	2,133
2017				
Buildings	-	-	499	499
Plant and machineries	-	-	844	844
Motor vehicles	-	-	684	684
	-	-	2,027	2,027

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The level 3 fair values have been determined based on the cost approach. The remaining useful life of the assets, which are significant inputs, ranged from 8% to 97%. A fluctuation of approximately 10% in useful life of the assets, with all other variables held constant, the fair value of the buildings, plant and machineries and motor vehicles would have been RM202,700 higher or lower.

There were no transfers between level 1, level 2 and level 3 during the financial year.

The fair value measurements of the leasehold land, buildings, plant and machineries and motor vehicles are based on the highest and best use which does not differ from their actual use.

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2018			
Buildings	792	(658)	134
Plant and machineries	48,529	(47,625)	904
Motor vehicles	1,371	(995)	376
	50,692	(49,278)	1,414
2017			
Leasehold land	2,192	(817)	1,375
Buildings	12,369	(5,103)	7,266
Plant and machineries	49,441	(48,751)	690
Motor vehicles	1,570	(1,174)	396
	65,572	(55,845)	9,727
The Company			
2018			
Buildings	792	(658)	134
Plant and machineries	1,113	(428)	685
Motor vehicles	1,057	(682)	375
	2,962	(1,768)	1,194

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

The Company	Cost	Depreciation	Value
2017	RM'000	RM'000	RM'000
Buildings	784	(637)	147
Plant and machineries	773	(365)	408
Motor vehicles	944	(556)	388
	<u>2,501</u>	<u>(1,558)</u>	<u>943</u>

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

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Plant and machinery	267	343	267	343
Motor vehicles	687	388	687	388
	<u>954</u>	<u>731</u>	<u>954</u>	<u>731</u>

8. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Unquoted shares, at cost	52,351	52,351
Quasi loans	19,596	19,596
	<u>71,947</u>	<u>71,947</u>
Less: Accumulated impairment loss		
At 1 January/31 December	<u>50,947</u>	<u>50,947</u>
	<u>21,000</u>	<u>21,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal activities
		2018 %	2017 %	
Timberwell Plywood Sdn. Bhd.	Malaysia	59	59	Investment holding
Timberwell Properties Sdn. Bhd.	Malaysia	100	100	Dormant
Timberwell Forest Sdn. Bhd.	Malaysia	100	100	Dormant
Timberwell Plantations Sdn. Bhd.	Malaysia	100	100	Dormant

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

	The Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Timberwell Plywood Sdn. Bhd.	(1,174)	(1,258)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Timberwell Plywood Sdn. Bhd.	
	31.12.2018	31.12.2017
	RM'000	RM'000
<u>At 31 December</u>		
Non-current assets	16,487	17,270
Current assets	128	166
Non-current liabilities	(1,613)	(2,653)
Current liabilities	(2,180)	(2,166)
Net assets	<u>12,822</u>	<u>12,617</u>
Financial year ended 31 December		
Profit/(Loss) for the financial year	206	(1,145)
Total comprehensive income/(expenses)	<u>206</u>	<u>(263)</u>
Net cash flows for operating activities	(22)	(14)
Net cash flows from financing activities	<u>13</u>	<u>13</u>

9. INVESTMENT PROPERTIES

	The Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At 1 January	-	-
Transfer from property, plant and equipment (Note 7)	11,960	-
Fair value loss on Investment properties (Note 25)	(300)	-
At 31 December	<u>11,660</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

9. INVESTMENT PROPERTIES (CONT'D)

Investment properties are stated at fair value, which have been determined based on valuations performed by independent professional valuers at the end of the reporting date using the cost approach. The remaining useful life of the assets, which are significant inputs, ranged from 1.5% to 4% over an average age of 20 years. There has been no change to the valuation technique during the financial year. A fluctuation of approximately 10% in useful life of the assets, with all other variables held constant, the fair value of the buildings would have been RM202,700 higher or lower.

There were no transfers between level 1, level 2 and level 3 during the financial year.

The fair value measurements of investment properties are based on the highest and best use which does not differ from their actual use.

10. NON-TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Third parties	794	847	794	847
Current				
Third parties	300	455	105	167
Deposit	123	120	123	120
Prepayments	8	8	8	8
	431	583	236	295
	1,225	1,430	1,030	1,142

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

11. INVENTORIES

	The Group/The Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Cost		
Finished goods	1,142	1,582

12. TRADE RECEIVABLES

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.

13. 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.

14. FIXED DEPOSIT

The weighted average effective interest rate of fixed deposit at the end of the reporting period is 2.70% (2017:2.45%) per annum. The maturity period of the fixed deposits at end of the reporting period is 1 month (2017: 1 month).

15. SHARE CAPITAL

Issued and fully paid-up	The Group/The Company			
	2018	2017	2018	2017
	Number of shares		RM	RM
Ordinary Shares				
At 1 January	89,050,667	89,050,667	98,676,675	89,050,667
Transfer from share premium account	-	-	-	9,626,008
At 31 December	89,050,667	89,050,667	98,676,675	98,676,675

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. SHARE CAPITAL (CONT'D)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

16. REVALUATION RESERVE

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

17. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	8,571	7,385	5,919	5,168
Recognised in profit or loss (Note 26)	(402)	503	638	503
Recognised in other comprehensive income (Note 27)	-	683	-	248
At 31 December	<u>8,169</u>	<u>8,571</u>	<u>6,557</u>	<u>5,919</u>

The deferred tax liabilities arose from the following temporary differences:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	3,729	4,789	2,117	2,157
Biological assets	4,546	3,868	4,546	3,868
Hire purchase	(106)	(86)	(106)	(106)
	<u>8,169</u>	<u>8,571</u>	<u>6,557</u>	<u>5,919</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

18. HIRE PURCHASE PAYABLES

	The Group/The Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than 1 year	233	241
- later than 1 year and not later than 5 years	261	234
	<u>494</u>	<u>475</u>
Less: Future finance charges	(53)	(32)
Present value of hire purchase payables	<u>441</u>	<u>443</u>
Analysed by:		
Current liabilities	207	219
Non-current liabilities	234	224
	<u>441</u>	<u>443</u>

- (a) The hire purchase facility bears effective interest rate ranging from 4.94% to 9.45% (2017: 4.94% to 9.45%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.
- (b) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 7 to the financial statements. The hire purchase arrangements are expiring from 1 to 4 years (2017: 1 to 4 years).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

19. NON-TRADE PAYABLES AND ACCRUALS

	The Group		The Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Third parties	2,578	2,816	2,446	2,685
Amounts due to directors - fees	245	252	245	252
Related parties	1,894	2,741	1,894	2,741
	<u>4,717</u>	<u>5,809</u>	<u>4,585</u>	<u>5,678</u>
Analysed by:				
Current	2,823	3,068	2,691	2,937
Non-current	1,894	2,741	1,894	2,741
	<u>4,717</u>	<u>5,809</u>	<u>4,585</u>	<u>5,678</u>

The amounting owing to the related parties bear interest rate at 9% (2017:9%) per annum and is unsecured and has no fixed terms of repayment.

20. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days (2017:30 to 60 days).

21. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value attributable to owners at the end of the reporting period divided by the enlarged number of ordinary shares in issue at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

22. REVENUE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of timber products	<u>35,631</u>	<u>31,188</u>	<u>35,631</u>	<u>31,188</u>

23. OTHER OPERATING INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gain on disposal of property, plant and equipment	-	168	-	168
Interest income	20	60	18	49
Miscellaneous	6	11	-	8
Reversal of impairment losses on property, plant and equipment	-	52	-	52
Rental income	136	176	-	-
Realised gain on foreign exchange	6	-	6	-
	<u>168</u>	<u>467</u>	<u>24</u>	<u>277</u>

24. FINANCE COSTS

	The Group/The Company	
	2018 RM'000	2017 RM'000
Interest expense		
- Advances from related parties	253	257
- Hire purchase	35	28
	<u>288</u>	<u>285</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

25. PROFIT BEFORE TAXATION

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- audit fees	118	89	107	78
- non-audit fees:				
- auditors of the company	18	-	18	-
- member firms of the auditor of the company	33	23	22	12
Amortisation of intangible assets	112	111	112	111
Allowance for impairment loss on receivables	50	-	-	-
Depreciation of property, plant and equipment	1,004	1,605	653	465
Directors' remuneration (Note 31)	344	350	340	346
Fair value loss on investment properties	300	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	5	(168)	-	(168)
Property, plant and equipment written off	119	-	2	-
Rental of premises	78	71	78	75
Reversal of impairment losses on property, plant and equipment	-	(52)	-	(52)
Staff costs (Note 36)	1,508	1,192	1,453	1,124

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

26. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax				
- current year	1,697	1,134	1,697	1,134
- under/(over)provision in the previous financial year	(92)	36	(92)	36
Deferred taxation				
- origination and reversal of temporary differences	(199)	368	625	368
- under/(over)provision in the previous financial year	(203)	135	13	135
	(402)	503	638	503
Total income tax expense	<u>1,203</u>	<u>1,673</u>	<u>2,243</u>	<u>1,673</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

26. INCOME TAX EXPENSE (CONT'D)

A reconciliation of the income tax expense applicable to the profit 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	7,631	4,182	8,539	5,341
Taxation at statutory tax rate of 24%	1,832	1,004	2,049	1,282
Non-deductible expenses	407	258	273	251
Non-taxable income	-	(32)	-	(31)
Deferred tax assets not recognised during the financial year	83	272	-	-
Effect of differential in tax rate on fair value on investment properties	(824)	-	-	-
Under/(over)provision of deferred tax in the previous financial year	(203)	135	13	135
Under/(over)provision of income tax in the previous financial year	(92)	36	(92)	36
Total income tax expense	1,203	1,673	2,243	1,673

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4% on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

27. OTHER COMPREHENSIVE INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment (Note 7)	-	2,874	-	1,032
Less: Deferred tax liabilities (Note 17)	-	(683)	-	(248)
	<u>-</u>	<u>2,191</u>	<u>-</u>	<u>784</u>

28. 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 Group	
	2018	2017
Profit attributable to owners of the Company (RM'000)	<u>6,344</u>	<u>2,978</u>
Weighted average number of ordinary shares in issue (units'000)	<u>89,051</u>	<u>89,051</u>
Basic earnings per share (sen)	<u>7.12</u>	<u>3.34</u>

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

29. DIVIDENDS

	The Company	
	2018 RM'000	2017 RM'000
Final dividends of 1.00 sen per ordinary share in respect of the previous financial year	<u>891</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

30. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant, and equipment is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Acquisition of property, plant and equipment	498	354	497	354
Financed by hire purchase arrangements	(250)	(245)	(250)	(245)
	<u>248</u>	<u>109</u>	<u>247</u>	<u>109</u>

(b) The reconciliations of liabilities arising from financing activities are as follows:

The Group/The Company	Hire Purchase RM'000
2018	
At 1 January	443
<u>Changes in Financing Cash Flows</u>	
Repayment of borrowing principal	(252)
<u>Non-cash Changes</u>	
New hire purchase (Note (a) above)	<u>250</u>
At 31 December	<u>441</u>
2017	RM'000
At 1 January	358
<u>Changes in Financing Cash Flows</u>	
Repayment of borrowing principal	(160)
<u>Non-cash Changes</u>	
New hire purchase (Note (a) above)	<u>245</u>
At 31 December	<u>443</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

30. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposit with a licensed bank	390	380	390	380
Cash and bank balances	906	1,045	828	977
	<u>1,296</u>	<u>1,425</u>	<u>1,218</u>	<u>1,357</u>

31. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Directors				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- Fees	245	252	245	252
- Other emoluments	95	94	95	94
	<u>340</u>	<u>346</u>	<u>340</u>	<u>346</u>
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- Fees	4	4	-	-
Total directors' remuneration (Note 25)	<u>344</u>	<u>350</u>	<u>340</u>	<u>346</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) **Other Key Management Personnel**

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	1,253	826	1,205	766
Defined contribution plan benefits	154	103	147	95
Total compensation for other key management personnel	1,407	929	1,352	861

32. 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	2018	2017
	RM'000	RM'000
(i) Interest paid/payable for advances granted from business entity/company connected to the directors	208	225

**NOTES TO THE FINANCIAL STATEMENTS
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32. RELATED PARTY DISCLOSURES (CONT'D)

(b) **Significant Related Party Transactions and Balances (cont'd)**

The Group/The Company (cont'd)	2018 RM'000	2017 RM'000
(ii) 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	<u>45</u>	<u>32</u>

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

33. OPERATING SEGMENTS

33.1 BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

33.2 MAJOR CUSTOMERS

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
	2018 RM'000	2017 RM'000
Customer #1	2,179	8,695
Customer #2	21,320	11,507
Customer #3	11,604	2,123
	<u>35,103</u>	<u>22,325</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. 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 Group	
	2018 RM'000	2017 RM'000
Bank guarantees granted to secure a performance bond made in favour of the Forestry Department	5,000	5,000
Bank guarantee facility in favour of third party	10	24
	<u>5,010</u>	<u>5,024</u>

35. CAPITAL COMMITMENTS

	The Group/The Company	
	2018 RM'000	2017 RM'000
Approved but not contracted for:		
- Industrial tree-planting project (2018 - 2023)	<u>108,715</u>	<u>109,572</u>

36. EMPLOYEES INFORMATION

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff cost (including other key management personnel as disclosed in Note 31(b))				
- Employees' Provident Fund contributions	173	119	167	111
- Salaries, wages and bonuses	1,325	1,064	1,277	1,005
- Socso	10	9	9	8
	<u>1,508</u>	<u>1,192</u>	<u>1,453</u>	<u>1,124</u>

37. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

37.1 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 currency giving rise to this risk is 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.

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit/loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's hire purchase payables carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 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 does not have quoted investments and hence is not exposed to equity price risk.

(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 fixed deposits, and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 83% of its trade receivables at the end of the reporting period.

(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).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having significant balances and more than 90 days overdue are deemed credit impaired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The expected loss rates are based on the payment profiles of sales over a period of 2 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Not past due	1,427	-	1,427
Past due:			
- less than 3 months	1,453	-	1,453
- 3 – 6 months	19	-	19
	2,899	-	2,899

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS139. The ageing analysis of the Group's trade receivables 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
2017			
Not past due	1,043	-	1,043
Past due:			
- less than 3 months	534	-	534
- 3 – 6 months	30	-	30
- over 6 months	20	-	20
	<hr/> 1,627	-	<hr/> 1,627

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries

The Company applies the general approach to measuring expected credit losses for all intercompany balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full.

The Company determines the probability of default for these loans and advances individually using internal information available.

The identified impairment loss was immaterial and hence, it is not provided for.

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

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
2018					
Hire purchase payables	6.86	441	494	233	261
Trade payables	Nil	1,251	1,251	1,251	-
Non-trade payables and accruals:					
-Interest bearing	9.00	1,894	1,894	-	1,894
-Non-interest bearing	Nil	2,823	2,823	2,823	-
		6,409	6,462	4,307	2,155

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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
2017					
Hire purchase payables	6.70	443	475	241	234
Trade payables	Nil	2,591	2,591	2,591	-
Non-trade payables and accruals:					
-Interest bearing	9.00	2,741	2,741	-	2,741
-Non-interest bearing	Nil	3,068	3,068	3,068	-
		8,843	8,875	5,900	2,975

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (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
2018					
Amounts due to subsidiaries	Nil	13,550	13,550	13,550	-
Hire purchase payables	6.86	441	494	233	261
Trade payables	Nil	1,251	1,251	1,251	-
Non-trade payables and accruals:					
-Interest bearing	9.00	1,894	1,894	-	1,894
-Non-interest bearing	Nil	2,691	2,691	2,691	-
		19,827	19,880	17,725	2,155
2017					
Amounts due to subsidiaries	Nil	13,527	13,527	13,527	-
Hire purchase payables	6.70	443	475	241	234
Trade payables	Nil	2,591	2,591	2,591	-
Non-trade payables and accruals:					
-Interest bearing	9.00	2,741	2,741	-	2,741
-Non-interest bearing	Nil	2,937	2,937	2,937	-
		22,239	22,271	19,296	2,975

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL INSTRUMENTS (CONT'D)

37.2 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.

37.3 Classification of Financial Instruments

	2018	
	The Group RM'000	The Company RM'000
Financial Assets		
<u>Amortised Cost</u>		
Trade receivables	2,899	2,849
Non-trade receivables and deposits	1,217	1,022
Amounts due from subsidiaries	-	168
Fixed deposit with a licensed bank	390	390
Cash and bank balances	906	828
	5,412	5,257
	5,412	5,257
Financial Liabilities		
<u>Amortised Cost</u>		
Hire purchase payables	441	441
Trade payables	1,251	1,251
Non-trade payables and accruals	4,717	4,585
Amounts due to subsidiaries	-	13,550
	6,409	19,827
	6,409	19,827

**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 Classification of Financial Instruments (Cont'd)

		2017
	The Group RM'000	The Company RM'000
Financial Assets		
<u>Loans and receivables financial assets</u>		
Trade receivables	1,627	1,534
Non-trade receivables and deposits	1,422	1,134
Amounts due from subsidiaries	-	147
Fixed deposit with a licensed bank	380	380
Cash and bank balances	1,045	977
	<u>4,474</u>	<u>4,172</u>

		2017
	The Group RM'000	The Company RM'000
Financial Liabilities		
<u>Other financial liabilities</u>		
Hire purchase payables	443	443
Trade payables	2,591	2,591
Non-trade payables and accruals	5,809	5,678
Amounts due to subsidiaries	-	13,527
	<u>8,843</u>	<u>22,239</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 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 4.94% to 9.45% (2017: 4.94% to 9.45%) and the fair value is within level 2 of the fair value hierarchy.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 12 April 2018, the Company entered into a supplemental agreement with the State Government of Sabah to convert a total area of 25,633.58 hectares for Totally Protected Area (15,438.30 hectares) and excised an area for socio-economic purposes (10,195.28 hectares). This event has been reflected in the financial statements of the Group and of the Company.

39. TRANSITION TO THE MFRS FRAMEWORK

As stated in Note 3.1 to the financial statements, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs. The accounting policies in Note 4 to the financial statements have been applied to all financial information covered under this set of financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

In preparing the opening MFRS statements of financial position at 1 January 2017 (date of transition), the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with FRSS. The financial impacts on the transition are as below:

RECONCILIATION OF FINANCIAL POSITION

The Group	Note	31.12.2017			1.1.2017			
		FRSS RM'000	Transition Effects RM'000	Error RM'000	FRSS RM'000	Transition Effects RM'000	Error RM'000	MFRSS RM'000
ASSETS								
NON-CURRENT ASSETS								
Biological assets	(a)	20,346	6,250	(8,898)	19,756	5,056	(9,010)	15,802
Intangible asset	(b)	-	-	8,898	-	-	9,010	9,010
Property, plant and equipment		27,091	-	-	25,431	-	-	25,431
Non-trade receivables		847	-	-	715	-	-	715
(Forward)		48,284	6,250	-	45,902	5,056	-	50,958

**NOTES TO THE FINANCIAL STATEMENTS
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39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Group (Cont'd)	31.12.2017			1.1.2017				
	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
CURRENT ASSETS	48,284	6,250	-	54,534	45,902	5,056	-	50,958
Inventories	1,582	-	-	1,582	307	-	-	307
Trade receivables	1,627	-	-	1,627	165	-	-	165
Non-trade receivables, deposits and prepayment	583	-	-	583	1,641	-	-	1,641
Current tax assets	-	-	-	-	354	-	-	354
Fixed deposit with a licensed bank	380	-	-	380	371	-	-	371
Cash and bank balances	1,045	-	-	1,045	761	-	-	761
	5,217	-	-	5,217	3,599	-	-	3,599
TOTAL ASSETS	53,501	6,250	-	59,751	49,501	5,056	-	54,557

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Group	Note	31.12.2017			1.1.2017				
		FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
EQUITY AND LIABILITIES									
EQUITY									
Share capital		98,677	-	-	98,677	89,051	-	-	89,051
Share premium		-	-	-	-	9,626	-	-	9,626
Revaluation reserve		7,552	-	-	7,552	5,938	-	-	5,938
Accumulated losses	(c)	(67,428)	4,750	-	(62,678)	(69,499)	3,843	-	(65,656)
Equity attributable to owners of the Company		38,801	4,750	-	43,551	35,116	3,843	-	38,959
Non-controlling interests		(1,258)	-	-	(1,258)	(1,366)	-	-	(1,366)
TOTAL EQUITY (Forward)		37,543	4,750	-	42,293	33,750	3,843	-	37,593

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)
RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Group	Note	31.12.2017				1.1.2017			
		FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
(Cont'd)		37,543	4,750	-	42,293	33,750	3,843	-	37,593
NON-CURRENT LIABILITIES									
Hire purchase payables		224	-	-	224	225	-	-	225
Non-trade payables		2,741	-	-	2,741	3,084	-	-	3,084
Deferred tax liabilities	(a)	7,071	1,500	-	8,571	6,172	1,213	-	7,385
		10,036	1,500	-	11,536	9,481	1,213	-	10,694
CURRENT LIABILITIES									
Trade payables		2,591	-	-	2,591	4,800	-	-	4,800
Non-trade payables and accruals		3,068	-	-	3,068	1,337	-	-	1,337
Hire purchase payables		219	-	-	219	133	-	-	133
Current tax liabilities		44	-	-	44	-	-	-	-
		5,922	-	-	5,922	6,270	-	-	6,270
TOTAL LIABILITIES		15,958	1,500	-	17,458	15,751	1,213	-	16,964
TOTAL EQUITY AND LIABILITIES		53,501	6,250	-	59,751	49,501	5,056	-	54,557

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Company	Note	31.12.2017			1.1.2017				
		FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
ASSETS									
NON-CURRENT ASSETS									
Biological assets	(a)	20,346	6,250	(8,898)	17,698	19,756	5,056	(9,010)	15,802
Intangible asset	(b)	-	-	8,898	8,898	-	-	9,010	9,010
Property, plant and equipment		9,644	-	-	9,644	8,686	-	-	8,686
Investments in subsidiaries		21,000	-	-	21,000	21,000	-	-	21,000
Non-trade receivables		847	-	-	847	659	-	-	659
(Forward)		51,837	6,250	-	58,087	50,101	5,056	-	55,157

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Company	31.12.2017			1.1.2017			
	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
(Cont'd)	51,837	6,250	-	58,087	50,101	-	55,157
CURRENT ASSETS							
Inventories	1,582	-	-	1,582	307	-	307
Trade receivables	1,534	-	-	1,534	82	-	82
Non-trade receivables, deposits and prepayment	295	-	-	295	1,399	-	1,399
Amount due from subsidiaries	147	-	-	147	125	-	125
Current tax assets	-	-	-	-	347	-	347
Fixed deposit with a licensed bank	380	-	-	380	371	-	371
Cash and bank balances	977	-	-	977	684	-	684
	4,915	-	-	4,915	3,315	-	3,315
TOTAL ASSETS	56,752	6,250	-	63,002	53,416	5,056	58,472

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Company	Note	31.12.2017			1.1.2017			
		FRSs RM'000	Transition Effects RM'000	Error RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
EQUITY AND LIABILITIES								
EQUITY								
Share capital		98,677	-	-	89,051	-	-	89,051
Share premium		-	-	-	9,626	-	-	9,626
Revaluation reserve		784	-	-	-	-	-	-
Accumulated losses	(c)	(69,411)	4,750	-	(72,172)	3,843	-	(68,329)
Equity attributable to owners of the Company		30,050	4,750	-	26,505	3,843	-	30,348
TOTAL EQUITY (Forward)		30,050	4,750	-	26,505	3,843	-	30,348

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF FINANCIAL POSITION (CONT'D)

The Company	Note	31.12.2017			1.1.2017		
		FRSs RM'000	Transition Effects RM'000	Error RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000
(Cont'd)		30,050	4,750	-	26,505	3,843	-
NON-CURRENT LIABILITIES							
Hire purchase payables		224	-	-	225	-	-
Non-trade payables		2,741	-	-	3,084	-	-
Deferred tax liabilities	(a)	4,419	1,500	-	3,955	1,213	-
		7,384	1,500	-	7,264	1,213	-
CURRENT LIABILITIES							
Trade payables		2,591	-	-	4,800	-	-
Non-trade payables and accruals		2,937	-	-	1,211	-	-
Amount due to subsidiaries		13,527	-	-	13,503	-	-
Hire purchase payables		219	-	-	133	-	-
Current tax liabilities		44	-	-	-	-	-
		19,318	-	-	19,647	-	-
TOTAL LIABILITIES		26,702	1,500	-	26,911	1,213	-
TOTAL EQUITY AND LIABILITIES		56,752	6,250	-	53,416	5,056	-
							19,647
							28,124
							58,472

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	The Group 2017			The Company 2017				
		FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
REVENUE		31,188	-	-	31,188	31,188	-	-	31,188
COST OF SALES		(23,561)	-	-	(23,561)	(23,561)	-	-	(23,561)
GROSS PROFIT		7,627	-	-	7,627	7,627	-	-	7,627
OTHER OPERATING INCOME		467	-	-	467	277	-	-	277
FAIR VALUE GAIN ON BIOLOGICAL ASSETS	(a)	-	1,194	-	1,194	-	1,194	-	1,194
OTHER OPERATING EXPENSES		8,094	1,194	-	9,288	7,904	1,194	-	9,098
ADMINISTRATIVE EXPENSES		(1,140)	-	-	(1,140)	-	-	-	-
(Forward)		(3,510)	-	-	(3,510)	(3,301)	-	-	(3,301)
		3,444	1,194	-	4,638	4,603	1,194	-	5,797

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	The Group 2017			The Company 2017			
	FRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000	Transition Effects RM'000	Error RM'000	MFRSs RM'000
(Cont'd)							
OTHER COMPREHENSIVE INCOME							
Item that will not be Reclassified							
<u>Subsequently to Profit or Loss</u>							
Revaluation of property, plant and equipment	1,602	907	-	2,509	907	-	3,668
	2,191	-	-	2,191	-	-	784
TOTAL OTHER COMPREHENSIVE INCOME	2,191	-	-	2,191	-	-	784
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	3,793	907	-	4,700	907	-	4,452

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF CASH FLOWS

There are no material differences between the Statements of Cash Flows presented under FRSs and MFRSs.

NOTES TO RECONCILIATION

(a) Biological Assets- Fair value through profit and loss

Under FRSs, the Group measured its biological assets at cost. Upon transition to MFRSs, the Group is required to measure its biological assets at fair value less costs to sell.

The fair value of the biological assets at 1 January 2017 was determined to be RM15,802,000. The financial impacts arising from the change are summarized as follows:

- (i) An increase in biological assets at 1 January 2017 and 31 December 2017 of RM5,056,000 and RM6,250,000 respectively;
- (ii) An increase in deferred tax liabilities at 1 January 2017 and 31 December 2017 of RM1,213,000 and RM1,500,000 respectively that relate to the fair value adjustment above;
- (iii) The resulting adjustments on item (i) and (ii) above were adjusted against retained profits at 1 January 2017 and 31 December 2017; and
- (iv) Fair value gain of RM1,194,000 and an increase in tax expense of RM287,000 for the financial year ended 31 December 2017.

(b) Classification of Intangible Assets

Under both FRSs and MFRSs, the Group measured its intangible assets at cost.

Under FRSs, the intangible assets which comprises the initial expenditure incurred on land clearing, new planting, enrichment planting, silvicultural treatments, upkeep and maintenance of the sustainable forest management concession were grouped under biological assets which were also measured at cost under FRSs. Upon transition to MFRSs, the Group reclassified the intangible assets from biological assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

39. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

NOTES TO RECONCILIATION (CONT'D)

(b) Classification of Intangible Assets (Cont'd)

The financial impacts arising from the reclassification are summarized as follows:

- (i) A decrease in biological assets at 1 January 2017 and 31 December 2017 of RM9,010,000 and RM8,898,000 respectively; and
- (ii) An increase in intangible assets at 1 January 2017 and 31 December 2017 of RM9,010,000 and RM8,898,000 respectively.

(c) Accumulated losses

There were no adjustments to the accumulated losses other than the followings:

		The Group	
		31.12.2017	1.1.2017
		RM'000	RM'000
	Note		
Effect of the Transition to the MFRS Framework			
Fair valuation of biological assets	(a)	4,750	3,843
		The Company	
		31.12.2017	1.1.2017
		RM'000	RM'000
	Note		
Effect of the Transition to the MFRS Framework			
Fair valuation of biological assets:	(a)	4,750	3,843

LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

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 31.12.2018 (RM'000)
CL075385670 CL075385689	29.19 acres	99 years (01.01.1980 to 31.12.2078)	20	Industrial land with storage sheds, integrated processing plant cum office	11,660 (After revaluation)

ANALYSIS OF SHAREHOLDINGS AS AT 27 MARCH 2019

Issued share capital : 89,050,677 Ordinary Shares
Class of shares : Ordinary Shares
Voting rights : One (1) vote per one ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued and Paid-Up Capital
1 – 99	23	1.86	886	0.00
100 – 1,000	470	38.03	437,236	0.49
1,001 – 10,000	586	47.41	1,962,743	2.20
10,001 – 100,000	109	8.82	3,247,860	3.65
100,001 – 4,452,532 *	43	3.48	39,123,991	43.93
4,452,533 and above **	5	0.40	44,277,961	49.72
TOTAL:	1,236	100.00	89,050,677	100.00

Notes:

* Less than 5% of issued shares capital

** 5% and above of issued shares capital

LIST OF SUBSTANTIAL SHAREHOLDERS (AS AT 27 MARCH 2019)

Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Dato Sri Tiong King Sing	21,210,322	23.82	-	-
Tan Toeng Swie @ Lam Toeng Sui	12,135,479	13.62	3,000 [#]	0.003
Agnes Soei-Tin Lamey	6,007,740	6.75	-	-
Lam Soei Lim	5,904,540	6.63	75,000 [#]	0.08
Datuk Yap Pak Leong	4,846,300	5.44	1,512,000 [#]	1.70
Lee Ngee Moi	2,694,899	3.03	2,367,533 [#]	2.66

Note:

[#] Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.

DIRECTORS' INTEREST IN SHARES IN THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Seri Abdul Azim Bin Mohd Zabidi	-	-	-	-
Dato Sri Tiong King Sing	21,210,322	23.82	-	-
Datuk Yap Pak Leong	4,846,300 ⁺	5.44	1,512,000 [^]	1.70
Loo Choo Hong	-	-	-	-
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:-

⁺ Held in own name / through nominee companies.

[^] Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 27 MARCH 2019

**LIST OF THIRTY LARGEST SHAREHOLDERS
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE
SAME REGISTERED HOLDER)**

No.	Name	No. of Shares Held	%
1	RHB Nominees (Tempatan) Sdn. Bhd. [OSK Capital Sdn. Bhd. for Tiong King Sing]	21,210,322	23.82
2	Tan Toeng Swie @ Lam Toeng Sui	6,380,206	7.16
3	Agnes Soei-Tin Lamey	6,007,740	6.75
4	Lam Toeng Sui	5,755,273	6.46
5	Lam Soei Lim	4,924,420	5.53
6	Cartaban Nominees (Asing) Sdn. Bhd. [Exempt An for LGT Bank AG (Foreign)]	4,400,000	4.94
7	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Hew Mui Lan]	3,458,700	3.88
8	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lee Ngee Moi]	2,694,899	3.03
9	Harmony Chime Sdn. Bhd.	2,367,533	2.66
10	Ting Sing Hong	2,282,500	2.56
11	CIMSEC Nominees (Tempatan) Sdn. Bhd. [CIMB Bank for Yap Pak Leong (MQ0379)]	2,208,000	2.48
12	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Yap Pak Leong]	1,704,600	1.91
13	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chiong Sui Chai & Sons Sdn. Bhd.]	1,638,100	1.84
14	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Patrick Chiong Sui Chai]	1,508,600	1.69
15	Bonus River Sdn. Bhd.	1,459,000	1.64
16	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Bounty Leisure Sdn. Bhd.]	1,288,000	1.45
17	Bounty Leisure Sdn. Bhd.	1,250,000	1.40
18	Yap Fook Fung	1,240,000	1.39
19	Lee Li-Ly	1,083,000	1.22
20	Hew Tien Shoong	1,000,000	1.12
21	Lam Soei Lim	980,120	1.10
22	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Yap Pak Leong]	933,700	1.05
23	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Pau Chiong Ung]	800,000	0.90
24	Cartaban Nominees (Asing) Sdn. Bhd. [Exempt An for CA Indosuez (Switzerland) SA, Singapore Branch (Foreigner)]	695,600	0.78
25	Robert Tan	650,000	0.73
26	MKW Jaya Sdn. Bhd.	590,000	0.66
27	Chen Chee Min	570,666	0.64
28	Anders Moller	480,000	0.54
29	Lim Lee Li	394,000	0.44
30	Wong Lien Tung	371,233	0.42

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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 No./Passport No. _____ of _____

or failing him/her, *the Chairman of Meeting as *my/our proxy to vote for *me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamuning, 88000 Kota Kinabalu, Sabah on Tuesday, 21st day of May 2019 at 2.00 p.m., and at every adjournment thereof.

Please indicate with an (X) in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the year ended 31 December 2018.			
	Ordinary Business			
2.	To approve the Directors' fees in respect of the financial year ended 31 December 2018.	1		
3.	To approve the Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries.	2		
4.	To re-elect Datuk Yap Pak Leong as a Director.	3		
5.	To re-elect Madam Agnes Soei-Tin Lamey as a Director.	4		
6.	To approve Final Single-Tier Dividend.	5		
7.	To appoint Auditors for ensuing year and to authorise the Directors to determine their remuneration.	6		
	Special Business			
8.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
9.	Retention of Dato' Seri Abdul Azim Bin Mohd Zabidi as an Independent Non-Executive Director.	8		
10.	Retention of Datuk Yap Pak Leong as an Independent Non-Executive Director.	9		

Dated this _____ day of _____ 2019

No. of shares held	
CDS Account No.	
Contact No.	

.....
Signature(s)/Common Seal of Shareholder(s)

The proportion of my/our shareholding to be represented by my/our proxy/proxies is as follows:

First named proxy _____ %
Second named proxy _____ %
_____ 100 %

*Delete whichever is not applicable.

NOTES:

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend participate, speak 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.
- 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.
- A member shall be entitled to appoint not more than two (2) proxies 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.
- Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, he may appoint not more than two (2) proxies in respect of each Securities Account he holds in ordinary shares of the Company standing to the credit of the said Securities Account. 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.
Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of 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.
- Date of Record of Depositors for the purpose of determining Members' entitlement to attend, participate, speak and vote at the Annual General Meeting is 13 May 2019.

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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.

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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

TIMBERWELL BERHAD

(387185-W)

CORPORATE OFFICE

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

Tel: 088 222 190

Fax: 088 235 907

Email: enquiry@timwell.com.my

www.timwell.com.my