TIMBERWELL BERHAD

REGISTRATION NO: 199601014835 (387185-W)

WE PRACTICE
SUSTAINABLE FORESTRY

ANNUAL REPORT 2019

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth Annual General Meeting of Timberwell Berhad ("Company") will be held at 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Tuesday, 18th day of August 2020 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 2019 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 2019.	**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 19 August 2020 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. Dato Sri Tiong King Sing	**Resolution 3**
	b. Mr Loo Choo Hong	**Resolution 4**
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT (AF0117) as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 5**

AS SPECIAL BUSINESS

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

6. **Ordinary Resolution**
 - Authority to Issue and Allot Shares **Resolution 6**

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

NOTICE OF ANNUAL GENERAL MEETING

7. **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 7**

   (b) "THAT 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 8**

8. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

TAN KOK SIONG (SSM PC No. 202008001592 & LS 0009932)
TAN BEE HWA (SSM PC No. 202008001174 & MAICSA 7058049)
Company Secretaries

Kota Kinabalu
19th day of June 2020

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. 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.

3. 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.

4. 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.

5. The instrument appointing a proxy 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.

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 11 August 2020.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

(a) Item 1 of the Agenda
- Audited Financial Statements for the financial ended 31 December 2019

This Agenda item is meant for discussion only, as the provision of Sections 248 and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item will not be put for voting.

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

Section 230(1) of the 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 2019 will only be made if the proposed Resolution 1 has been passed at the Twenty-Fourth Annual General Meeting ("24th 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
- Payment of Directors' Remuneration (Resolution 2)

The Directors' remuneration (excluding Directors' fees) comprises only the meeting allowances payable to the Board of the Company and its subsidiaries 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 period from 19 August 2020 until the next Annual General Meeting ("AGM") in the year 2021. Payment of the Directors' remuneration will be made by the Company and its subsidiaries at their discretion of the Company, if the proposed Resolution 2 is passed at the 24th AGM.

(d) Item 5 of the Agenda
- Re-Appointment of Auditors (Resolution 5)

The Audit Committee ("AC") has carried out an assessment of the suitability, objectivity and independence of the external auditors, Messrs. Baker Tilly Monteiro Heng PLT and was satisfied with the suitability of Messrs. Baker Tilly Monteiro Heng PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The Board therefore approved the AC's recommendation on the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as the external auditors of the Company be put forward for the shareholders' approval at the forthcoming 24th AGM.

(e) Item 6 of the Agenda
- Authority to Issue and Allot Shares (Resolution 6)

The proposed Ordinary Resolution 6 is primarily to give flexibility to the Board of Directors to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next AGM of the Company.

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

The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

NOTICE OF ANNUAL GENERAL MEETING

(f) Item 7 of the Agenda
- Continuing in Office as Independent Non-Executive Director (Resolutions 7 and 8)

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 7 and 8 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 fulfil 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.

Measures to Minimise Risk of Coronavirus Disease ("COVID-19")

In order to minimise the risk of community spread of COVID-19, the Company will be taking the following precautionary measures at the 24th AGM:

1. All attendees will be required to undergo a temperature check and make a health declaration;
2. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the 24th AGM; and
3. There will be no door gift and refreshment served at the 24th AGM.

On the seating arrangement and number of individuals to be present at the venue, the Company will observe the directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Security Council, and other relevant authorities to curb the spread of COVID-19.

We strongly encourage members to appoint the Chairman of the 24th AGM as their proxy to attend and vote at the 24th AGM.

To vote on any or all of the resolutions at the 24th AGM, you are encouraged to send in your votes in advance by proxy and appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.

If you have any questions in relation to any item of the Agenda of the 24th AGM, you may send them in advance via email at enquiry@timwell.com.my.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate and comply with any requirements or recommendation of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

CORPORATE FRAMEWORK

OUR VISION

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

OUR MISSION

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

OUR CORE VALUES

Stakeholder Satisfaction
- A commitment to meet and surpass our stakeholder expectations

Leadership by Example
- A commitment to set standards and lead by example

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

Profit with Honour
- A commitment to pursue profit by building long term values.

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

Pursuit of Excellence
- A commitment to strive for the best in everything we do.

BUSINESS PROFILE

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 (Octemeles Sumatrana), Jelutung (Dyera Costulata) and rubber tree. The company has recently updated the Plantation Development Plan with the inclusion of Mahogany and Eucalyptus as targeted species.

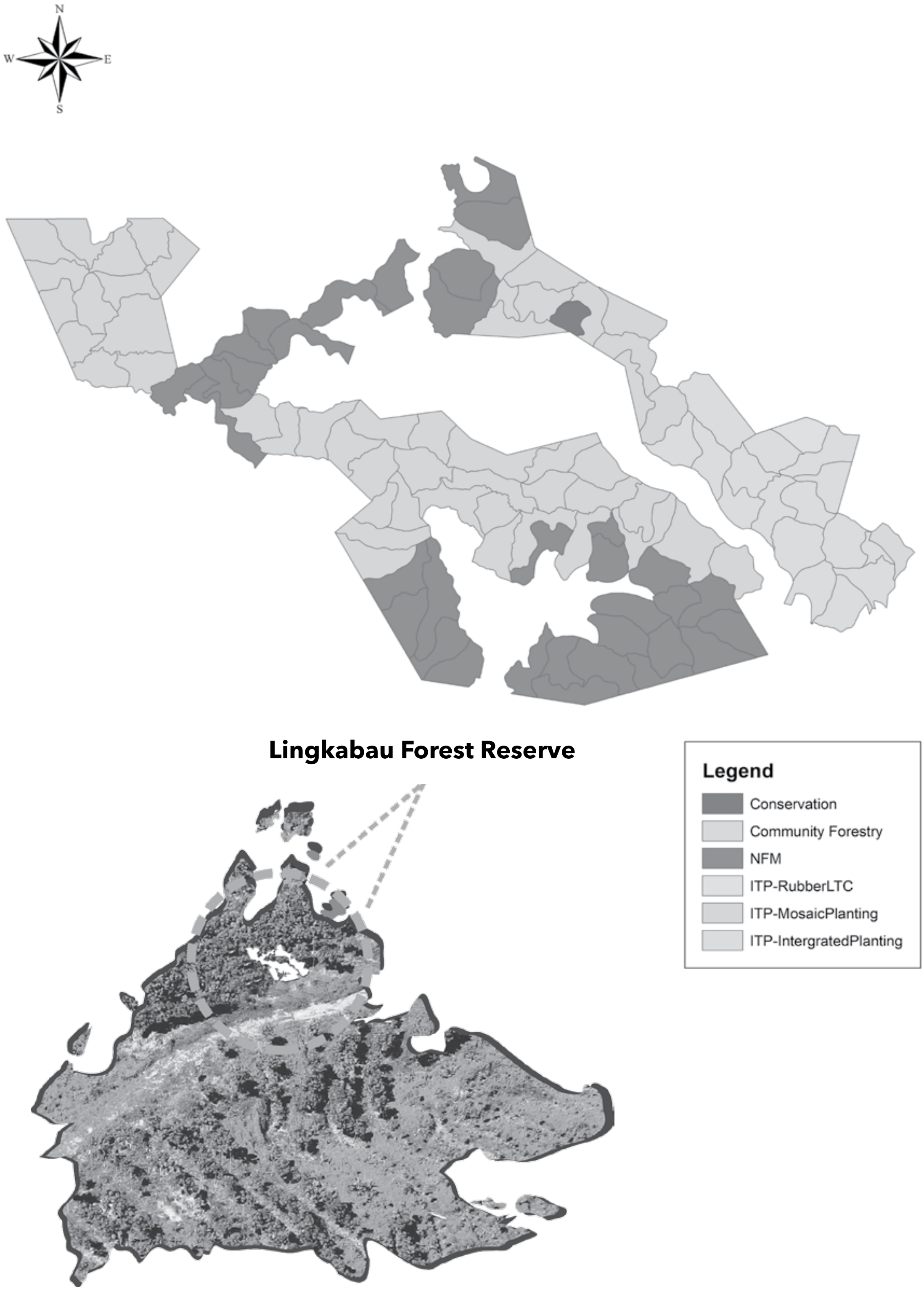
Trading Division

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



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

Nomination and Remuneration Committee
- Datuk Yap Pak Leong (Chairman)
- Agnes Soei-Tin Lamey
- Melton Martin

Risk Management 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

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

Chief Executive Officer
- Datuk Pau Chiong Ung

Company Secretaries
- Tan Kok Siong (SSM PC No. 202008001592 & LS0009932)
- Tan Bee Hwa (SSM PC No. 202008001174 & MAICSA 7058049)

Corporate Office
2nd Floor, Wisma BSN Sabah
Jalan Kemajuan, Karamunsing
88000 Kota Kinabalu, Sabah.
Tel : 088-214222/222190
Fax : 088-222722/235907
Email : enquiry@timwell.com.my
Website : www.timwell.com.my

Registered Office
Lot 8 & 9, Block A, 2nd Floor
Damai Point Commercial Centre
Off Jalan Damai, Luyang
88300 Kota Kinabalu, Sabah.
Tel : 088 - 262867
Fax : 088 - 316193

Share Registrar
Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur.
Tel : 03 - 2084 9000
Fax : 03 - 2094 9940, 2095 0292

Auditors
Messrs Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA & AF 0117)
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur.
Tel : 03-22971000
Fax : 03-22829980

Principal Bankers
Affin Bank Berhad
Public Bank Berhad

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

CORPORATE STRUCTURE

100%	100%	100%	59.17%
TIMBERWELL PROPERTIES SDN. BHD. 199601018562 (390913-W)	*** TIMBERWELL FOREST SDN. BHD.** 199701029905 (445404-M)	**TIMBERWELL PLANTATIONS SDN. BHD.** 200601019883 (739636-U)	**TIMBERWELL PLYWOOD SDN. BHD.** 199801000555 (456681-T)

** The subsidiary is in the process of striking off with the Companies Commission of Malaysia*

DIRECTORS' PROFILE

Dato' Seri Abdul Azim Bin Mohd Zabidi
Chairman / Independent Non-Executive Director
Age 60 / Malaysian / Male

Dato' Seri Abdul Azim Bin Mohd Zabidi is the Independent Non-Executive Director/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 and Administrators, 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, DGB Asia 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 2019.

Details of number of board meetings attended by him during the financial year are set out in page 40 of this Annual Report.

DIRECTORS' PROFILE

Dato Sri Tiong King Sing
Managing Director
Age 59 / 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 Bachelor of Business from the University of Ballarat, Australia and 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 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 Progressive Democratic Party ("PDP") 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 2019.

Details of number of board meetings attended by him during the financial year are set out in page 40 of this Annual Report.

DIRECTORS' PROFILE

Datuk Yap Pak Leong
Senior Independent Non-Executive Director
Age 85 / 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 hold any directorship in any other public companies.

He is the father to Ms Yap Fook Fung, the Alternate Director of the Company. 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 2019.

Details of number of board meetings attended by him during the financial year are set out in page 40 of this Annual Report.

Loo Choo Hong
Independent Non-Executive Director
Age 47 / 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 2019.

Details of number of board meetings attended by him during the financial year are set out in page 40 of this Annual Report.

DIRECTORS' PROFILE

Agnes Soei-Tin Lamey
Independent Non-Executive Director
Age 66 / 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 2019.

Details of number of board meetings attended by her during the financial year are out in page 40 of this Annual Report.

Melton Martin (B.K, S.K)
Independent Non-Executive Director
Age 39 / 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 2019.

Details of number of board meetings attended by him during the financial year are set out in page 40 of this Annual Report.

DIRECTORS' PROFILE

Yap Fook Fung
Alternate Director to Datuk Yap Pak Leong
Age 51 / 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 2019.

KEY SENIOR MANAGEMENT

Datuk Pau Chiong Ung
Chief Executive Office
Age 68 / 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 13 May 2020 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 2019.

CORPORATE PERSPECTIVE

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 2019.

Overview

The Malaysian economy recorded a steady pace of growth in Gross Domestic Product ("GDP") of 4.3% in 2019 despite the challenging international economic environment. The trade war between US and China had a significant effect worldwide, resulting in the weakening of timber prices as well as other commodities which had negative impact on Malaysia.

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 impact 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 RM28.3 million compared to RM35.6 million in the corresponding period of 2018. The decline was mainly due to the weakening global timber market which resulted in the decrease in timber demand and selling price.

Ever since the Sabah State Government announced an export ban on logs in May 2018, the Company had to focus on the domestic market and collaborate with local mills to export sawn timber as a change in its business strategy.

The Group showed a Profit from Operations of RM5.3 million (2018: 7.9 million) after taking into account the fair value gain on Biological Assets amounting to RM2.2 million (2018: RM2.7 million).

The Company had engaged Messrs. Smith Gore Sabah to conduct a fair valuation on both Biological and Intangible Assets in accordance to the MFRS 141. The Net Present Value ("NPV") derived from the valuation report dated 31 December 2019 are summarised as per table below:

Particulars	NPV as at 31 December 2019 RM '000	NPV as at 31 December 2018 RM '000
Biological Assets (planted trees)	24,520	21,279
Intangible Assets (Unharvested natural standing trees)	82,770	96,936
Total	107,290	118,215

The approach and method of the Biological Assets have met the criteria of the MFRS 141 and thus, the fair value derived from the Biological Assets is reflected in the financial report accordingly. However, the approach of the Intangible Assets does not fulfill the entire criteria and therefore the fair valuation of Intangible Assets will be used for impairment testing purposes and will not be incorporated in the financial results. The fair value gain on Biological Assets has the effect of 2.50 Sen (2018: 10.15 Sen) contributing to the increase in net assets per share of the Company for 2019 is 58.78 Sen (2018: 55.03 Sen)

CHAIRMAN'S STATEMENT

Operations Review

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

In the timber segment, the Company had 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").

On 12 April 2018, the Company and the Chief Minister of the State of Sabah had entered into a Supplemental Agreement to amend the Principle Agreement; Sustainable Forest Management Licence Agreement ("SFMLA") dated 10 September 1997. The amendments involve rezoning a New License Area, Rezoned Area and Excised Area. The New License Area saw an increase in the ITP areas from 15,156.15 hectares (after excluding the community forest zone of 273.76 hectares) to 30,125.38 hectares. The amendments may enhance the Company's long-term prospect as it 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 for both latex and wood, with the Group's concerted effort on enrichment planting, silvicultural treatment, upkeep and maintenance of the sustainable forest management concession area.

Apart from this, various steps have also been taken by 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 (Principle 1-4) for the Licensed Area SFMLA 06/97 - Forest Management Unit 3 on the 1 June 2019.

The Company had been evaluated through the Timber Legality Assurance System ("TLAS") criteria against the European Union Forest Enforcement Governance and Trade ("FLEGT") for the management of its forest area. The Assessment Report has resulted in full compliance against all critical criteria. As such, Sabah Forestry Department recognises that the Company had adequately demonstrated legal compliance to the TLAS criteria for forest management in Sabah. As the Company had passed the due diligence requirements for legal compliance to the local Sabah Standard established as part of the European Union FLEGT project, 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 the Management and the Board of Directors, the Company was again awarded the Compliance Certificate by the Sabah Forestry Department on the 26 July 2019, for its achievement of the overall performance in accordance with AWP2018.

Further to the compliance achieved by the Company, the proposed 2020 Annual Work Plan of the Company had been forwarded for approval by the Sabah Forestry Department.

Dividend

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

CHAIRMAN'S STATEMENT

Outlook and Prospect

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth in GDP between 3% - 4% in 2020. 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 to ensure the Group's sustainability.

The Board of Directors is cautiously optimistic that the Group will continue to improve its performance for the financial year ending 31 December 2020.

Acknowledgement

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

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

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

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

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 2019 and related notes thereto.

The MD&A is a mandate to advance the measurement and reporting of organizational 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.

The information presented in the MD&A is presented in accordance with Malaysian 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

FINANCIAL REVIEW

Since the Sabah State Government has announced on the logs export ban in May 2018. The Company has then focused in domestic market and work with the local mill to export sawn timber as a change in its business strategy.

The weakening global timber market resulted in the decrease in timber demand and selling price and the group has implemented few changes in business strategy and strict controls on capital management, including the following:

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

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

The Group generated a revenue of RM28.3 million in year 2019 which has decreased RM7.3 million compared to the year 2018 (RM35.6 million). The revenue reduced marginally by 20.5%. The decline in revenue is mainly due to a slowdown in the global economy which affected the demand of timber.

MANAGEMENT DISCUSSION AND ANALYSIS

The profit after tax figure of RM6.0 million was arrived at after taking into account the fair value gain derived from Biological Assets (“BA”) amounting to RM2.2 million (2018: RM2.7 million).

The Company continued to appoint Messrs. Smiths Gore Sabah to conduct a fair valuation exercise on BA in accordance to Malaysian Financial Reporting Standards ("MFRS") 141 for the financial year ended 31 December 2019. The methods and approaches as the basis of the valuation of the following areas in the FMU 3 are Discounted Cash Flow and Income methods.

(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 2019 are shown in the table below:-

Net Present Value (“NPV”)	31 December 2018 RM’000	31 December 2019 RM’000
Biological Assets	21,279	24,520
Intangible Assets	96,936	82,770
Total	118,215	107,290

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

Particulars	NBV as at 31 December 2019 RM’000	NPV as Valuation Report 31 December 2019 RM’000	Fair Value Gain RM’000
Biological Assets	22,290	24,520	2,230
Total	22,290	24,520	2,230

The Fair Value Gain of RM2.2 million derived from BA was reflected in the Audited Financial Statements for the financial year ended 31 December 2019.

The fair value of RM82.8 million derived from the valuation of IA as stated in the Valuation Report is for the purpose of impairment testing and will not be incorporated into the financial results of the Company for the financial year ended 31 December 2019.

The net assets per share of the Company as at 31 December 2019 after taking into account the fair valuation of BA were illustrated below:-

Particulars	Audited result as at 31 December 2019 before fair valuation of BA	Effect of the fair valuation	Audited result as at 31 December 2019 after the fair valuation of BA
Equity Attributable to the owners of the Company (RM’000)	49,881	2,230	52,111
No. of shares (’000)	89,051	89,051	89,051
Net Assets per share (sen)	56.01	2.50	58.52

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has also carried out a valuation exercise on the Property, Plant and Equipment ("PPE") during the financial year ended 31 December 2019. The valuation is conducted in accordance with MFRS 116 in respect of the fair value measurement of PPE and also to ascertain the carrying value of PPE of the Group for impairment purposes.

Types of PPE	NBV as at 31 December 2019 RM'000	NPV as Valuation Report 31 December 2019 RM'000	Fair Value Gain / (Loss) RM'000
Investment Properties			
Leasehold Land	4,320	4,378	58
Building	7,340	6,909	(431)
Property, Plant and Equipment			
Motor Vehicle	464	740	276
Plant and Equipment	5,451	5,717	266
Building	395	456	61
Total	17,970	18,200	230

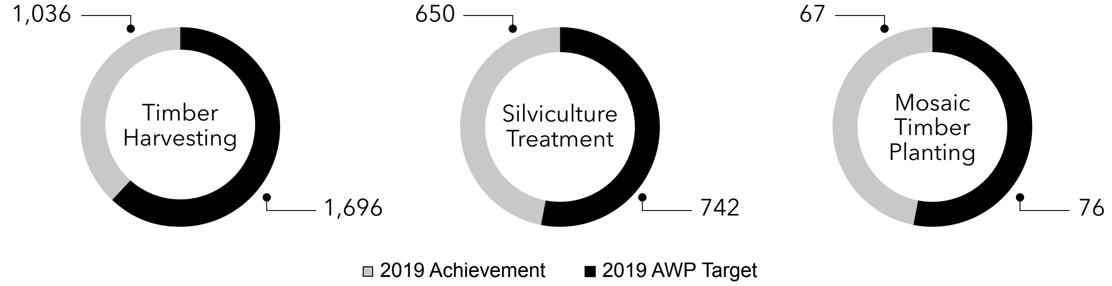
The net assets per share of the Group as at 31 December 2019 will be increased by 0.26 sen to 58.78 sen upon incorporation of the fair value gain derived from PPE, net of deferred tax as detailed hereunder:-

Descriptions	Audited result as at 31 December 2019 before fair valuation of PPE	Effect of the fair valuation	Audited result as at 31 December 2019 after fair valuation of PPE
Equity Attributable to the owners of the Company (RM'000)	52,111	230	52,341
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (sen)	58.52	0.26	58.78

* Revaluation surplus is net of deferred tax.

OPERATION REVIEW

The focal operations of the Company are timber harvesting and area rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2019 Annual Work Plan ("2019 AWP") stipulates the targets for all the activities in the entire year and the achievements are assessed in the year ended 31 December 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

The Company managed to harvest about 61% of the targeted area for harvesting in 2019. This is due to tedious field operation in natural forest harvesting area.

The market for timber remains challenging in 2019. 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 per compartment volume in 2019.

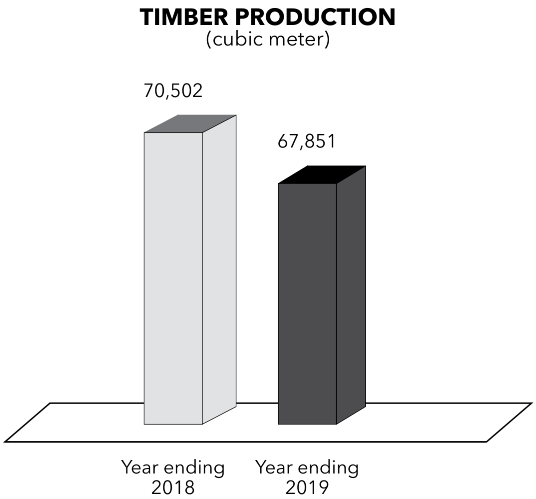


Figure 2: Comparison of logs production volume for year ended 2018 and 2019

Apart from the main tasks, other supporting activities carried out by the Company in 2019 are Area surveillance, Community Development and Outreach and Environmental inspection for Environmental Compliance. All the tasks are carried out in full compliance to the approved 2019 AWP.

ACHIEVEMENT AND ACCOMPLISHMENT

For year ended 2019, the Company attained the following achievement:

Approval of the 2019 Annual Work Plan on the 9 April 2019

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 June 2019

Compliance Certificate in Compliance to 2018 AWP by the Sabah Forestry Department on the 26 July 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECT

The Management has revised the harvesting goal in 2019 to rationalise with the current market condition. 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 discreet area for harvesting and more selective harvesting in AWP2020 to counter the market downturn.

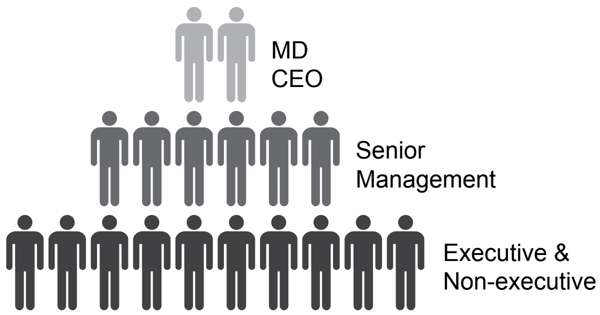
The Management is vigilant to the volatile timber market and will continue to improve productivity and efficiency in its operation. Within the principles of Sustainable Forest Management, the Management strives to carry out its tasks in a prudent and discreet manner while adapting to any improvement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

WORKFORCE

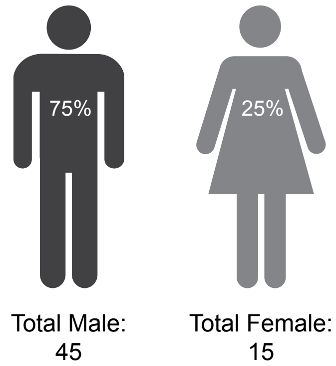
The Company is committed in creating a dynamic workplace that is able to attract, retain and develop talents as an inherent component of maintaining sustainability.

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 2019, the workforce is equipped with 60 employees.



No of Employees: 60



Employee by Gender

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 reviewed and assessed accordingly in the Nomination and Remuneration Meeting on 8 February 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019, the Company has sponsored one (1) employee to further their studies to advance or diversify their job-related skills (i.e. Occupational Safety and Health Safety Officer Course). The Company value what the employees bring back to the organisation 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.

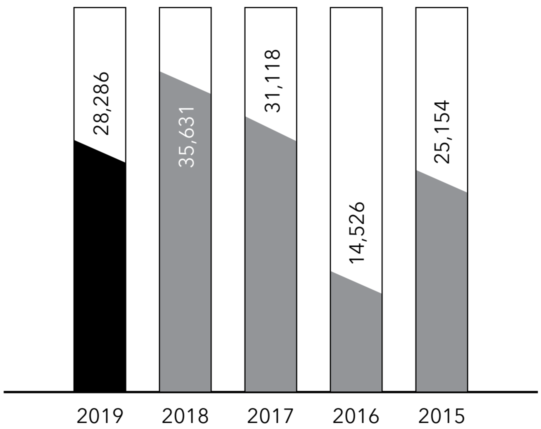
EMPLOYEE DEVELOPMENT & TRAINING

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 series of training and engagements pertaining to compliance awareness, finance, health and safety, and environment.

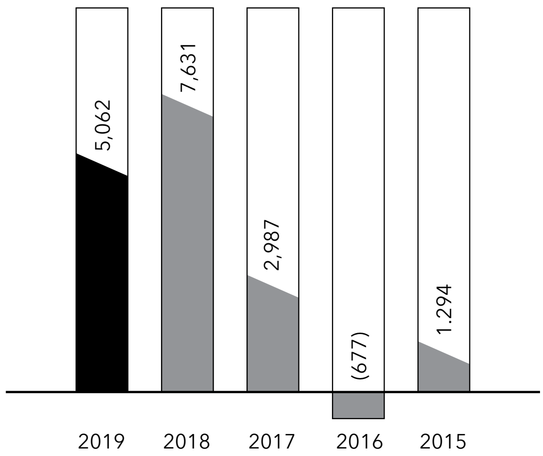
The training comprises both internal and external courses, where the records are maintained in the head office. The full list of training is detailed in the Sustainability Report.

FIVE (5) YEARS FINANCIAL HIGHLIGHTS

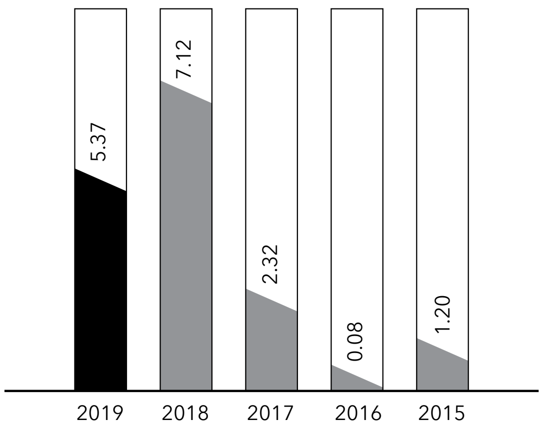
TOTAL REVENUE (RM'000)



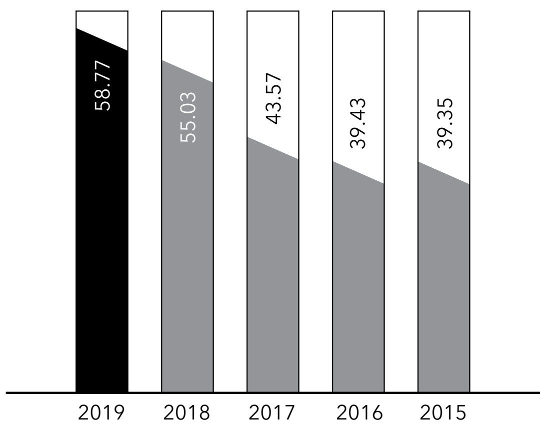
TOTAL PROFIT/(LOSS) BEFORE TAXATION (RM'000)



BASIC EARNINGS PER SHARE (SEN)



NET ASSETS PER SHARE (SEN)



	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue					
- Continuing Operations	28,286	35,631	31,188	14,526	25,154
- Discontinued Operations	-	-	-	-	-
Total Revenue	28,286	35,631	31,188	14,526	25,154
Profit/(Loss)Before Taxation					
- Continuing Operations	5,062	7,631	2,987	(677)	1,294
- Discontinued Operations	-	-	-	-	-
Total Profit/(Loss) Before Taxation	5,062	7,631	2,987	(677)	1,294
Income/(Loss)Attributable To Equity	4,784	6,344	2,070	75	1,067
Shareholder's Fund	52,341	49,004	38,800	35,116	35,041
Basic Earnings Per Share (Sen)	5.37	7.12	2.32	0.08	1.20
Net Assets Per Share (Sen)	58.78	55.03	43.57	39.43	39.35

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

2019 continues to be a challenging year for the Group. The State government policy on ban of round logs export remains while economic downturn due to the US-China trade confrontation greatly affect the demands for timber and timber-based products.

Notwithstanding the challenges, the Company was again awarded the Certificate of Compliance by the Sabah Chief Conservator of Forests for fulfilling the requirements for Annual Working Plan 2018 with an improved performance. The Company has also passed the due diligence requirements for legal compliance to the local Sabah Standard established as part of the European Union Forest Law Enforcement Governance and Trade project on 1 June 2019. Therefore, materials harvested by the Company are classified as Verified Legal Compliant within the Timber Legality Assurance System.

In the process to achieve Malaysian Criteria and Indicator Standards, the Company commenced preliminary audit for certification under Malaysian Timber Certification Scheme (Natural Forest) in July 2019. The certification process will further advance in 2020.

For 2020, 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.

In spite of 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	1,696	1,036
2.	Silviculture treatment	742	650
3.	Timber plantation	76	67

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 utilisation of natural resources in Sabah is stipulated in the Conservation of Environment Enactment 1996 and the Conservation of Environment (Prescribed activities) order 1999.

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 2019, 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.

Pursuant to the above-mentioned rezoning exercise and in accordance to Section 12E(1) Environmental Protection Enactment 2002, the Company has updated the EIA with the cancellation of the of former EIA with the updated version approved by Environmental Protection Department on 6 February 2020. The Approval Letter and Environmental Conditions Agreement are as enclosed herewith.

In 2019, a new Fire Tower was erected in Compartment 82 (53). The Fire Tower is meant for smoke lookout centre to become an early detection fire in the Forest Reserve especially during High Risk Fire alert season.

SOCIAL AND COMMUNITY DEVELOPMENT

Sustainable Forest Management is closely linked with the socio-economic development of the local community within the vicinity of the forest reserve 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 2019. The Company also maintains its support to the European Union Reduced Emission from De-forestation and De-foliation ("EU-REDD+") Project in Kampung Gana. The Company remains actively involved in the proposed Recreation and Education Area of Kokobuan waterfall in Compartment 137 and 138 which was carried out with Kampung Gana villagers, EU REDD+ Gana management and District Forestry Department.

In mid-year of 2019, the Company has carried successfully out joint verification of 365.30 ha of High Conservation Value Forest (HCVF) for community old gravesite in Compartment 42 (60). The area was excluded from the salvage harvesting in Compartment 42 (60) thus reducing the harvesting coupe for the compartment from 657.16 ha to 291.86 ha.

Picture showing Verification of HCVF works in Compartment 42 (60).

SUSTAINABILITY REPORT

The Company has also provided materials and monetary contribution as well as road upgrade to the community living in the vicinity of the forest reserve as itemized in the preceding Table.

List of contributions to the Kampungs in the vicinity of the forest reserve.

No.	Kampung	Contribution
1.	Kampung Abuan	• Plywood for construction of SIB Church Pastor's House • 1 Unit 5KV Generator Set for S. K. Abuan • Monetary contribution for "Sukan Komuniti" organised by PIBG SK Abuan • Monetary contribution for Kaamatan festival Kampung Abuan
2.	Kampung Waigon 2	• Monetary contribution for Christmas celebration in Kampung Tagapalang
3.	Kampung Tagapalang & Kampung Nakadong	• Monetary contribution for Christmas celebration • Repair of bridges and roads linking Kampung Tagapalang and Kampung Nakadong

The Company is also actively participating in the effort by Ministry of Tourism, Culture and Environment Sabah, through Sabah Wildlife Department as secretariat in collaboration with World Wildlife Fund ("WWF") Malaysia in the process of developing Wildlife Policy for Sabah. Our Community Liason Officer have represented the Company in the Introductory Workshop on 24 June 2019 and subsequently the Second Stakeholder Consultation Workshop on the draft Sabah Wildlife Policy on the 10 October 2019.

In collaboration with WWF, a helicopter survey was conducted along the alienated land/stateland between Paitan and Lingkabau Forest Reserve to:-

1) detect any sign of Orang Utan Species;
2) understand the current land use of the area; and
3) determine the feasibility of ecological corridor.

Further to the effort, a wildlife transect in the Forest Reserve was planned in August 2020.

ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES")

The Company has conducted its first Sustainability Survey on 29 August 2018 as part of its sustainability process, especially in determining the key matters that are important for the Company and its environment. However, for the preceding year 2019, there was no Sustainability Workshop done as there was no major changes to the business activity.

Earlier, the Company has identified 2 stakeholders whom have high influence and high dependence to the Company. There are the Contractor and Employee. In accordance to the Sustainability Reporting Guide and Toolkits released by Bursa Malaysia Securities Berhad on 8 October 2015 and based on the Materiality Matrix arising from the EES, the areas that have 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.

SUSTAINABILITY REPORT

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 regularise its workers with the relevant authorities. For the forthcoming year, the Company plans to inculcate more safety and environmental awareness to the contractors.

For the year 2019, all contractors have fulfilled the TLAS audit in 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 2019. The rainfall occurrences are counter checked by the Company field rangers and the record kept in the site office.

EMPLOYEE

The Company is committed to ensure that the welfare of its employees is given due priority. Continuous improvements were made including reviewing and upgrading of accommodation facilities and food provision provided to our employees. The Camp living quarters which was completed around year 2015 is well maintained and has been accommodating many Camp Guests including Directors, Auditors, Surveyors and Foresters.

Employees were encouraged to participate in sporting and social activities by providing facilities such as volleyball court within vicinity in the Paitan Camp living quarters. The Camp employees has arranged in-house sports activities to enhance team spirit thorugh sports.

The Company pledged to continue focus on the employees especially in terms of their safety and health in the work field to maintain good welfare standards for its well diverse workforce.

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 2019, a total of 11 trainings in relation to Sustainability within the Company's operations were attended by different level of employees. The summary of the relevant trainings is listed below:

No.	Continuing Education Programmes Attended	Month Attended
1.	Fire Prevention Awareness Programme	April 2019
2.	Invest Borneo Forum	June 2019
3.	Introductory Workshop on Sabah Wildlife Policy	June 2019
4.	High Conservation Value Forest (HCVF) workshop	June 2019
5.	Sustainability Reporting Workshop for Practitioners	August 2019
6.	Sabah Timber Legality Assurance System Stakeholders Consultation	October 2019
7.	The Cooler Earth: Sustainability Summit	October 2019
8.	MIA Agriculture – Financial Reporting Requirements	October 2019
9.	Sabah Foresty Department: Kerja Lapangan Inventori Hutan Terpilih di Sabah	October 2019
10.	Sabah Forestry Department: Taklimat Sistem Aplikasi Online e-Appendix	October 2019
11.	Second Stakeholder Consultation Workshop on the Sabah Wildlife Policy	October 2019

SUSTAINABILITY REPORT

For the upcoming year, the Company have included in Annual Work Plan 2020 to conduct further training as indicated below:

Tentative schedule for staff training in 2020

Type of Training	Personnel Involved	Implementation
RIL Operator Refresher	Tractor operators Timber Fellers Hookman	2nd Quarter
Wildlife awareness course in collaboration with 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 2019, and presents our commitments for the future years.

SUSTAINABILITY GOALS

In line with the Company's sustainability goals, we have actively sought to improve and raise the level of sustainability within our operations while addressing social, environmental and economic challenges. The Company has adopted several sustainability policies aimed at delivering on our commitment without compromising on performance. These apply to the Group and all its subsidiaries.

Policy	Updates
Code of Conduct & Business Ethics	March 2018
Whistle Blowing Policy	March 2018
Succession Planning Policy	February 2019
Board Diversity Policy	March 2018
Occupational Safety and Health Policy	November 2019
Risk Assessment Profile Statement	November 2019
Environmental and Biodiversity Policy	November 2019
Anti-Bribery & Corruption Policy	November 2019

The Anti-Bribery and Corruption policy is a compulsory measure for each commercial entity to undertake pursuant to the recent amendment of the Malaysian Anti-Corruption Commission Act, 2009-Section 17A on Corporate Liability, which will take effect in June 2020. The Policy was approved by the Directors in a Board meeting held on 14 November 2019 and has been uploaded to the Company website for public information. Aligned with the adopted Policy, the Company took proactive measures to notify its stakeholders that Company has the adequate procedures and policy in placed in respect to the soon to be implemented regulations. Similarly, every employee was required to sign on the Anti-Bribery & Corruption declaration.

Details about these policies are publicly available at www.timwell.com.my

In addition to the above, the Company has incorporated new key areas for risk management in respect to sustainability. These areas have significant impact on the Group in terms of its sustainability and objectives:-

1) Anti-Logging of Tropical Rainforest by world NGOs;
2) Foreign Currency Exchange;
3) Wildlife Risk

SUSTAINABILITY REPORT

Details on the Risk Assessment are included in the Statement on Risk Assessment and Internal Control of the Company's 2019 Annual Report.

Since the Sustainability Report became mandatory in 2016, the Company always take into consideration the EES matters during official meeting held, whether Exco or Board of Directors level. Sustainability is also a key aspect in the Group's Risk Management Structure which assesses various sustainability issues and developments in its annual Risk Assessment and Management process.

In year 2019, the Company took its first step towards a cooler earth and sustainable environment by participating in reducing of the Carbon Footprint in one of the events held by CIMB Bank "The Cooler Earth Summit" on 1 & 2 October 2019. A total of 1 ton of CO2e was offset and invested into the Bukit Tagar Sanitary Landfill in the Central region of Selangor and Kuala Lumpur. The emissions reduced from the project are certified under Clean Development Mechanism. The Company looked forward to embark in more green environment events or projects in the future.

CORPORATE GOVERNANCE

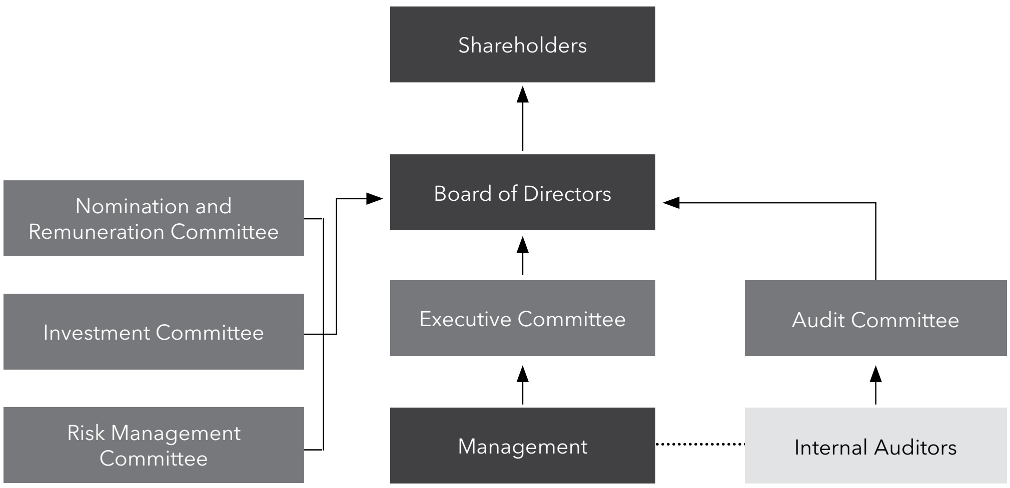
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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") is applied and maintained throughout the Group with the ultimate objective of safeguarding the interests of the shareholders as well as other 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 http://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.

The Sustainability Statement is presented on pages 29 to 34, which stated the actions taken by the Company in protecting the environment while striking to achieve a better performance towards the goal at sustainable development.

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 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 2020. The Board Charter has been published on the Company's website, http://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.

During the financial year under review, the Board, in addition to the above matters, has implemented the following as part of its continuous efforts in enhancing corporate governance:-

(1) Implemented the policies and procedures on anti-corruption as guided by the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behavior within the Group and to prevent the occurrence of corrupt practices in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2018 on corporate liability for corruption which come into force on 1 June 2020 and to include the corruption risks in the annual risk assessment of the Group.

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)

During the financial year under review, the Board, in addition to the above matters, has implemented the following as part of its continuous efforts in enhancing corporate governance (cont'd):-

(2) The Company had registered as a member of Federation of Public Listed Companies Berhad ("FPLCB"). FPLCB organise varies conference, training, seminar and workshop to its member with special discount. The Company encourage the Directors to attend those conference, training, seminar and workshop, to enhance and develop Directors' professionalism and knowledge. In addition, FPLC will regularly updated its member on the important changes to legislations/regulation affecting Public Listed Companies in Malaysia.

Looking ahead to 2020, the priorities of the Board will be in the following areas:

- Review policies and procedures of the Group to be in line with the new rules and regulations to be issued by the government and regulators;
- Adoption of revised Board Charter that incorporated the policies and procedures on anti-corruption; and
- Leverage on technology to broaden its channel of dissemination of information and to enhance the quality of engagement with the shareholders.

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.

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 Director 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 other 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.

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)

1.3 Separation of the Positions of the Chairman and CEO (cont'd)

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 is 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.

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 have been providing guidance to 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.

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)

1.5 Board Meetings (cont'd)

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 2019, 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	5/5
Dato Sri Tiong King Sing	Managing Director	4/5
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.

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 are 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.

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)

1.8 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 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.

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 the AC together with its report are presented on pages 60 to 64 of the Annual Report.

B. Nomination and Remuneration Committee ("NRC")

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 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

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

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.

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, one (1) meeting was held and attended by all members. The main 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 recommended to the Board the remuneration package and bonus pay-out of the CEO.

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)

Summary of Activities of NRC (cont'd)

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.

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.

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 7 November 2019 and the key risk areas were updated to better reflect the Group and Company's current situation and business environment. In 2019, one (1) meeting was held to discharge its duties and responsibilities.

D. Executive Committee ("Exco")

The prime function of the Exco is to assist the Board in, inter alia, developing strategic direction of the Group for Board's consideration, ensuring implementation of Board decisions and provision of directions to management in the implementation of short and long term business plans including overseeing the business affairs of the Group.

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)

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

In 2019, three (3) meetings were held to discharge its duties and responsibilities.

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
Dato Sri Tiong King Sing	Managing Director
Datuk Pau Chiong Ung	CEO

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.

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 12 to 16 of this Annual Report.

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)

1.3 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 shareholders and all other 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.

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 encourages and supports more women participation in the Company's decision-making positions whilst it continue to strive towards 30% women participation in the Board composition. Currently, out of the six (6) Directors, one (1) is woman.

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)

1.7 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 requires 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 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART II - BOARD COMPOSITION (CONT'D)

2. OVERALL BOARD EFFECTIVENESS (CONT'D)

2.1 Annual Evaluation (cont'd)

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 2019 of the CFO was reviewed by the NRC on 20 February 2020.

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 training course, conferences and seminar attended by the Directors during the financial year were as follows:

No.	Continuing Education Programme Attended	Month Attended
1.	**Dato' Seri Abdul Azim Bin Zabidi**	
	1. Rethinking Melaka in the Long 15th Century	February 2019
	2. Strategic Forum on Strengthening Governance and the Influence in Human Rights and Social Change	September 2019
	3. Indonesia's Political Economy Outlook in Asean	October 2019
2.	**Dato Sri Tiong King Sing**	
	1. Mesyuarat Jawatankuasa Rural Transformation Projects ("RTP") Bahagian Bintulu, Sarawak	January 2019
	2. Taklimat Pembangunan Pertanian Parliament P217 Bintulu by Jabatan Pertanian Sarawak	March 2019
	3. Townhall Session Berambeh Ngan Chief Minister of Sarawak at Dewan Suarah Bintulu, Sarawak	April 2019
	4. Taklimat Pembangunan Negeri Sarawak (Transformasi Sosio Ekonomi)	July 2019
	5. Pembentangan Bajet 2020 semasa Mesyuarat Kedua Penggal Keempat DUN Sarawak ke-18	November 2019
	6. Mesyuarat Jawatankuasa Teknikal Pengurusan Banjir Bahagian Bintulu, Sarawak	November 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART II - BOARD COMPOSITION (CONT'D)

2. OVERALL BOARD EFFECTIVENESS (CONT'D)

2.2 Directors' Training (cont'd)

No.	Continuing Education Programme Attended	Month Attended
3.	**Datuk Yap Pak Leong**	
	1. MIA "Real Property Gains Tax-Implications and Exemptions"	August 2019
	2. MIA "Half Year Tax Updates for 2019"	August 2019
	3. MIA "Public Rulings and Latest Development"	September 2019
	4. MIA "2020 Budget Seminar"	November 2019
4.	**Madam Agnes Soei-Tin Lamey**	
	1. The First Aid Course by Hospital Lahad Datu partnered with Lahad Datu Chinese Chambers of Commerce.	March 2019
	2. Fire Safety Training Course by Bomba dan Penyelamat Lahad Datu	April 2019
	3. MIA "Real Property Gains Tax-Implications and Exemptions"	August 2019
	4. MIA "2020 Budget Seminar"	November 2019
5.	**Mr Loo Choo Hong**	
	1. APAC Regional Meeting in Bangkok Thailand by Allinial Global	April 2019
	2. Independent Directors Programme: The Essence of Independence by The Iclif Leadership and Governance Centre, partnered with Bursa Malaysia	June 2019
	3. National Tax Conference 2019 by Chartered Tax Institute of Malaysia, partnered with LHDN Malaysia	August 2019
	4. Board of Directors Training-Guiding Principles on Business Continuity by Smart Focus	August 2019
6.	**Mr Melton Martin**	
	1. MIA "2020 Budget Seminar"	November 2019
7.	**Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)**	
	1. MIA "2020 Budget Seminar"	November 2019

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART III – REMUNERATION (CONT'D)

The details of the remuneration of the Directors of the Group and Company, paid and payable for the financial year ended 31 December 2019 are as follows:

	Fees and Allowances RM'000
Executive Directors	48.0
Non-Executive Directors	281.5
TOTAL	329.5

Name	**Director Fees RM'000**	**Meeting Allowances RM'000**	**Total RM'000**
Dato' Seri Abdul Azim Bin Zabidi (Chairman)	45.0	12.5	57.5
Dato Sri Tiong King Sing	40.5	7.5	48.0
Datuk Yap Pak Leong	42.0	12.5	54.5
Madam Agnes Soei-Tin Lamey	40.0	17.5	57.5
Mr Loo Choo Hong	40.0	15.0	55.0
Mr Melton Martin	40.0	9.5	49.5
Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	-	7.5	7.5
TOTAL	247.5	82.0	329.5

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

	Number of Directors		
Range of remuneration	**Executive**	***Non-Executive**	***Total**
Above RM50,000	-	4	4
Below RM50,000	1	1	2
TOTAL	1	5	6

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 2019 within the successive bands of RM50,000 is as follows:

Name	**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	420.0	50.4	470.4
William Joseph Jomiu	FMU Manager	109.7	13.2	122.9
Lee Seng Choon	Log Pond & Plantation Manager	104.4	12.6	117.0
Lee Yoke Wah	Corporate Services Manager	102.0	12.2	114.2
Suhaili Bin Sainan	Assistant FMU Manager	71.6	8.7	80.3
TOTAL		807.7	97.1	904.8

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART III – REMUNERATION (CONT'D)

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	-
RM400,000 to RM500,000	1

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.

At the Twenty-Third (23rd) Annual General Meeting held on 21 May 2019, Messrs Baker Tilly Monteiro Heng PLT was appointed as external auditors of the Group in place of the outgoing external auditors, Messrs Crowe Malaysia PLT. The scope of the External Auditors is ascertained by the AC, with the meeting held between the AC and the External Auditors.

Details of the activities carried out by the AC in 2019 are set out on pages 60 to 64.

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 2019. 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 20 February 2020 conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of Baker Tilly Monteiro Heng 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART I –AC (CONT'D)

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 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.

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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

1. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

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 Statement on Risk Management and Internal Control set out on pages 54 to 59 of this Annual Report provides an overview of the state of internal controls within the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II - CONDUCT OF GENERAL MEETING (CONT'D)

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 2020.

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 Act 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 OF 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 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

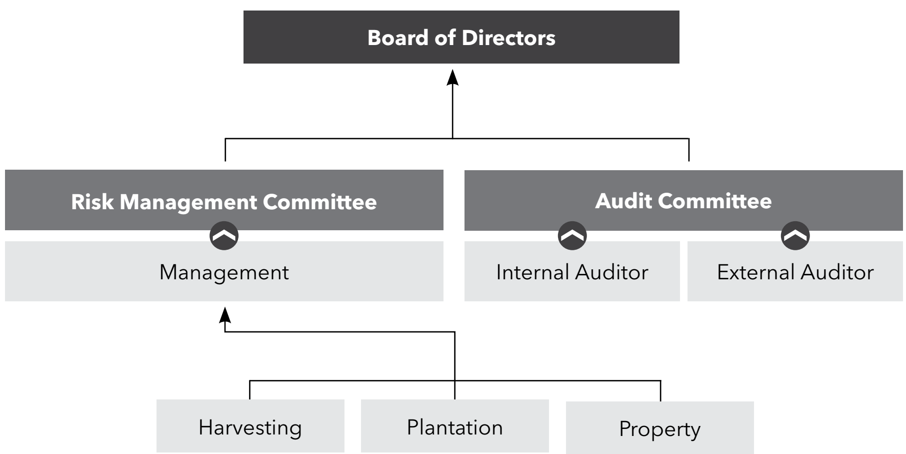
RISK MANAGEMENT

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.

RISK MANAGEMENT FRAMEWORK



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK (CONT'D)

RMC is mainly responsible for the following:-

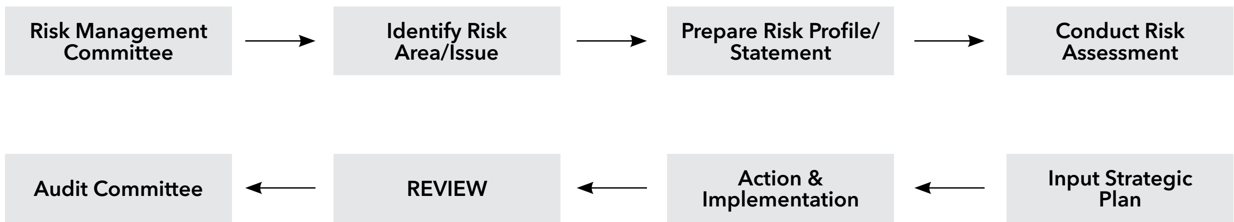
- assessing, improving and monitoring the Group Risk Management Framework ("RMF");
- evaluating and monitoring the overall risk profile;
- reviewing key business area and activities that are considered significant from a risk perspective; and
- providing guidance to Management in the development of appropriate 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 above.

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

NO.	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
1.	**IMAGE**			
	• Current image, shareholders and management	• Profitability and Sustainability	• Effects of support from Banker and recruitment of good management staff and employees.	• Medium
		• Corporate Social Responsibility	• Effects of support from the local communities.	• Low
2.	**BUSINESS**			
	• Harvesting	• Contractors	• Great Impact	• Medium
	• Plantations	• Fair Weather, Soil Suitability and Weather Condition, Proper application of fertilizers.	• Affect the profitability	• High
	• Properties	• Occupancy and Maintenance	• Impairment loss	• Medium
	• Others (Disposal of Fixed Assets)	• Under control and monitor	• Impairment loss	• Medium

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO.	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
3.	**SHAREHOLDERS**			
	• Major shareholders	• Financial Position	• Liquidity and cash flow problem	• Low
	• Shareholders expectation	• Dividend & Profitability	• Loss of Shareholders' support	• Low
4.	**FINANCIAL**			
	• International Financial Reporting Standard and Malaysia Financial Reporting Standards	• Compliance with accounting standard	• Suspended or reprimanded by MIA, MASB, Bursa Securities, Securities Commission ("SC"), Companies Commission of Malaysia ("CCM") and possible penalties that maybe imposed.	• Medium
	• Property, Plant and Equipment	• Control or monitor of assets movement	• Loss of Assets	• Medium
	• Financial Performance (Funding and Costing)	• Effective decision making & efficient costing/performance	• Loss of credibility and funding	• Low
	• Budget and Business Planning	• Accuracy & Comprehensive	• Loss of credibility and funding	• Medium
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 OF 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)**			
	• Other FMU Holders	• Mutual Co-operation	• Loss of market information	• Medium
	• Timber Association Sabah	• Devoted leaders	• Loss of market information	• Low
	• Timber Demand & Market Price	• Economic downturn or boom	• Reduce profitability and performance	• Medium
	• Competition with Artificial Timber Replacement	• Competition	• Loss of market information	• Medium
	• Sabah Timber Industry Association	• Downstream Production	• Loss of Income	• Medium
8.	**ENVIRONMENT**			
	• Natural Disaster (Fire, Flood and Storm)	• Dry and Wet season, full attention	• Loss of Income	• Medium
	• Social Impact (3rd Party)	• Encroachment Goodwill policy	• Penalty by the Authority	• Medium
	• Environmental Impact Assessment and Environmental Compliance Report	• Environmental Mitigation Measures	• Penalty by the Authority	• Medium

The risk assessment profile and framework were reviewed on 7 November 2019 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 2019, 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.

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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

Internal Audit Function (cont'd)

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 OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

Assurance from Management

The Board has received assurance from the CEO that the function of the Group's risk management and internal control system for the financial year under review, and up to the date of approval of this statement, are operating adequately and effectively in all material aspects, based on the risk management and internal control system adopted by 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 2020.

CONCLUSION

For the financial year ended 31 December 2019 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 2019 are as follows:

Name of AC 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 fullfill 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 Terms of Reference of the AC is available for reviewing 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 2019 ("FYE 2019"). During the FYE 2019, the AC conducted the following activities to discharge its functions and duties:-

1. Financial Results

- Reviewed the unaudited quarterly results of the Company and Group, including announcements, going concern of the Company and Group to avoid triggering criteria of Practice Note 17 of the MMLR of Bursa Securities, clarifications or explanations were sought from 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.
- 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.
- 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.
- 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

- Reviewed and approved the audit plan which outlined the audit scope, audit methodology, timing of audit, materiality thresholds, significant accounting policies/disclosures as well as audit risks and focus areas with External Auditors.
- Reviewed and discussed the External Auditors' audit report and areas of concern highlighted in the management letter (i.e. revenue recognition, going concern, property, plant and equipment, recoverability of receivables and proper measurement and recognition of liabilities), including Management's response to the concerns raised by the External Auditors, and evaluation of the system of internal controls.
- Met with the External Auditors without the presence of Management twice to provide the External Auditors with an avenue to express any concerns they may have.
- Reviewed and assessed the performance, suitability, objectivity and independence of the External Auditors and recommended to the Board for re-appointment and the audit fee thereof and also approved the provision of non-audit services by the External Auditors.

3. Internal Audit

- Reviewed and approved the annual internal audit plan to ensure adequate scope and coverage over the activities of the Group.
- 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.
- 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.
- Reviewed the adequacy of the scope, functions, resources and competency of the internal audit functions, and the results of the internal audit process to ensure the appropriate actions are taken on the recommendations of the internal audit function.
- Reviewed and assessed the performance of the Internal Auditors in terms of their technical competencies and the manpower resources sufficiency and they have the necessary authority to carry out their work.

4. Related Party Transactions

- 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

- 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 2019 to the Board for approval. This Statement was approved by the Board on 26 March 2020.

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 International Standard on Auditing ("ISA") 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 Baker Tilly Monteiro Heng PLT during their discussion of the Group Audit Plan for the financial year ended 31 December 2019. 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 for audit and non-audit services by the External Auditors for the financial year ended 31 December 2019 were as follows:-

Group	Audit Fees (RM)	Non-Audit Fess (RM)
Baker Tilly Monteiro Heng PLT	155,000	10,000

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 five (5) 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 AC.
- 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. The internal audit activities are aligned to the strategic plan/objectives of the Company.

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

a) Internal Audit Review on Group's Policies and Control Procedures over (i) Process of Timber Harvesting, and (ii) Process of Plantation Development and Operations.
b) Follow-up Audit Review on the (i) Plantation; and (ii) Purchases and Payable Process.

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2019 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 25 February 2019. The Board was satisfied that the AC and its members have has 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 ended 31 December 2019 ("FYE 2019").

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Group and the Company for the FYE 2019 are as follows:

	Company (RM)	**Group (RM)**
Audit fees	142,500	155,000
Non-audit fees	10,000	10,000
Total	152,500	165,000

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 variances of 10% or more between the results for the financial year under review and the unaudited results previously announced.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, forest management, harvesting and trading of timber. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	6,011	5,052
Attributable to:		
Owners of the Company	4,784	5,052
Non-controlling interests	1,227	-
	6,011	5,052

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM'000
Single-tier final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 2 July 2019	1,781

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT (continued)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, 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 doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, 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 had 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT (continued)

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 that would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

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 of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Pau Chiong Ung

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Direct interest:				
Agnes Soei-Tin Lamey	6,007,740	-	-	6,007,740
Datuk Yap Pak Leong	4,846,300 #	-	-	4,846,300
Ybhg. Dato Sri Tiong King Sing	21,210,322	-	-	21,210,322
Yap Fook Fung	1,240,000	-	-	1,240,000
Indirect interest:				
Datuk Yap Pak Leong*	1,512,000	-	-	1,512,000
Yap Fook Fung^	15,000	-	-	15,000

\# In previous year's report, 300,000 shares were inadvertently omitted. This amount had been restated as at 1.1.2019.
* Shares held through spouse and/or children
^ Shares held through spouse

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Agnes Soei-Tin Lamey, Datuk Yap Pak Leong, Ybhg. Dato Sri Tiong King Sing and Yap Fook Fung are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 22 to the financial statements) 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the 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 (continued)

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM5,000,000 and RM13,500 respectively.

SUBSIDIARIES

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

The auditor's reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 32 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 21 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

DIRECTORS' REPORT (continued)

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

……………………………………………
DATUK YAP PAK LEONG
Director

……………………………………………
AGNES SOEI-TIN LAMEY
Director

Date: 13 May 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	14,423	14,490	9,358	9,486
Investment properties	6	11,287	11,660	-	-
Biological assets	7	24,520	21,279	24,520	21,279
Investment in subsidiaries	8	-	-	21,000	21,000
Intangible assets	9	8,674	8,786	8,674	8,786
Other receivable	10	716	794	716	794
Total non-current assets		59,620	57,009	64,268	61,345
Current assets					
Inventories	11	2,942	1,142	2,942	1,142
Trade and other receivables	10	5,610	3,330	5,589	3,253
Cash and short-term deposits	12	594	1,296	482	1,218
Total current assets		9,146	5,768	9,013	5,613
TOTAL ASSETS		68,766	62,777	73,281	66,958

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (continued)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	98,677	98,677	98,677	98,677
Revaluation reserve	14	7,886	7,552	939	784
Accumulated losses		(54,222)	(57,225)	(55,985)	(59,256)
		52,341	49,004	43,631	40,205
Non-controlling interests		177	(1,174)	-	-
TOTAL EQUITY		52,518	47,830	43,631	40,205
Non-current liabilities					
Lease liabilities	15	237	234	237	234
Deferred tax liabilities	16	6,420	8,169	6,378	6,557
Other payables	17	1,930	1,894	1,919	1,894
Total non-current liabilities		8,587	10,297	8,534	8,685
Current liabilities					
Lease liabilities	15	181	207	181	207
Trade and other payables	17	7,288	4,074	20,747	17,492
Tax payable		192	369	188	369
Total current liabilities		7,661	4,650	21,116	18,068
TOTAL LIABILITIES		16,248	14,947	29,650	26,753
TOTAL EQUITY AND LIABILITIES		68,766	62,777	73,281	66,958

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	18	28,286	35,631	28,286	35,631
Cost of sales		(20,752)	(25,672)	(20,752)	(25,672)
Gross profit		7,534	9,959	7,534	9,959
Other income	19	2,620	2,892	2,461	2,748
Administrative expenses		(4,139)	(4,360)	(3,771)	(3,709)
Selling and distribution expenses		(138)	(171)	(137)	(171)
Net impairment losses on financial instruments		(115)	(50)	-	-
Other expenses		(493)	(351)	(115)	-
Operating profit		5,269	7,919	5,972	8,827
Finance costs	20	(207)	(288)	(207)	(288)
Profit before tax	21	5,062	7,631	5,765	8,539
Income tax credit/(expense)	23	949	(1,203)	(713)	(2,243)
Profit for the financial year		6,011	6,428	5,052	6,296
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		458	-	155	-
Total comprehensive income for the financial year		6,469	6,428	5,207	6,296

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		4,784	6,344	5,052	6,296
Non-controlling interests		1,227	84	-	-
		6,011	6,428	5,052	6,296
Total comprehensive income attributable to:					
Owners of the Company		5,118	6,344	5,207	6,296
Non-controlling interests		1,351	84	-	-
		6,469	6,428	5,207	6,296
Earnings per ordinary share attributable to owners of the Company					
- basic and diluted, earnings per ordinary share (sen)	24	5.37	7.12		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<--------- Attributable to owners of the Company --------->					
At 1 January 2019		98,677	7,552	(57,225)	49,004	(1,174)	47,830
Total comprehensive income for the financial year							
Profit for the financial year		-	-	4,784	4,784	1,227	6,011
Other comprehensive income for the financial year		-	334	-	334	124	458
		-	334	4,784	5,118	1,351	6,469
Transactions with owners							
Dividends paid	25	-	-	(1,781)	(1,781)	-	(1,781)
Total transactions with owners		-	-	(1,781)	(1,781)	-	(1,781)
At 31 December 2019		98,677	7,886	(54,222)	52,341	177	52,518

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

Group	Note	Share capital RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<--------- Attributable to owners of the Company			--------->		
At 1 January 2018		98,677	7,552	(62,678)	43,551	(1,258)	42,293
Total comprehensive income for the financial year							
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,344	6,344	84	6,428
Transactions with owners							
Dividends paid	25	-	-	(891)	(891)	-	(891)
Total transactions with owners		-	-	(891)	(891)	-	(891)
At 31 December 2018		98,677	7,552	(57,225)	49,004	(1,174)	47,830

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

		<--------- Attributable to owners of the Company --------->			
Company	**Note**	**Share capital RM'000**	**Revaluation reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2018		98,677	784	(64,661)	34,800
Total comprehensive profit for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	6,296	6,296
Transactions with owners					
Dividends paid	25	-	-	(891)	(891)
Total transactions with owners		-	-	(891)	(891)
At 31 December 2018		98,677	784	(59,256)	40,205
Total comprehensive income for the financial year					
Profit for the financial year		-	-	5,052	5,052
Other comprehensive income for the financial year		-	155	-	155
Total comprehensive income		-	155	5,052	5,207
Transactions with owners					
Dividends paid	25	-	-	(1,781)	(1,781)
Total transactions with owners		-	-	(1,781)	(1,781)
At 31 December 2019		98,677	939	(55,985)	43,631

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities:					
Profit before tax		5,062	7,631	5,765	8,539
Adjustments for:					
Amortisation of intangible assets		112	112	112	112
Bad debts written off		-	-	115	-
Depreciation of property, plant and equipment		1,001	1,004	662	653
Fair value gain on biological assets		(2,230)	(2,724)	(2,230)	(2,724)
Fair value loss on investment properties		373	300	-	-
Net impairment loss on other receivable		115	50	-	-
Interest expense		207	288	207	288
Interest income		(191)	(20)	(191)	(18)
Loss on disposal of property, plant and equipment		-	5	-	-
Property, plant and equipment written off		6	119	6	2
Operating profit before changes in working capital		4,455	6,765	4,446	6,852
Changes in working capital:					
Inventories		(1,800)	440	(1,800)	440
Receivables		(2,317)	(1,115)	(2,325)	(1,201)
Payables		3,250	(2,433)	3,296	(2,434)
Net cash from operations		3,588	3,657	3,617	3,657
Interest received		191	20	191	18
Interest paid		(207)	(288)	(207)	(288)
Income tax paid		(1,122)	(1,281)	(1,122)	(1,281)
Net cash from operating activities		2,450	2,108	2,479	2,106

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities:					
Addition of biological assets		(1,011)	(857)	(1,011)	(857)
Advances to subsidiaries		-	-	(47)	(21)
Proceeds from disposal of property, plant and equipment		-	11	-	-
Purchase of property, plant and equipment	(a)	(73)	(248)	(72)	(247)
Net cash used in investing activities		(1,084)	(1,094)	(1,130)	(1,125)
Cash flows from financing activities:	(b)				
Dividend paid		(1,781)	(891)	(1,781)	(891)
Repayment of lease liabilities		(287)	(252)	(287)	(252)
(Repayment to)/Advance from subsidiaries		-	-	(17)	23
Net cash used in financing activities		(2,068)	(1,143)	(2,085)	(1,120)
Net decrease in cash and cash equivalents		(702)	(129)	(736)	(139)
Cash and cash equivalents at the beginning of the financial year		1,296	1,425	1,218	1,357
Cash and cash equivalents at the end of the financial year		594	1,296	482	1,218

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

(a) Purchase of property, plant and equipment:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	73	498	73	497
Financed by way of lease arrangements	-	(250)	-	(250)
Cash payments on purchase of property, plant and equipment	73	248	73	247

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2019 RM'000	Effect adoption of MFRS 16 RM'000	1 January 2019 (Adjusted) RM'000	Cash flows RM'000	31 December 2019 RM'000
Group					
Lease liabilities	441	264	705	(287)	418
Company					
Lease liabilities	441	264	705	(287)	418
Amount owing to subsidiaries	13,550	-	13,550	(17)	13,533
	13,991	264	14,255	(304)	13,951

	1 January 2018 RM'000	Cash flows RM'000	Non-cash acquisition RM'000	31 December 2018 RM'000
Group				
Lease liabilities	443	(252)	250	441
Company				
Lease liabilities	443	(252)	250	441
Amount owing to subsidiaries	13,527	23	-	13,550
	13,970	(229)	250	13,991

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Timberwell Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 8 & 9, Block A, 2nd Floor, Damai Point Commercial Centre, Off Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah, Malaysia. The principal place of business of the Company is located at 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan Karamunsing, 88000 Kota Kinabalu, Sabah, Malaysia.

The principal activities of the Company are investment holding, forest management, harvesting and trading of timber. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 May 2020.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRS</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

<u>New IC Int</u>

IC Int 23	Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as operating lease under MFRS 117 (continued)

The right-of-use assets were measured at either:

(a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its largest property leases; or
(b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
(c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of log ponds that have a lease term of 12 months or less and leases of low value asset based on the value of the underlying asset when new, such as equipment. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

The effects of adoption of MFRS 16 as at 1 January 2019 (increase) are as follow:

	Group and Company Increase RM'000
Assets	
Non-current assets	
Property, plant and equipment	264
Non-current liabilities	
Lease liabilities	187
Current liabilities	
Lease liabilities	77

The incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 is 4.50%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	Group and Company RM'000
Assets	
Operating lease commitments as at 31 December 2018	57
Incremental borrowing rate as at 1 January 2019	4.50%
Discounted operating lease commitments as at 1 January 2019	56
Less:	
Commitments relating to short term leases	(20)
Commitments relating to leases of low-value assets	(2)
Add:	
Commitments relating to lease previously classified as finance lease	441
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	230
Lease liabilities as at 1 January 2019	705

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023#/ 1 January 2022
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contract

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to* MFRS *9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS and MFRS 7).

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to* MFRS *9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures (continued)

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80– 125% range during the period of uncertainty arising from the reform.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period ; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.12(b) to the financial statements.

3.3 Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group and the Company classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

(b) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(b) Regular way purchase or sale of financial assets (continued)

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment, other than leasehold lands, buildings, plant and machineries and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses in accordance with Note 3.12(b) to the financial statements.

Leasehold land, buildings, plant and machineries and motor vehicles are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

(b) Depreciation

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 lands	over the remaining lease period of 65 years
Buildings	2.63% - 10%
Plant and machineries	6.67% - 10%
Motor vehicles	20%
Bridges	2% - 6.67%
Office equipments	10%
Office renovation	10%
Furniture and fittings	10%
Nursery	10%

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

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

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

(c) Subsequent costs

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 Company 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 and the Company are obligated to incur when the asset is acquired, if applicable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

(d) Derecognition

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.

3.6 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment properties in Note 6 to the financial statements and lease liabilities in Note 15 to the financial statements.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liability (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value asset

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value asset. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

3.7 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment properties (continued)

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.

3.8 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.

3.9 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.

3.10 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 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.12 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s and the Company’s historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

The Group and the Company consider a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, investment properties measured at fair value and biological assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.14 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.

3.15 Employee benefits

(a) Short term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income

(a) Sales of goods

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

The Group and the Company measure revenue from sale of goods or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income (continued)

(a) Sales of goods (continued)

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(b) Interest income

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

(c) Rental income

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

3.17 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.

3.18 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7 to the financial statements, 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 within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Income tax (continued)

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.20 Operating segments

The Group has identified that it operates predominantly in one business segment in Malaysia and it does not have other nature of product or services.

3.21 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Fair value measurements (continued)

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.

3.22 Contingencies

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) 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 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following: (continued)

(b) Fair value of investment properties

The Group carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged external valuer to determine the fair values. The independent professional valuers 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 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<---------------- At valuation		----------------->	<------------------	------------------- At cost	-------------------	-------------------	------------------>		
2019										
At cost/valuation										
At 1 January 2019										
- As previously reported	507	6,495	840	10,873	142	56	97	170	-	19,180
- Effect of adoption of MFRS 16	-	(334)	(258)	-	-	-	-	-	856	264
Adjusted balance at 1 January 2019	507	6,161	582	10,873	142	56	97	170	856	19,444
Additions	-	4	-	-	69	-	-	-	-	73
Written off	(10)	-	-	-	-	-	-	-	-	(10)
Revaluation loss	(40)	(544)	(68)	-	-	-	-	-	(94)	(746)
At 31 December 2019	457	5,621	514	10,873	211	56	97	170	762	18,761

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<---------------- At valuation		---------------->	<----------------------	---------- At cost	----------	----------------------	---------------->		
2019										
Accumulated depreciation										
At 1 January 2019										
- As previously reported	56	457	193	3,600	62	56	96	170	-	4,690
- Effect of adoption of MFRS 16	-	(33)	(52)	-	-	-	-	-	85	-
Adjusted balance at 1 January 2019	56	424	141	3,600	62	56	96	170	85	4,690
Depreciation charge for the financial year	49	401	112	259	14	-	-	-	166	1,001
Written off	(4)	-	-	-	-	-	-	-	-	(4)
Elimination of accumulated depreciation on revaluation	(101)	(825)	(253)	-	-	-	-	-	(170)	(1,349)
At 31 December 2019	-	-	-	3,859	76	56	96	170	81	4,338
Carrying amount										
At 31 December 2019	457	5,621	514	7,014	135	-	1	-	681	14,423

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Leasehold lands RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<------ At valuation			------>	<------		At cost		------>		
2018											
At cost/valuation											
At 1 January 2018	4,233	8,234	6,198	809	10,873	136	56	96	170	-	30,805
Additions	-	8	369	113	-	7	-	1	-	-	498
Reclassification to investment properties (Note 6)	(4,233)	(7,727)	-	-	-	-	-	-	-	-	(11,960)
Written off	-	(8)	(72)	(66)	-	(1)	-	-	-	-	(147)
Disposals	-	-	-	(16)	-	-	-	-	-	-	(16)
At 31 December 2018	-	507	6,495	840	10,873	142	56	97	170	-	19,180
Accumulated depreciation											
At 1 January 2018	-	-	-	-	3,341	51	56	96	170	-	3,714
Depreciation charge for the financial year	-	56	484	193	259	12	-	-	-	-	1,004
Written off	-	-	(27)	-	-	(1)	-	-	-	-	(28)
At 31 December 2018	-	56	457	193	3,600	62	56	96	170	-	4,690
Carrying amount											
At 31 December 2018	-	451	6,038	647	7,273	80	-	1	-	-	14,490

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<------------------ At valuation		----------------->	<------------------------------------		At cost		-->		
Company										
2019										
At cost/valuation										
At 1 January 2019										
- As previously reported	507	1,184	797	10,873	142	56	88	170	-	13,817
- Effect of adoption of MFRS 16	-	(334)	(258)	-	-	-	-	-	856	264
Adjusted balance at 1 January 2019	507	850	539	10,873	142	56	88	170	856	14,081
Additions	-	4	-	-	68	-	-	-	-	72
Written off	(10)	-	-	-	-	-	-	-	-	(10)
Revaluation loss	(40)	(259)	(62)	-	-	-	-	-	(94)	(455)
At 31 December 2019	457	595	477	10,873	210	56	88	170	762	13,688

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<---- At valuation		---->	<---- At cost				---->		
Company										
2019										
Accumulated depreciation										
At 1 January 2019										
- As previously reported	56	114	185	3,600	62	56	88	170	-	4,331
- Effect of adoption of MFRS 16	-	(33)	(52)	-	-	-	-	-	85	-
Adjusted balance at 1 January 2019	56	81	133	3,600	62	56	88	170	85	4,331
Depreciation charge for the financial year	50	65	108	259	14	-	-	-	166	662
Written off	(4)	-	-	-	-	-	-	-	-	(4)
Elimination of accumulated depreciation on revaluation	(102)	(146)	(241)	-	-	-	-	-	(170)	(659)
At 31 December 2019	-	-	-	3,859	76	56	88	170	81	4,330
Carrying amount										
At 31 December 2019	457	595	477	7,014	134	-	-	-	681	9,358

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<------ At valuation		------>	<------		At cost		------>		
Company										
2018										
At cost/valuation										
At 1 January 2018	499	844	684	10,873	136	56	88	170	-	13,350
Additions	8	369	113	-	7	-	-	-	-	497
Written off	-	(29)	-	-	(1)	-	-	-	-	(30)
At 31 December 2018	507	1,184	797	10,873	142	56	88	170	-	13,817
Accumulated depreciation										
At 1 January 2018	-	-	-	3,341	51	56	88	170	-	3,706
Depreciation charge for the financial year	56	141	185	259	12	-	-	-	-	653
Written off	-	(27)	-	-	(1)	-	-	-	-	(28)
At 31 December 2018	56	114	185	3,600	62	56	88	170	-	4,331
Carrying amount										
At 31 December 2018	451	1,070	612	7,273	80	-	-	-	-	9,486

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Assets under finance leases

The carrying amount of assets under finance lease agreements are as follows:

	Group and Company 2018 RM'000
Plant and machineries	600
Motor vehicles	285
	885

(b) Right-of-use assets

The Group and the Company lease several assets including buildings, plant and machineries and motor vehicles.

Information about leases for which the Group and the Company are lessees is presented below:

	Group and Company			
	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Total RM'000
	At cost	<---------------- At valuation		--------------------->
Carrying amount				
At 1 January 2019	264	301	206	771
Depreciation	(81)	(33)	(52)	(166)
Revaluation (loss)/gain	-	(22)	98	76
At 31 December 2019	183	246	252	681

The Group and the Company lease buildings for their office space and operation site. The leases for office space and operation site generally have lease term between 2 to 4 years.

The Group and the Company also lease plant and machineries and motor vehicles with lease terms of 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. **PROPERTY, PLANT AND EQUIPMENT** (continued)

(c) **Fair value information**

Fair value of buildings, plant and machineries and motor vehicles are categorised as Level 3. Level 3 fair value is based on the cost approach determined by external independent valuers, Messrs Smiths Gore Sabah, a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualifications. The most significant input into this valuation approach is the remaining useful life of the assets.

There are no Level 1 or Level 2 property, plant and equipment or transfers between Level 1 and Level 2 during the financial years ended 31 December 2019 and 31 December 2018.

In estimating the fair value of the buildings, plant and machineries and motor vehicles, the highest and best use of the buildings, plant and machineries and motor vehicles are their current use.

(d) Had the revalued buildings, plant and machineries and motor vehicles been carried at historical cost less accumulated depreciation, the net carrying amount of the buildings, plant and machineries and motor vehicles that would have been included in the financial statements of the Group and the Company are as follows:

	2019 RM'000	**2018 RM'000**
Group		
Buildings	115	134
Plant and machineries	750	904
Motor vehicles	251	376
	1,116	1,414
Company		
Buildings	115	134
Plant and machineries	586	685
Motor vehicles	250	375
	951	1,194

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTIES

Group	Leasehold lands RM'000	Buildings RM'000	Total RM'000
At fair value:			
At 1 January 2018			
Transfer from property, plant and equipment (Note 5)	4,233	7,727	11,960
Fair value gain/(loss) on investment properties (Note 21)	87	(387)	(300)
At 31 December 2018	4,320	7,340	11,660
Fair value gain/(loss) on investment properties (Note 21)	58	(431)	(373)
At 31 December 2019	4,378	6,909	11,287

The following are recognised in profit or loss in respect of investment properties:

	Group 2019 RM'000	2018 RM'000
Rental income	158	136

(a) Assets pledged as security

Leasehold lands and buildings have been pledged as security for banking facilities granted to the Company.

(b) Fair value information

Fair value of investment properties is categorised as Level 3. Level 3 fair value is based on the cost approach determined by external independent valuers, Messrs Smiths Gore Sabah., a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualifications. The most significant input into this valuation approach is the remaining useful life of the investment properties.

There are no Level 1 and Level 2 investment properties or transfers between Level 1 and Level 2 during the financial years ended 31 December 2019 and 31 December 2018.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. BIOLOGICAL ASSETS

	Group and Company 2019 RM'000	2018 RM'000
At fair value:		
At 1 January	21,279	17,698
Additions	1,011	857
Changes in fair value of biological assets (Note 19)	2,230	2,724
At 31 December	24,520	21,279

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 (2018: 45,659 hectares) in the Lingkabau Forest Reserve in Sabah for 100 years since 1997.

Fair value information

The fair value measurements for the planted trees have been categorised as Level 3 fair value based on the inputs to the valuation techniques used.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation model.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Planted trees	Discounted cash flows	(i) Log selling price per m3 RM450 (2018: RM450)	The higher selling price, the higher the fair value
		(ii) Discount rate of 11%- 12% (2018: 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 (2018: 43 to 111)	The higher the yield rate, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. BIOLOGICAL ASSETS (continued)

Valuation processes applied by the Group and the Company

The fair value of biological assets is determined by external independent valuers, Messrs Smiths Gore Sabah, a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualifications. The valuation company provides the fair value of the Group's and of the Company's biological assets on a yearly basis. Changes in Level 3 fair values are analysed by the Group's and the Company's finance department every year after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

Highest and best use

In estimating the fair value of the biological assets, the highest and best use of the biological assets is their current use.

8. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares - at cost	52,328	52,328
Loans that are part of net investments	19,620	19,620
	71,948	71,948
Less: Accumulated impairment losses	(50,948)	(50,948)
	21,000	21,000

Loans that are part of net investments represent amount owing by subsidiaries which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %	Principal activities
Held directly:				
Timberwell Plywood Sdn. Bhd.	Malaysia	59	59	Integrated timber activities
Timberwell Properties Sdn. Bhd.	Malaysia	100	100	Dormant
Timberwell Plantations Sdn. Bhd.	Malaysia	100	100	Dormant
Timberwell Forest Sdn. Bhd.	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENT IN SUBSIDIARIES (continued)

(a) Non-controlling interests ("NCI") in subsidiaries

The financial information of the Group's and the Company's subsidiaries that have non-controlling interests are as follows:

	Timberwell Plywood Sdn. Bhd. 2019 RM'000	2018 RM'000
NCI percentage of ownership interest and voting interest	41%	41%
Carrying amount of NCI	177	(1,174)
Profit allocated to NCI	1,351	84

(b) Summarised financial information of NCI

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI are as follows:

	Timberwell Plywood Sdn. Bhd. 2019 RM'000	2018 RM'000
Summarised statement of financial position		
Non-current assets	16,175	16,487
Current assets	175	128
Non-current liabilities	(42)	(1,613)
Current liabilities	(177)	(2,180)
Net assets	16,131	12,822
Summarised statement of comprehensive income		
Revenue	-	-
Profit for the financial year	3,005	206
Total comprehensive income for the financial year	3,308	206
Summarised cash flow information		
Cash flows from/(used in) operating activities	2,049	(22)
Cash flows from investing activities	-	10
Cash flows (used in)/from financing activities	(1,999)	12
Net increase in cash and cash equivalents	50	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INTANGIBLE ASSETS

	Group and Company 2019 RM'000	Group and Company 2018 RM'000
Cost		
At 1 January/31 December	10,411	10,411
Accumulated amortisation		
1 January	1,625	1,513
Amortisation charged during the financial year	112	112
31 December	1,737	1,625
Carrying amount		
31 December	8,674	8,786

The amortisation of intangible assets of the Group and the Company is an amount of RM111,722 (2018: RM111,722) is included in administrative expenses in the statements of comprehensive income.

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current:					
Non-trade					
Other receivable	(a)	716	794	716	794
Current:					
Trade					
Trade receivables	(b)	4,482	2,373	4,482	2,373
Non-trade					
Other receivables		1,126	876	840	581
Less: Allowance for impairment loss	(c)	(165)	(50)	-	-
		961	826	840	581
Amount owing by subsidiaries	(d)	-	-	100	168
Refundable deposits		134	131	134	131
Prepayments		33	-	33	-
		1,128	957	1,107	880

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER RECEIVABLES (continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total trade and other receivables (current)		5,610	3,330	5,589	3,253
Total trade and other receivables (non-current and current)		6,326	4,124	6,305	4,047

(a) Long term other receivable is measured at amortised cost at imputed interest rate at 14% (2018: 14%) per annum.

(b) Trade receivables are non-interest bearing and normal credit terms offered by the Group and the Company ranging from 30 to 60 days (2018: 30 to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

The information about the credit expenses are disclosed in Note 26(b)(i).

(c) Non-trade receivables

Receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2019 RM'000	2018 RM'000
Other receivables		
At 1 January	50	-
Charge for the financial year		
- individually assessed	120	50
Reversal of impairment losses	(5)	-
At 31 December	165	50

(d) Amount owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVENTORIES

	Group and Company	
	2019	2018
	RM'000	RM'000
At cost:		
Raw materials	2,668	1,142
Finished goods	274	-
	2,942	1,142
Recognised in profit or loss:		
Inventories recognised as cost of sales	20,752	25,672

12. CASH AND SHORT-TERM DEPOSITS

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Cash and bank balances		195	906	83	828
Short-term deposits placed with licensed bank	(a)	399	390	399	390
		594	1,296	482	1,218

(a) Deposits placed with licensed banks of the Group and of the Company bear effective interest rates at 2.45% (2018: 2.70%) per annum with a maturity of three months or less.

13. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019	2018	2019	2018
	Units	Units	RM'000	RM'000
Issued and fully paid up:				
At the beginning/end of the financial year	89,050,667	89,050,667	98,677	98,677

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. REVALUATION RESERVE

Revaluation reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of leasehold lands, buildings, plant and machineries and motor vehicles above their cost.

15. LEASE LIABILITIES

	Group and Company 2019 RM'000	2018 RM'000
Non-current:		
Lease liabilities	237	234
Current:		
Lease liabilities	181	207
	418	441

Certain plant and machineries and motor vehicles of the Group and the Company as disclosed in Note 5 are pledged for finance leases. Such leases do not have terms for renewal. The average interest rate implicit in the leases is 3.55% (2018: 3.83%).

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group and Company 2019 RM'000	2018 RM'000
Minimum lease payments:		
Not later than one year	203	233
Later than one year and not later than 5 years	252	261
	455	494
Less: Future finance charges	(37)	(53)
Present value of minimum lease payments	418	441
Present value of minimum lease payments:		
Not later than one year	181	207
Later than one year and not later than 5 years	237	234
	418	441
Less: Amount due within 12 months	(181)	(207)
Amount due after 12 months	237	234

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deferred tax liabilities	(6,420)	(8,169)	(6,378)	(6,557)

(a) The movement of deferred tax liabilities are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	8,169	8,571	6,557	5,919
Recognised in profit or loss (Note 23)	(1,894)	(402)	(228)	638
Recognised in other comprehensive income	145	-	49	-
At 31 December	6,420	8,169	6,378	6,557

(b) The components of deferred tax assets and liabilities as at the end of the financial year comprise the following:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deferred tax liabilities				
Temporary differences between carrying amount and corresponding tax written down values	6,119	7,485	6,119	6,309
Revaluation of property, plant and equipment	301	684	259	248
	6,420	8,169	6,378	6,557

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX LIABILITIES (continued)

(c) Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

The unused tax losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

	Group 2019 RM'000
2025	48,238

17. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current:					
Non-trade					
Other payables	(a)	1,930	1,894	1,919	1,894
Current:					
Trade					
Trade payables	(b)	2,219	1,251	2,219	1,251
Non-trade					
Other payables		121	16	121	16
Deposits		72	72	-	-
Accruals		4,876	2,735	4,874	2,675
Amounts owing to subsidiaries	(c)	-	-	13,533	13,550
		5,069	2,823	18,528	16,241
Total trade and other payables (current)		7,288	4,074	20,747	17,492
Total trade and other payables (non-current and current)		9,218	5,968	22,666	19,386

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES (continued)

(a) Other payables represent amount owing to companies in which certain directors have interest which are unsecured, bear interest rate at 9% (2018: 9%) per annum and has no fixed terms of repayment.

(b) The normal trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days).

(c) Amounts owing to subsidiaries are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

18. REVENUE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At point in time:				
Sales of goods	28,286	35,631	28,286	35,631

19. OTHER INCOME

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fair value gain on biological assets (Note 7)	2,230	2,724	2,230	2,724
Interest income	191	20	191	18
Other income	40	6	40	1
Realised gain on foreign exchange	-	6	-	5
Rental income	158	136	-	-
Sundry income	1	-	-	-
	2,620	2,892	2,461	2,748

20. FINANCE COSTS

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Interest on advances from related parties	174	253
Lease liabilities	33	35
	207	288

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving of profit before tax:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortisation of intangible assets	112	112	112	112
Auditors' remuneration:				
- statutory audit				
- current year	155	118	143	107
- non statutory audit				
- current year	10	18	10	18
Bad debts written off	-	-	115	-
Depreciation of property, plant and equipment	1,001	1,004	662	653
Employee benefits expenses (Note 22)	2,786	2,694	2,769	2,635
Fair value loss on investment properties	373	300	-	-
Loss on disposal of property, plant and equipment	-	5	-	-
Property, plant and equipment written off	6	119	6	2
Rental of premises	-	78	-	78

22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonus and allowances	2,477	2,341	2,462	2,288
Defined contribution plan	227	258	225	252
Other employee benefits	82	95	82	95
	2,786	2,694	2,769	2,635

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. EMPLOYEE BENEFITS EXPENSE (continued)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Included in employee benefits expenses are:				
Directors of the Company				
- Fees	249	249	246	245
- Other emoluments	82	95	82	95
	331	344	328	340
Key management personnel				
- Salaries and other emoluments	1,063	1,253	1,051	1,205
- Defined contribution plan	130	154	128	147
	1,193	1,407	1,179	1,352

23. INCOME TAX (CREDIT)/EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	1,160	1,697	1,156	1,697
- Over provision in prior financial year	(215)	(92)	(215)	(92)
	945	1,605	941	1,605
Deferred tax				
- Origination of temporary differences	384	(199)	437	625
- (Over)/Under provision in prior financial year	(2,278)	(203)	(665)	13
	(1,894)	(402)	(228)	638
Income tax (credit)/expense recognised in profit or loss	(949)	1,203	713	2,243

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. INCOME TAX (CREDIT)/EXPENSE (continued)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax (credit)/expense are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	5,062	7,631	5,765	8,539
Taxation at applicable tax rate of 24% (2018: 24%)	1,215	1,832	1,384	2,049
Non-deductible expenses	445	407	248	273
Deferred tax not recognised during the financial year	-	83	-	-
Effect of differential in tax rate on fair value on investment properties	-	(824)	-	-
Utilisation of deferred tax not recognised in previous financial year	(24)	-	-	-
Crystallisation of deferred tax liability	(92)	-	(38)	-
(Over)/Under provision in prior financial year				
- current income tax	(215)	(92)	(215)	(92)
- deferred tax	(2,278)	(203)	(666)	13
Income tax (credit)/expense	(949)	1,203	713	2,243

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. EARNINGS PER ORDINARY SHARE

(a) Basic

Basis earning per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares on issue during the financial year.

	Group 2019	Group 2018
Profit attributable to owners of the Company (RM'000)	4,784	6,344
Weighted average number of ordinary shares for basic earnings per share (Unit)	89,050,667	89,050,667
Basic earnings per share (sen)	5.37	7.12

(b) Diluted

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.

25. DIVIDENDS

	Company 2019 RM'000	Company 2018 RM'000
Recognised during the financial year		
Single-tier final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 2 July 2019	1,781	-
Single-tier final dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 2 July 2018	-	891
	1,781	891

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost ("AC")

	Carrying amount RM'000	AC RM'000
2019		
Financial assets		
Group		
Trade and other receivables, net of prepayments	6,293	6,293
Cash and short-term deposits	594	594
	6,887	6,887
Company		
Trade and other receivables, net of prepayments	6,272	6,272
Cash and short-term deposits	482	482
	6,754	6,754
Financial liabilities		
Group		
Trade and other payables	9,218	9,218
Lease liabilities	418	418
	9,636	9,636
Company		
Trade and other payables	22,666	22,666
Lease liabilities	418	418
	23,084	23,084
2018		
Financial assets		
Group		
Trade and other receivables, net of prepayments	4,124	4,124
Cash and short-term deposits	1,296	1,296
	5,420	5,420
Company		
Trade and other receivables, net of prepayments	4,047	4,047
Cash and short-term deposits	1,218	1,218
	5,265	5,265

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

(i) Amortised cost ("AC") (continued)

	Carrying amount RM'000	AC RM'000
2018		
Financial liabilities		
Group		
Trade and other payables	5,968	5,968
Lease liabilities	441	441
	6,409	6,409
Company		
Trade and other payables	19,386	19,386
Lease liabilities	441	441
	19,827	19,827

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The management has a credit policy in place to monitor and minimise the exposure of default by dealing exclusively with high credit rating counterparties.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries.

The management has in place a credit procedure to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables is not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile
The Group and the Company determines concentrations of credit risk by monitoring the profile of its trade receivables on an ongoing basis. As at the reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances arising from the amount due from 3 (2018: 2) customers representing approximately 99% (2018: 83%) of the total trade receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's and the Company's trade receivables using the provision matrix are as follows:

	Expected credit loss rate %	Gross carrying amount at default RM'000	Impairment losses RM'000
Group and Company			
2019			
Trade receivables			
Neither past due nor impaired	0%	2,264	-
1 to 30 days past due	0%	990	-
31 to 60 days past due	0%	1,228	-
	0%	4,482	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

As at 31 December 2018, the ageing analysis of the Group's trade receivables were as follows:

	2018
	RM'000
Group and Company	
Neither past due nor impaired	2,198
1 to 30 days past due not impaired	175
Individually impaired	-
	2,373

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated, amongst others:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.12(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables and lease liabilities.

The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements.

Maturity analysis
The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Undiscounted cash flows			
Group **2019**	**Carrying amount** **RM**	**On demand or within 1 year** **RM**	**Between 1 and 5 years** **RM**	**More than 5 years** **RM**	**Total** **RM**
Financial liabilities:					
Trade and other payables	9,218	7,288	1,930	-	9,218
Lease liabilities	418	203	252	-	455
	9,636	7,491	2,182	-	9,673
2018					
Financial liabilities:					
Trade and other payables	5,968	4,074	1,894	-	5,968
Lease liabilities	441	233	261	-	494
	6,409	4,307	2,155	-	6,462

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)
The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: (continued)

		Undiscounted cash flows			
Company 2019	**Carrying amount RM**	**On demand or within 1 year RM**	**Between 1 and 5 years RM**	**More than 5 years RM**	**Total RM**
Financial liabilities:					
Trade and other payables	22,666	20,747	1,919	-	22,666
Lease liabilities	418	203	252	-	455
	23,084	20,950	2,171	-	23,121
2018					
Financial liabilities:					
Trade and other payables	19,386	17,492	1,894	-	19,386
Lease liabilities	441	233	261	-	494
	19,827	17,725	2,155	-	19,880

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial statements as a result of changes in market interest rates. The Group's and the Company's primary interest rate risk relate to deposits placed with licensed bank and lease liabilities. Deposits placed with licensed bank are exposed to a risk of change in fair value due to changes in interest rates.

The interest rate relating to deposits placed with licensed bank and lease liabilities are disclosed Notes 12(a) and 15 to the financial statements respectively.

The Group and the Company do not have any floating rate borrowings accordingly, the effect of changes in interest rate will not significantly affect the cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group and the Company have transactional currency exposures arising from sales that are denominated in a United States Dollar other than the respective functional currencies of Group entities.

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.

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The fair value of the lease liabilities is determined using the discounted cash flow method based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting year.

	2019		2018	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial liabilities				
Lease liabilities	418	237	441	455

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows: (continued)

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value of financial instruments not carried at fair value			
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Group and Company		**RM'000**	**RM'000**	**RM'000**	**RM'000**
2019					
Financial liabilities:					
Lease liabilities	15	-	-	418	418
2018					
Financial liabilities:					
Lease liabilities	15	-	-	441	441

27. RELATED PARTIES

(a) Identity of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Group's and the Company's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group include:

(i) Subsidiaries as disclosed in Note 8 to the financial statements;
(ii) Entities in which the directors have substantial financial interests;
(iii) Key management personnel of the Group and of the Company, comprises persons (including directors) having the authority and responsibility for planning, diversifying and controlling the activities directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RELATED PARTIES (continued)

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Interest paid/payable to related parties	174	253

(c) Compensation of key management personnel

The compensation of key management personnel of the Group and the Company is disclosed in Note 22 to the financial statements.

28. SEGMENT INFORMATION

Segment information is not presented as the Group operates substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

29. COMMITMENTS

(a) Commitments

The Group and the Company have made commitments for the following capital expenditures:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Approved but not contracted for:		
- Industrial tree-planting project	1,100	1,011

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. COMMITMENTS (continued)

(a) Operating lease commitments - as lessor

The Group leases its investment properties which have remaining lease term between three to five years. Rental charges are revised every three years to reflect current market conditions.

The maturity analysis of the Group's and the Company's lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	2019 RM'000	2018 RM'000
- Not later than one year	216	132
- One to two years	291	108
- Two to three years	229	108
- Three to four years	184	45
- Four to five years	46	369
	966	762

30. CONTINGENT LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank guarantees granted to secure a performance bond made in favour of the Forestry Department	5,000	5,000	5,000	5,000
Bank guarantee facility in favour of third party	29	24	-	-
	5,029	5,024	5,000	5,000

31. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group and the Company manage its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group and the Company may adjust the dividend payment to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. CAPITAL MANAGEMENT (continued)

There were no changes in the Group's and the Company's approach to capital management during the financial year.

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Total borrowings	418	441	418	441
Trade and other payables	9,218	5,968	22,666	19,386
Less: Cash and short-term deposits	(594)	(1,296)	(482)	(1,218)
Net debts	9,042	5,113	22,602	18,609
Total equity	52,518	47,830	43,631	40,205
Capital and net debts	61,560	52,943	66,233	58,814
Gearing ratio	15%	10%	34%	32%

32. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, **DATUK YAP PAK LEONG** and **AGNES SOEI-TIN LAMEY**, being two of the directors of Timberwell Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on page 73 to 150 are drawn up in accordance with the 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 at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

……………………………………
DATUK YAP PAK LEONG
Director

……………………………………
AGNES SOEI-TIN LAMEY
Director

Kota Kinabalu

Date: 13 May 2020

STATUTORY DECLARATION
Pursuant to Section 251(1) 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 to the best of my knowledge and belief, the financial statements set out on page 73 to 150 are 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.

....
LEE YOKE WAH

Subscribed and solemnly declared by the abovenamed at Kota Kinabalu in the State of Sabah on 13 May 2020.

Before me,

PESURUHJAYA SUMPAH
S 132
AMBROSE OBON
Tempoh Lantikan :
01.07.2018 hingga
31 12.2020
MALAYSIA

....
Commissioner for Oaths

No. 5, Jalan Merdeka,
Kampung Air,
88000 Kota Kinabalu,
Sabah.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T: +603 2297 1000
F: +603 2282 9980

info@bakertilly.my
www.bakertilly.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD
(Incorporated in Malaysia)

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 2019 of the Group and of the Company, and the statements of 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 73 to 150.

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

bakertilly

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TIMBERWELL BERHAD (continued)
(Incorporated in Malaysia)

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

Group and Company

Biological assets (Note 7 to the financial statements)

The Group and the Company have a significant balance of biological assets amounting to RM24.52 million as at 31 December 2019. The biological assets comprise of planted trees in industrial tree plantation area. The biological assets of the Group and of the Company are required to be measured at fair value less costs to sell.

Significant judgement is required in determining the estimated harvestable area with an estimated expected yield as at each reporting period end. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

The fair value of the planted trees has been determined based on valuations by an independent professional valuer using discounted cash flows of the trees.

Our audit response:

Our audit procedures included, among others:
- evaluating the competence, capabilities and objectivity of the independent professional valuer, including consideration of their qualifications and experience;
- discussing the discounted cash flow calculations and the underlying valuation model by comparing to available market data;
- corroborating the key inputs to the model, including commodity prices, yield and the area of land under cultivation to market data;
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the biological assets;
- checking the mathematical accuracy of the discounted cash flow calculations; and
- reviewing the disclosure requirements in accordance with MFRS 141 *Biological Assets.*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

<u>Group</u>

Investment properties (Note 6 to the financial statements)

The Group has significant balances of investment properties. The Group's policy is to measure investment properties at fair value subsequent to their initial recognition. The Group estimated the fair value of the investment properties based on information provided and the market valuation performed by an external independent valuer. We focused on this area because the estimation of fair value requires significant judgement in determining the appropriate methods and the key assumptions used.

Our audit response:

Our audit procedures included, among others:

- considering the competence, capabilities and objectivity of the external valuer which includes consideration of their qualification and experience;
- understanding the scope and objective of the valuation by reading the terms of engagement;
- reading the valuation reports and discussed with external valuer on their valuation approach and the significant judgements they made; and
- understanding the relevance of the key input data used by the external valuer.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

bakertilly

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD (continued)
(Incorporated in Malaysia)

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 the 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

bakertilly

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TIMBERWELL BERHAD (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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: (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TIMBERWELL BERHAD (continued)
(Incorporated in Malaysia)

Other Matters

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were audited by another firm of Chartered Accountants who issued an unmodified opinion in their report dated 8 April 2019.

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 contents of this report.

Baker Tilly Monteiro Heng PLT	Kenny Yeoh Khi Khen
201906000600 (LLP0019411-LCA) & AF 0117	No. 03229/09/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 13 May 2020

LIST OF PROPERTIES
AS AT 31 DECEMBER 2019

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 31.12.2019 (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	11,287 (After revaluation)

ANALYSIS OF SHAREHOLDINGS
AS AT 13 MAY 2020

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	1.88	886	0.00
100 – 1,000	461	37.63	428,436	0.49
1,001 – 10,000	580	47.35	1,953,543	2.19
10,001 – 100,000	113	9.22	3,295,860	3.70
100,001 – 4,452,532 *	43	3.51	39,093,991	43.90
4,452,533 and above **	5	0.41	44,277,961	49.72
TOTAL:	**1,225**	**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 13 MAY 2020)

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	13.63	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	2,674,899	3.00	2,367,533#	2.66

Notes:
Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.
^ Held through nominee company.

ANALYSIS OF SHAREHOLDINGS
AS AT 13 MAY 2020

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:
Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.
^ Held through nominee company.

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	6,380,206	7.16
3.	Citigroup Nominees (Asing) Sdn. Bhd. [Exempt an for Bank of Singapore Limited (Foreign)]	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]	2,674,899	3.00
9.	Harmony Chime Sdn. Bhd.	2,367,533	2.66
10.	Ting Sing Hong	2,282,500	2.56
11.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account 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

ANALYSIS OF SHAREHOLDINGS
AS AT 13 MAY 2020

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name	No. of Shares Held	%
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.	Lu Yieng Kee	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.	HSBC Nominees (Asing) Sdn. Bhd. [Exempt an for CACEIS Bank (SW-CSG-FGN)]	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

TIMBERWELL BERHAD

(Registration No. 199601014835 [387185-W])

PROXY FORM

I/We,____________________ NRIC No./Passport No./Company No. ____________________

of ____

being a member/members of Timberwell Berhad hereby appoint ____________________

NRIC No./Passport No. ____________________ of ____________________

____________________ *and/or failing him/her ____________________

NRIC 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 24th Annual General Meeting of the Company to be held at 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Tuesday, 18 August 2020 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**			
	Ordinary Business	**Resolution**	**For**	**Against**
1.	To approve the Directors' fees in respect of the financial year ended 31 December 2019.	1		
2.	To approve the Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries.	2		
3.	To re-elect Dato Sri Tiong King Sing as a Director.	3		
4.	To re-elect Mr Loo Choo Hong as a Director.	4		
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT (AF 0117) as Auditors of the Company and to authorise the Directors to fix their remuneration.	5		
	Special Business			
6.	To approve the Authority to Issue and Allot Shares.	6		
7.	To approve the continuing in office for Dato' Seri Abdul Azim Bin Mohd Zabidi as an Independent Non-Executive Director.	7		
8.	To approve the continuing in office for Datuk Yap Pak Leong as an Independent Non-Executive Director.	8		

Dated this __________ day of __________ 2020

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 %

*Strike out whichever is not applicable.

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. 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.
3. 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.
4. 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.
5. The instrument appointing a proxy 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.
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 11 August 2020.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

TIMBERWELL BERHAD
(387185-W)

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

1st fold here

If undelivered, please return to:

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 7 Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

TIMBERWELL BERHAD
REGISTRATION NO: 199601014835 (387185-W)

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