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**TIMBERWELL BERHAD**

Registration No. 199601014835 (387185-W)

# **We Practice Sustainable Forestry**

**Annual Report 2020**





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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Fifth Annual General Meeting of Timberwell Berhad (“Company”) will be held at **2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah** on **Thursday, 20 May 2021** at **1:00 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 2020 together with the Reports of the Directors and Auditors thereon.  | <b>Please refer to Explanatory Note (a)</b> |
| 2. | To approve the payment of Directors’ fees amounting to RM250,000.00 for the financial year ended 31 December 2020.   | <b>RESOLUTION 1</b>                         |
| 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 21 May 2021 until the next Annual General Meeting of the Company. | <b>RESOLUTION 2</b>                         |
| 4. | To re-elect the following directors who retire in accordance with Clause 97 of the Constitution of the Company and being eligible, have offer themselves for re-election:-<br>a. Datuk Yap Pak Leong<br>b. Madam Agnes Soei-Tin Lamey                  | <b>RESOLUTION 3</b><br><b>RESOLUTION 4</b>  |
| 5. | To re-elect Mr Michael @ Radio bin Luban who is retiring in accordance with Clause 104 of the Constitution of the Company and being eligible, has offered himself for re-election.   | <b>RESOLUTION 5</b>                         |
| 6. | To re-appoint Messrs. Baker Tilly Monteiro Heng PLT (AF 0117) as the Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>RESOLUTION 6</b>                         |

### AS SPECIAL BUSINESS

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

- |    |  |                     |
|----|--|---------------------|
| 7. | <b>Ordinary Resolution</b><br><b>- Authority to Issue and Allot Shares</b> | <b>RESOLUTION 7</b> |
|----|--|---------------------|

“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

(cont'd)

8. **Ordinary Resolution**

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

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

**RESOLUTION 8**

9. 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 & LS0009932)**

**TAN BEE HWA (SSM PC NO. 202008001174 & MAICSA 7058049)**

Company Secretaries

Kota Kinabalu

21st day of April 2021

**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 12 May 2021.

# Notice of Annual General Meeting

(cont'd)

## EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

### (a) Item 1 of the Agenda

#### - Audited Financial Statements for the financial year ended 31 December 2020

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 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 2020 will only be made if the proposed Resolution 1 has been passed at the Twenty-Fifth Annual General Meeting ("25th 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)	Non-Executive 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 21 May 2021 until the next Annual General Meeting ("AGM") in the year 2022. 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 25th AGM.

### (d) Item 6 of the Agenda

#### - Re-Appointment of Auditors (Resolution 6)

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 25th AGM.

### (e) Item 7 of the Agenda

#### - Authority to Issue and Allot Shares (Resolution 7)

The proposed Ordinary Resolution 7 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

(cont'd)

**(f) Item 8 of the Agenda**  
**- Continuing in Office as Independent Non-Executive Director (Resolution 8)**

The Nomination and Remuneration Committee has assessed the independence of Datuk Yap Pak Leong, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and has recommended him to continue to act as an Independent Non-Executive Director 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. has 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 he has served the Company for more than nine (9) years;
- iv. has devoted sufficient time and attention to discharge the professional obligations for informed and balanced decision making; and
- v. has exercised due care during his tenure as an Independent Non-Executive Director of the Company and carried out his 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 Resolution 8 will be sought on two-tier voting basis, if passed, will allow the Independent Director to be retained and continue acting as Independent Director to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements of Bursa Securities and in line with the practice 4.2 of the Code.

## **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 25th 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 25th AGM;
3. There will be no door gift and refreshment served at the 25th AGM; and
4. Wearing a face mask in advance and throughout the 25th AGM proceedings is required.

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 25th AGM as their proxy to attend and vote at the 25th AGM.

To vote on any or all of the resolutions at the 25th 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 in the Annual Report.

If you have any questions in relation to any item of the Agenda of the 25th AGM, you may send them in advance via email at [enquiry@timwell.com.my](mailto: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.

# Notice of Annual General Meeting

(cont'd)

## GUIDANCE FOR PRE-REGISTRATION TO ATTEND THE 25TH AGM OF THE COMPANY

Further to the revised “Guidance and FAQs on the Conduct of General Meetings for Listed Issuers” issued by the Securities Commission of Malaysia on 5 March 2021, Shareholders are required to register ahead of the 25th AGM to allow the Company to make the necessary arrangements in relation to the meeting. In view thereof, please refer to the below guidance for pre-registration to attend the 25th AGM:-

1. Shareholders who wish to attend the 25th AGM in person are required to pre-register by providing the below details by e-mail to [info@sshsb.com.my](mailto:info@sshsb.com.my):-
  - (i) Full name;
  - (ii) Identity Card or Passport number;
  - (iii) Contact number (optional - for better co-ordination); and
  - (iv) CDS account number.
2. After verification of your registration against the Record of Depositors as at 12 May 2021, the Company's Share Registrar will send you an e-mail on or after 17 May 2021 to approve or reject your registration to attend physically at the Meeting Venue.
3. Please note that only a Depositor whose name appears on the Record of Depositors as at 12 May 2021 shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the 25th AGM.

Kindly check the Company's website or announcements from time to time for the latest updates on the status or changes to the 25th AGM's arrangement.

The Company seeks the understanding and cooperation from Shareholders and other attendees to contain the outbreak of COVID-19 pandemic.

## ENQUIRY

If you have any enquiry prior to the meeting, you may contact the Share Registrar at:

<b>SECURITIES SERVICES (HOLDINGS) SDN. BHD.</b> [Registration No. 197701005827 (36869-T)] Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur	Contact Person	Contact
	General Line	03 - 2084 9000
	Mr. Wong Piang Yoong	03 - 2084 9168 <a href="mailto:piang.yoong.wong@sshsb.com.my">piang.yoong.wong@sshsb.com.my</a>
	Puan Nurhayati Ang	03 - 2084 9162 <a href="mailto:nurhayati.ang@sshsb.com.my">nurhayati.ang@sshsb.com.my</a>
	Ms. Yuli Chew	03 - 2084 9008 <a href="mailto:yuli.chew@sshsb.com.my">yuli.chew@sshsb.com.my</a>
	Fax Number	03 - 2094 9940, 2095 0292
	Email	<a href="mailto:info@sshsb.com.my">info@sshsb.com.my</a>





# Corporate Framework

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# 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.

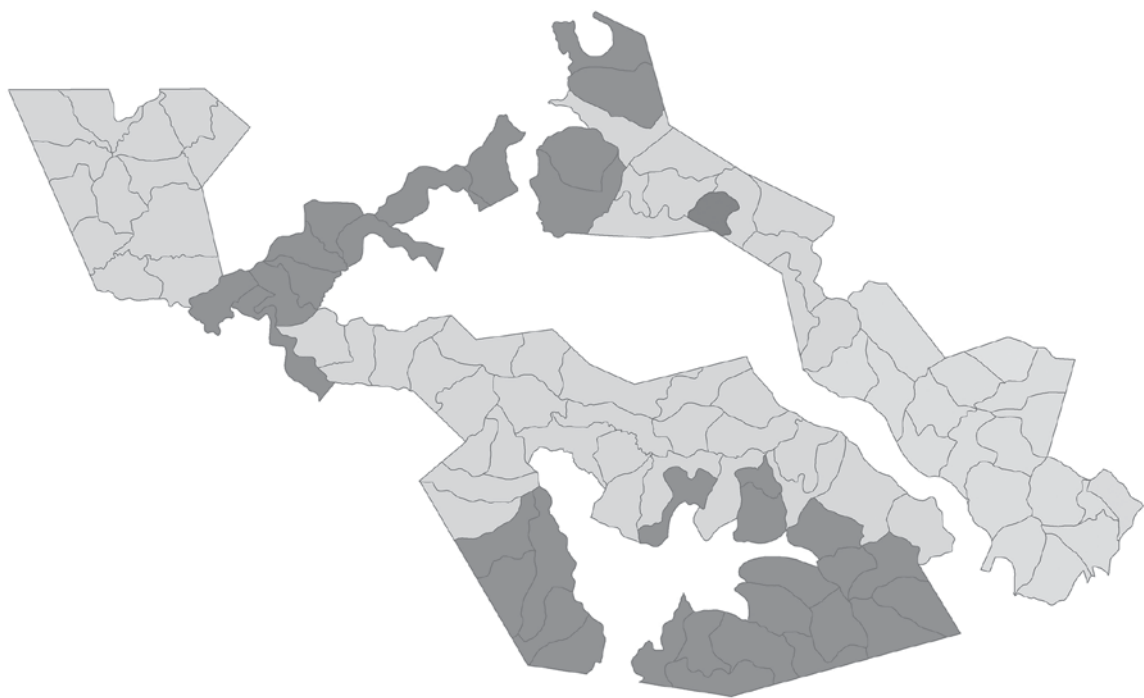
## TRADING DIVISION

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



**Lingkabau Forest Reserve**



**Legend**

- Conservation
- Community Forestry
- NFM
- ITP-RubberLTC
- ITP-MosaicPlanting
- ITP-IntergratedPlanting



# Corporate Information

## BOARD OF DIRECTORS

- **Dato Sri Tiong King Sing**  
(Managing Director)
- **Datuk Yap Pak Leong**  
(Senior Independent Non-Executive Director)
- **Loo Choo Hong**  
(Independent Non-Executive Director)
- **Michael @ Radio bin Luban**  
(Independent Non-Executive Director)  
(Appointed on 23.2.2021)
- **Agnes Soei-Tin Lamey**  
(Non-Independent Non-Executive Director)  
(Redesignated on 26.3.2021)
- **Yap Fook Fung**  
(Alternate Director to Datuk Yap Pak Leong)

## AUDIT COMMITTEE

- **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
- Michael @ Radio bin Luban (Appointed on 23.2.2021)

## RISK MANAGEMENT COMMITTEE

- **Datuk Yap Pak Leong** (Chairman)
- Agnes Soei-Tin Lamey
- Michael @ Radio bin Luban (Appointed on 23.2.2021)

## 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 : 088-332455  
Fax : 088-235907  
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%**

**TIMBERWELL PROPERTIES  
SDN. BHD.**  
199601018562 (390913-W)

**100%**

**TIMBERWELL PLANTATIONS  
SDN. BHD.**  
200601019883 (739636-U)

**59.17%**

**TIMBERWELL PLYWOOD  
SDN. BHD.**  
199801000555 (456681-T)



# Directors' Profile

## **DATO SRI TIONG KING SING**

- Managing Director
- Aged 60 / 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 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 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 1990-2010.

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 the People Republic of China cum Chairman of Malaysia-China Business Council since April 2020.

Prior to that, he was the Prime Minister of Malaysia's Special Envoy to East Asia (Japan, South Korea and Taiwan) from 2014 to May 2018.

He has been serving in various capacities including as a patron of several charitable and Non-Profit Organisation particularly in Sarawak, Malaysia.

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 2020.

Details of number of board meetings attended by him during the financial year are set out in page 39 of this Annual Report.

## **DATUK YAP PAK LEONG**

- Senior Independent Non-Executive Director
- Aged 86 / 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 2020.

Details of number of board meetings attended by him during the financial year are set out in page 39 of this Annual Report.



# Directors' Profile

(cont'd)

## LOO CHOO HONG

- Independent Non-Executive Director
- Aged 48 / 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.

Mr Loo is also an Independent Non-Executive Director and the Chairman of the Audit Committee of Wang Zheng 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 2020.

Details of number of board meetings attended by him during the financial year are set out in page 39 of this Annual Report.

## AGNES SOEI-TIN LAMEY

- Non-Independent Non-Executive Director
- Aged 67 / 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 shareholder 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 2020.

Details of number of board meetings attended by her during the financial year are out in page 39 of this Annual Report.



# Directors' Profile

(cont'd)

## **MICHAEL @ RADIO BIN LUBAN**

- Independent Non-Executive Director
- Aged 71 / Malaysian / Male

Michael @ Radio bin Luban was appointed a Director of Timberwell Berhad on 23 February 2021. He was appointed as member of the Nomination and Remuneration Committee and Risk Management Committee on the same date.

Michael @ Radio bin Luban obtained his Master of Science in Human Resources Management through Post Graduate Programme in Hawaii University in 1996 and Bachelor of Science in Business Administration major in Human Resources Management from Hawaii Pacific College (presently known as Hawaii Pacific College University), Honolulu Hawaii in 1989.

He started his career as Assistant Officer with Sabah Road Transport Department from 1978 to 1995. He then involved in setting up the operation of Pusat Pemeriksaan Kenderaan Berkomputer Sdn. Bhd. ("PUSPAKOM"), one of the GLC in Sabah. He was posted to Tawau as Branch Manager of PUSPAKOM Tawau 1996-March 1999 and was transferred to PUSPAKOM Sandakan from April 1999 to year 2006. At the end of the same year, he got his early retirement approval at the age of 56 years old.

Upon retirement, Michael @ Radio bin Luban was self-employed at his own Small Holder Palm Oil Plantation, where he later joined the party Pribumi Bersatu Malaysia ("PPBM") of Beluran branch. As a member of the PPBM Organisation, he is committed in assisting to uplift the standard of living of the local communities under the programme of Ministry of Agriculture and Food Industries of Malaysia.

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

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction of offences within the past ten (10) years.

Details of number of board meetings attended by him during the financial year are set out in page 39 of this Annual Report.

## **YAP FOOK FUNG**

- Alternate Director to Datuk Yap Pak Leong
- Aged 52 / 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 2020.

Details of number of board meetings attended by her during the financial year are out in page 39 of this Annual Report.

# Key Senior Management

## **DATUK PAU CHIONG UNG**

- Chief Executive Officer
- Aged 69 / 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 30 March 2021 are as follows:

<b>Timberwell Berhad</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
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 2020.



# Corporate Perspective

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# Chairman's Statement

## DEAR SHAREHOLDERS

**I AM PLEASED TO PRESENT TO YOU THE ANNUAL REPORT, INCORPORATING THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY, FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020.**

## OVERVIEW

The Malaysian economy recorded a contraction in Gross Domestic Product ("GDP") of 5.6% in 2020 mainly due to the COVID-19 pandemic. 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 a 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 RM18.3 million compared to RM28.3 million in the corresponding period of 2019. The decline was mainly due to the global COVID-19 pandemic which resulted in the decrease in timber demand and also the 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 Loss from Operations of RM0.1 million (2019: Profit RM5.3 million) after taking into account the fair value loss on Biological Assets and Investment Properties.

The Company had engaged Messrs. Smith Gore Sabah to conduct a fair valuation on Biological and Intangible Assets and Investment Properties in accordance with the MFRS 141 and MFRS 140 respectively. The Net Present Value ("NPV") derived from the valuation report dated 31 December 2020 are summarised as per the tables below:

### 1. Biological and Intangible Assets

Particulars	NPV as at 31 December 2020 RM'000	NPV as at 31 December 2019 RM'000
Biological Assets (planted trees)	24,820	24,520
Intangible Assets (Unharvested natural standing trees)	59,550	82,770
<b>Total</b>	<b>84,370</b>	<b>107,290</b>

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 on Biological Assets has the effect of Loss by 0.42 Sen (2019: Gain 2.50 Sen) contributing to the decrease in net assets per share of the Company for 2020 to 57.86 Sen (2019: 58.66 Sen)



# Chairman's Statement (cont'd)

## 2. Investment Properties

Particulars	NPV as at 31 December 2020 RM'000	NPV as at 31 December 2019 RM'000
<b>Investment Properties</b>		
Leasehold Land	4,408	4,379
Buildings	6,498	6,909
<b>Total</b>	<b>10,906</b>	<b>11,288</b>

The approach and method of the Investment properties have met the criteria of the MFRS 140 and thus, the fair value derived from the Investment Properties is reflected in the financial report accordingly. The fair value on Investment Properties has the effect of Loss by 0.25 Sen (2019: Gain 0.26 Sen) contributing to the decrease in net assets per share of the Company for 2020 to 57.61 Sen (2019: 58.92 Sen)

## OPERATIONS REVIEW

Due to the nature of our business, which is heavily dependent on timber prices, coupled with a challenging environment during the period under review, 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 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 Company remain committed to the Timber Legality Assurance System ("TLAS") criteria against the European Union Forest Enforcement Governance and Trade ("FLEGT") for the management of its forest area though the Assessment was deferred due to numerous constraints.

In recognition of the continuous efforts by the Management and the Board of Directors, the Company was informed by the Forestry Department on the 26 April 2020 that the Company attained the Compliance Certificate, for its achievement of the overall performance in accordance with AWP2019.

Further to the compliance achieved by the Company, the proposed 2020 Annual Work Plan of the Company was also approved.

# Chairman's Statement

(cont'd)



## DIVIDEND

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

## OUTLOOK AND PROSPECT

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth in GDP of between 3% - 4% in 2021. 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 2021.

## 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

22 February 2021

*Note: The Chairman during the financial year under review is Dato' Seri Abdul Azim bin Mohd Zabidi who has resigned on 22 February 2021.*

# 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 2020 and related notes thereto.

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

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 had 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	RM
Industrial Tree Plantation	30,125.38
Natural Forest Management	15,260.28
Community Forest	273.76
<b>Total</b>	<b>45,659.42</b>

## 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 timber market due to the global COVID-19 Pandemic since year 2020 resulted in the decrease in timber demand and selling price and the Group has maintained few business strategies and strict controls on capital management, including the following:

- ▶ Limited on capital nature expenditure, reduce of non-operating expenditure spending, focusing on key priority and revenue generation.
- ▶ Closer monitoring on inventory and debtor management.
- ▶ Cost control 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 RM18.3 million in year 2020 which has decreased RM10 million as compared to the year 2019 (RM28.3 million). The revenue reduced marginally by 35%. The decline in revenue is mainly due to the operation disruptions from 18 March 2020 to 3 May 2020 as the Government has implemented restricted movement measures to contain the COVID-19 outbreak.

The loss after tax figure of RM0.7 million was arrived at after taking into account the fair value loss derived from Biological Assets ("BA") amounting to RM0.4 million (2019: Gain RM2.2 million).

The Company continued to appoint Messrs. Smiths Gore Sabah to conduct a fair valuation exercise on BA in accordance to MFRS 141 for the financial year ended 31 December 2020. 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.

- ▶ Biological Assets ("Planted trees") at the ITP area.
- ▶ Intangible Assets ("IA") (Natural unharvested standing trees) at the NFM and ITP area.

# Management Discussion and Analysis

(cont'd)

The summary of the valuation report dated 31 December 2020 are shown in the table below:-

Net Present Value ("NPV")	31 December 2020 RM'000	31 December 2019 RM'000
Biological Assets	24,820	24,520
Intangible Assets	59,550	82,770
<b>Total</b>	<b>84,370</b>	<b>107,290</b>

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

Particulars	NBV as at 31 December 2020 RM'000	NPV as Valuation Report 31 December 2020 RM'000	Fair Value Loss RM'000
Biological Assets	25,193	24,820	(373)
<b>Total</b>	<b>25,193</b>	<b>24,820</b>	<b>(373)</b>

The Fair Value Loss of RM0.3 million derived from BA was reflected in the Audited Financial Results for the financial year ended 31 December 2020.

The fair value of RM60 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 2020.

The net assets per share of the Company as at 31 December 2020 after taking into account the fair valuation of BA were illustrated below:-

Particulars	Audited result as at 31 December 2020 before fair valuation of BA	Effect of the fair valuation	Audited result as at 31 December 2020 after the fair valuation of BA
Equity Attributable to the owners of the Company (RM'000)	51,899	(373)	51,526
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (sen)	58.28	(0.42)	57.86

# Management Discussion and Analysis

(cont'd)

The Group has also carried out a valuation exercise on the Property, Plant and Equipment ("PPE") during the financial year ended 31 December 2020. 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 2020 RM'000	NPV as Valuation Report 31 December 2020 RM'000	Fair Value Gain / (Loss) RM'000
<b>Investment Properties</b>			
Leasehold Land	4,379	4,408	29
Building	6,909	6,498	(411)
<b>Property, Plant and Equipments</b>			
Motor Vehicle	439	440	1
Plant and Equipment	5,237	5,650	413
Building	603	657	54
<b>Total</b>	<b>17,567</b>	<b>17,653</b>	<b>86</b>

The net assets per share of the Group as at 31 December 2020 will be decreased by 0.25 sen to 57.61 sen upon incorporation of the fair value loss derived from investment properties, net of deferred tax as detailed hereunder:-

Descriptions	Audited result as at 31 December 2020 before fair valuation of investment properties	Effect of the fair valuation	Audited result as at 31 December 2020 after the fair valuation of investment properties
Equity Attributable to the owners of the Company (RM'000)	51,526	(226)	51,300
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (sen)	57.86	(0.25)	57.61

\* Revaluation deficit is net of deferred tax.

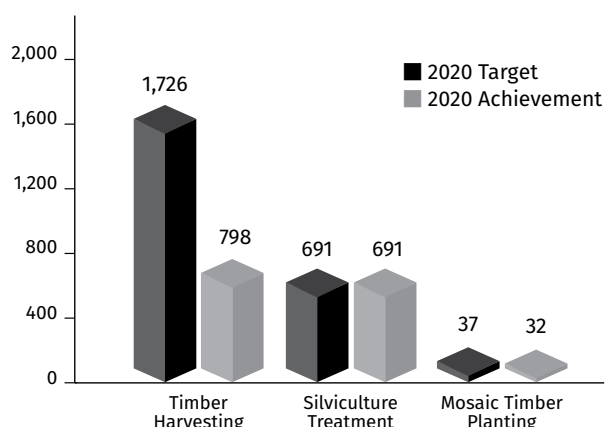


# Management Discussion and Analysis

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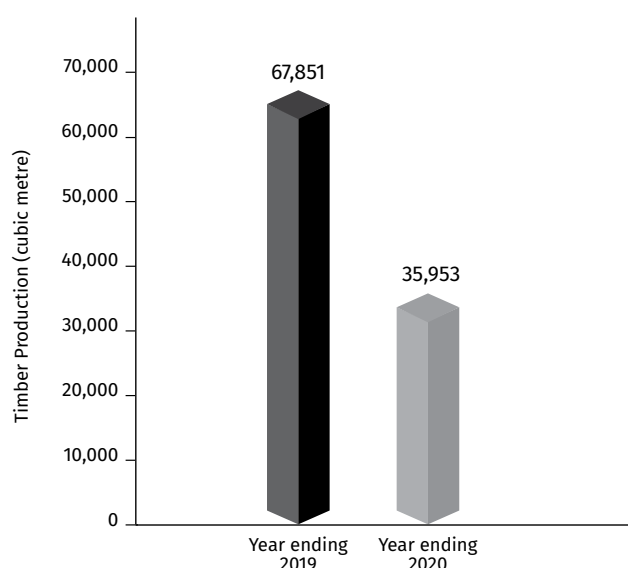
## OPERATION REVIEW

The focal operations of the Company are timber harvesting and area rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2020 Annual Work Plan ("2020 AWP") stipulates the targets for all the activities in the entire year and the achievements are assessed at the end of 31 December 2020.



**Figure 1:** Areas in hectare for 2020 AWP target and the year ending 2020 achievements.

The Company only managed to harvest about 46% of the targeted area for harvesting in 2020 mainly due to the restrictions during the COVID-19 pandemic.



**Figure 2:** Comparison of logs production volume for year ending 2019 and 2020.

The market for timber remains challenging in 2020. The state government policy on round logs export ban remain in 2020 and the Company continue focus on domestic timber market. Despite the set-back and the impact of the pandemic especially in the first half of year 2020, the Company managed to produce substantial timber volume in the preceding half of the year.

Apart from the main tasks, other supporting activities carried out by the Company in 2020 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 2020 AWP.

### Achievement and Accomplishment

For year ending 2020, the Company attained the following achievement:

**QUALIFIED TO GET COMPLIANCE  
CERTIFICATE ON 3 FEBRUARY 2020**

**APPROVAL OF THE 2020 ANNUAL WORK  
PLAN ON 26 APRIL 2020**

The Forestry Department had on the 3 February 2020 informed that the Company has qualified to get the Compliance Certificate for the previous year achievement. However, the Certificate award was put on hold due to the restrictions enforced during the COVID-19 pandemic. Subsequently the 2020 Annual Work Plan was approved on the 26 April 2020.

### Outlook and Prospect

The Management has revised the harvesting goal in 2020 to rationalise with the current health situation and market condition.

The Management is aware of the current health and economic situation and will look to improve productivity and efficiency in-line with the new-normal practiced to contain the pandemic. 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.

# Management Discussion and Analysis

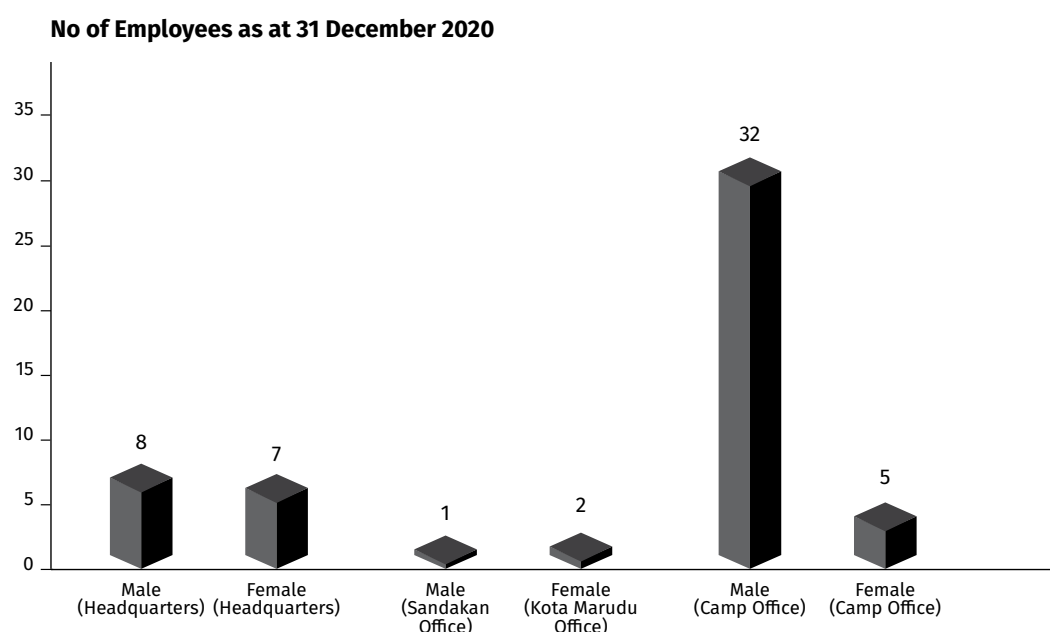
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## WORKFORCE

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 2020, the workforce is equipped with 57 employees.



## 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 Executive Committee Meeting on 5 August 2020.

# Management Discussion and Analysis

(cont'd)

## 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. With the outbreak of COVID-19 pandemic, the Company continued emphasis in training and developing its employees despite the impediments to physical training brought about by COVID-19 pandemic.

During the year, our workforce has attended series of training and engagements pertaining to compliance awareness, finance, and environment via online platform such as zoom and webinars.

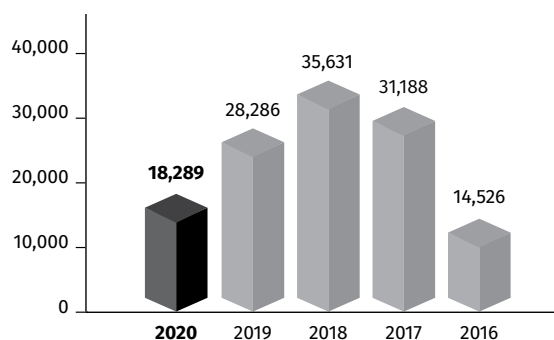
The training comprises both internal and external courses, where the records are maintained in the head office whilst the full list of training in respect to Sustainability are detailed in the Sustainability Statement.

No	Title	Date
1.	Sabah Forest and Timber Industry Master Plan	17 February 2020
2.	Live Webinar COVID-19 Corporate Tax Updates (M'sia) FLPC and Baker Tilly	17 June 2020
3.	FPLC Webinar COVID 19 Series: Paradigm Shift in Human Capital Management	15 July 2020
4.	Workshop Forest Beyond Timber	29 July 2020
5.	The Cooler Earth Sustainability Summit 2020 (Profits with a Purpose)	8 September 2020
6.	The Cooler Earth Sustainability Summit 2020 (Environmental Reporting)	10 September 2020
7.	The Cooler Earth Sustainability Summit 2020 (Building a Sustainable World)	10 September 2020
8.	The Cooler Earth Sustainability Summit 2020 (Resilient Cities and Communities)	15 September 2020
9.	The Cooler Earth Sustainability Summit 2020 (Managing Change for Sustainability)	24 September 2020
10.	The Cooler Earth Sustainability Summit 2020 (Tools for Environmental Risk Management)	2 October 2020
11.	The Cooler Earth Sustainability Summit 2020 (Green Finance)	12 October 2020
12.	The Cooler Earth Sustainability Summit 2020 (ESG Financing for Business)	15 October 2020
13.	Technical Briefing for Company Secretaries of Listed Issuers conducted by Listing Division & Regulations, Bursa Malaysia Berhad	9 November 2020
14.	MIA 2021 Budget Seminar	3 December 2020
15.	MASB-MFRS Application and Implementation Committee Virtual Awareness Programme	8 December 2020

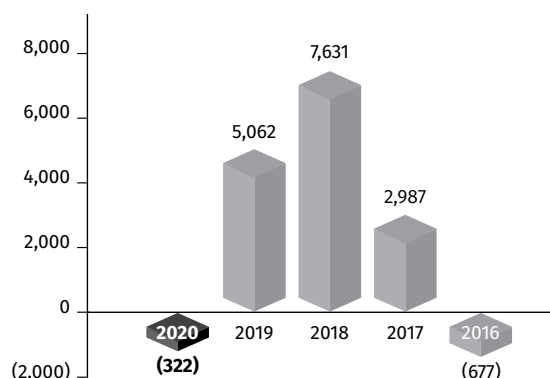
# Five (5) Years Financial Highlights

	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>					
- Continuing Operations	18,289	28,286	35,631	31,188	14,526
- Discontinued Operations	-	-	-	-	-
Total Revenue	18,289	28,286	35,631	31,188	14,526
<b>Profit/(Loss) Before Taxation</b>					
- Continuing Operations	(322)	5,062	7,631	2,987	(677)
- Discontinued Operations	-	-	-	-	-
Total Profit/(Loss) Before Taxation	(322)	5,062	7,631	2,987	(677)
Income/(Loss) Attributable to Equity	(443)	4,784	6,344	2,070	75
Shareholder's Fund	51,898	52,341	49,004	38,800	35,116
Basic Earnings Per Share (Sen)	(0.50)	5.37	7.12	2.32	0.08
Net Assets Per Share (Sen)	58.28	58.77	55.03	43.57	39.43

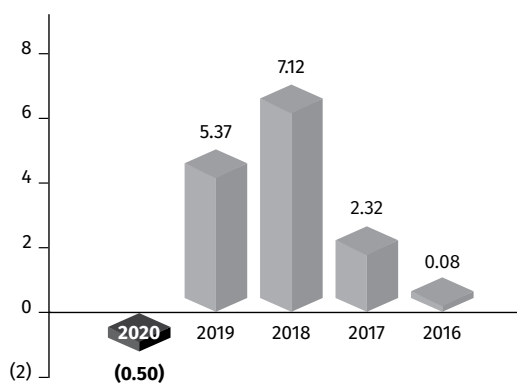
**TOTAL REVENUE**  
(RM'000)



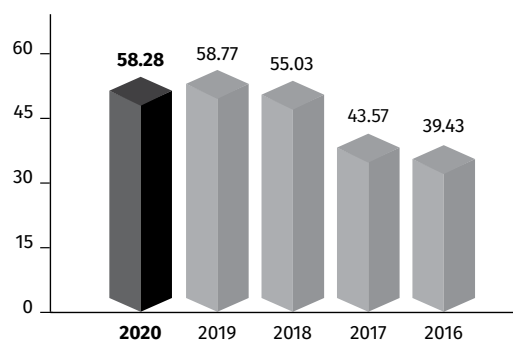
**TOTAL (LOSS)/PROFIT BEFORE TAX**  
(RM'000)



**BASIC EARNINGS PER SHARE**  
(Sen)



**NET ASSETS PER SHARE**  
(Sen)



# Statement from the Chief Executive Officer

2020 continues to be a challenging year for the Group. The State government policy on ban of round logs export remains while the overall economic activity was weighed down by the ongoing pandemic of Coronavirus Disease 2019 ("COVID-19")

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 2019 with unswerving performance. The Company also remain submissive to the Timber Legality Assurance System even though the review was deferred due to various constrain.

In the process to achieve Malaysian Criteria and Indicator Standards, the Company intensify the effort to be ready for audit under Malaysian Timber Certification Scheme (Natural Forest) in 2021.

The Company managed to offset the pressure from the COVID-19 pandemic in 2020 to certain extent and aim to continue the performance in 2021. The commitment 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 the practice of Reduced Impact Logging will remain in a sustainable approach. The Company will continue the effort in driving more efficient working environment and proficient cost control measure.

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 Statement

## 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.

# Sustainability Statement

(cont'd)

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

No.	Performance measure	Target (ha)	Achieved (ha)
1.	Timber harvesting	1,726	798
2.	Silviculture treatment	691	691
3.	Timber plantation	37	32

The activity flow in timber harvesting is inordinately affected by the Coronavirus Disease ("COVID-19") pandemic as movement was restricted and workers are reduced proportionately.

## ENVIRONMENTAL PROTECTION

The mandatory requirement of Environmental Impact Assessment ("EIA") for activities associated with land development and utilization of natural resources in Sabah is stipulated in the Conservation of Environment Enactment 1996 and the Conservation of Environment (Prescribed activities) order 1999.

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 2020, 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 the 6 February 2020. The Approval letter issued by EIA is enclosed herewith.

**JABATAN PERLINDUNGAN ALAM SEKITAR**  
(ENVIRONMENTAL PROTECTION DEPARTMENT)

Tingkat 1 - 3, Wisma Rukay, Jalan Tunka Abdul Rahman, Beg Berkesel 2078, 80700 Kota Kinabalu, Sabah, Malaysia  
No. Tel. : 088-2512962/2512961/267572/268472  
No. Faks : 088-2582302/30399 E-mail: jpa@sekitar.gov.my  
http://www.sekitar.gov.my/jpa  
(Silta catitkan Rajakan Yali Jabatan ini apabila mengijaz)

**RUJUKAN : JPAS/WPB/KM/900-1/01/1/3 KLT.2 (02)**  
**TARIKH : 06 Februari 2020**

Pengarah Kanan  
Timberwell Berhad  
2nd Floor, Wisma BSN Sabah  
Jalan Kemajuan, Karamunsing  
P.O. Box 15528  
88887 KOTA KINABALU  
Faks.: 088-222727

Yang Berbahagia Datuk,

**KELULUSAN PERUBAHAN SYARAT-SYARAT ALAM SEKITAR BAGI "FORESTRY OPERATION WITHIN LINGKABAU FOREST RESERVE (FMU 3) UNDER SFMLA 06/97 IN KOTA MARUDU DISTRICT, SABAH".**

Dengan hormatnya, saya menujuk perkara di atas.

2. Setelah menilai dan meneliti dokumen dan maklumat tambahan yang dikemukakan oleh Ekohandal Sdn Bhd rujukan ESB/TWB/SFMLA/06-07 (B) bertarikh 13 November 2019, maka selaras dengan peruntukan Seksyen 12E(1), Enakmen Perlindungan Alam Sekitar 2002, syarat-syarat alam sekitar seperti berikut:


i. JPAS/PP/07/600-1/01/3/9 bertarikh 01 November 2004,  
ii. JPAS/PP/07/600-1/01/3/14 bertarikh 05 September 2005,  
iii. JPAS/PP/07/600-1/01/3/12 bertarikh 26 Oktober 2005 dan  
iv. JPAS/PP/06/600-1/01/3/19 bertarikh 24 Oktober 2007,

adalah **dibatalkan** dan dipinda seperti di lampiran. Dikemukakan bersama-sama ini perjanjian syarat-syarat alam sekitar yang telah disemak dan diperakui oleh pihak Y. Bhg Datuk rujukan JPAS/WPB/KM/900-1/01/1/3 bertarikh 16 Januari 2020.

3. Jabatan ini juga ingin menekankan agar perjanjian syarat-syarat alam sekitar bagi projek ini hendaklah dipatuhi sepenuhnya. Sebagai makluman, kegagalan untuk mematuhi perjanjian syarat-syarat alam sekitar ini adalah menjadi satu kesalahan dibawah Seksyen 12E(3)(a), Enakmen Perlindungan Alam Sekitar 2002.

Sekian, terima kasih.

"BERKHIDMAT UNTUK NEGARA DENGAN BERSIH, CEKAP DAN AMANAH"  
"MELAKAR SEJARAH - CREATING HISTORY"

  
(VITALIS MODUYING)  
Pengerah

PEMULHARAAN ALAM SEKITAR KEARAH  
HIDUP YANG SEIMBANG

PK-007 (3) - 2019 1/2

**RUJUKAN : JPAS/WPB/KM/900-1/01/1/3 KLT.2 (02)**  
**TARIKH : 06 Februari 2020**

s.k

1. Ketua Konservator Hutan  
Ibu Pejabat Perhutanan  
Km 11, Jalan Utara  
Beg berkesel 68  
90009 SANDAKAN  
Faks.: 089-671303

2. Ketua Eksekutif  
Ekohandal Sdn Bhd  
Lot 44/2, Block F, Lorong 2  
Riverside Plaza  
88450 KOTA KINABALU  
Faks.: 088-384710

n.o.o. KPP(P), Sektor Pembangunan, JPAS.

420mm

2/2

# Sustainability Statement

(cont'd)

## SOCIAL AND COMMUNITY DEVELOPMENT

### Community Outreach 2020

With the outbreak of COVID-19 pandemic globally, its far reaching effects has an impact on the capability of the Company's Community Outreach effort during the year with the implementation of the Movement Restriction Order ("MCO") as well as Inter-District Travel Ban by both state and Federal National Security Council.

Although efforts to engage the community via dialog session was not realised, some community leaders has reached out via informal communications such as WhatsApp or virtual conference call for assistance and to update the current situation of the community.

One such community is Kg. Abuan. At the begining of the Movement Control Order, the Majlis Pengurusan Komuniti Kampung ("MPKK") of the community has reach out to the Company through Community Liaison Executive requesting for aid. The Camp Manager with a few camp personels delivered and presented the food baskets to the community leaders and in turn distributed among the community members.

On 22 December 2020, the Company has given a donation to the Borneo Evangelical Church of Kg. Abuan for the community's yearly Christmas celebration.



Picture: Camp staff presenting the donation to the Borneo Evangelical Church of Kg. Abuan's representative

Date	Details
15 April 2020	MPKK Kg. Abuan has communicated to the Company through Community Liaison Executive via WhatsApp requesting aid for the community.
29 April 2020	The Camp Manager with a few camp personels delivered and presented the food baskets to the community leaders and in turn distributed among the community members.



Picture showing Food baskets delivered to the community leaders of Kg. Abuan.

## ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES")

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

The Company has identified 2 stakeholders whom have high influence and high dependence to the Company. There are the Contractor and Employee. Based on the Materiality Matrix arising from the EES, the areas have significant impact and influence to the Company are illustrated in the table below:

	Stakeholder	Relevant EES Matters
1.	Contractor	<ul style="list-style-type: none"> <li>Labor and Management Relations</li> <li>Weather Condition</li> </ul>
2.	Employee	Training and Education

# Sustainability Statement

(cont'd)

## CONTRACTOR

Contractor have high influence and high dependence to the Company and their most significant impact and influences key matters are Labor 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 and wildlife protection. Any violation is subject to a penalty as stipulated in the License Agreement.

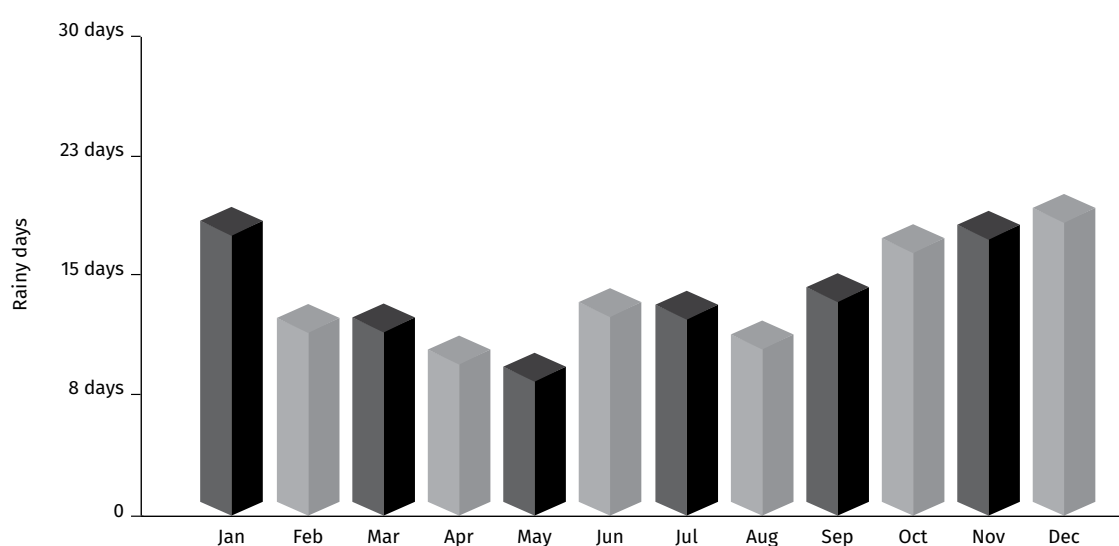
### Labor and Management Relations

During the year, with regard to labor 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 all the relevant authorities. For the forthcoming year, the Company plans to inculcate more safety and environmental awareness to the contractors.

For the year 2020, all contractors have not breached the rules and regulation with respect to safety related and environmental mitigation principles though no TLAS audit was carried out due to restructure of the state government TLAS auditing. Nevertheless, the Company will continue to further educate the Contractors in order to make them adopt a safe and harmonious working etiquette.

### Weather Conditions

The contractors have submitted the weather chart to the site office on weekly basis in 2020. The rainfall occurrences are counter checked by the Company field rangers and the record kept in the site office. The summary of the monthly rainy days in year 2020 as the table below:



# Sustainability Statement

(cont'd)

## EMPLOYEE

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

During the MCO which begin in March 2020, the Company has put in place multiple preventive and control measures as the workplace to lower the risk and stop the spread of COVID-19 infection as per the established SOP on new normal practices. In keeping the welfare of the workforce during COVID-19 pandemic, the Company has implemented various measures such as:-

- ▶ Promote hygiene and regular sanitisation in the workplace.
- ▶ Provided hand sanitisers and disinfectant kit at hot spot areas.
- ▶ Ensured physical distancing and mandatory wear face mask at all times in the workplace;
- ▶ Enforced mandatory screening pre-entry, measure body temperature, masks and hand sanitisers.
- ▶ Displaying the relevant information/notices on prevention and procedures within the offices.

Despite the quick transition to the work from home (“WFH”) model in the face of COVID-19, we enforced WFH on rotation basis for all employees. We continue to take necessary precautions on COVID-19 to address the health and safety of our employees at all times.

The above-mentioned practices are on-going and the Company will implement additional measures when necessary to prevent the spread of COVID-19 pandemic.

## 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.

Due to COVID-19 pandemic, all physical training was suspended. However, regular updates on the available webinars were notified to the relevant employees through emails. In the financial year 2020 (“FY2020”), 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 Programme Attended	Month Attended
1.	Sabah Forest and Timber Industry Master Plan	Feb 2020
2.	FPLC Webinar COVID-19 Series: Paradigm Shift in Human Capital Management	July 2020
3.	Workshop Forest Beyond Timber	July 2020
4.	The Cooler Earth: Sustainability Summit 2020: Profits with a purpose	September 2020
5.	The Cooler Earth Sustainability Summit 2020: Environmental Reporting	September 2020
6.	The Cooler Earth Sustainability Summit 2020: Building a Sustainable World	September 2020
7.	The Cooler Earth Sustainability Summit 2020: Resilient Cities and Communities	September 2020
8.	The Cooler Earth Sustainability Summit 2020: Managing Change for Sustainability	September 2020
9.	The Cooler Earth Sustainability Summit 2020: Tools for Environmental Risk Management	October 2020
10.	The Cooler Earth Sustainability Summit 2020: Green Finance	October 2020
11.	The Cooler Earth Sustainability Summit 2020: ESG Financing for Business	October 2020



# Sustainability Statement

(cont'd)

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 in FY2020, 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 our commitment without compromising on performance. These apply to the Company and its subsidiary companies.

Policy	Reviews/Updates
Code of Conduct & Business Ethics	March 2021
Whistle Blowing Policy	March 2021
Board Diversity Policy	March 2021
Succession Planning Policy	August 2020
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 Company has in line with Government's directive urged all business entities to have a Standard Operating Procedures ("SOP") for the New Normal Practices in the work place. A copy of the SOP was extended to all employees and uploaded to Company's website.

In terms of risk management of the Group, a sound risk management framework has been established for managing risks affecting the business and operations, which are detailed in the Statement on Risk Management and Internal Control section of this Annual Report. It clearly outlines the duties and responsibilities at each level within the Group as well as the accountability in implementing the risk management processes and internal control system. For the coming financial year 2021, the Company shall arrange for the RMC to meet at least once to assess various sustainability issues and developments in its annual Risk Assessment and Management process.



# Corporate Governance

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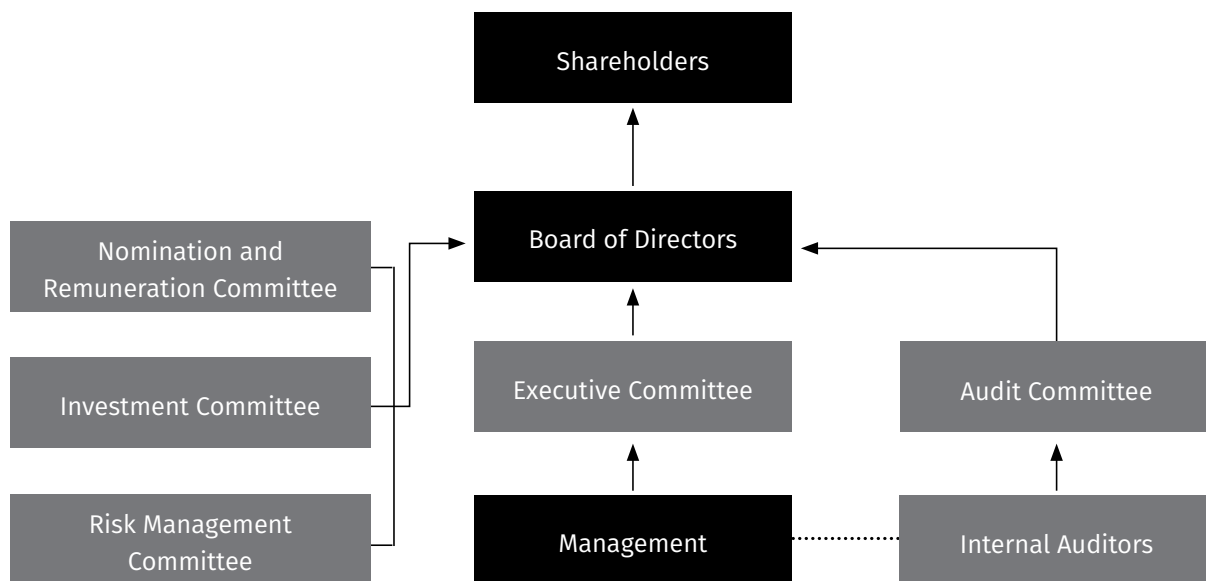
# Corporate Governance Overview Statement

The Board of Directors (“Board”) is fully committed to ensuring that a high standard of corporate governance in accordance with the Malaysian Code on Corporate Governance 2017 (“Code”) 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



# Corporate Governance Overview Statement (cont'd)

## 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 Statements, which the details are 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.

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 2021. 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.

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

# Corporate Governance Overview Statement (cont'd)

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

### PART I - BOARD RESPONSIBILITIES (CONT'D)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### 1.2 The Roles of Chairman and CEO

The Chairman of the Company leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the Executive Director, other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

The CEO is responsible for ensuring the effective implementation of the Group's strategic plan and policies established by the Board, as well as to manage the daily conduct of the business. In addition, he is accountable to the Board for the achievement of the Group's goals and objectives and is expected to act within the authorities delegated to him by the Board.

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 Chairman during the financial under review is Dato' Seri Abdul Azim bin Mohd Zabidi, who has resigned on 22 February 2021. The Board expressed their utmost gratitude to Dato' Seri Abdul Azim bin Mohd Zabidi for his contribution and stewardship to the Company.

The Board will make the necessary effort to identify a suitable candidate to fill the vacancy as soon as possible.

Datuk Pau Chiong Ung is the CEO and he serves as the conduit between the Board and Management in ensuring the success of the Group's governance and management function.

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.



# Corporate Governance Overview Statement (cont'd)

## 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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. All the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board follows formal schedules for meeting and all the Board members are adequately provided with status report and Board papers within a reasonable period prior to the meeting to assist them to make the best decisions in the best interest of the Company at all times. However, urgent matters may be tabled at the meeting itself. To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The Board papers include, among others, the following documents or information:

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

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

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the financial year ended 31 December 2020, 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 <sup>(1)</sup>	Independent Non-Executive Director	4/5
Dato Sri Tiong King Sing	Managing Director	5/5
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 <sup>(4)</sup>	Non-Independent Non-Executive Director	5/5
Mr Melton Martin <sup>(2)</sup>	Independent Non-Executive Director	5/5
Mr Michael @ Radio bin Luban <sup>(3)</sup>	Independent Non-Executive Director	N/A

<sup>(1)</sup> Dato' Seri Abdul Azim bin Mohd Zabidi was the Chairman of the Board until 22 February 2021 and had resigned as Independent Non-Executive Director with effect from 22 February 2021.

<sup>(2)</sup> Mr Melton Martin had resigned as Independent Non-Executive Director with effect from 23 February 2021.

<sup>(3)</sup> Mr Michael @ Radio bin Luban has not attended any Board meeting held during the financial year ended 31 December 2020 as he was appointed as Board member of the Company with effect from 23 February 2021.

<sup>(4)</sup> Madam Agnes Soei-Tin Lamey was redesignated from an Independent Non-Executive Director to Non-Independent Non-Executive Director with effect from 25 March 2021.

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

# Corporate Governance Overview Statement (cont'd)

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

### PART I - BOARD RESPONSIBILITIES (CONT'D)

#### 1. Board's Leadership on Objectives and Goals (cont'd)

##### 1.6 Access to Information and Advice

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

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

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

##### 1.7 Code of Ethics and Conduct

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standards 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.

##### 1.8 Whistle Blowing Policy

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

The WP is accessible on the Company's website.

# Corporate Governance Overview Statement (cont'd)

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

### PART II - BOARD COMPOSITION

#### 1. Strengthen Board's Objectivity

##### 1.1 Board Committees

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

##### A. Audit Committee ("AC")

The objective, composition, terms of reference and activities of the AC together with its report are presented on pages 62 to 66 of the Annual Report.

##### B. Nomination and Remuneration Committee ("NRC")

The Company has a combined the Nomination Committee and the 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	Non-Independent Non-Executive Director
Mr Michael @ Radio bin Luban (appointed w.e.f. 23 February 2021)	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](http://www.timwell.com.my)

# Corporate Governance Overview Statement (cont'd)

## 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

##### B. Nomination and Remuneration Committee ("NRC") (cont'd)

###### Nomination Function

The NRC is responsible for assessing the adequacy and appropriateness of the board composition, 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;

# Corporate Governance Overview Statement (cont'd)

## 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

##### B. Nomination and Remuneration Committee ("NRC") (cont'd)

###### Summary of Activities of NRC (cont'd)

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 (cont'd):

- 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.

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	Non-Independent Non-Executive Director
Mr Michael @ Radio bin Luban (appointed w.e.f. 23 February 2021)	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.

# Corporate Governance Overview Statement (cont'd)

## 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

##### C. Risk Management Committee ("RMC") (cont'd)

Further details of the Risk Management Committee is set out in the Statement on Risk Management and Internal Control of this Annual Report.

##### 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.

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	Non-Independent Non-Executive Director
Datuk Pau Chiong Ung	CEO

In 2020, 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.



# Corporate Governance Overview Statement (cont'd)

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

### PART II - BOARD COMPOSITION (CONT'D)

#### 1. Strengthen Board's Objectivity (cont'd)

##### 1.2 Board Composition

The Board consisted of five (5) members, comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Managing Director.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and the Code as more than half of its members are Independent Directors. The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience and knowledge to direct and manage the Group's businesses.

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

A brief profile of each Director is presented on pages 13 to 15 of this Annual Report.

##### 1.3 Board Balance and Independence

The composition of the Board is fundamental to its success in providing strong and effective leadership. The Board comprises a strong mix of experienced individuals with the majority being Independent Non-Executive Directors who offer external perspectives on the business and constructively challenge to the Executive Director(s), particularly in developing the Group's business strategies.

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 redesignation 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.

# Corporate Governance Overview Statement (cont'd)

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

### PART II - BOARD COMPOSITION (CONT'D)

#### 1. Strengthen Board's Objectivity (cont'd)

##### 1.4 Tenure of Independent Directors (cont'd)

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 Datuk Yap Pak Leong, who has served the Company for the tenure of more than twelfth (12) years to continue to serve as an Independent Director 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 continues to strive towards 30% women participation in the Board Composition. Currently out of the five (5) Directors, one (1) is woman.

##### 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.

On 22 February 2021, the NRC had reviewed and assessed the suitability of the appointment of Mr Michael @ Radio bin Luban as an Independent Director of the Company in line with the objective as set out in the Board Charter in term of experience skills, knowledge, age and gender diversity and succession planning.

# Corporate Governance Overview Statement (cont'd)

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

### PART II - BOARD COMPOSITION (CONT'D)

#### 1. Strengthen Board's Objectivity (cont'd)

##### 1.8 Re-Election of Directors

Any Director appointed during the year is required under the Company's Constitution to retire and seek re-election by the shareholders at the following AGM immediately after their appointment. The Constitution also require that one-third (1/3) of the Directors including the Managing Director retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years.

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

At the forthcoming AGM, the Directors retiring by rotation pursuant to Clause 97 of the Company's Constitution and Para 7.26 of the Main Market Listing Requirements and who have offered themselves for re-election are Datuk Yap Pak Leong and Madam Agnes Soei-Tin Lamey.

Mr Michael @ Radio bin Luban was appointed to the Board on 23 February 2021 and shall retire and be eligible for re-election under Clause 104 at the forthcoming AGM.

The profiles of the above-named Directors who are standing for re-election are set out in pages 13 to 15 of this 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 (cont'd)

## 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 2020 of the CFO was reviewed by the NRC on 22 February 2021.

##### 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.

Most of the Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities, save as the newly appointed Director, Mr Michael @ Radio bin Luban and he has registered to the MAP training on 31 May 2021 to 2 June 2021. 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.	<b>Dato' Seri Abdul Azim bin Mohd Zabidi</b> (resigned on 22 February 2021) <ul style="list-style-type: none"> <li>Bank Rakyat Integrity Forum 2020 – Institutionalisation of Reforms in the New Malaysia.</li> <li>Roundtable on Rukunegara</li> <li>Managing your Fraud Risk: Are We Doing Enough?</li> </ul>	January 2020  September 2020 December 2020
2.	<b>Dato Sri Tiong King Sing</b> <ul style="list-style-type: none"> <li>Mesyuarat Jawatankuasa Pembangunan Bahagian (DDC) Bintulu, Sarawak.</li> <li>Mesyuarat Penyelarasan Tuntutan Pembayaran Lebihan Pampasan bagi Tanaman Kelapa Sawit untuk "Infrastructure works at Samalaju Industrial park, Bintulu division Sarawak"</li> <li>Jabatan Komunikasi dan Multimedia mengenai Pelan Jalinan Digital Negara (JENDELA) bagi mempertingkatkan Liputan dan Kualiti Jalur Lebar Negara.</li> <li>Kementerian Kewangan mengenai isu-isu semasa berkaitan Kumpulan Wang Simpanan Pekerja (KWSP).</li> </ul>	September 2020 October 2020  November 2020  November 2020

# Corporate Governance Overview Statement (cont'd)

## 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.	<b>Datuk Yap Pak Leong</b> <ul style="list-style-type: none"> <li>MIA Valuation for Financial Reporting Purposes</li> <li>Modified Auditor's Report</li> <li>MIA "2021 Budget Seminar"</li> </ul>	March 2020 November 2020 December 2020
4.	<b>Madam Agnes Soei-Tin Lamey</b> <ul style="list-style-type: none"> <li>MIA "2021 Budget Seminar"</li> </ul>	December 2020
5.	<b>Mr Loo Choo Hong</b> <ul style="list-style-type: none"> <li>KE Consultancy Training-Workshop on Interest and Latest Tax Implications</li> <li>KE Consultancy Training-Workshop on Net Worth Method of Proving Income</li> <li>Smart Focus-Directors Corporate Liability on MACC Section 17A</li> <li>Chartered Tax Institute of Malaysia-2021 Budget Seminar</li> </ul>	January 2020 January 2020 August 2020 November 2020
6.	<b>Mr Melton Martin</b> (resigned on 23 February 2021) <ul style="list-style-type: none"> <li>MIA "2021 Budget Seminar"</li> </ul>	December 2020
7.	<b>Ms Yap Fook Fung</b> (Alternate Director to Datuk Yap Pak Leong) <ul style="list-style-type: none"> <li>MIA "2021 Budget Seminar"</li> </ul>	December 2020

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 (cont'd)

## 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 2020 are as follows:

	Fees and Allowances RM'000
Executive Directors	45.0
Non-Executive Directors	275.0
<b>Total</b>	<b>320.0</b>

	Director Fees RM'000	Meeting Allowances RM'000	Total RM'000
Dato' Seri Abdul Azim bin Mohd Zabidi <sup>(1)</sup>	45.0	10.0	55.0
Dato Sri Tiong King Sing	40.5	4.5	45.0
Datuk Yap Pak Leong	41.5	11.0	52.5
Madam Agnes Soei-Tin Lamey	40.0	16.5	56.5
Mr Loo Choo Hong	40.0	15.0	55.0
Mr Melton Martin <sup>(2)</sup>	40.0	8.5	48.5
Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	-	7.5	7.5
Mr Michael @ Radio bin Luban <sup>(3)</sup>	-	-	-
<b>Total</b>	<b>247.0</b>	<b>73.0</b>	<b>320.0</b>

<sup>(1)</sup> Dato' Seri Abdul Azim bin Mohd Zabidi was the Chairman of the Board until 22 February 2021 and had resigned as Independent Non-Executive Director with effect from 22 February 2021.

<sup>(2)</sup> Mr Melton Martin had resigned as Independent Non-Executive Director with effect from 23 February 2021.

<sup>(3)</sup> Mr Michael @ Radio bin Luban was appointed as Board members of the Company with effect from 23 February 2021

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

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



# Corporate Governance Overview Statement (cont'd)

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

### PART III – REMUNERATION (CONT'D)

The number of top five (5) senior management whose remuneration (comprising salary, bonus, benefits in-kind and other emoluments) for the financial year ended 31 December 2020 within the successive bands of RM50,000 is as follows:

	Position	Basic Salaries, Bonus and Other Employee Benefit RM'000	Employer Contribution (EPF) RM'000	Total RM'000
Datuk Pau Chiong Ung	Chief Executive Officer	497.0	55.4	552.4
William Joseph Jomiu	FMU Manager	106.6	13.3	119.9
Lee Seng Choon	Log Pond & Plantation Manager	99.4	12.5	111.9
Lee Yoke Wah	Corporate Services Manager	101.7	12.8	114.5
Suhaili Bin Sainan	Assistant FMU Manager	71.0	8.9	79.9
<b>Total</b>		<b>875.7</b>	<b>102.9</b>	<b>978.6</b>

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	-
RM500,000 to RM600,000	1

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I – AC

#### 1. AC Composition and Chairman

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation.

The AC comprises three (3) members, and all members are Non-Executive Directors, with the majority of Independent Directors. The AC is chaired by an Independent Non-Executive Director, who is distinct from the Chairman of the Board and all members of the AC are financially literate. None of the members was a former key audit partner of the Company's external auditors.

The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out during financial year 2020, are set out in the AC Report on pages 62 to 66 of this Annual Report.

The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC.

#### 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 2020. 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.

On 22 February 2021, the AC had 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.

#### 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.

# Corporate Governance Overview Statement (cont'd)

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

### PART I – AC (CONT'D)

#### 4. Financial Literacy of the AC

The AC comprises three (3) members, all non-executive, a majority of whom (including the Chairman of the AC) are independent. The members of the AC of the Company comprised at least one member with the requisite accounting qualification based on the requirements of the MMLR of Bursa Securities. All members of the AC are financial literate. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting, auditing and related financial management domains.

#### 5. Relationship with the auditors

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

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

### PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### 1. Risk Management and Internal Control Framework

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

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

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

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

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

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

# Corporate Governance Overview Statement (cont'd)

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

### **PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)**

#### **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 56 to 61 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 prompt and timely dissemination of information to shareholders and investors in order for these stakeholders to be able to make informed investment decisions. Hence, the Company's website has incorporated an investor relations section which provides all relevant information on the Company and it is accessible by the public.

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The Board and Management have at all time ensure timely dissemination of information on the Company's performance and other matters affecting shareholders' interests to shareholders and investors through appropriate announcement (where necessary), quarterly announcements, relevant circulars, press releases and distribution of annual reports.

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.

### **PART II – CONDUCT OF GENERAL MEETING**

The AGM is the principal forum for shareholders' dialogue, allows shareholders to review the Group's performance via the Company's annual report and pose questions to the Board for clarification.

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general.

In line with good corporate governance practices, the notice of the AGM was issued at least 28 days before the AGM.

A summary of the key matters discussed at the AGM was published on the Company's corporate website as soon as practicable after the conclusion of the AGM.

# Corporate Governance Overview Statement (cont'd)

## KEY FOCUS AREA AND PRIOTITIES ON CORPORATE GOVERNANCE

The Board, in addition to the above matters, has reviewed and adopted an Anti-Corruption Policy 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 came into force on 1 June 2020 and included corruption risks in the annual risk assessment of the Group. The Anti-Corruption Policy is published on the Company’s website.

Looking ahead to 2021, the Company will continue working towards achieving high standard of corporate governance and leverage on technology to broaden its channel of dissemination of information and to enhance the quality of engagement with the shareholders.

This Corporate Governance Overview Statement was approved by the Board on 26 March 2021.

## DIRECTORS’ RESPONSIBILITY STATEMENT

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

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

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

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

# Statement on Risk Management and Internal Control

## INTRODUCTION

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

## THE BOARD'S RESPONSIBILITY

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

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

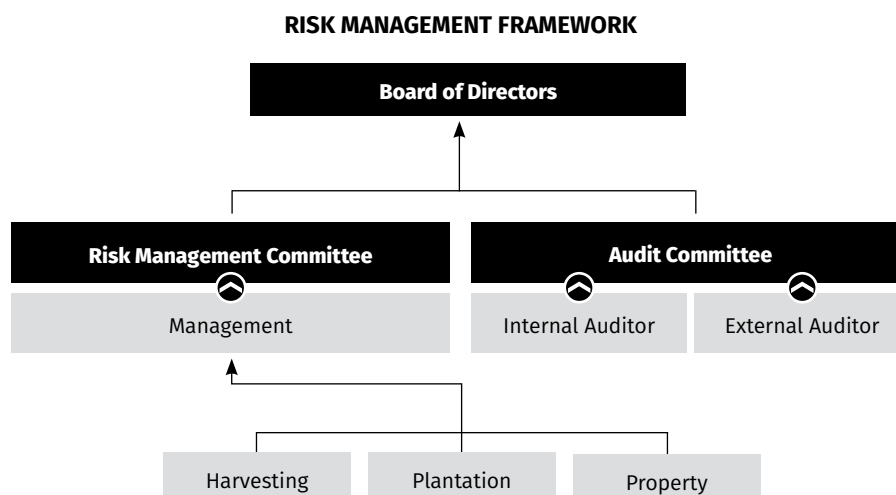
## THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

### RISK MANAGEMENT

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

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

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



# Statement on Risk Management and Internal Control

(cont'd)

## THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

### RISK MANAGEMENT (CONT'D)

RMC is mainly responsible for the following:-

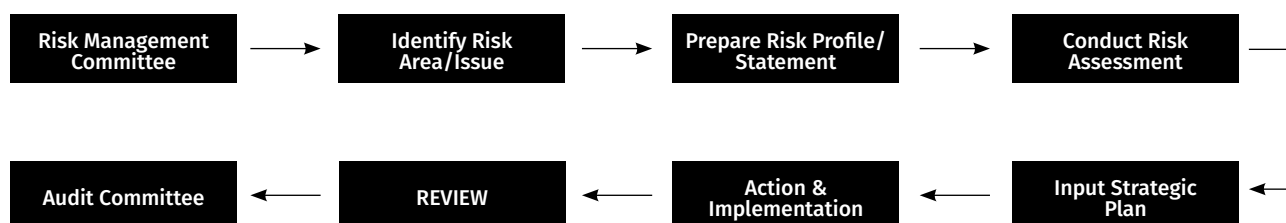
- assessing, improving and monitoring the Group Risk Management Framework ("RMF");
- evaluating and monitoring the overall risk profile;
- reviewing key business area and activities that are considered significant from a risk perspective; and
- providing guidance to Management in the development of appropriate 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.	<b>IMAGE</b> • Current image, shareholders and management	<ul style="list-style-type: none"> <li>• Profitability and Sustainability</li> <li>• Corporate Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Effects of support from Banker and recruitment of good management staff and employees.</li> <li>• Effects of support from the local communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Medium</li> <li>• Low</li> </ul>
2.	<b>BUSINESS</b> <ul style="list-style-type: none"> <li>• Harvesting</li> <li>• Plantations</li> <li>• Properties</li> <li>• Others (Disposal of Fixed Assets)</li> </ul>	<ul style="list-style-type: none"> <li>• Contractors</li> <li>• Fair Weather, Soil Suitability and Weather Condition, Proper application of fertilizers.</li> <li>• Occupancy and Maintenance</li> <li>• Under control and monitor</li> </ul>	<ul style="list-style-type: none"> <li>• Great Impact</li> <li>• Affect the profitability</li> <li>• Impairment loss</li> <li>• Impairment loss</li> </ul>	<ul style="list-style-type: none"> <li>• Medium</li> <li>• High</li> <li>• Medium</li> <li>• Medium</li> </ul>



# Statement on Risk Management and Internal Control (cont'd)

## THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

### RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO.	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
3.	<b>SHAREHOLDERS</b> <ul style="list-style-type: none"> <li>Major shareholders</li> <li>Shareholders expectation</li> </ul>	<ul style="list-style-type: none"> <li>Financial Position</li> <li>Dividend &amp; Profitability</li> </ul>	<ul style="list-style-type: none"> <li>Liquidity and cash flow problem</li> <li>Loss of Shareholders' support</li> </ul>	<ul style="list-style-type: none"> <li>Low</li> <li>Low</li> </ul>
4.	<b>FINANCIAL</b> <ul style="list-style-type: none"> <li>International Financial Reporting Standard and Malaysia Financial Reporting Standards</li> <li>Property, Plant and Equipment</li> <li>Financial Performance (Funding and Costing)</li> <li>Budget</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with accounting standard</li> <li>Control or monitor of assets movement</li> <li>Effective decision making &amp; efficient costing/ performance</li> <li>Accuracy &amp; Comprehensive</li> </ul>	<ul style="list-style-type: none"> <li>Suspended or reprimanded by MIA, MASB, Bursa Securities, Securities Commission ("SC"), Companies Commission of Malaysia ("CCM") and possible penalties that maybe imposed.</li> <li>Loss of Assets</li> <li>Loss of credibility and funding</li> <li>Loss of credibility and funding</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> <li>Medium</li> <li>Low</li> <li>Medium</li> </ul>
5.	<b>HUMAN CAPITAL</b> <ul style="list-style-type: none"> <li>Directors</li> <li>Key Management</li> <li>Forest Management Unit ("FMU")</li> <li>Harvesting Staffs</li> <li>Plantation Staffs</li> <li>Occupation Safety and Health</li> <li>Foreign Workers</li> <li>Minimum Wages</li> </ul>	<ul style="list-style-type: none"> <li>Ability and concern of the Company.</li> <li>Competency and concern of the Company</li> <li>Devotion</li> <li>Competency</li> <li>Competency</li> <li>Safety Procedure and Awareness</li> <li>Levy and approval from Immigration</li> <li>Performance</li> </ul>	<ul style="list-style-type: none"> <li>Affect Company performance and Profitability</li> <li>Affect Company performance and Profitability</li> <li>Affect Company performance and Profitability</li> <li>Affect Company performance and Profitability</li> <li>Affect Company performance and Profitability</li> <li>Penalty for non-compliance &amp; Company's performance</li> <li>Loss of workers</li> <li>Penalty for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>High</li> <li>Medium</li> </ul>

# Statement on Risk Management and Internal Control

(cont'd)

## THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

### RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO.	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
6.	<b>LICENCE &amp; REGULATIONS</b> <ul style="list-style-type: none"> <li>Obligation &amp; Compliance (Annual Working Plan ("AWP"), Plantation Development Plan ("PDP") &amp; Forest Management Plan ("FMP"))</li> <li>Malaysian Timber Certification Scheme ("MTCS")</li> <li>Bursa Securities (Listing Regulations)</li> <li>Securities Commission of Malaysia ("SC")</li> <li>Companies Commission of Malaysia ("CCM")</li> <li>Sabah Forestry Department ("SFD")</li> <li>Malaysian Anti-Corruption Commission ("MACC")</li> </ul>	<ul style="list-style-type: none"> <li>Proper preparation and compliance</li> <li>Compliance</li> <li>Compliance</li> <li>Compliance</li> <li>Compliance</li> <li>Good working relationship with the authority</li> <li>Section 17A on Corporate Liability which takes effect in June 2020 and recommendation from Bursa Malaysia to strengthen the Governance of Listed Issuers to prevent Corruption, Misconduct, and Fraud.</li> </ul>	<ul style="list-style-type: none"> <li>Affect the FMU License Agreement</li> <li>Reduce profitability and performance</li> <li>Non-Compliance and possible penalty that maybe imposed</li> <li>Non-Compliance and possible penalty that maybe imposed</li> <li>Non-Compliance and possible penalty that maybe imposed</li> <li>Affect the FMU and the core business of the Company</li> <li>Non-Compliance and possible penalty that maybe imposed</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> <li>Medium</li> <li>Low</li> <li>Low</li> <li>Low</li> <li>Significant</li> <li>Medium</li> </ul>
7.	<b>INDUSTRY &amp; ECONOMIC (MALAYSIA &amp; GLOBAL MARKET)</b> <ul style="list-style-type: none"> <li>Other FMU Holders</li> <li>Timber Association Sabah</li> <li>Timber Demand &amp; Market Price</li> <li>Competition with Artificial Timber Replacement</li> <li>Sabah Timber Industry Association</li> <li>Anti-Logging of Tropical Rainforest by world NGOs</li> <li>Foreign Currency Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Mutual Co-operation</li> <li>Devoted leaders</li> <li>Economic downturn or boom</li> <li>Competition</li> <li>Downstream Production</li> <li>Raising of Tariff</li> <li>Fluctuation of foreign currency, US dollar for sale of timber</li> </ul>	<ul style="list-style-type: none"> <li>Loss of market information</li> <li>Loss of market information</li> <li>Reduce profitability and performance</li> <li>Loss of market information</li> <li>Loss of Income</li> <li>Ban of import of tropical timber</li> <li>Impact on Ringgit, profit and cash flow from exchange of Ringgit to US Dollar.</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> <li>Low</li> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>High</li> <li>Medium</li> </ul>

# Statement on Risk Management and Internal Control

(cont'd)

## THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

### RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

NO.	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
8.	<b>ENVIRONMENT</b> <ul style="list-style-type: none"> <li>Natural Disaster (Fire, Flood and Storm)</li> <li>Social Impact (3rd Party)</li> <li>Environmental Impact Assessment and Environmental Compliance Report</li> <li>Wildlife Risk</li> </ul>	<ul style="list-style-type: none"> <li>Dry and Wet season, full attention</li> <li>Encroachment Goodwill policy</li> <li>Environmental Mitigation Measures</li> <li>Wildlife Mitigation Plan</li> </ul>	<ul style="list-style-type: none"> <li>Loss of Income</li> <li>Penalty by the Authority</li> <li>Penalty by the Authority</li> <li>Destruction of young plants</li> </ul>	<ul style="list-style-type: none"> <li>Medium</li> <li>Medium</li> <li>Medium</li> <li>Medium</li> </ul>

During the financial year under review, the risk management profile and framework have been updated and circulated to the RMC members for review and discussion prior to the RMC recommended the same for the Board's approval.

### 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 2020, 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.

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.

# Statement on Risk Management and Internal Control

(cont'd)

## 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.

## 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 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 2021.

## CONCLUSION

For the financial year ended 31 December 2020 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 2020 are as follows:

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

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

## TERMS OF REFERENCE

The detailed Terms of Reference of the AC is available on the corporate website of the Company at [www.timwell.com.my](http://www.timwell.com.my)

## ACTIVITIES OF AC

The AC met five (5) times during the financial year ended 31 December 2020 (“FYE 2020”). During the FYE 2020, the AC conducted the following activities to discharge its functions and duties:-

### 1. Financial Results

- Reviewed the unaudited quarterly results for announcements to Bursa Securities before recommending the same for approval by the Board upon being satisfied that it had complied with applicable approved Malaysia Financial Reporting Standards (“MFRS”) issued by the Malaysian Accounting Standards Board (“MASB”), MMLR and other relevant regulatory requirements.
- Reviewed and discussed the audited financial statements with the External Auditors and the Management. Having been satisfied that the financial statements and reports complied with the relevant accounting standards and other applicable laws and regulations, the ACs recommended the same for the Boards’ consideration and approvals.
- Reviewed the application of major accounting policies and practices to ensure that the Group’s financial statements had been prepared in compliance with approved accounting standards, and that the Group had adhered to all legal and regulatory requirements.

# Report of Audit Committee (cont'd)

## ACTIVITIES OF AC (CONT'D)

### 2. External Audit

- Reviewed and approved the External Auditor's audit plan, audit approach and reporting requirements prior to the commencement of audit works for the year under review.
- 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 comprehensive coverage of the Group's activities.
- Reviewed the internal audit reports which highlighted major findings, agreed management action plan, and management's responses thereto. Discussed with the Management and Internal Auditors on the actions to be taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.
- 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 2020 to the Board for approval. This Statement was approved by the Board on 26 March 2021.

# Report of Audit Committee (cont'd)

## 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.



# Report of Audit Committee (cont'd)

## GROUP EXTERNAL AUDIT (CONT'D)

### 1. DUTIES AND RESPONSIBILITIES (CONT'D)

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.

### 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 2020. 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 2020 were as follows:-

Group	Audit Fees (RM)	Non-Audit Fees (RM)
Baker Tilly Monteiro Heng PLT	145,000	5,000

### 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 three (3) AC meetings to provide review of the financial position of the Group and updates on the Financial Reporting Standards and relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

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

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

# Report of Audit Committee (cont'd)

## 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 was outsourced and carried out by an independent firm, Messrs. Lim Chong & Co., to assist the AC in discharging its duties and responsibilities.

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

- a) Follow-up Audit Review on the Process of Plantation Development and Operations.
- b) Internal Audit Review on the Group's Policies and Control Procedures over Business Process for Property, Plant and Equipment and Sales and Trade Receivables.

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2020 amounted to 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 22 February 2021. 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.

## 2. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2020, the amounts of audit and non-audit fees paid or payable by the Company and the Group to the external auditors / internal auditors are as follows:-

	Company (RM'000)	Group (RM'000)
Audit fees	133	145
Non-audit fees	5	5
Total	138	150

## 3. PROFIT FORECAST AND PROFIT GUARANTEE

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

## 4. MATERIAL CONTRACTS

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

## 5. VARIATION IN RESULTS

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



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**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**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 2020.

**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**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the financial year, net of tax	<u>(709)</u>	<u>(54)</u>
Attributable to:		
Owners of the Company	(443)	(54)
Non-controlling interests	<u>(266)</u>	<u>-</u>
	<u>(709)</u>	<u>(54)</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2020.

**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.

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**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 render 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.

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**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 Sri Tiong King Sing*	
Loo Choo Hong	
Yap Fook Fung	(Alternate director to Datuk Yap Pak Leong)
Michael @ Radio Bin Luban	(Appointed on 23 February 2021)
YBhg. Dato' Seri Abdul Azim Bin Mohd Zabidi	(Resigned on 22 February 2021)
Melton Martin	(Resigned on 23 February 2021)

\* Directors of the Company and certain subsidiaries

Other than as stated above, the name of the director 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



**TIMBERWELL BERHAD**  
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**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:

**Interests in the Company**

	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
<b>Direct interests:</b>				
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
<b>Indirect interests:</b>				
Datuk Yap Pak Leong*	1,512,000	-	-	1,512,000
Yap Fook Fung^	15,000	-	-	15,000

\* Shares held through spouse and/or children

^ Shares held through spouse

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Ybhg. Dato Sri Tiong King Sing is 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.

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**INDEMNITY TO DIRECTORS AND OFFICERS**

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company were RM5,000,000 and RM13,000 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 DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

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

**AUDITORS**

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

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

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

**Registration No. 199601014835 (387185-W)**

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

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: 26 March 2021

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	13,468	14,423	8,825	9,358
Investment properties	6	10,906	11,287	-	-
Biological assets	7	24,820	24,520	24,820	24,520
Investment in subsidiaries	8	-	-	20,922	21,000
Intangible assets	9	8,563	8,674	8,563	8,674
Other receivable	10	592	716	592	716
<b>Total non-current assets</b>		<b>58,349</b>	<b>59,620</b>	<b>63,722</b>	<b>64,268</b>
<b>Current assets</b>					
Inventories	11	744	2,942	744	2,942
Trade and other receivables	10	3,557	5,610	3,586	5,589
Current tax assets		87	-	87	-
Cash and short-term deposits	12	1,765	594	1,566	482
<b>Total current assets</b>		<b>6,153</b>	<b>9,146</b>	<b>5,983</b>	<b>9,013</b>
<b>TOTAL ASSETS</b>		<b>64,502</b>	<b>68,766</b>	<b>69,705</b>	<b>73,281</b>

**TIMBERWELL BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020** (continued)

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	13	98,677	98,677	98,677	98,677
Revaluation reserve	14	7,886	7,886	939	939
Accumulated losses		(54,665)	(54,222)	(56,039)	(55,985)
		51,898	52,341	43,577	43,631
<b>Non-controlling interests</b>		(89)	177	-	-
<b>TOTAL EQUITY</b>		51,809	52,518	43,577	43,631
<b>Non-current liabilities</b>					
Lease liabilities	15	136	237	136	237
Deferred tax liabilities	16	6,753	6,420	6,753	6,378
Other payables	17	1,838	1,930	1,825	1,919
<b>Total non-current liabilities</b>		8,727	8,587	8,714	8,534
<b>Current liabilities</b>					
Lease liabilities	15	143	181	143	181
Trade and other payables	17	3,823	7,288	17,271	20,747
Current tax liabilities		-	192	-	188
<b>Total current liabilities</b>		3,966	7,661	17,414	21,116
<b>TOTAL LIABILITIES</b>		12,693	16,248	26,128	29,650
<b>TOTAL EQUITY AND LIABILITIES</b>		64,502	68,766	69,705	73,281

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

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Revenue	18	18,289	28,286	18,289	28,286
Cost of sales		(14,212)	(20,752)	(14,212)	(20,752)
<b>Gross profit</b>		<b>4,077</b>	<b>7,534</b>	<b>4,077</b>	<b>7,534</b>
Other income	19	506	2,620	314	2,461
Administrative expenses		(3,812)	(4,139)	(3,291)	(3,771)
Selling and distribution expenses		(1)	(138)	(1)	(137)
Net impairment losses on financial instruments		(68)	(115)	-	-
Other expenses		(846)	(493)	(546)	(115)
<b>Operating (loss)/profit</b>		<b>(144)</b>	<b>5,269</b>	<b>553</b>	<b>5,972</b>
Finance costs	20	(178)	(207)	(178)	(207)
<b>(Loss)/Profit before tax</b>	21	<b>(322)</b>	<b>5,062</b>	<b>375</b>	<b>5,765</b>
Income tax (expense)/credit	23	(387)	949	(429)	(713)
<b>(Loss)/Profit for the financial year</b>		<b>(709)</b>	<b>6,011</b>	<b>(54)</b>	<b>5,052</b>
<b>Other comprehensive income, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation of property, plant and equipment		-	458	-	155
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(709)</b>	<b>6,469</b>	<b>(54)</b>	<b>5,207</b>

**TIMBERWELL BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020** (continued)

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(443)	4,784	(54)	5,052
Non-controlling interests		(266)	1,227	-	-
		<u>(709)</u>	<u>6,011</u>	<u>(54)</u>	<u>5,052</u>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(443)	5,118	(54)	5,207
Non-controlling interests		(266)	1,351	-	-
		<u>(709)</u>	<u>6,469</u>	<u>(54)</u>	<u>5,207</u>
<b>(Loss)/Earnings per ordinary share attributable to owners of the Company</b>					
- basic and diluted, (loss)/earnings per ordinary share (sen)	24	<u>(0.50)</u>	<u>5.37</u>		

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

Registration No. 199601014835 (387185-W)

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<----- Attributable to owners of the Company ----->					
Group	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
At 1 January 2020	98,677	7,886	(54,222)	52,341	177	52,518
Total comprehensive loss for the financial year	-	-	(443)	(443)	(266)	(709)
Loss for the financial year, representing total comprehensive loss						
At 31 December 2020	98,677	7,886	(54,665)	51,898	(89)	51,809



Registration No. 199601014835 (387185-W)

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)**

<----- Attributable to owners of the Company ----->							
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
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
Total comprehensive income		-	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

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020** (continued)

Company	Note	<----- Attributable to owners of the Company ----->			
		Share capital RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
<b>At 1 January 2019</b>		98,677	784	(59,256)	40,205
<b>Total comprehensive income for the financial year</b>					
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
<b>Transactions with owners</b>					
Dividends paid	25	-	-	(1,781)	(1,781)
Total transactions with owners		-	-	(1,781)	(1,781)
<b>At 31 December 2019</b>		98,677	939	(55,985)	43,631
<b>Total comprehensive loss for the financial year</b>					
Loss for the financial year, representing total comprehensive loss		-	-	(54)	(54)
<b>At 31 December 2020</b>		98,677	939	(56,039)	43,577

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

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities:</b>					
(Loss)/Profit before tax		(322)	5,062	375	5,765
Adjustments for:					
Amortisation of intangible assets	9	111	112	111	112
Bad debts written off		-	-	4	115
Depreciation of property, plant and equipment	5	973	1,001	551	662
Fair value loss/(gain) on biological assets	7	373	(2,230)	373	(2,230)
Fair value loss on investment properties	6	381	373	-	-
Fair value loss on other receivable measured at amortised cost		92	-	92	-
Gain on lease modification		(9)	-	(9)	-
Interest expense		178	207	178	207
Interest income		(129)	(191)	(129)	(191)
Impairment loss on investment in a subsidiary		-	-	78	-
Net impairment loss on other receivable	10	68	115	-	-
Property, plant and equipment written off		-	6	-	6
Waiver of debt		(2)	-	-	-
<b>Operating profit before changes in working capital</b>		<b>1,714</b>	<b>4,455</b>	<b>1,624</b>	<b>4,446</b>
Changes in working capital:					
Inventories		2,198	(1,800)	2,198	(1,800)
Receivables		2,017	(2,317)	2,034	(2,325)
Payables		(3,556)	3,250	(3,559)	3,296
<b>Net cash from operations</b>		<b>2,373</b>	<b>3,588</b>	<b>2,297</b>	<b>3,617</b>
Interest received		129	191	129	191
Interest paid		(178)	(207)	(178)	(207)
Income tax paid		(333)	(1,122)	(330)	(1,122)
<b>Net cash from operating activities</b>		<b>1,991</b>	<b>2,450</b>	<b>1,918</b>	<b>2,479</b>

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020** (continued)

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities:</b>					
Addition of biological assets		(673)	(1,011)	(673)	(1,011)
Advances to subsidiaries		-	-	(4)	(47)
Purchase of property, plant and equipment	(a)	<u>(1)</u>	<u>(73)</u>	<u>(1)</u>	<u>(72)</u>
Net cash used in investing activities		(674)	(1,084)	(678)	(1,130)
<b>Cash flows from financing activities:</b>	(b)				
Dividend paid		-	(1,781)	-	(1,781)
Payment of lease liabilities		(146)	(287)	(146)	(287)
Repayment to subsidiaries		<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(17)</u>
Net cash used in financing activities		<u>(146)</u>	<u>(2,068)</u>	<u>(156)</u>	<u>(2,085)</u>
Net increase/(decrease) in cash and cash equivalents		1,171	(702)	1,084	(736)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>594</u>	<u>1,296</u>	<u>482</u>	<u>1,218</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u><u>1,765</u></u>	<u><u>594</u></u>	<u><u>1,566</u></u>	<u><u>482</u></u>

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020** (continued)

(a) Purchase of property, plant and equipment:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of property, plant and equipment	45	73	45	72
Financed by way of lease arrangements	(44)	-	(44)	-
Cash payments on purchase of property, plant and equipment	<u>1</u>	<u>73</u>	<u>1</u>	<u>72</u>

(b) Reconciliation of liabilities arising from financing activities:

	<b>1 January 2020</b>	<b>Cash flows</b>	<b>&lt;----- Non-cash -----&gt;</b>		<b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>acquisition</b>	<b>modification</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>					
Lease liabilities	418	(146)	44	(37)	279
<b>Company</b>					
Lease liabilities	418	(146)	44	(37)	279
Amount owing to subsidiaries	13,533	(10)	-	-	13,523
	<u>13,951</u>	<u>(156)</u>	<u>44</u>	<u>(37)</u>	<u>13,802</u>
	<b>1 January 2019</b>	<b>Effect adoption of MFRS 16</b>	<b>1 January 2019 (Adjusted)</b>	<b>Cash flows</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>					
Lease liabilities	441	264	705	(287)	418
<b>Company</b>					
Lease liabilities	441	264	705	(287)	418
Amount owing to subsidiaries	13,550	-	13,550	(17)	13,533
	<u>13,991</u>	<u>264</u>	<u>14,255</u>	<u>(304)</u>	<u>13,951</u>

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

**TIMBERWELL BERHAD**  
(Incorporated in Malaysia)

**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, 2<sup>nd</sup> 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 2<sup>nd</sup> 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 26 March 2021.

**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 amendments/improvements to MFRSs**

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

\* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board (“MASB”) on 5 June 2020.

The adoption of the above amendments/improvements to MFRSs 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.

**TIMBERWELL BERHAD**  
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**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 MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023 <sup>#</sup>
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022 <sup>^</sup> / 1 January 2023 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
MFRS 16	Leases	1 January 2021/ 1 January 2022 <sup>^</sup>
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 <sup>#</sup>
MFRS 107	Statements of Cash Flows	1 January 2023 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022 1 January 2023 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2023 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 <sup>#</sup>
MFRS 132	Financial instruments: Presentation	1 January 2023 <sup>#</sup>
MFRS 136	Impairment of Assets	1 January 2023 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2023 <sup>#</sup>
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023 <sup>#</sup>
MFRS 141	Agriculture	1 January 2022 <sup>^</sup>

<sup>^</sup> The Annual Improvements to MFRS Standards 2018-2020

<sup>#</sup> Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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**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.

***Annual Improvements to MFRS Standards 2018–2020***

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

***Amendments to MFRS 3 Business Combinations***

The amendments update MFRS 3 by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

***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.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.



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**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 that may be applicable to the Group and the Company are summarised below. (continued)

***Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors***

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

***Amendments to MFRS 116 Property, Plant and Equipment***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**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.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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.

**(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.

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**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.

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**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).

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**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 *Revenue from Contracts with Customers*.

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.

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**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 is as follow:

▪ **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 liabilities 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).

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**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.

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**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 buildings, plant and machineries and motor vehicles) are measured 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.



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**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:

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.

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**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**

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.

**(b) Lessee accounting**

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 in Note 5 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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.6 Leases** (continued)

**(b) Lessee accounting** (continued)

Right-of-use asset (continued)

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.6 Leases** (continued)

**(b) Lessee accounting** (continued)

Lease liability (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of 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.

**(c) Lessor accounting**

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.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Investment properties (continued)**

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. Any gains and losses arising from derecognition of the asset is recognised in the 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 carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

**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.

**TIMBERWELL BERHAD**  
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**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 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 will be subject to the impairment requirement in MFRS 9 *Financial Instruments* 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.

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.

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**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)

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.12 Impairment of assets** (continued)

**(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.

**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.



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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 plan**

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.

**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.

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**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)

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.17 Borrowing costs**

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.18 Income tax** (continued)

**(b) Deferred tax** (continued)

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.

**(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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.22 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting 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 that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

**(a) Valuation of biological assets**

Biological assets of the Group are reported at fair value. The Group estimated the fair value of the biological assets based on information provided and the market valuation performed by an external independent valuer. Judgement is exercised by the directors in determining the appropriate valuation methods and the key assumptions used in the valuation. The carrying amount of biological assets as at the reporting date is disclosed in Note 7 to the financial statements.

**(b) Fair value of investment properties**

The Group carry its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group estimated the fair value of the investment properties based on information provided and the market valuation performed by an external independent valuer. Judgement is exercised by the directors in determining the appropriate valuation methods and the key assumptions used in the valuation. The carrying amount of investment properties as at the reporting date is disclosed in Note 6 to the financial statements.

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**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
<b>2020</b>										
<b>At cost/valuation</b>										
At 1 January 2020	457	5,621	514	10,873	211	56	97	170	762	18,761
Additions	-	-	-	-	1	-	-	-	44	45
Lease modification	-	-	-	-	-	-	-	-	(50)	(50)
Written off	-	-	-	-	-	-	(2)	-	-	(2)
Reclassification	-	13	176	-	(14)	-	1	-	(176)	-
At 31 December 2020	457	5,634	690	10,873	198	56	96	170	580	18,754

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**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 and fittings RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
<----- At valuation -----><----- At cost ----->										
2020										
Accumulated depreciation										
At 1 January 2020	-	-	-	3,859	76	56	96	170	81	4,338
Depreciation charge for the financial year	17	474	76	259	16	-	-	-	131	973
Lease modification	-	-	-	-	-	-	-	-	(23)	(23)
Written off	-	-	-	-	-	-	(2)	-	-	(2)
Reclassification	-	3	22	-	(4)	-	1	-	(22)	-
At 31 December 2020	17	477	98	4,118	88	56	95	170	167	5,286
Carrying amount										
At 31 December 2020	440	5,157	592	6,755	110	-	1	-	413	13,468

<----- At valuation ----->----- At cost ----->



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**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 ----->						
<b>2019</b>										
<b>At cost/valuation</b>										
At 1 January 2019	507	6,495	840	10,873	142	56	97	170	-	19,180
- As previously reported	-	(334)	(258)	-	-	-	-	-	856	264
- Effect of adoption of MFRS 16										
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

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**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 and fittings RM'000	Furniture RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
<div>&lt;----- At valuation -----&gt;&lt;-----&gt;----- At cost -----&gt;</div>										
2019										
Accumulated depreciation										
At 1 January 2019	56	457	193	3,600	62	56	96	170	-	4,690
- As previously reported	-	(33)	(52)	-	-	-	-	-	85	-
- Effect of adoption of MFRS 16										
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 (4)	401	112	259	14	-	-	-	166	1,001
Written off		-	-	-	-	-	-	-	-	(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

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

Company	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation and fittings RM'000	Furniture RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
2020										
At cost/valuation										
At 1 January 2020	457	595	477	10,873	210	56	88	170	762	13,688
Additions	-	-	-	-	1	-	-	-	44	45
Lease modification	-	-	-	-	-	-	-	-	(50)	(50)
Reclassification	-	13	176	-	(14)	-	1	-	(176)	-
At 31 December 2020	457	608	653	10,873	197	56	89	170	580	13,683
Accumulated depreciation										
At 1 January 2020	-	-	-	3,859	76	56	88	170	81	4,330
Depreciation charge for the financial year	17	56	72	259	16	-	-	-	131	551
Lease modification	-	-	-	-	-	-	-	-	(23)	(23)
Reclassification	-	4	22	-	(4)	-	-	-	(22)	-
At 31 December 2020	17	60	94	4,118	88	56	88	170	167	4,858
Carrying amount										
At 31 December 2020	440	548	559	6,755	109	-	1	-	413	8,825

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

Company	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation and fittings RM'000	Furniture 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	507	1,184	797	10,873	142	56	88	170	-	13,817
- As previously reported	-	(334)	(258)	-	-	-	-	-	856	264
- Effect of adoption of MFRS 16										
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

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

Company	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Road and bridges RM'000	Office equipments RM'000	Office renovation and fittings RM'000	Furniture RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
	<----- At valuation ----->		<----->		<----->		<----->		<----->	
	<----- At cost ----->		<----->		<----->		<----->		<----->	
<b>Accumulated depreciation</b>										
At 1 January 2019	56	114	185	3,600	62	56	88	170	-	4,331
- As previously reported	-	(33)	(52)	-	-	-	-	-	85	-
- Effect of adoption of MFRS 16										
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
<b>Carrying amount</b>										
At 31 December 2019	457	595	477	7,014	134	-	-	-	681	9,358

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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

**(a) 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:

	<b>Buildings</b>	<b>Group and Company Plant and machineries</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>At cost</b>	<b>&lt;----- At valuation -----&gt;</b>		
<b>Carrying amount</b>				
At 1 January 2020	183	252	246	681
Additions	44	-	-	44
Depreciation	(83)	(17)	(31)	(131)
Lease modification	(27)	-	-	(27)
Reclassification	-	-	(154)	(154)
At 31 December 2020	<u>117</u>	<u>235</u>	<u>61</u>	<u>413</u>

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 1 to 4 years.

The Group and the Company also lease plant and machineries and motor vehicles with lease terms of 1 to 3 years.

**(b) 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 2020 and 31 December 2019.

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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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

- (c) 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:

	2020 RM'000	2019 RM'000
<b>Group</b>		
Buildings	94	115
Plant and machineries	365	483
Motor vehicles	91	110
Right-of-use assets:		
- Plant and machineries	234	267
- Motor vehicles	36	141
	<u>820</u>	<u>1,116</u>
<b>Company</b>		
Buildings	94	115
Plant and machineries	254	319
Motor vehicles	91	109
Right-of-use assets:		
- Plant and machineries	234	267
- Motor vehicles	36	141
	<u>709</u>	<u>951</u>

**6. INVESTMENT PROPERTIES**

	Leasehold lands RM'000	Buildings RM'000	Total RM'000
<b>Group</b>			
<b>At fair value:</b>			
At 1 January 2019	4,320	7,340	11,660
Fair value gain/(loss) on investment properties (Note 21)	<u>58</u>	<u>(431)</u>	<u>(373)</u>
At 31 December 2019	4,378	6,909	11,287
Fair value gain/(loss) on investment properties (Note 21)	<u>30</u>	<u>(411)</u>	<u>(381)</u>
At 31 December 2020	<u>4,408</u>	<u>6,498</u>	<u>10,906</u>

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**6. INVESTMENT PROPERTIES** (continued)

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	153	158
Direct operating expenses		
- Income generating investment properties	<u>2</u>	<u>34</u>

**(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**

The Group's and the Company's finance department includes a team that performs valuation analysis of leasehold land and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the directors of the Company.

Fair value of investment properties is categorised as Level 3. The Group estimated the fair value of the investment properties based on information provided and the market valuation performed by an external independent valuer, Messrs Smiths Gore Sabah, a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualification. Level 3 fair value is based on the depreciated replacement cost method. The valuation approach commences by assessing the present replacement cost of the assets new and then deducting a sum for depreciation for age, disrepair and obsolescence.

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 2020 and 31 December 2019.

**Highest and best use**

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



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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**7. BIOLOGICAL ASSETS**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
At 1 January	24,520	21,279
Additions	673	1,011
Changes in fair value of biological assets	(373)	2,230
At 31 December	<u>24,820</u>	<u>24,520</u>

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 (2019: 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.

<b>Description</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
Planted trees	Discounted cash flows	(i) Log selling price per m3 RM450 (2019: RM450)	The higher selling price, the higher the fair value
		(ii) Discount rate of 12.5% (2019: 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 (2019: 43 to 111)	The higher the yield rate, the higher the fair value

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**7. BIOLOGICAL ASSETS** (continued)

**Valuation processes applied by the Group and the Company**

The Group's and the Company's finance department includes a team that performs valuation analysis for planted trees required for financial reporting purposes, including Level 3 fair values. This team reports directly to the directors of the Company.

The Group estimated the fair value of the biological assets based on information provided and the market valuation performed by an external independent valuer, Messrs Smiths Gore Sabah, a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualification. The valuer is engaged on a yearly basis. Changes in Level 3 fair values are analysed by the Group and the Company every year. 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**

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	50,328	52,328
Loans that are part of net investments	19,620	19,620
	69,948	71,948
Less: Accumulated impairment losses	(49,026)	(50,948)
	<u>20,922</u>	<u>21,000</u>

Loans that are part of net investments represent amounts owing by subsidiaries which are 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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**8. INVESTMENT IN SUBSIDIARIES** (continued)

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2020 %	2019 %	
<b>Held directly:</b>				
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	Dormant

\* Struck-off in current financial year.

**(a) Striking-off of subsidiary**

Timberwell Forest Sdn Bhd.

On 19 June 2020, the Company's wholly-owned subsidiary, Timberwell Forest Sdn. Bhd. had been struck-off from the Register of Companies Commission of Malaysia.

**(b) Non-controlling interests ("NCI") in subsidiary**

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

	<b>Timberwell Plywood Sdn. Bhd.</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
NCI percentage of ownership interest and voting interest	41%	41%
Carrying amount of NCI	(89)	177
(Loss)/Profit allocated to NCI	(266)	1,351

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**8. INVESTMENT IN SUBSIDIARIES** (continued)

(c) **Summarised financial information of NCI**

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

	<b>Timberwell Plywood Sdn. Bhd.</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Summarised statement of financial position</b>		
Non-current assets	15,372	16,175
Current assets	285	175
Non-current liabilities	-	(42)
Current liabilities	(177)	(177)
Net assets	<u>15,480</u>	<u>16,131</u>
<b>Summarised statement of comprehensive income</b>		
Revenue	<u>-</u>	<u>-</u>
(Loss)/Profit for the financial year	<u>(651)</u>	<u>3,005</u>
Total comprehensive (loss)/income for the financial year	<u>(651)</u>	<u>3,308</u>
<b>Summarised cash flow information</b>		
Cash flows from operating activities	90	2,049
Cash flows used in financing activities	<u>-</u>	<u>(1,999)</u>
Net increase in cash and cash equivalents	<u>90</u>	<u>50</u>

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**9. INTANGIBLE ASSETS**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January/31 December	10,411	10,411
<b>Accumulated amortisation</b>		
1 January	1,737	1,625
Amortisation charged during the financial year	111	112
31 December	1,848	1,737
<b>Carrying amount</b>		
31 December	8,563	8,674

The amortisation of intangible assets of the Group and the Company is an amount of RM111,722 (2019: RM111,722) is included in administrative expenses in the statements of comprehensive income.

**10. TRADE AND OTHER RECEIVABLES**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current:</b>					
<b>Non-trade</b>					
Other receivable	(a)	592	716	592	716
<b>Current:</b>					
<b>Trade</b>					
Trade receivables	(b)	2,198	4,482	2,198	4,482
<b>Non-trade</b>					
Other receivables		1,421	1,126	1,117	840
Less: Allowance for impairment loss	(c)	(233)	(165)	-	-
		1,188	961	1,117	840
Amount owing by a subsidiary	(d)	-	-	100	100
Refundable deposits		136	134	136	134
Prepayments		35	33	35	33
		1,359	1,128	1,388	1,107

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**10. TRADE AND OTHER RECEIVABLES** (continued)

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Total trade and other receivables (current)</b>		<u>3,557</u>	<u>5,610</u>	<u>3,586</u>	<u>5,589</u>
<b>Total trade and other receivables (non-current and current)</b>		<u>4,149</u>	<u>6,326</u>	<u>4,178</u>	<u>6,305</u>

- (a) Long term other receivable is measured at amortised cost at imputed interest rate at 13.84% (2019: 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 (2019: 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 other receivables are as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other receivables</b>		
At 1 January	165	50
Charge for the financial year		
- individually assessed	68	120
Reversal of impairment losses	<u>-</u>	<u>(5)</u>
At 31 December	<u>233</u>	<u>165</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**11. INVENTORIES**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:		
Raw materials	347	2,668
Finished goods	397	274
	<u>744</u>	<u>2,942</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>14,212</u>	<u>20,752</u>

**12. CASH AND SHORT-TERM DEPOSITS**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	1,358	195	1,159	83
Short-term deposits placed with licensed bank	(a) <u>407</u>	<u>399</u>	<u>407</u>	<u>399</u>
	<u>1,765</u>	<u>594</u>	<u>1,566</u>	<u>482</u>

- (a) Deposits placed with licensed banks of the Group and of the Company bear effective interest rates ranging from 1.15% to 2.45% (2019: 2.45%) per annum with a maturity of three months or less.

**13. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>Number of ordinary shares</b>		<b>&lt;----- Amounts -----&gt;</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Units</b>	<b>Units</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid up:</b>				
At beginning/end of the financial year	<u>89,050,667</u>	<u>89,050,667</u>	<u>98,677</u>	<u>98,677</u>

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.

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**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**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current:</b>		
Lease liabilities	136	237
<b>Current:</b>		
Lease liabilities	143	181
	<u>279</u>	<u>418</u>

The average interest rate implicit in the leases is 3.56% (2019: 3.55%).

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

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Minimum lease payments:		
Not later than one year	157	203
Later than one year and not later than 5 years	143	252
	<u>300</u>	<u>455</u>
Less: Future finance charges	<u>(21)</u>	<u>(37)</u>
Present value of minimum lease payments	<u>279</u>	<u>418</u>
Present value of minimum lease payments:		
Not later than one year	143	181
Later than one year and not later than 5 years	136	237
	<u>279</u>	<u>418</u>
Less: Amount due within 12 months	<u>(143)</u>	<u>(181)</u>
Amount due after 12 months	<u>136</u>	<u>237</u>



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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. DEFERRED TAX LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred tax liabilities	<u>(6,753)</u>	<u>(6,420)</u>	<u>(6,753)</u>	<u>(6,378)</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,420	8,169	6,378	6,557
Recognised in profit or loss (Note 23)	333	(1,894)	375	(228)
Recognised in other comprehensive income	<u>-</u>	<u>145</u>	<u>-</u>	<u>49</u>
At 31 December	<u>6,753</u>	<u>6,420</u>	<u>6,753</u>	<u>6,378</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred tax liabilities</b>				
Temporary differences between carrying amount and corresponding tax written down values	6,753	6,119	6,753	6,119
Revaluation of property, plant and equipment	<u>-</u>	<u>301</u>	<u>-</u>	<u>259</u>
	<u>6,753</u>	<u>6,420</u>	<u>6,753</u>	<u>6,378</u>

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. DEFERRED TAX LIABILITIES** (continued)

- (c) The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unused tax losses	<u>4,431</u>	<u>3,967</u>

The availability of unused tax losses for offsetting against future taxable profits of the subsidiary is subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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 unused tax 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 unused tax 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:

	<b>Group</b>
	<b>2020</b>
	<b>RM'000</b>
2025	<u>4,431</u>

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**17. TRADE AND OTHER PAYABLES**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current:</b>					
<b>Non-trade</b>					
Other payables	(a)	1,838	1,930	1,825	1,919
<b>Current:</b>					
<b>Trade</b>					
Trade payables	(b)	1,202	2,219	1,202	2,219
<b>Non-trade</b>					
Other payables		83	121	83	121
Deposits		72	72	-	-
Accruals		2,466	4,876	2,463	4,874
Amounts owing to subsidiaries	(c)	-	-	13,523	13,533
		<u>2,621</u>	<u>5,069</u>	<u>16,069</u>	<u>18,528</u>
<b>Total trade and other payables (current)</b>		<u>3,823</u>	<u>7,288</u>	<u>17,271</u>	<u>20,747</u>
<b>Total trade and other payables (non-current and current)</b>		<u><u>5,661</u></u>	<u><u>9,218</u></u>	<u><u>19,096</u></u>	<u><u>22,666</u></u>

(a) Other payables represent amount owing to companies in which certain directors have interest which are unsecured, bear interest rate ranging from 7% to 9% (2019: 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 (2019: 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.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**18. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At point in time:</b>				
Sales of goods	18,289	28,286	18,289	28,286

**19. OTHER INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value gain on biological assets (Note 7)	-	2,230	-	2,230
Gain on lease modification	9	-	9	-
Interest income	129	191	129	191
Other income	208	41	171	40
Realised gain on foreign exchange	5	-	5	-
Rental income	153	158	-	-
Waiver of debt	2	-	-	-
	<u>506</u>	<u>2,620</u>	<u>314</u>	<u>2,461</u>

**20. FINANCE COSTS**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest expense on advances from related parties	157	174
Interest expense on lease liabilities	<u>21</u>	<u>33</u>
	<u>178</u>	<u>207</u>

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**21. (LOSS)/PROFIT BEFORE TAX**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of intangible assets	111	112	111	112
Auditors' remuneration:				
- statutory audit				
- current year	145	155	133	143
- non statutory audit				
- current year	5	10	5	10
Bad debts written off	-	-	4	115
Depreciation of property, plant and equipment	973	1,001	551	662
Employee benefits expenses (Note 22)	2,576	2,786	2,560	2,769
Fair value loss on other receivables measured at amortised cost	92	-	92	-
Fair value loss on biological assets	373	-	373	-
Fair value loss on investment properties	381	373	-	-
Impairment loss on investment in a subsidiary	-	-	78	-
Impairment loss on other receivable	68	120	-	-
Property, plant and equipment written off	-	6	-	6
Realised loss on foreign exchange	-	14	-	14
Reversal of impairment loss on other receivables	-	(5)	-	-

**22. EMPLOYEE BENEFITS EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries, bonus and allowances	2,268	2,477	2,253	2,462
Defined contribution plan	235	227	234	225
Other employee benefits	73	82	73	82
	<b>2,576</b>	<b>2,786</b>	<b>2,560</b>	<b>2,769</b>

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**22. EMPLOYEE BENEFITS EXPENSE** (continued)

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Included in employee benefits expenses are:				
<b>Directors of the Company</b>				
- Fees	248	249	245	246
- Other emoluments	73	82	73	82
	<u>321</u>	<u>331</u>	<u>318</u>	<u>328</u>
<b>Key management personnel</b>				
- Salaries and other emoluments	1,107	1,063	1,107	1,051
- Defined contribution plan	133	130	133	128
	<u>1,240</u>	<u>1,193</u>	<u>1,240</u>	<u>1,179</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Statements of comprehensive income</b>				
<b>Current income tax:</b>				
- Current income tax charge	279	1,160	279	1,156
- Adjustment in respect of prior years	(225)	(215)	(225)	(215)
	54	945	54	941
<b>Deferred tax (Note 16)</b>				
- (Reversal)/Origination of temporary differences	(15)	384	(15)	437
- Adjustment in respect of prior years	348	(2,278)	390	(665)
	<u>333</u>	<u>(1,894)</u>	<u>375</u>	<u>(228)</u>
Income tax expense/(credit) recognised in profit or loss	<u>387</u>	<u>(949)</u>	<u>429</u>	<u>713</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before tax	(322)	5,062	375	5,765
Taxation at applicable tax rate of 24% (2019: 24%)	(77)	1,215	90	1,384
Non-deductible expenses	393	445	199	248
Deferred tax asset not recognised on tax losses	111	-	-	-
Utilisation of deferred tax not recognised in previous financial year	-	(24)	-	-
Crystallisation of deferred tax liabilities	(163)	(92)	(25)	(38)
Adjustment in respect of prior years:				
- current income tax	(225)	(215)	(225)	(215)
- deferred tax	348	(2,278)	390	(666)
Income tax expense/(credit)	387	(949)	429	713

**24. (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per ordinary share**

Basis (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
(Loss)/Profit attributable to owners of the Company (RM'000)	(443)	4,784
Weighted average number of ordinary shares for basic earnings per share (Unit)	89,050,667	89,050,667
Basic (loss)/earnings per share (Sen)	(0.50)	5.37

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**24. (LOSS)/EARNINGS PER SHARE** (continued)

**(b) Diluted (loss)/earnings per ordinary share**

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

**25. DIVIDENDS**

	<b>Company 2019 RM'000</b>
<b>Recognised during the financial year</b>	
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	<u><u>1,781</u></u>

**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:

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>2020</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables, net of prepayments	4,114	4,114
Cash and short-term deposits	<u>1,765</u>	<u>1,765</u>
	<u><u>5,879</u></u>	<u><u>5,879</u></u>
<b>Company</b>		
Trade and other receivables, net of prepayments	4,143	4,143
Cash and short-term deposits	<u>1,566</u>	<u>1,566</u>
	<u><u>5,709</u></u>	<u><u>5,709</u></u>



**TIMBERWELL BERHAD**  
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**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)

	Carrying amount RM'000	Amortised cost RM'000
<b>2020</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Trade and other payables	5,661	5,661
Lease liabilities	279	279
	<u>5,940</u>	<u>5,940</u>
<b>Company</b>		
Trade and other payables	19,096	19,096
Lease liabilities	279	279
	<u>19,375</u>	<u>19,375</u>
<b>2019</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables, net of prepayments	6,293	6,293
Cash and short-term deposits	594	594
	<u>6,887</u>	<u>6,887</u>
<b>Company</b>		
Trade and other receivables, net of prepayments	6,272	6,272
Cash and short-term deposits	482	482
	<u>6,754</u>	<u>6,754</u>

**TIMBERWELL BERHAD**  
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**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)

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>2019</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Trade and other payables	9,218	9,218
Lease liabilities	418	418
	<u>9,636</u>	<u>9,636</u>
<b>Company</b>		
Trade and other payables	22,666	22,666
Lease liabilities	418	418
	<u>23,084</u>	<u>23,084</u>

**(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.

**TIMBERWELL BERHAD**  
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**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 2 (2019: 3) customers representing approximately 99% (2019: 99%) of the total trade receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit loss provision for all trade receivables. 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:

	<b>Expected credit loss rate %</b>	<b>Gross carrying amount at default RM'000</b>	<b>Impairment losses RM'000</b>
<b>Group and Company 2020</b>			
<b>Trade receivables</b>			
Neither past due nor impaired	0%	1,181	-
1 to 30 days past due	0%	778	-
31 to 60 days past due	0%	239	-
	0%	2,198	-

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**26. FINANCIAL INSTRUMENTS** (continued)

**(b) Financial risk management** (continued)

**(i) Credit risk** (continued)

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

	<b>Expected credit loss rate %</b>	<b>Gross carrying amount at default RM'000</b>	<b>Impairment losses RM'000</b>
<b>Group and Company 2019</b>			
<b>Trade receivables</b>			
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	-
	<u>0%</u>	<u>4,482</u>	<u>-</u>

**Other receivables and other financial assets**

For other receivables and other financial assets (including cash and short-term deposits), 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. Especially the following indicators are incorporated:

- 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.

**TIMBERWELL BERHAD**  
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**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.

Other than credit-impaired other receivables, the Group and the Company consider these financial assets to be of low credit risk, for which no material loss allowance is required. 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:

	<----- Contractual cash flows ----->				
	Carrying amount	On demand or within 1 year	Between 1 and 5 years	More than 5 years	Total
Group 2020	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial liabilities:</b>					
Trade and other payables	5,661	3,823	1,838	-	5,661
Lease liabilities	279	157	143	-	300
	<u>5,940</u>	<u>3,980</u>	<u>1,981</u>	<u>-</u>	<u>5,961</u>

**TIMBERWELL BERHAD**  
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**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)

	<----- Contractual cash flows ----->				
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>Group</b>					
<b>2019</b>					
<b>Financial liabilities:</b>					
Trade and other payables	9,218	7,288	1,930	-	9,218
Lease liabilities	418	203	252	-	455
	<u>9,636</u>	<u>7,491</u>	<u>2,182</u>	<u>-</u>	<u>9,673</u>
<b>Company</b>					
<b>2020</b>					
<b>Financial liabilities:</b>					
Trade and other payables	19,096	17,271	1,825	-	19,096
Lease liabilities	279	157	143	-	300
	<u>19,375</u>	<u>17,428</u>	<u>1,968</u>	<u>-</u>	<u>19,396</u>
<b>2019</b>					
<b>Financial liabilities:</b>					
Trade and other payables	22,666	20,747	1,919	-	22,666
Lease liabilities	418	203	252	-	455
	<u>23,084</u>	<u>20,950</u>	<u>2,171</u>	<u>-</u>	<u>23,121</u>

**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**26. FINANCIAL INSTRUMENTS** (continued)

**(b) Financial risk management** (continued)

**(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.

**(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 short-term deposits, 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.

**27. RELATED PARTIES**

**(a) Identity of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**27. RELATED PARTIES** (continued)

**(a) Identity of related parties** (continued)

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; and
- (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.

**(b) Significant related party transactions**

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

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest paid/payable to related parties	<u>157</u>	<u>174</u>

**(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:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved but not contracted for:		
- Industrial tree-planting project	<u>1,100</u>	<u>1,100</u>



**TIMBERWELL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**29. COMMITMENTS** (continued)

**(b) Operating lease commitments - as lessor**

The Group leases its investment properties and certain plant and machineries 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 lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
- Not later than one year	180	216
- One to two years	229	291
- Two to three years	184	229
- Three to four years	46	184
- Four to five years	-	46
	<u>639</u>	<u>966</u>

**30. CONTINGENT LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	29	-	-
	<u>5,029</u>	<u>5,029</u>	<u>5,000</u>	<u>5,000</u>

**31. CAPITAL MANAGEMENT**

The primary objective of the Group's and the Company's capital management is to ensure that they maintain 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.

**TIMBERWELL BERHAD**  
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**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.

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total borrowings	279	418	279	418
Trade and other payables	5,661	9,218	19,096	22,666
Less: Cash and short-term deposits	(1,765)	(594)	(1,566)	(482)
Net debts	4,175	9,042	17,809	22,602
Total equity	51,809	52,518	43,577	43,631
Capital and net debts	55,984	61,560	61,386	66,233
Gearing ratio	7%	15%	29%	34%

**32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

**COVID-19 pandemic**

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed several levels of 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, social distancing and other precautionary measures imposed in various countries.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2021 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

**TIMBERWELL BERHAD**

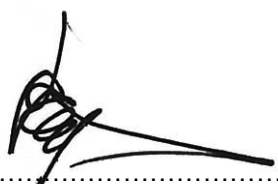
(Incorporated in Malaysia)

**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 pages 75 to 145 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 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: 26 March 2021

**TIMBERWELL BERHAD**  
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**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 accompanying financial statements set out on pages 75 to 145 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 26 March 2021.

Before me,



.....  
Commissioner for Oaths

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

**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 2020 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 75 to 145.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

**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**

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**Biological assets (Note 7 to the financial statements)**

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The Group and the Company have a significant balance of biological assets amounting to RM24.82 million as at 31 December 2020. The accounting policies of the Group and the Company is to measure biological assets 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.

**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)

**Group**

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**Investment properties (Note 6 to the financial statements)**

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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.

**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.



**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**

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  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants



Kenny Yeoh Khi Khen  
No. 03229/09/2022 J  
Chartered Accountant

Kuala Lumpur

Date: 26 March 2021

# List of Properties

**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 31.12.2020 (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	10,906 (After revaluation)

# Analysis of Shareholdings

As at 31 March 2021

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	21	1.67	752	0.00
100 – 1,000	456	36.31	422,937	0.47
1,001 – 10,000	609	48.49	2,103,076	2.36
10,001 – 100,000	125	9.95	3,675,968	4.13
100,001 – 4,452,532*	40	3.18	38,569,983	43.31
4,452,533 and above**	5	0.40	44,277,961	49.72
<b>Total</b>	<b>1,256</b>	<b>100.00</b>	<b>89,050,677</b>	<b>100.00</b>

Notes:

\* Less than 5% of issued shares capital

\*\* 5% and above of issued shares capital

## LIST OF SUBSTANTIAL SHAREHOLDERS (AS AT 31 MARCH 2021)

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 <sup>#</sup>	0.003
Agnes Soei-Tin Lamey	6,007,740 <sup>^</sup>	6.75	-	-
Lam Soei Lim	5,904,540	6.63	75,000 <sup>#</sup>	0.08
Datuk Yap Pak Leong	4,846,300	5.44	1,512,000 <sup>#</sup>	1.70
Lee Ngee Moi	2,674,899	3.00	2,367,533 <sup>#</sup>	2.66

Notes:

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

<sup>^</sup> held through Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited.

# Analysis of Shareholdings

(cont'd)

## DIRECTORS' INTEREST IN SHARES IN THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	%
Dato Sri Tiong King Sing	21,210,322	23.82	-	-
Datuk Yap Pak Leong	4,846,300	5.44	1,512,000 <sup>#</sup>	1.70
Loo Choo Hong	-	-	-	-
Agnes Soei-Tin Lamey	6,007,740 <sup>^</sup>	6.75	-	-
Michael @ Radio bin Luban*	-	-	-	-
Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	1,240,000	1.39	15,000 <sup>#</sup>	0.02

Notes:

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

<sup>^</sup> held through Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited.

\* Appointed with effect from 23 February 2021.

## 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

# Analysis of Shareholdings (cont'd)

## 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	%
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.	Patrick Chiong Sui Chai	1,508,900	1.69
15.	Bonus River Sdn. Bhd.	1,459,000	1.64
16.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Bounty Leisure Sdn. Bhd.]	1,288,000	1.45
17.	Bounty Leisure Sdn. Bhd.	1,250,000	1.40
18.	Yap Fook Fung	1,240,000	1.39
19.	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

*- This page has been left blank intentionally -*

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 25th Annual General Meeting of the Company to be held at 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Thursday, 20 May 2021 at 1:00 p.m., and at every adjournment thereof.

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

Item	Agenda	Resolution	For	Against
	Ordinary Business			
1.	To approve the Directors' fees in respect of the financial year ended 31 December 2020.	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 Datuk Yap Pak Leong as a Director.	3		
4.	To re-elect Madam Agnes Soei-Tin Lamey as a Director.	4		
5.	To re-elect Mr Michael @ Radio bin Luban as a Director.	5		
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.	6		
<b>Special Business</b>				
7.	To approve the Authority to Issue and Allot Shares.	7		
8.	To approve the continuing in office for Datuk Yap Pak Leong as an Independent Non-Executive Director.	8		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

<b>No. of shares held</b>	
<b>CDS Account No.</b>	
<b>Contact No.</b>	

\_\_\_\_\_  
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:

- 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.
- A member shall be entitled to appoint not more than two (2) proxies to attend, vote and speak at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, he may appoint not more than two (2) proxies in respect of each Securities Account he holds in ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.  
Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- 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.
- Date of Record of Depositors for the purpose of determining Members' entitlement to attend, participate, speak and vote at the Annual General Meeting is 12 May 2021.



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

The Company Secretary

**TIMBERWELL BERHAD**  
[Registration No. 199601014835 (387185-W)]

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

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If undelivered, please return to:

**Securities Services (Holdings) Sdn Bhd** [Registration No. 197701005827 (36869-T)]  
Level 7 Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur



# **TIMBERWELL BERHAD**

Registration No. 199601014835 (387185-W)

## **Corporate Office**

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

Tel: 088-332455

Fax: 088-235907

Email: [enquiry@timwell.com.my](mailto:enquiry@timwell.com.my)

[www.timwell.com.my](http://www.timwell.com.my)