

TIMBERWELL BERHAD

Registration No. 199601014835 (387185-W)

We Practice **SUSTAINABLE FORESTRY**

2023
ANNUAL REPORT
<http://timwell.com.my>

Inside this Annual Report



TO OUR SHAREHOLDERS

2	Notice of Annual General Meeting
---	----------------------------------

CORPORATE FRAMEWORK

6	Business Profile
8	Location Map
9	Corporate Information
10	Corporate Structure
11	Directors' Profile
15	Key Senior Management

CORPORATE PERSPECTIVE

16	Management Discussion and Analysis
23	Five (5) Years Financial Highlights
24	Sustainability Statement

CORPORATE GOVERNANCE

56	Corporate Governance Overview Statement
73	Directors' Responsibility Statement
74	Statement on Risk Management and Internal Control
86	Report of Audit Committee
91	Additional Disclosure Requirements

FINANCIAL STATEMENTS

93	Directors' Report
99	Statements of Financial Position
101	Statements of Comprehensive Income
103	Statements of Changes in Equity
105	Statements of Cash Flows
108	Notes to Financial Statements
153	Statement by Directors
154	Statutory Declaration
155	Independent Auditors' Report

OTHER INFORMATION

161	List of Properties
162	Analysis of Shareholdings
enc.	Form of Proxy



Visit our website for more information
<http://timwell.com.my>
We Practice Sustainable Forestry

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting ("28th AGM") of Timberwell Berhad ("Company") will be held at **Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah** on **Tuesday, 21 May 2024 at 3:00 p.m.** for the following purposes:

A G E N D A

AS ORDINARY BUSINESS

- | | | |
|----|---|--|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. | Please refer to
Explanatory Note (a) |
| 2. | To approve the payment of Directors' fees amounting to RM250,000.00 for the financial year ended 31 December 2023. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors' benefits payable to the Board of the Company and its subsidiaries amounting to RM150,000.00 for the period from 22 May 2024 until the next Annual General Meeting of the Company. | Ordinary Resolution 2 |
| 4. | To re-elect the following Directors who retire by rotation in accordance with Clause 97 of the Constitution of the Company and being eligible, offer themselves for re-election:-
a. Mr Michael @ Radio Bin Luban
b. Mr Loo Choo Hong | Ordinary Resolution 3
Ordinary Resolution 4 |
| 5. | To re-elect Mr Lim Ah Lay, who retires in accordance with Clause 104 of the Constitution of the Company and being eligible, offer himself for re-election. | Ordinary Resolution 5 |
| 6. | To re-appoint Messrs. Baker Tilly Monteiro Heng PLT (AF0117) as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

AS SPECIAL BUSINESS

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

- | | | |
|--|--|------------------------------|
| 7. | Ordinary Resolution
- Authority to Issue and Allot Shares | Ordinary Resolution 7 |
| <p>"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.</p> <p>THAT the Directors be 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.</p> | | |

Notice of Annual General Meeting (cont'd)

THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016, to be read together with Clause 54 of the Constitution of the Company, approval be hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

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

BY ORDER OF THE BOARD

TAN BEE HWA (SSM PC NO. 202008001174 & MAICSA 7058049)
QWIK TSAE YNG (SSM PC NO. 202308000539 & MAICSA7053568)
 Company Secretaries

Kota Kinabalu
 22nd day of April 2024

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 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 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 13 May 2024.

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 2023

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 2023 will only be made if the proposed Resolution 1 has been passed at the 28th AGM pursuant to Clause 105 of the Company's Constitution and Section 230(1) of the Companies Act 2016.

(c) Item 3 of the Agenda

- Directors' benefits (Resolution 2)

The Directors' benefits comprises only the meeting allowances payable to the Board of Directors ("the Board") of the Company and its subsidiaries as follows:-

	Executive Director(s)	Non-Executive Directors	Total Amount
Meeting Allowance	-	RM150,000	RM150,000

The total amount of meeting allowance of RM150,000 is derived from the number of scheduled and unscheduled meetings, when necessary, 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' meeting allowances as and when incurred, particularly after having discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the period from 22 May 2024 until the next Annual General Meeting ("AGM") in the year 2025.

(d) Items 4 and 5 of the Agenda

- Re-election of Directors (Resolutions 3, 4 and 5)

No individual is seeking election as a Director at the forthcoming 28th AGM of the Company.

Mr Michael @ Radio Bin Luban, Mr Loo Choo Hong and Mr Lim Ah Lay, being eligible, have offered themselves for re-election as Directors of the Company at this 28th AGM. The profile of the retiring Directors are set out in the Profile of Directors on pages 12 and 13 of the Annual Report 2023.

The Annual Report 2023 is available at <http://timwell.com.my>.

(e) 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 ("Baker Tilly") and was satisfied with the suitability of Baker Tilly 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 Baker Tilly as the external auditors of the Company be put forward for the shareholders' approval at the forthcoming 28th AGM.

Notice of Annual General Meeting (cont'd)**(f) 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 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.

By voting in favour of this proposed resolution, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Companies Act 2016 and Clause 54 of the Company's Constitution to be first offered any new shares ranking equally to the existing issued shares of the Company under this general mandate which will result in a dilution of their shareholding percentage in the Company.

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.

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 recognised 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.



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.

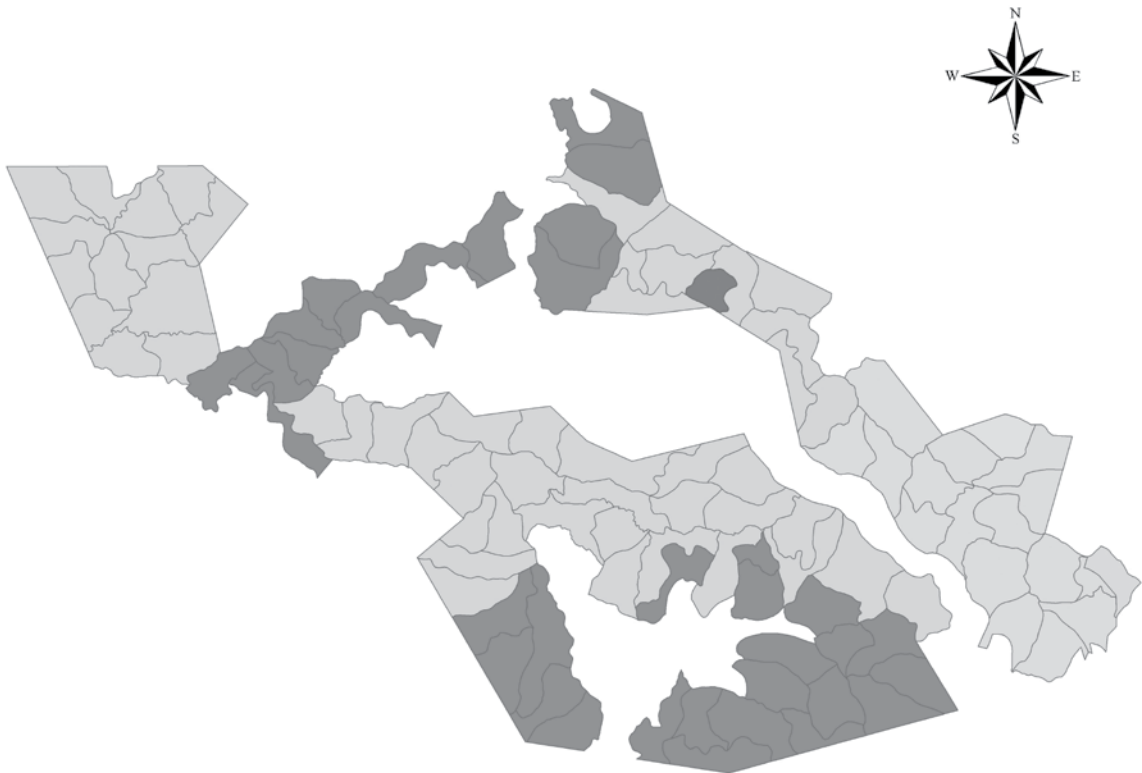
Fairness

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

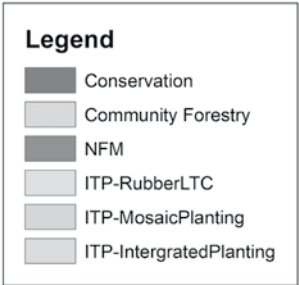
Pursuit of Excellence

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

Location Map



Lingkabau Forest Reserve



Corporate Information

BOARD OF DIRECTORS

Wong Chong Kim

Chairman, Independent Non-Executive Director

Loo Choo Hong

Independent Non-Executive Director

Lim Ah Lay

Senior Independent Non-Executive Director
(Appointed on 24 May 2023)

Michael @ Radio bin Luban

Independent Non-Executive Director

Datuk Yap Pak Leong

Non-Independent Non-Executive Director

Agnes Soei-Tin Lamey

Non-Independent Non-Executive Director

Yap Fook Fung

Alternate Director to Datuk Yap Pak Leong

AUDIT COMMITTEE

Loo Choo Hong (Chairman)

Agnes Soei-Tin Lamey

Lim Ah Lay

NOMINATION AND REMUNERATION COMMITTEE

Lim Ah Lay (Chairman)

Agnes Soei-Tin Lamey

Michael @ Radio bin Luban

RISK MANAGEMENT COMMITTEE

Lim Ah Lay (Chairman)

Datuk Yap Pak Leong

Michael @ Radio bin Luban

EXECUTIVE COMMITTEE

Datuk Yap Pak Leong (Chairman)

Agnes Soei-Tin Lamey

Datuk Pau Chiong Ung

INVESTMENT COMMITTEE

Datuk Yap Pak Leong (Chairman)

Agnes Soei-Tin Lamey

Loo Choo Hong

CHIEF EXECUTIVE OFFICER

Datuk Pau Chiong Ung

CORPORATE OFFICE

2nd Floor, Wisma BSN Sabah

Jalan Kemajuan, Karamunsing

88000 Kota Kinabalu, Sabah

Tel : 088-214 222

Fax : 088-235 907

Email : enquiry@timwell.com.my

Website : http://timwell.com.my

REGISTERED OFFICE

2nd Floor, Wisma BSN Sabah

Jalan Kemajuan, Karamunsing

88000 Kota Kinabalu, Sabah

Tel : 088-214 222

Fax : 088-235 907

Email : enquiry@timwell.com.my

COMPANY SECRETARIES

Tan Bee Hwa

(SSM PC No. 202008001174 & MAICSA 7058049)

Tracie Qwik Tsae Yng

(SSM PC No. 202308000539 & MAICSA 7053568)

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

201906000600 (LLP0019411-LCA & AF0117)

Chartered Accountants

Baker Tilly Tower, Level 10, Tower 1

Avenue 5, Bangsar South City

59200 Kuala Lumpur

Tel : 03-2297 1000

Fax : 03-2282 9980

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)

59.17%

**TIMBERWELL PLYWOOD
SDN. BHD.**

199801000555 (456681-T)

100%

***TIMBERWELL PLANTATION
SDN. BHD.**

200601019883 (739636-U)

* During the financial year ended 31 December 2023, Timberwell Plantations Sdn Bhd. [Registration No. 200601019883(739636-U)] ("TPSB"), a dormant subsidiary of the Company, had been struck-off from register of Company Commission of Malaysia as per the issued gazette dated 8 November 2023.



Directors' Profile

WONG CHONG KIM

Chairman/Independent Non-Executive Director

Aged 67/Malaysian/Male

Mr Wong Chong Kim is the Independent Non-Executive Director/Chairman of Timberwell Berhad. He was appointed as Chairman of the Board of Company on 25 May 2021. He is a Fellow Member of Association of Chartered Certified Accountants, United Kingdom.

Mr Wong is currently a commissioned dealer's representative of RHB Investment Bank Berhad since 1 August 2014.

He was formerly the Executive Director of OSK Holdings Berhad since November 1990 and re-designated as Non-Independent Non-Executive Director from May 2007 until April 2013. During his tenure as a Director of the Company, he had sat as a member of the Audit Committee, Risk Management Committee, Nominating Committee and Employee Share Options Scheme Committee.

He joined OSK Investment Berhad ("OSKIB") as Finance Manager in 1985 and was appointed to the Board in 1989 as an Executive Director.

He then resigned from the Board of OSKIB and appointed as Deputy Chief Executive Officer of OSKIB on January 2007. Prior to this, he was the Accountant and Assistant Credit Manager of a leading financial institution in 1983 for two years.

He was also a Non-Independent Non-Executive Director of OSK Ventures International Berhad and OSK Property Holdings Berhad for more than ten years before retiring on 10 April 2013.

Mr Wong is the spouse to Madam Lee Ngee Moi, a substantial shareholder of the Company and he holds 50% shares in Harmony Chime Sdn. Bhd. (a Company's shareholder). He does not have any conflict of interest with the Company and has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by him during the financial year are set out in page 58 of this Annual Report.

DATUK YAP PAK LEONG

Non-Independent Non-Executive Director

Aged 88/Malaysian/Male

Datuk Yap Pak Leong was appointed to the Board of Directors of Timberwell Berhad on 27 September 2004. He was re-designated to Non-Independent Non-Executive Director on 24 May 2023. Currently, Datuk Yap is the Chairman of the Executive Committee and Investment Committee. He is also a member of the Risk Management 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 does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by him during the financial year are set out in page 58 of this Annual Report.

Directors' Profile (cont'd)

LOO CHOO HONG

Independent Non-Executive Director

Aged 51/Malaysian/Male

Mr Loo Choo Hong was appointed to the Board on 12 May 2017. He is Chairman of the Audit Committee of the Company and also a member of the Investment Committee. 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 has 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, 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 is also a member of the Board of Trustees for the Malaysian Medical Association ("MMA") Foundation. MMA Foundation is a non-profit organisation which provides financial assistance for undergraduate medical students, continuing professional development, public health education and donations to charities.

He does not have any family relationship with any Director and/or major shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by him during the financial year are set out in page 58 of this Annual Report.

LIM AH LAY

Senior Independent Non-Executive Director

Aged 68/Malaysian/Male

Mr Lim Ah Lay was appointed to the Board of Directors of Timberwell Berhad on 24 May 2023. He is the Chairman of the Nomination and Remuneration Committee and the Risk Management Committee. He is also a member of the Audit Committee.

Mr Lim has over 30 years of working experience in accounting, audit and finance. He started his career as an Audit Senior with Ling Kam Hoong & Co. from April 1985 to June 1987, prior to that he was a Science and Mathematics Teacher at Datok Lokman Secondary School in Kuala Lumpur from April 1979 to April 1985. Thereafter, he holds position as the Internal Audit Executive of MUI Finance Berhad from July 1987 to May 1990 and subsequently worked with Zalik Securities Sdn. Bhd. as an accountant from June 1990 to June 1991. He then left the Company and joined UMBC Securities Sdn. Bhd. where he served as an Assistant General Manager until August 1995.

Mr Lim joined ECM Libra Avenue Securities Sdn. Bhd. in August 1995 and left as the Executive Director of operations in June 2007. In August 2007, Mr Lim joined OSK Investment Bank Berhad as the Director and Head of Operations and was appointed as an Executive Director of OSK Holdings Hong Kong Ltd in December 2010. He was also the Executive Director of RHB Hong Kong Ltd and its subsidiaries from December 2010 to April 2017. Mr Lim has served as a licensed representative and also responsible officer for various companies since November 2011. He is presently a licensed representative of NFH Securities and Futures Limited and a responsible officer with NFH Asset Management Limited. Mr Lim is also serving as a Non-Executive Director of Kwan Yong Holdings Limited, which is listed on the Hong Kong Stock Exchange, since October 2018.

Save as of the above, he does not hold any directorship in any other public listed companies.

He does not have any family relationship with any Director and/or major shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by him during the financial year are set out in page 58 of this Annual Report.

Directors' Profile (cont'd)**AGNES SOEI-TIN LAMEY****Non-Independent Non-Executive Director****Aged 70/British/Female**

Agnes Soei-Tin Lamey was appointed as Director of the Company on 13 August 2007. She is member of the Audit Committee, Nomination and Remuneration Committees and Executive 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 does not have any family relationship with any Director the Company, nor any conflict of interest with the Company. She has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by her during the financial year are out in page 58 of this Annual Report.

MICHAEL @ RADIO BIN LUBAN**Independent Non-Executive Director****Aged 73/Malaysian/Male**

Michael @ Radio Bin Luban was appointed a Director of Timberwell Berhad on 23 February 2021. Currently, he is a member of the Nomination and Remuneration Committee and Risk Management Committee.

He 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 from 1996 to 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 Director and/or major shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by him during the financial year are set out in page 58 of this Annual Report.

Directors' Profile (cont'd)

YAP FOOK FUNG

Alternate Director to Datuk Yap Pak Leong

Aged 55/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 Non-Independent Non- Executive Director. She does not have any family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no convictions for any offences, and there is no sanction or penalty imposed on her by any regulatory bodies over the past 5 years.

Details of number of board meetings attended by her during the financial year are out in page 58 of this Annual Report.

Key Senior Management

DATUK PAU CHIONG UNG

Chief Executive Office

Aged 72/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 35 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 1 April 2024 are as follows:

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

He does not have any family relationship with any Director and/or major shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") provide shareholders an overview and better understanding of Timberwell Berhad's ("the Company") financial and operational performance for the financial year ended 31 December 2023. The information in this MD&A should be read in conjunction with the Financial Statements for the year ended 31 December 2023 and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusions that such results, causes or trend will necessarily continue in future.

OVERVIEW

The Company has been granted a Sustainable Forest Management Licence Agreement (SFMLA 06/97) for 100 years commencing 10 September 1997 over an area of 71,293 hectares in Lingkabau Forest Reserve in Sabah. The State Government of Sabah granted permission to the Company to plant, rehabilitate and harvest forest in the principles of sustainable forest management and environmental conservation for economic, environmental purposes in the licenced concession area.

Subsequently, the Company has on 12 April 2018 entered into a Sustainable Forest Management Licence Agreement ("Supplemental") under 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.

The entire concession area is zoned into Natural Forest Management, Industrial Tree Plantation, and Community Forest as indicated in the following table.

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

FINANCIAL REVIEW

With the negative effects brought about by the global inflation, the demand and pricing of logs has declined drastically in 2023. Nevertheless, the Company and its subsidiary companies ("the Group") have adopted the following business strategies and strict controls on capital management to ensure its business sustainability and profitability:

- Stop production of unmarketable smaller diameter logs.
- Strict oversight of capital expenditure spending, with a focus on key priorities and revenue generation.
- Inventory, debtor management and cost containment measures to be closely monitored, with an emphasis on improving operational efficiencies.

Economic uncertainty and enhancing market conditions are expected to continue into the new financial year due to the global inflation. In this respect, the Group will continue to implement cost containment measures and rollout more innovative approaches in its operations to drive greater cost efficiency and productivity.

Group generated a revenue of RM18.9 million (2022: RM27.0 million). The revenue decreased marginally by 30%. The drop in revenue is mainly due to the low in demand and pricing of timber since the end of 2022.

The loss after tax of RM2.4 million (2022: Profit RM10.2 million) after taking into account the revaluation deficit derived from Biological Assets amounting to RM2.4 million (2022: RM0.7 million) and the revaluation surplus arising from the Investment Properties and Property, Plant and Equipment ("PPE") of RM0.1 million (2022: RM7.8 million).

The Company continued to appoint Messrs. Smiths Gore Sabah to conduct a fair valuation exercise on Biological Assets in accordance with MFRS 141 for the financial year ended 31 December 2023. The methods and approaches that form the basis of the valuation of the following areas in the FMU 3 are the Discounted Cash Flow and Income methods.

- Biological Assets ("planted trees") at the ITP area
- Intangible Assets ("natural unharvested standing trees") in the NFM and ITP area.

Management Discussion and Analysis (cont'd)

The summary of the valuation report dated 31 December 2023 are shown in the table below:-

Net Present Value ("NPV")	31 December 2023 RM'000	31 December 2022 RM'000
Biological Assets	28,527	29,650
Intangible Assets	76,677	75,770
Total	105,204	105,420

The revaluation deficit derived from Biological Assets are illustrated as per table below:-

Particulars	Net Book Value ("NBV") as at 31 December 2023 RM'000	NPV as Valuation Report 31 December 2023 RM'000	Revaluation Deficit RM'000
Biological Assets	30,917	28,527	(2,390)

The revaluation deficit of RM2.4 million derived from Biological Assets was reflected in the Audited Financial Results for the financial year ended 31 December 2023.

The fair value of RM76.7 million derived from the valuation of Intangible Assets 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 2023.

The net assets per share of the Company as at 31 December 2023 after taking into account the fair valuation of Biological Assets were illustrated below:-

Particulars	Audited result as at 31 December 2023 before fair valuation of Biological Assets	Effect of the fair valuation	Audited result as at 31 December 2023 after the fair valuation of Biological Assets
Total equity (RM'000)	66,534	(2,390)	64,144
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (sen)	74.71	(2.68)	72.03

The Group has also carried out a valuation exercise on the Investment Properties ("IP") and Property, Plant and Equipment ("PPE") during the financial year ended 31 December 2023. The valuation is conducted in accordance with MFRS 116 in respect of the fair value measurement of PPE.

Types of PPE	NBV as at 31 December 2023 RM'000	NPV as Valuation Report 31 December 2023 RM'000	Revaluation Surplus / (Deficit) RM'000	Deferred Tax RM	Net of Deferred Tax RM
Investment Properties					
Leasehold Land	12,600	13,400	800	-	800
Building	5,802	4,737	(1,065)	-	(1,065)
Property, Plant and Equipment					
Building	404	412	8	2	6
Plant and Equipment	4,180	4,338	158	38	120
Motor Vehicle	322	607	285	68	217
Total	23,308	23,494	186	108	78

Management Discussion and Analysis (cont'd)

The net revaluation surplus after deferred tax is RM 0.1 million arising from both the category of IP and PPE from the table above has been incorporated into the financial results of the Group for the financial year ended 31 December 2023.

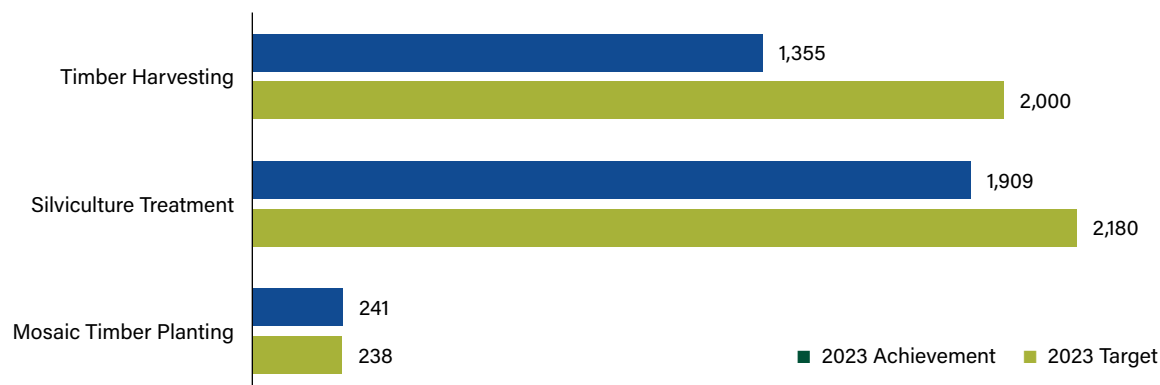
The net assets per share of the Group as at 31 December 2023 will be increased by 0.09 sen to 72.12 sen upon incorporation of the revaluation surplus derived from IP and PPE, net of deferred tax as detailed hereunder:-

Descriptions	Audited result as at 31 December 2023 before fair valuation of Investment Properties	Effect of the fair valuation	Audited result as at 31 December 2023 after the fair valuation of Investment Properties
Total equity (RM'000)	64,144	78	64,222
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (sen)	72.03	0.09	72.12

OPERATION REVIEW

The focal operations of the Company are timber harvesting and area rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2023 Annual Work Plan ("2023 AWP") stipulates the targets for all the activities in the entire year and the achievements are assessed at the end of December 2023.

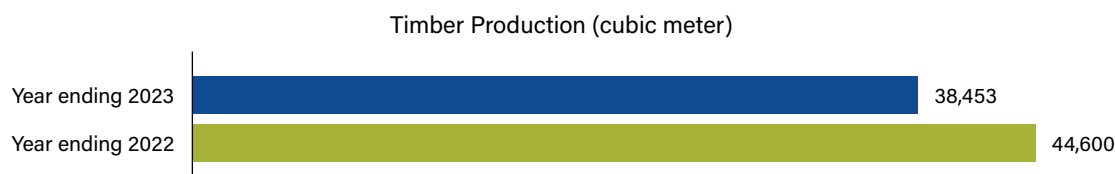
AREAS IN HECTARE FOR 2023 AWP TARGET AND THE YEAR ENDING 2023 ACHIEVEMENTS



The Company only managed to harvest about 67% of the targeted area for harvesting in 2023 mainly due to the adverse weather.

Due to the inclining weather and selective felling approach, the Company only managed to produce 38,453m³ of timber slightly less than the 44,600m³ produced in the previous year.

COMPARISON OF LOGS PRODUCTION VOLUME FOR YEAR ENDING 2022 AND 2023



Management Discussion and Analysis (cont'd)

Apart from the main tasks, other supporting activities carried out by the Company in 2023 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 2023 Annual Working Plan ("AWP").

Achievement and Accomplishment

For year ending 2023, the Company attained the following achievement:

Qualified to get Compliance Certificate for 2022 AWP on 6 February 2023

Approval of AWP 2023 on 30 December 2022

The Forestry Department had on 6 February 2023, informed that the Company has qualified to get the Compliance Certificate for the previous year achievement. The Certificate was awarded in a ceremony held on the 26 June 2023 which took place at Sabah International Conference Center Kota Kinabalu. The 2023 AWP was also approved on the 30 December 2022.

Outlook and Prospect

The Management continue to review the harvesting goal in 2023 to rationalise with the present market condition.

The Management is aware of the current economic situation and remain vigilant to improve productivity and efficiency. 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.

Community Forestry

The Community Forestry activities in 2023 are mostly involving Kampung Dampiron, Kampung Tagapalang, Kampuang Abuan and supporting the development of Kampung Gana.

With regard to Kampung Dampiron, about 21 hectare was excised from the forest reserve as gazetted with the consent of the Tuan Yang Terutama Yang Dipertua Negeri Sabah on the 15 June 2023. The signing of the Supplementary Agreement to the SFMLA is expected to be carried out in the first quarter of 2024.

Meanwhile for Kampung Tagapalang and Kampung Abuan, the Company maintain a close rapport with the community by providing employment to the local community. The Company also contributed in cash and kind to the community for their school facilities and religious and cultural celebration.

Among the contribution are:

- Repair of generator set of Sekolah Kebangsaan Abuan in the first quarter of 2023.
- Contribution to Pejabat Daerah Kecil Paitan for Harvest Festival Celebration in the second quarter of 2023.
- Contribution to Kampung Tagapalang for Christmas celebration in the fourth quarter of 2023.
- Contribution to Kampung Waigon 2 for Christmas celebration in the fourth quarter of 2023.
- Providing assistance to Beluran area Health Office in the Gravity flow pipe system GFS water supply under the government programme for water supply and environmental cleanliness 2023 for Kampung Nalitang, Beluran (Road grading works).



Management Discussion and Analysis (cont'd)

Apart from that, the Company also contributed in the repair of road infrastructure to the villages especially after the bad weather. Among the access road repair carried out in 2023 are:

- Road repair to Kampung Abuan, Kampung Tagapalang and Kampung Waigon in the first quarter of 2023.
- Road repair to Kampung Tagapang and part of the road to Kampung Nalitang in the second quarter of 2023
- Construct road for access to water gravity source and telecommunication tower for Kampung Abuan in the fourth quarter of 2023.



Company machinery in the road repair to Kampung Tagapalang



Road access construction for telecommunications tower in Kampung Abuan

Meanwhile for Kampung Gana, the Company remain committed to support the development of Kampung Gana which have been highly enhanced by the EU REDD+ project under the supervision of Forestry Department and empowered by Lembaga Industri Getah sabah. One of the project earmarked to elevate the standard of living of the local population in Gana is through eco-tourism with the development and promotion of the Kokobuan waterfall which is located in Compartment 5(137) and 3 (138) of Lingkabau Forest Reserve. The Company is willing to work together with the local community through Forestry Department to further develop the spot to become tourist attraction.

WORKFORCE

The success and achievement of our Group is related to our employees, both past and present, who loyally through hard work, strong leadership, honesty and respect have committed themselves to serve and dedicate their career and livelihood at TWB.

We are committed to diversity and have an equal employment opportunity. Whilst we actively promote the employment of women, some work on the field is more suitable for men due to the physical nature of the tasks. Male workers predominantly perform tasks in the silviculture, planting, harvesting and handling of heavy machineries, while women are assigned lighter work such as nursery keeping, budding and seed sowing.

Our employees play a vital role in the success and sustainability of our Company. We strive to create a work environment that is conducive and supportive, as we continue to improve on our organisational structure, processes and employee mind set to boost the growth of the Group.

Management Discussion and Analysis (cont'd)

The Company places great emphasis on safety and health of its employees while maintaining a comfortable and conducive work environment through the following initiatives:

- Constant updating and promoting the awareness of safety precautions and health issues;
- Yearly talk on fire safety prevention and fire drill exercise;
- Monthly scheduled pest control to eradicate common pest species including rats, cockroaches, mosquitoes, ants as well as less common pest species such as fleas, bed bugs, birds, bees, hornets and store product insects.
- Maintaining a workplace that is free from theft, violence, harassment, intimidation and other unsafe and disruptive influences due to internal and external conditions. The Company has placed the Anti-Sexual Harassment at the workplace.



Fire Safety Prevention training was conducted on 20 December 2023 to increase fire safety awareness among the Camp employees.

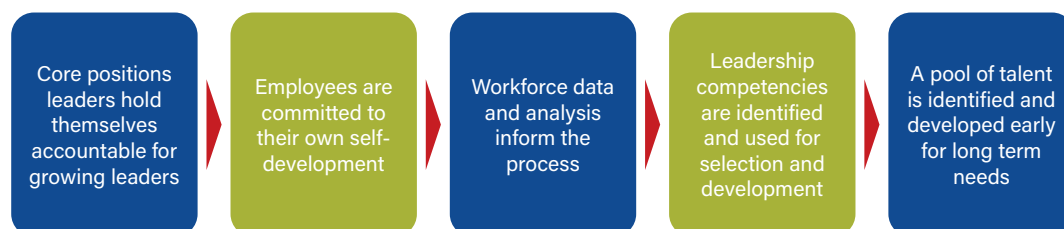


Representative from the Forestry Department demonstrating proper handling of the Fire Extinguisher during the Fire Safety Prevention training.

SUCCESSION PLANNING

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 succession planning is vital to ensure a Company always has the right leaders in place should a change takes place. It is thus important to develop and communicate the succession planning in a positive manner, in order to transmit information about the Company's values, culture, and future direction. Therefore, 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.



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 in the Executive Committee Meeting on 1 August 2023 and subsequently approved by the Board in the Board of Directors meeting held on 24 August 2023.

Management Discussion and Analysis (cont'd)

EMPLOYEE DEVELOPMENT & TRAINING

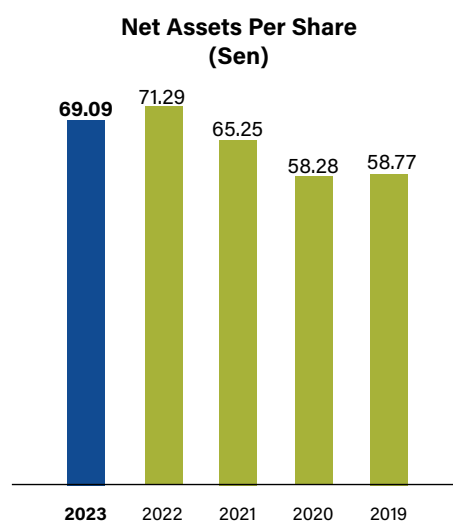
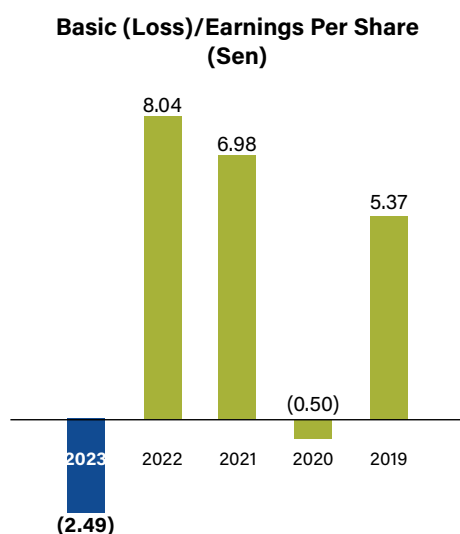
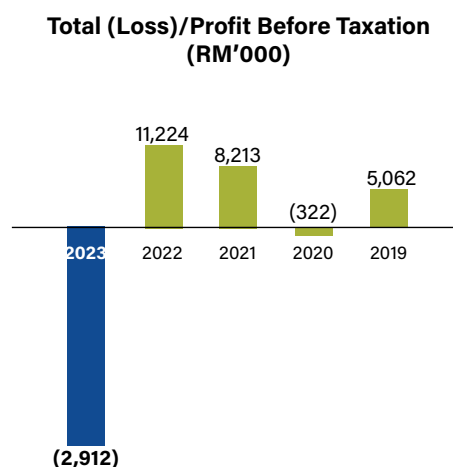
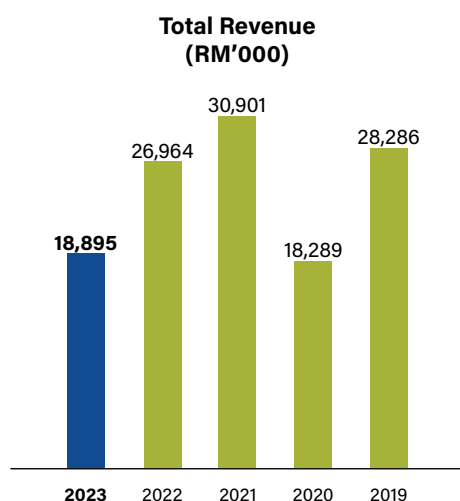
The Company commits to providing training and development programs to our employees to ensure the achievement of their full potential, where possible.

Our training sessions cover diverse topics from governance, tax and financial to workplace safety and environment. During the year, our workforce has attended series of trainings conducted internally and externally as shown below:

No.	Title	Month Attended
External		
1.	Briefing Penempatan Sementara Pelajar UMS untuk kerja-kerja menanam pokok di Kawasan ITP	February 2023
2.	Affin Hwang Assest Managment – Market Outlook	February 2023
3.	TCFD 101: Introduction to Climate-related financial disclosures	March 2023
4.	TCFD 102: Building experience and expertise on climate-related financial disclosures	March 2023
5.	JTK Sabah – Tanggungjawab Majikan di Bawah Peruntukan Ordinan Buruh (Bab 67)	March 2023
6.	MIA 2023 Budget Seminar	March 2023
7.	Bursa Malaysia (MIRA) – How to Greenwash-proof your Sustainability Communication Advisory Service-review Q&A	April 2023
8.	Sabah Forestry Department - Bengkel Penggunaan Sistem Pemeriksaan & Taksiran Royalti Balak Bulat (Online System) Siri 2	May 2023
9.	Bursa Malaysia PLCT – #digital4ESG Forum, PLCT Programme	May 2023
10.	SSM – Share Registration Practical Issues	April 2022
11.	CDP Partnerships – Science Based Targets for Nature: A Methods Introduction (Self-training due to technical problem from the organizer end)	June 2023
12.	HRD Corp – Insights into the Pembangunan Sumber Manusia Berhad Act 2001	July 2023
13.	CDP Partnerships – Using CDP's Framework to report Deforestation and Conversion Free (DCF) production and sourcing	July 2023
14.	Sabah Forestry Department – Taklimat myfuturejobs by Perkeso Negeri Sabah	July 2023
15.	HRD Corp – Levy Payment Guidelines	July 2023
16.	MASB – Session on MFRS Application and Implementation Committee	August 2023
17.	IFRS: Proposed IFRS Sustainability Disclosure Taxonomy	August 2023
18.	Bursa Malaysia – Introduction to Bursa Carbon Exchange (BCX) & Centralised Sustainability Intelligence Platform (CSIP)	August 2023
19.	The Cooler Earth Sustainability Summit 2023: Opportunities for better tomorrow	September 2023
20.	The Cooler Earth 2023 : Masterclasses	September 2023
21.	Bursa Malaysia – Management of Cyber Risk	October 2023
22.	e-latih HRD Corp – Managing Sustainability Transition	October 2023
23.	e-latih HRD Corp – Pengurusan Profesional dalam Organisasi	October 2023
24.	Bursa Malaysia – FTSE4Good ESG Ratings for all PLCs	October 2023
25.	MIA – 2024 Budget Seminar	November 2023
26.	Control Union Academy – ESG Framework for Timber Companies and How to set up: Strategy and Management	December 2023
27.	Sabah Forestry Department – Fire Safety Prevention	December 2023
Internal		
28.	Anti-Bribery and Corruption in the Workplace (Section 17A of MACC 2009)	July 2023
29.	Workplace Safety for Employees	August 2023
30.	Tax: e-Invoicing Implementation Guidelines	October 2023
31.	ESG: Call to Action – Leadership on the Edge	October 2023
32.	ESG: Emerging Global Trends that will define the business landscape for the next decade	October 2023
33.	ESG: Breaching the Planetary Boundaries – Navigating the food, energy and water nexus	October 2023
34.	ESG: Getting your business to Operational Net Zero (Covers GHZ Emissions Scopes 1 & 2)	October 2023
35.	ESG: Global Supply Chain Regulations and How ASEAN Exporters will be impacted (Covers Deforestation and Biodiversity)	October 2023
36.	First Aid Skills: CPR vs AED Training	November 2023
37.	Fire Safety Prevention (Latihan Asas Pencegahan Kebakaran)	December 2023

Five (5) Years Financial Highlights

	2023 RM'000	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000
Revenue					
- Continuing Operations	18,895	26,964	30,901	18,289	28,286
- Discontinued Operations	-	-	-	-	-
Total Revenue	18,895	26,964	30,901	18,289	28,286
(Loss)/Profit Before Taxation					
- Continuing Operations	(2,912)	11,224	8,213	(322)	5,062
- Discontinued Operations	-	-	-	-	-
Total (Loss)/Profit Before Taxation	(2,912)	11,224	8,213	(322)	5,062
(Loss)/Profit Attributable to Owners of the Company	(2,219)	7,159	6,212	(443)	4,784
Shareholder's Fund	61,523	63,488	58,110	51,898	52,341
Basic (Loss)/Earnings Per Share (Sen)	(2.49)	8.04	6.98	(0.50)	5.37
Net Assets Per Share (Sen)	69.09	71.29	65.25	58.28	58.77



Sustainability Statement

TIMBERWELL BERHAD'S SUSTAINABILITY JOURNEY

Timberwell Berhad ("TWB" or "Company") is a licence-holder of a 100-year Sustainable Forest Management Licence Agreement 06/97 ("SFMLA") granted by the State Government of Sabah on 10 September 1997 covering an area of 71,293 hectares in total of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah. ("Licence Area"). Subsequently, the Company entered into a Supplemental Sustainable Forest Management Licence Agreement ("Supplemental") under SFMLA 06/97 on 12 April 2018 for the conversion of 15,438.30 hectares into a Totally Protected Area ("TPA") and excise of 10,195.28 hectares for socio-economic purposes. Pursuant to the exercise, the remaining licenced area is 45,659.42 hectares. TPA is jointly managed by TWB and the Sabah Forestry Department ("Forestry").

The remaining SFMLA licence area of 45,659.42 hectares was divided into the following categories:

No.	Categories	Size (Hectares)	Percentage (%)
1	Natural Forest Management ("NFM")	15,260.28	33.42
2	Industrial Trees Plantation ("ITP")	29,883.25	65.45
3	Conservation (Compartment 94 (36))	242.13	0.53
4	Community Forestry (Compartment 74)	273.76	0.60
Total		45,659.42	100.00

Our activities and commitments to corporate responsibility are consistent with the concept, principles, and practices of Sustainable Forest Management ("SFM") 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 SFM regulated by Forestry "to ensure forests remain large, healthy, diverse, and productive".

Sustainable Forest Management ("SFM")

Definition of Sustainable Forest Management

Sustainable forest management (SFM) is defined as a "dynamic and evolving concept, which aims to maintain and enhance the economic, social and environmental values of all types of forests, for the benefit of present and future generations." Forests and trees, when sustainably managed, make vital contributions both to people and to the planet, bolstering livelihoods, providing clean air and water, conserving biodiversity and responding to climate change.
(Source: www.fao.org/forestry/sfm/en)

In general, SFM creates outcomes that are socially just, ecologically sound and economically viable – the three pillars of sustainability.

The principles of SFM 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 in our Environmental and Biodiversity 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.

One of the vital action which need to be taken in order to achieve the goals of SFM is "reforestation" for residual forest after logging.

Sustainability Statement (cont'd)

Reforestation

Meaning of Reforestation

"Reforestation (occasionally, reafforestation) is the natural or intentional restocking of existing forests and woodlands (forestation) that have been depleted, usually through deforestation but also after clearcutting." (Source: Wikipedia)

In principle, reforestation is especially important in areas subject to commercial logging. There are several purposes for reforestation on these logged over lands:

- restoration after harvesting merchantable timber;
- compensation after the land expansion due to human activities;
- refreshing after forest aging;
- regeneration after natural calamities;
- maintaining ecosystem balance and biodiversity;
- providing habitats for eco-communities, etc.

FOREST RESOURCE MANAGEMENT

The forest management practices adopted by TWB are mainly in line with those advocated by Forestry and comprise the following:

Sustainable Harvesting Methods

- Preparation and implementation of comprehensive harvesting plans in compliance with harvesting standards.
- Application of internationally recognised Reduced Impact Logging ("RIL") techniques.

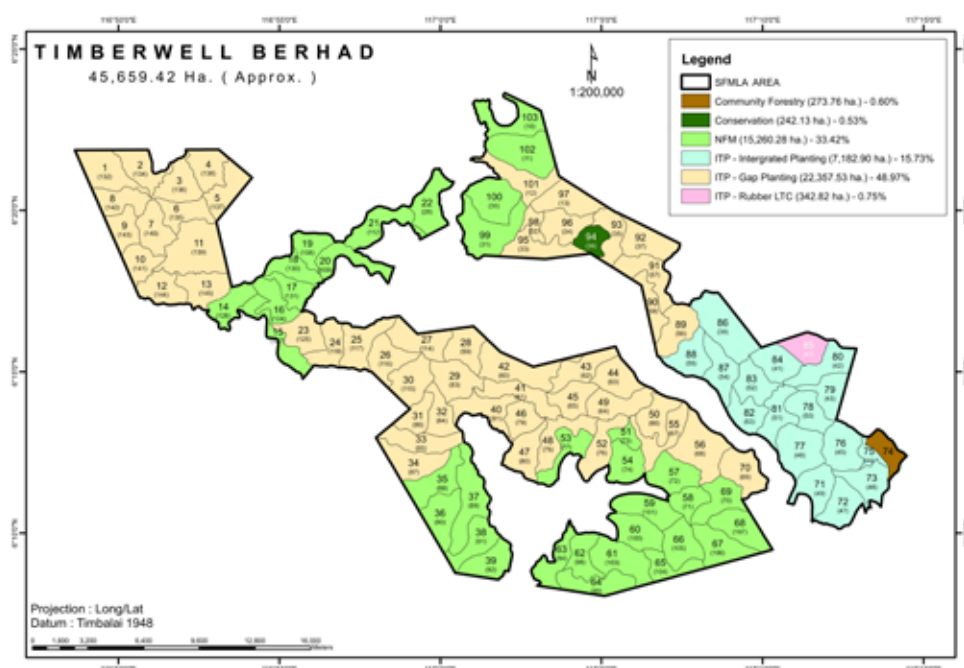
Forest Rehabilitation

- Application of silviculture treatment in the form of selective liberation of potential crop trees after harvesting.

Forest Protection Measures

- Protection of the forest against encroachment, illegal felling and fire.
- Protection of watershed to preserve soil cover.
- Protection of nature and genetic resources.

The following are the timber-harvesting methods, approaches, and practices that were carried out within the licence area by TWB and each underlying rational in support of the ground that TWB is a sustainable-responsible corporation.



Sustainability Statement (cont'd)

Natural Forest Management ("NFM")

Methods and Regulations	Rational
<p>Pre-Harvesting Comprehensive Harvesting Plans ("CHP")</p> <p>Commence since 2003</p>	<p>Planning aligned with the harvesting techniques of "Reduced Impact Logging ("RIL")" for the harvest of matured timber which have reached a diameter at breast-height of between 60cm to 120cm:</p> <p>Pre-planning stage commence with ground demarcation and mapping of the compartments, buffer zones, blocks, protection and conservation perimeter.</p> <p>Pre-felling inventory shall be carried out in the harvest block to identify, mark, and record trees for harvest. The harvest tree record indicates the trees species, measurement and geographical positions of the trees which will support in feeder road and skid trail alignment planning.</p> <p>Essentially, it's compulsory to calculate the damage of the forest which will be used by Forestry Department to determine whether to approve the plan based on pre-determined threshold. This "diagnostic sampling" outlined the percentage of damage to the forest and the threshold determine the maximum damage allowed based on the ability of the forest to recover naturally.</p>
<p>Harvesting techniques Reduced Impact Logging ("RIL")</p> <p>Commence since 2003</p>	<p>RIL is a sustainable timber-harvesting technique in forest management aiming to mitigate environmental negative impacts.</p> <p>RIL was introduced in the management of tropical forests to avoid unnecessary damage on the remaining trees and improve the efficiency in harvesting operations through careful and detailed operations. RIL, when applied in tropical managed forests, is more environment-friendly than the so-called conventional logging, with less destructive effects on animal and plant communities.</p> <p>RIL techniques can improve post-harvesting survival rates of standing trees, increasing chances of these individuals to become available in future cutting cycles. RIL usually requires higher investments than conventional Logging. However, it normally becomes more profitable than conventional logging in the long term.</p> <p>RIL activities included:</p> <ul style="list-style-type: none"> ▪ Pre-selection and marking of marketable timber; ▪ Pre-harvest cutting of climber vines; ▪ Slope and riparian restrictions on logging; ▪ Weather restrictions on logging; ▪ Lowering the impact of access roads through planning; ▪ Use of directional felling techniques; ▪ Planning of skid trails; <p>Basically, it combines "Selective Cutting" and directional tree felling, as well as limiting constructing trails and roads as possible, to cause the least disturbance and damage to nature.</p>

Sustainability Statement (cont'd)

Methods and Regulations	Rational
<p>Harvesting method Diagnostic Sampling</p> <p><i>Commence since 2003</i></p>	<p>Diagnostic sampling provides information on the condition of a forest. Such information can then be used to determine forest management interventions required before or after logging or after silvicultural treatments have taken place. It is a practical field sampling method for collecting information on forest composition, structure and potential productivity before or after selective harvesting, that can be used for making realistic and ecologically sound decisions on silvicultural tending.</p> <p>Diagnostic sampling aims to look forward in time and to visualise and project the development possibilities for future crops, based on the species, spatial distribution and size of individual trees that are already present. Its aim is to provide a quantitative estimate of the silvicultural conditions of a forest.</p> <p>Diagnostic sampling has the following benefits:</p> <ul style="list-style-type: none"> • It can establish priorities for commencing silvicultural tending in different forest types where sustainable management is planned. • It provides information for defining forest types and stand structure and for determining an appropriate initial sequence and design of silvicultural operations. • It can provide an estimate of the likely cutting cycle in relation to ingrowing size classes of commercially desirable trees. • With experience, it is a simple and rapid procedure to apply and the results are not difficult to interpret.
<p>Harvesting Timber logs with diameter at breast height between 60cm and above 120cm Selective Cutting</p> <p><i>Commence since 2003</i></p>	<p>A timber-harvesting method. A more environmentally Friendly method to support forest regeneration by selective cutting of 60 cm diameter and above trees because:</p> <ul style="list-style-type: none"> • Remove the bigger diameter trees to allow more sunlight to boosts seed growth and younger trees to grow in the harvested area, • Leaves the potential crop trees for future logging to reach greater future economic value, • Also allow more light that kills fungi and trees diseases, • Stabilises the ecosystem and decreases forest wildfires risks, • Produces no smoke and air pollution issues compared to prescribed burning. • Retain relic trees with diameter at breast height of more than 120cm for seedling production.
<p>Post-Harvesting Silvicultural Treatment</p> <p><i>Commence since 2003</i></p>	<p>Silviculture is the practice of controlling the growth, composition/structure, as well as quality of forests to meet values and needs, specifically timber production.</p> <p>Regeneration of timber species and uncertainties of future timber yields, post-harvesting silvicultural treatments have been adopted to ensure timber species regeneration for future harvesting cycles.</p> <p>Silviculture activity by removal of climber vegetation from the forest structure, such as woody lianas and climbing bamboo is essential to enhance the growth and quality of natural regeneration, and thus improve habitat for wildlife.</p>
<p>Post-Harvesting Environmental Impact Assessment ("EIA")</p> <p><i>Commence since 2003</i> <i>One (1) phase for NFM</i></p>	<p>The mandatory requirement of 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.</p> <p>EIA focuses on the planning and control of forestry operations and management of impacts on adjacent areas. The main objective is to provide environmental consultants, developers, contractors and government agencies involved in forestry operations with:</p> <ul style="list-style-type: none"> • Information on how to avoid and minimise environmental impact, which is preferable to the more costly option of undertaking remedial action; • Information on the likely impact of forestry operations on the environment and how this are to be assessed; and • Suggest best environmental measures to meet the performance objectives. <p>Environmental Compliance Report ("ECR") to assess the whole harvested area was and is furnished to Environmental Protection Department ("EPD") for approval on a quarterly basis.</p>

Sustainability Statement (cont'd)

Methods and Regulations	Rational
<p>Assurance Sabah Timber Legality Assurance System ("TLAS") Standard</p> <p><i>Commence since 2009</i></p>	<p>The Sabah Timber Legality Assurance System has been developed in response to EU FLEGT programme requirements contained in the Voluntary Partnership Programme ("VPA"). It is clear from the evaluation that the current system is well thought through and that the legality scope covered by the current Sabah TLAS covers almost all relevant issues.</p> <p>The European Forest Institute's FLEGT facility definition of legality is outlined as:</p> <p><i>"The national legality definition outlines the legislative and regulatory requirements to be systematically fulfilled and verified to ensure legal compliance of timber products before a FLEGT license can be issued in a VPA partner country. This set of legal requirements should include laws responding to economic, environmental and social aspects of forest management and timber processing"</i></p> <p>The Malaysia FLEGT process applies the following definition of legal timber:</p> <p><i>"Timber harvested by licensed person from approved areas and timber and timber products exported in accordance with the laws, regulations and procedures pertaining to forestry, timber industry and trade of Malaysia"</i></p> <p>Applicable Laws included:</p> <ul style="list-style-type: none"> • Legal right to harvest • Taxes/fees linked to harvesting • Compliance with timber harvesting laws • Respect for 3rd parties tenure/use rights • Relevant trade and customers rules <p>Basically, timber products that comply with the TLAS standard are accepted in the markets as having complied with the due diligence requirements for legal timber.</p> <p>The following six principles as part of the TLAS framework to establish legality: Principle 1: Right to harvest Principle 2: Forest operations Principle 3: Statutory charges Principle 4: Other users' rights Principle 5: Mill operation Principle 6: Trade and customs</p> <p>Compliance certificates for Principles 1 to 4 (Upstream activities) are awarded to logging companies who have complied with the TLAS standard while Compliance certificates for Principles 5 to 6 are awarded to manufacturers and exporters who have complies with the TLAS standard.</p>

Industrial Trees Plantation ("ITP")

Methods and Regulations	Rational
<p>Pre-Harvesting Ground Survey and Preparation</p> <p><i>Commence since 2006</i></p>	<p>Commencement of pre-planning involves demarcation and mapping of the buffer zones, block boundaries, and areas identified for protection and conservation.</p>
<p>Harvesting Timber logs Clear Cutting</p> <p><i>Commence in 2006 and ceased in 2011</i></p>	<p>A timber-harvesting practice to clear-fell all naturally grown trees in order to systematically plant a monoculture or polyculture fast growing and valuable tree species.</p>

Sustainability Statement (cont'd)

Methods and Regulations	Rational
<p>Harvesting Timber logs with pre-determined cutting regime of 25 cm to 40cm diameter and above</p> <p>Selective Cutting</p> <p><i>Commence since 2012</i></p>	<p>A more environmentally friendly timber-harvesting practice to enhance forest regeneration by pre-determining the cutting regime of selective cutting between 25 cm to 40 cm diameter and above trees. This method improves the regeneration as it:</p> <ul style="list-style-type: none"> ▪ Provides more sunlight to boosts seed growth and younger trees to grow in the surrounding harvested area, ▪ Leaves the potential crop trees for future logging to reach greater future economic value, ▪ Also allow more light that kills fungi and trees diseases, ▪ Stabilises the ecosystem and decreases forest wildfires risks, ▪ Produces no smoke and air pollution issues compared to prescribed burning.
<p>Post-Harvesting</p> <p>Mosaic Integrated Planting</p> <p><i>Commence in 2006 and ceased in 2011</i></p>	<p>Integrated Planting is the term used in the 4th Forest Management Plan (2018-2027) ("4th FMP") to refer to cleared areas where two (2) or more species of trees are planted in one (1) compartment.</p> <p>This polyculture approach aims to move forward from the monoculture method but was ceased in 2011 in favour of a no clear-cutting harvesting approach.</p>
<p>Post-Harvesting</p> <p>Mosaic Planting</p> <p><i>Commence since 2012</i></p>	<p>Mosaic planting (also known as gap-planting) is defined as the introduction of valuable species to degraded forests without the elimination of valuable individuals already present.</p> <p>Mosaic planting has been adopted as a technique for the restoration of logged over or secondary forests as it can increase total tree volume and the economic value of forests.</p>
<p>Post-Harvesting</p> <p>Liberation Treatment</p> <p><i>Commence since 2012</i></p>	<p>Liberation Treatment aims to enhance the growth and quality of the Potential Crop Trees ("PCT"). PCT trees of commercial value are selected from the residual stand based on form and vigour and tend to form the next crop of harvestable trees.</p> <p>Liberation Treatment includes cutting climbing bamboo and woody vines in areas that contain adequate stocking of commercial species to reduce competition and enhance growth.</p>
<p>Pre-Planting</p> <p>Nursery establishment</p> <p><i>Commence since 2006</i></p>	<p>Seedlings for the planting activities are mostly obtained from the Company's own nursery. The first nursery was established in 2006 to cater for the supply of Laran and Binuang seedlings.</p> <p>Subsequently, in 2008, the Company established another nursery in Compartment 53 for the seedlings of Laran, Rubber, Mahogany, Durian and Eucalyptus.</p>
<p>Post-Planting</p> <p>Maintenance</p> <p><i>Commence since 2006</i></p>	<p>Planted trees are to be tended to and maintained for three (3) years. The tending activities are weeding, pruning, vine removal, and fertiliser application.</p> <p>There is no thinning carried out while dead seedlings undergo infilling. During the first two (2) years, the planted seedlings will require three (3) rounds of tending. In the third year, tending is reduced to two (2) rounds per year.</p>
<p>Post-Harvesting</p> <p>EIA</p> <p><i>Commence since 2006</i> <i>One (1) Phase for ITP</i></p>	<p>The same EIA mandatory requirement and objective as mentioned in item 6 of the NFM above are also applied in the ITP. ECR to assess the whole ITP harvested area was and is furnished to EPD for approval on a quarterly basis.</p>
<p>Assurance</p> <p>TLAS</p> <p><i>Commence since 2009</i></p>	<p>The same TLAS standard and compliance as mentioned in item 7 of the NFM above are also applied in the ITP.</p>

Sustainability Statement (cont'd)

Progress in two (2) mosaic integrated trees planted compartments:-

Type : Mosaic Planting
Year Planted : 2015
Area (Hectare) : 172.90 ha
Compartment No.: 77 (48)
Tree Species : Rubber & Laran
No. of trees : 95,927 trees



Picture source: TWB Mosaic Planted Area
(Dated 9/4/2015)

Type : Mosaic Planting
Year Planted : 2020
Area (Hectare) : 171.78 ha
Compartment No.: 73 (46)
Tree Species : Laran, Binuang, Mahogany & Eucalyptus
No. of trees : 78,932 trees



Picture Source: TWB Mosaic Planted Area
(Dated 31/3/2021)



Picture Source: TWB Mosaic Planted Area
(Dated 25/2/2016)



Picture Source: TWB Mosaic Planted Area
(Dated 4/1/2022)



Picture Source: TWB Mosaic Planted Area
(Dated 27/10/2023)



Picture Source: TWB Mosaic Planted Area
(Dated 27/10/2023)

Sustainability Statement (cont'd)

The tree species planted in our concession area:



Laran



Rubber



Eucalyptus



Albizia



Binuang



Binuang (Old)



Mahogany



Durian

FOREST RESOURCES PERFORMANCE

This year, the total volume produced by TWB is 38,453.61 m³, 100% derived from the ITP compartment.

Harvested		NFM	ITP	2021	2022	2023
Volume	M ³	3,365.00	146,880.73	67,191.63	44,600.49	38,453.61
Area	Hectare	220.00	3,180.86	1,154.13	868.61	1,378.12
Activities Carried Out						
CHP	Hectare	-	N/A	-	-	-
Silvicultural Treatment	Hectare	1,080.00	N/A	300.00	300.00	480.00
Enrichment Planting	Hectare	N/A	641.55	98.75	301.72	241.08
Liberation Treatment	Hectare	N/A	3,729.84	1,180.00	1,120.00	1,429.84
Maintenance	Hectare	N/A	632.66	5.00	194.36	433.30
Seedling Raised	Number	N/A	517,125	68,066	251,059	198,000
EIA Assessment	Percentage	Overall Achievement		100.00	100.00	100.00
AWP Compliance	Percentage	Overall Achievement		74.00	75.00	70.28
TLAS Audit	Percentage	Overall Achievement		Certificate of Compliance Awarded		

Sustainability Statement (cont'd)

Besides the performance above, the Company also continues its effort to enhance the protection of wildlife in the SFMLA area. In continuation of the previous survey, another "Orangutan Survey" was conducted from 25 to 30 October 2023 under the supervision of WWF. Apart from that, the Company also supported the Sabah Wildlife Department in their Wildlife Conservation effort from 11 October to 31 December 2023, by providing accommodation and food for their rangers and participating in their surveillance, especially the wild buffalo (Tembadau or scientifically known as *Bos javanicus*) survey and protection.

TWB is open to any project proposals and was approached by companies dealing with carbon projects. However, all carbon project proposals were put on hold after the issuance of a letter from Sabah Forestry Department stipulating that all SFMLA refrain from any carbon projects until the appropriate law on carbon is in place in Sabah, Malaysia.

SUSTAINABILITY APPROACH

TWB is honoured to present our Annual Sustainability Statement for 2023, which is aligned with the Company's sustainability initiative and goal with respect to our primary business operation mentioned in the Sustainability Journey above.

The Board of Directors ("Board") of TWB is also committed to ensuring best practices in managing sustainability governance and risks connected to the Company's Sustainability Matters ("Material Matters") with respect to Economic, Environmental, Social and Governance ("EESG").

REPORTING PERIOD, SCOPE AND BOUNDARY

This statement has been developed according to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), with reference to the Sustainability Reporting Guide (3rd Edition) ("SRG") of the 2022 Enhanced Sustainability Reporting Framework ("SRF").

This statement provides an overview of the Company's sustainability management and performance in material matters for the period of 1 January 2023 to 31 December 2023.

The scope of this statement covers the Company's sustainability performance and progress of our business operation and the primary activities carried out by the forestry and plantation divisions under our 100-year SFMLA, covering a net licenced area of 45,659.42 hectares of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah, Malaysia.

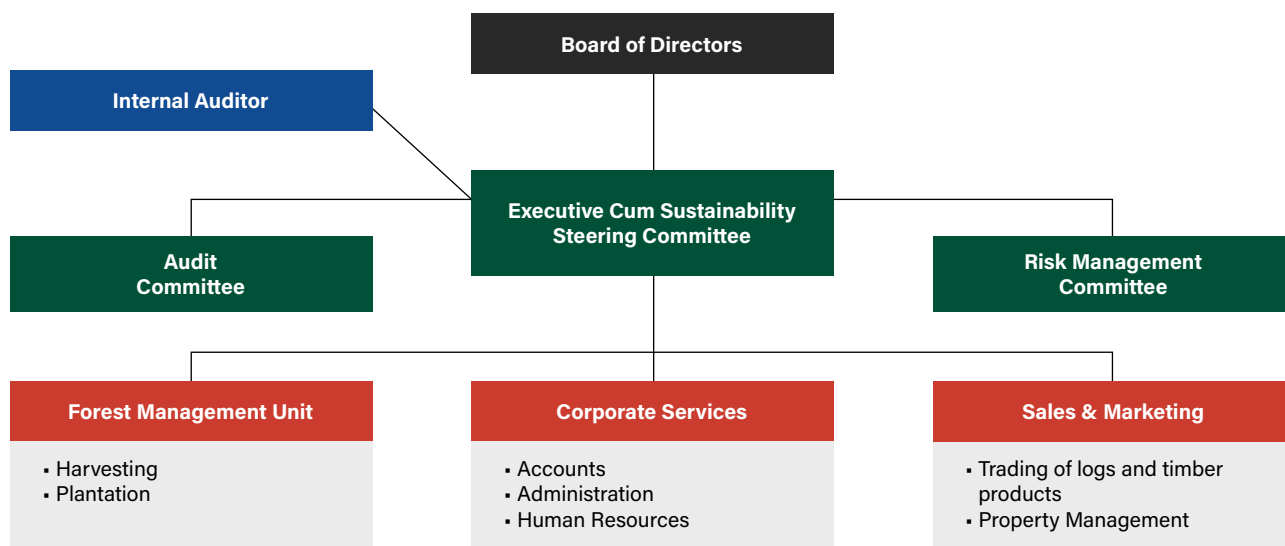
The boundary of this statement establishes the disclosures and performance of the Company's Material Matters based on Bursa's prescribed Common Indicators ("CI") for all eleven (11) Common Sustainability Matters ("CSM") deem material for all Main Market Public Listed Company ("PLCs") for 2023 and beyond, except for Waste Management and Emission Management to be covered in the following year. This statement also gives more weight to the outcomes attributable to the Company-identified material matters associated with the key stakeholders that have a significant influence and impact that will jeopardise the Company's sustainability-related performance and value.

SUSTAINABILITY GOVERNANCE STRUCTURE, RESPONSIBILITIES AND MEASURES

The following sustainability governance structure was established in 2018, and the Board of TWB, by judging the size of the Company and the small number of board members, the Executive Committee ("EXCO"), which comprises directors, the CEO, and key management, was assigned additional responsibility for the Company's sustainability strategic management and supported by two (2) other board committees: the Audit Committee (Sustainability Statement and Disclosures) and the Risk Management Committee (Sustainability Risks Assessment).

Sustainability Statement (cont'd)

TWB's governance structure for sustainability management outlines the responsibilities and measures to be taken by each respective level, as illustrated in the chart and underlying notes below:



■ Oversight of Sustainability

The Board of Directors ("Board") is responsible for the oversight of the Company's sustainability with respect to EESG, with the support of the Executive Cum Sustainability Steering Committee ("EXCO"). The board takes appropriate action to ensure they stay abreast of and understand the sustainability issues relevant to the Company and its business, including climate-related risks and opportunities. Also, to review and approve the sustainability strategies and approaches determined by EXCO annually.

■ Strategic Management of Sustainability Matters

EXCO comprises directors, the CEO, and key management who are responsible for the Company's sustainability strategic management and are supported by two (2) other board committees: the Audit Committee (Sustainability Statement and Disclosures) and the Risk Management Committee (Sustainability Risks Assessment). EXCO was tasked with developing sustainability strategies and approaches to align with the Company's long-term business goals and growth. Also, to evaluate and review those determined sustainability strategies and approaches, policies, and any related matters on a regular basis.

■ Day to Day Implementation of Sustainability Matters

All division heads within the Company perform and implement sustainability tasks and initiatives on a day-to-day basis. They were tasked with ensuring that strategies and approaches affirmed by the EXCO are implemented, monitoring the progress of sustainability initiatives and activities, and reporting to the CEO from time to time.

■ Statement of Assurance

To strengthen the credibility of the sustainability statement and disclosures. All the sustainability statements and disclosures are subject to an internal review by the Internal Auditor, Messrs Lim KK & Co, on a yearly basis and subsequent approval by the Audit Committee.

SUSTAINABILITY FRAME WORK AND DISCLOSURE FOCUS

TWB's first adoption of the sustainability disclosure based on the SRF in 2018 aims to cover the following objectives, and the underlying objectives will be updated from time to time to be aligned with Bursa's latest requirement:

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

Sustainability Statement (cont'd)

MATERIALITY ASSESSMENT

Since the first adoption of Bursa's SRF in 2018, a full-scale Materiality Assessment ("Assessment") has been conducted every three (3) years, subject to any material changes or updates to the requirement from the regulators. The objectives of this assessment are to identify and determine the key stakeholders and the priority material matters with respect to EESG that are relevant to our business and operation.

The full assessment consists of a Stakeholder Sustainability Online Survey ("Survey") and an in-house sustainability workshop ("Workshop") conducted by the Sustainability Steering Committee to identify the key stakeholders and the priority material matters that could have a significant impact on the Company's sustainability performance and value.

The most recent full assessment carried out by the Company commenced with an online Survey by the stakeholders through Google Forms, followed by an in-house Workshop conducted at the EXCO level on 3 July and 1 August 2023, respectively. The said Survey and Workshop were prepared in accordance with the 2022 updated Bursa's SRG and Toolkits incorporated with the Enhanced SRF Disclosures.

STAKEHOLDERS ENGAGEMENT

TWB has a broad range of stakeholders that have an effect on or are affected by the Company and our activities. Our key stakeholders include shareholders, the board of directors, government agencies and regulators, customers, employees, community and non-governmental organisations ("NGO") as well as suppliers and contractors. They were identified based on their levels of influence over and dependence on our business.

As a Company, we aim to maintain constructive channels of communication with all our key stakeholder groups. Thus, regular engagements are held through both formal and informal channels. These interactions help us identify relevant priority material matters and provide insights into emerging opportunities and risks while responding to their needs more effectively.

Key Stakeholders	Engagement Platforms	Area of Interest or Concerns	Our response
Community & NGO	As needed ▪ Strategic and ad-hoc meetings/ visits Annually ▪ Community impact programmes Bi-annual ▪ Stakeholders Sustainability Survey	▪ Healthy and sustainable built environment ▪ Community welfare and continued livelihood	▪ Periodic engagements/dialogues with local communities and NGOs to address concerns ▪ Investment in education and welfare to improve community well-being, offer jobs and employment opportunity to the nearby ruler village to improve community household earning
Employees	Ongoing ▪ Internal communications (i.e., memos, emails and WhatsApp's group messages) As needed ▪ Meeting, Workshops and trainings Monthly ▪ Employee engagement programmes (Birthday and Festival celebration) Annually ▪ Employee appraisals Bi-annual ▪ Stakeholders Sustainability Survey	▪ Business growth and strategic direction inclusive workplace ▪ Remuneration and benefits ▪ Career development and upskilling opportunities ▪ Health and safety at the workplace ▪ Work-life balance	▪ Promote transparent communication with employees ▪ Provide equal employment opportunities without discrimination ▪ Offer industry-competitive benefits and remuneration packages ▪ Provide relevant upskilling and development opportunities ▪ Ensure compliance with Occupational Safety and Health Act ("OSHA") 1994 ▪ Flexible work arrangements ▪ A copy of the Employment Handbook/ Policies has been established and extended to all employee which outlined the employment benefit aligned with Employment Act 1995 (amendment 2022)

Sustainability Statement (cont'd)

Key Stakeholders	Engagement Platforms	Area of Interest or Concerns	Our response
Shareholders	As needed <ul style="list-style-type: none"> Press releases If require may provide one-on-one and group meetings Quarterly <ul style="list-style-type: none"> Financial reports and announcements Annually <ul style="list-style-type: none"> General Meetings Annual Reports Bi-annual <ul style="list-style-type: none"> Stakeholders Sustainability Survey 	<ul style="list-style-type: none"> Business strategies and future plan Dividend payout Company's overall performance Good management and corporate governance Mitigation and adaptation to climate change 	<ul style="list-style-type: none"> Timely updates on the Group's strategy and financial performance via announcements Uphold good governance practices across the Company, and supply chain Monitor sustainability performance and targets
Government Agencies & Regulators	Ongoing <ul style="list-style-type: none"> Participation in government and regulatory events Dialogues and thought leadership programmes As needed <ul style="list-style-type: none"> Scheduled/ad-hoc Meetings Bi-annual <ul style="list-style-type: none"> Stakeholders Sustainability Survey 	<ul style="list-style-type: none"> Regulatory compliance including environmental and social compliance Corporate governance practices Sharing of best practices 	<ul style="list-style-type: none"> Regular review and monitoring of risk register including climate-related risks by the Risk, Integrity and Compliance Department Full compliance with regulatory requirements Adoption of practices outlined in the Malaysian Code on Corporate Governance Support government initiatives
Suppliers/ Contractors	As needed <ul style="list-style-type: none"> Meetings Quarterly <ul style="list-style-type: none"> Capacity building programmes Annually <ul style="list-style-type: none"> Supplier assessment/ performance appraisals Bi-annual <ul style="list-style-type: none"> Stakeholders Sustainability Survey 	<ul style="list-style-type: none"> Efficient procurement processes Transparency in procurement processes Health and safety of contractors' workers 	<ul style="list-style-type: none"> Improve efficiency by digitalisation of procurement processes Emphasis on provision of transparent procurement processes Upskill suppliers/contractors through capacity-building programmes pertaining to good labour practice. Ensure contractors' compliance with the Company's Health and safety policies and procedures
Customers (Buyer)	Ongoing <ul style="list-style-type: none"> Good customer communication and if require may offer 7/24 support As needed <ul style="list-style-type: none"> Strategic and ad-hoc meetings Quarterly <ul style="list-style-type: none"> Meeting with customer to fix the upcoming supply quantity and prices (In person and follow-up telephone calls) Bi-annual <ul style="list-style-type: none"> Customer Satisfaction Survey Stakeholders Sustainability Survey 	<ul style="list-style-type: none"> Affordable products Fresh & quality products Customer experience (Speed on delivery) Consumer data privacy Adequate and consistence supply 	<ul style="list-style-type: none"> Offer affordable products within the Sabah Timber Industry Adhere to quality standards and compliances to Sabah Timber Legality Assurance System ("TLAS") Prompt response to customers' enquiries and if require may offer 7/24 support. Adhere to the Personal Data Protection Act 2010 Pre-Stock allocation based on customer's requires specification (species and grade) Offer large volume supply and deliver as and when customers needed within a timeframe (allow the customer to have proper planning and allocation of manpower).

Sustainability Statement (cont'd)

MATERIAL MATTERS

As an organisation, we are cognizant of the fact that our Material Matters can directly and indirectly impact our ability to create long-term value for our stakeholders. A full-scale materiality assessment was conducted in 2018, 2021 and 2023 involving both our internal and external stakeholders to ensure that their interests and concerns were addressed. Our material matters influence our business strategy and decisions on the allocation of resources to Material Matters. Moving forward, the Company aims to conduct a comprehensive materiality assessment once every three (3) years, subject to any material changes or updates to the requirement from the regulators.

2021	2022	2023
<ul style="list-style-type: none"> Conducted a full materiality assessment with both internal and external stakeholders' groups. Our materiality process (Stakeholders Sustainability Online Survey and Workshop on EXCO level) was conducted in reference to Bursa's SRG and toolkits. Materiality assessment resulted in identifying 3 key stakeholders and 5 relevant priorities. The outcome of the process from the EXCO was disclosed in the 2021 Sustainability Statement and endorsed by the Board. 	<ul style="list-style-type: none"> Reviewed the previously identified 3 key stakeholders and found no changes to be made for 2022. Reaffirmed the previous 5 priorities relevant matters with respect to the 3 key stakeholders and made no changes for 2022. The outcome was subsequently disclosed in the 2022 Sustainability Statement. 	<ul style="list-style-type: none"> Conducted a full materiality assessment with both internal and external stakeholders' groups. Our materiality process was conducted to include all 14 material matters according to Bursa's SRG and toolkits aligned with the 2022 Enhanced SRF Disclosures. The assessment of materiality resulted in the identification of three key stakeholders and three relevant priorities. The identified material matters remained the same as per the previous assessment. The updated materiality matrix, including the materiality assessment process undertaken by the EXCO and the outcome of the process, was disclosed in the 2023 Sustainability Statement and endorsed by the Board.

This year, to determine the sustainability Material Matters with respect to EESG, the Company has invited all the internal and external stakeholders to complete an online 2023 Stakeholders Sustainability Online Survey within a time frame of three (3) weeks. To reach out to all the intended respondents conveniently, the survey was administered online using Google Forms.

Through this survey held on 3 July 2023, the Company has sought to identify the key stakeholders and the relevant priorities for material matters that could have a significant impact on the Company's EESG performance and value from the stakeholder's point of view.

The engaging stakeholder groups and the number of surveys sent and responses received for each group are illustrated in the table below:

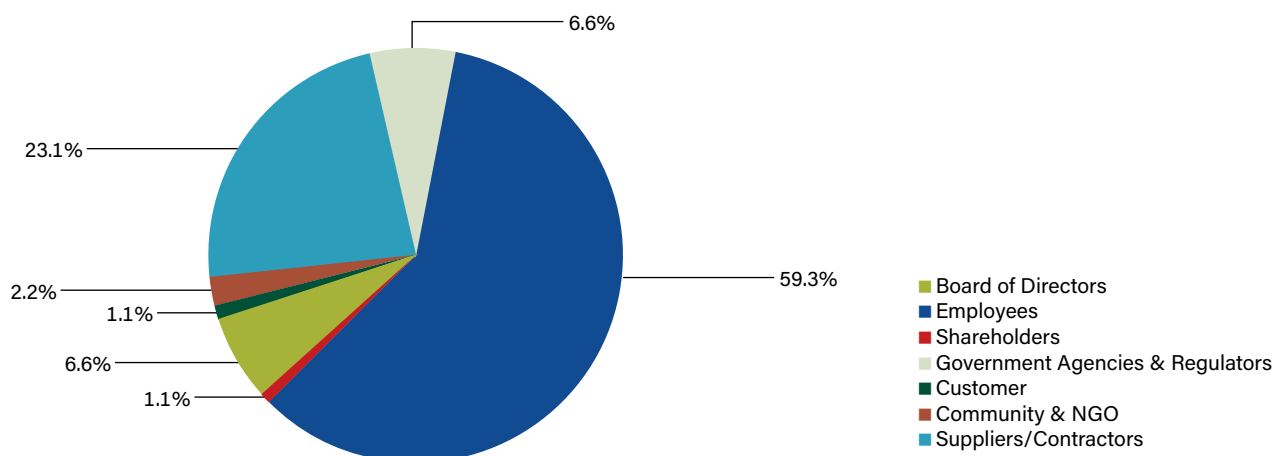
Internal	Survey			External	Survey		
	Sent	Responses	%		Sent	Responses	%
Board of Directors	6	6	100	Shareholders	1	1	100
Employees	54	54	100	Government Agencies & Regulators	6	6	100
TOTAL	60	60	100	Community & NGO	3	2	67
				Suppliers/Contractors	50	21	42
				Customers	3	1	33
				TOTAL	63	31	49

There were 123 surveys sent to both internal and external stakeholders, and the number of responses received was 91 by or before the dateline of 21 July 2023. The Company recorded a response percentage of 74% overall.

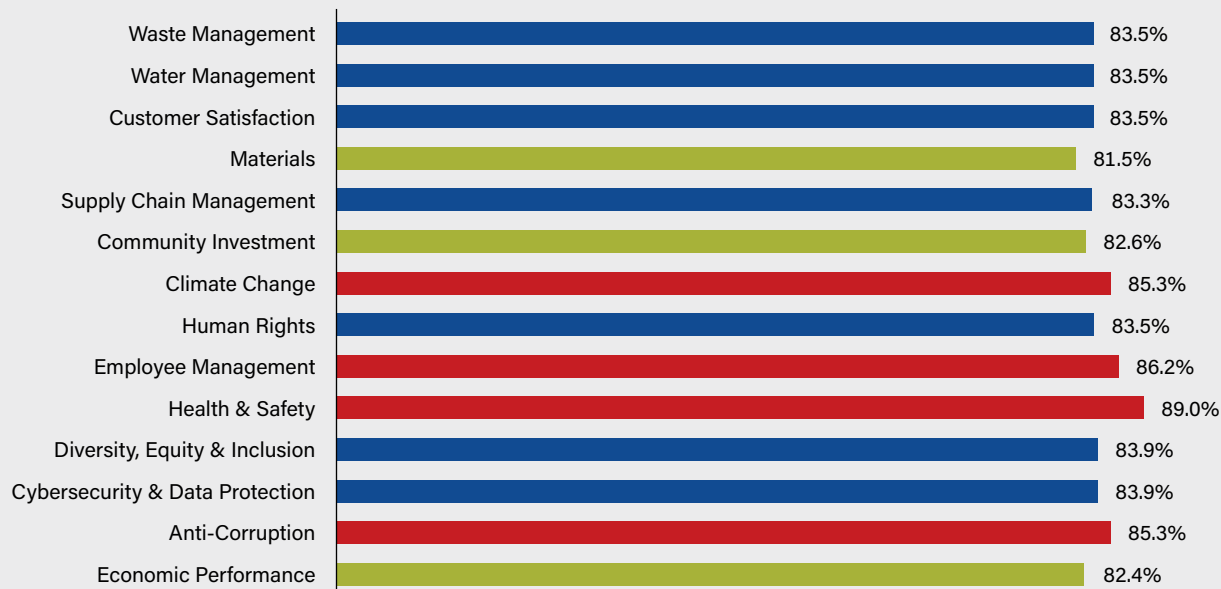
Sustainability Statement (cont'd)

The chart below summarises the relevant material matters from the stakeholder's point of view, extracted from the 2023 stakeholders' sustainability survey received on 21 July 2023:

2023 Stakeholders' Sustainability Survey (91 Responses)



TWG ESG MATERIALITY SURVEY 2023 FROM STAKEHOLDER POINT OF VIEW



Most Significant (85.3 – 89.0%)	Moderate (83.3 – 83.9%)	Less Significant (81.5 – 82.6%)
1. Health & Safety 2. Employee Management 3. Anti-Corruption 4. Climate Change	5. Cybersecurity & Data Protection 6. Diversity, Equity & Inclusion 7. Customer Satisfaction 8. Waste Management 9. Water Management 10. Supply Chain Management 11. Human Rights	12. Economic Performance 13. Community Investment 14. Materials

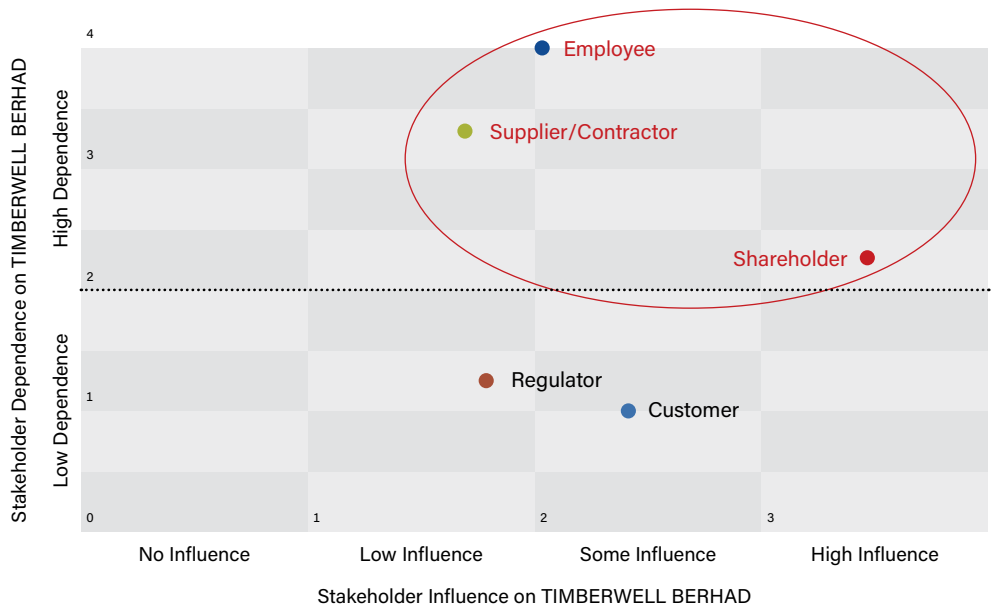
Sustainability Statement (cont'd)

Further to the summary of the stakeholder survey above, the EXCO Cum Sustainability Steering Committee has conducted an in-house Workshop on 1 August 2023, to assess the materiality of sustainability-related matters with respect to EESG for the Company. During the workshop, the following activities were carried out:

- I. Stakeholder Prioritisation Matrix;
- II. Materiality Matrix

Stakeholder	Shareholder	Employee	Regulator	Supplier/ Contractor	Customer	Total
Rating	(1 for very low and 4 for very high)					
i.	3	1	4	1	4	
ii.	4	4	1	2	4	
iii.	4	1	1	3	1	
iv.	4	2	1	1	1	
v.	2	2	2	2	2	
Average Score	3.4	2	1.8	1.8	2.4	11.4
i.	2	4	2	4	1	
ii.	2	4	1	3	1	
iii.	3	4	1	3	1	
Average Score	2.3	4.0	1.3	3.3	1.0	12.0
Total Average Score	5.7	6.0	3.1	5.1	3.4	23.4
Percentage	25%	26%	13%	22%	15%	100%

Stakeholder Prioritisation for TIMBERWELL BERHAD



Sustainability Statement (cont'd)

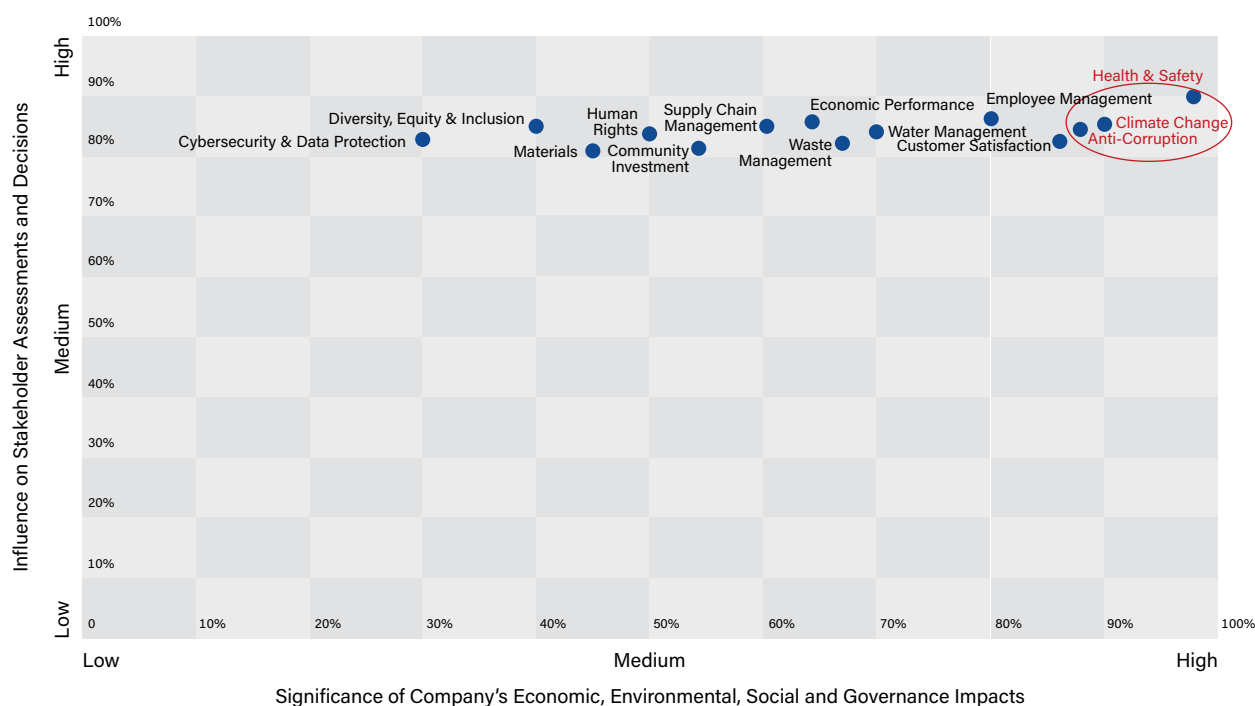
Prioritisation of Sustainability Matters for TIMBERWELL BERHAD

Sustainability Matter	Influence on Stakeholder Assessments and Decisions (by stakeholder groups)							Overall Influence on Stakeholder Assessments and Decisions (%)	Significance of the Company's Economic, Environmental, Social and Governance Impacts (%)
	Stakeholder Group	Shareholders	Employees	Regulators	Suppliers/Contactors	Customers	Others		
	Stakeholder Prioritisation (%)	25%	26%	12%	22%	15%	0%		
Economic Performance		100%	80%	80%	80%	80%	70%	82%	68%
Anti-Corruption		60%	83%	100%	88%	80%	100%	85%	88%
Cybersecurity & Data Protection		90%	84%	80%	83%	80%	85%	84%	30%
Diversity, Equity & Inclusion		85%	83%	87%	84%	80%	85%	84%	40%
Health & Safety		100%	87%	93%	88%	80%	85%	89%	98%
Employee Management		65%	85%	100%	86%	80%	100%	86%	80%
Human Rights		60%	84%	90%	83%	80%	100%	83%	50%
Climate Change		60%	84%	100%	87%	80%	100%	85%	90%
Community Investment		80%	82%	80%	80%	80%	90%	82%	55%
Supply Chain Management		80%	80%	90%	85%	80%	85%	83%	60%
Materials		80%	80%	85%	80%	80%	80%	81%	45%
Customer Satisfaction		80%	80%	80%	85%	80%	95%	83%	86%
Water Management		70%	83%	85%	86%	80%	95%	83%	70%
Waste Management		70%	82%	85%	87%	80%	95%	83%	65%

Legend

	Insert: Sustainability Matter
	Not Required
	Insert: Type of Stakeholder Group
	Insert: Weightage (%) of stake holder group in relation to overall stakeholders (total weightage of all stakeholder group)
	Insert: Influence on stakeholder assessments and decisions (0% denotes total insignificance; 100% denotes critical significance)
	Automated calculation (scoring for overall influence on stakeholder assessments and decisions)
	Insert: Significance of sustainability matter as determined by the company

Materiality Matrix for TIMBERWELL BERHAD



Sustainability Statement (cont'd)

After the sustainability workshop, the Company has identified three (3) key stakeholders who have a high level of influence and dependence on the Company and three (3) relevant Material Matters that have a significant impact on the Company, as illustrated in the table below:

High Dependence Stakeholders		Significant EESG Matters	
Employees	26%	Health & Safety	98%
Shareholders	25%	Climate Change	90%
Suppliers/Contractors	22%	Anti-Corruption	88%

The results and findings from the above-mentioned materiality assessment exercise (Survey and Workshop) have been reported to the board together with the detailed report TWB 2023 Report of the ESG Survey and Workshop on 24 August 2023.

RISK MANAGEMENT

TWB aligns our risk management through the identification and management of potential risks encountered by our organisation. Our Risk Management Assessment Profile has integrated sustainability and climate-related risks in addition to our corporate, financial and operational risks. We ensure all identified risks stay within our risk appetite through revision and monitoring by designated risk owners and report to the Risk Management Committee on a yearly basis.

Material Matters	Risks	Opportunities
Economic Performance Page 42		<ul style="list-style-type: none"> Sustainable financial performance attracts investors and delivers long-term value for all stakeholders
Employee Management Pages 42 to 44	<ul style="list-style-type: none"> Disengaged and underdeveloped employees contribute to lower productivity and performance Unattractive benefits and remuneration affect employee's motivation 	<ul style="list-style-type: none"> Effective talent development and upskilling programmes with attractive benefits packages enable us to retain and attract quality industry talent as well as contribute to a better performance culture
Diversity, Equity & Inclusion Pages 45 to 46	<ul style="list-style-type: none"> Discriminatory employment practices damage TWB's reputation 	<ul style="list-style-type: none"> Inclusive, diverse and empowering work culture attracts talents and brings a range of viewpoints that enhances the quality of decision making
Human Rights Pages 46 to 47	<ul style="list-style-type: none"> Breaches in human rights practices lead to regulatory penalties, impact employee retention and culture, and damage reputation 	<ul style="list-style-type: none"> Strong human rights practices reinforce TWB's reputation as a responsible employer
Supply Chain Management Page 47	<ul style="list-style-type: none"> Suppliers' and contractors' non-compliance to TWB's ethical principles, and safety culture exposes the business to operational disruptions 	<ul style="list-style-type: none"> Sound procurement governance attracts and retains credible and skilled suppliers and contractors Regular supplier assessment, including environmental and social assessment upholds TWB's commitment and high standards towards environmental and social aspects
Anti-Corruption Pages 47 to 48	<ul style="list-style-type: none"> Poor corporate governance practices may tarnish TWB's reputation and image 	<ul style="list-style-type: none"> Effective corporate governance practices enhance TWB's reputation as a trustworthy Company amongst stakeholder
Health & Safety Pages 48 to 49	<ul style="list-style-type: none"> Accidents and injuries in workplace lead to productivity loss, legal repercussions such as penalties and reputational damage 	<ul style="list-style-type: none"> Strong safety culture with conducive working environment improves employee's wellbeing and productivity, and maintains TWB's reputation
Climate Change Page 49	<ul style="list-style-type: none"> Non-compliance with existing and emerging climate-related regulations leads to financial penalties Inadequate climate adaptation and mitigation causes physical assets damage, financial loss and business disruption 	<ul style="list-style-type: none"> Effective mitigation and adaptation strategy ensures business continuity Secure positioning in low-carbon solutions market to capitalise on the rising demand for low-carbon products and services in near future

Sustainability Statement (cont'd)

Material Matters	Risks	Opportunities
Community Investment Page 50	<ul style="list-style-type: none"> Business activities that negatively impact communities affect TWB's FMU license to operate 	<ul style="list-style-type: none"> Regular engagements through community outreach programmes strengthens our relationship with local communities
Customer Satisfaction Pages 50 to 51	<ul style="list-style-type: none"> Inability to meet customers' expectations impacts customers' confidence and loyalty which leads to lower revenue 	<ul style="list-style-type: none"> Regular customer engagements facilitate continuous improvement to meet customer's expectation
Cybersecurity & Data Protection Page 51	<ul style="list-style-type: none"> Cyber threats including breach of customers' data may lead to loss of customer trust and reputational harm 	<ul style="list-style-type: none"> Robust cybersecurity and improved data management protects critical customer data and maintains trust on TWB
Water Management Pages 51 to 52	<ul style="list-style-type: none"> Poor water management leads non-compliance with environmental and potential scarcity of water resources 	<ul style="list-style-type: none"> Efficient water management may reduce usage of water and promote water conservation behavior

PERFORMANCE SCORECARD

Below are our key targets and progress to date:

Focus Areas	Material Matters	Targets	Current Progress Against Targets
Delivering Excellence	Cybersecurity & Data Protection	Zero (0) substantiated complaints concerning of breaches of customer privacy or losses of customer data annually	●●● Zero (0) complaints reported in 2023
	Anti-corruption	Zero (0) confirmed incidents of corruption occur annually	●●● Zero (0) confirmed incidents reported in 2023
	Customer Satisfaction	Achieve a minimum of 80% for Customer Satisfaction Survey ("CSS") score annually	●●● Achieved, ahead of target set. Score 84% for CSS in 2023
Responsible Supply Chain	Supply Chain Management	100% spending on local suppliers annually	●●● 100% was spent on local suppliers in 2023
	Human Rights	Zero (0) substantiated complaints concerning human rights violations annually	●●● Zero (0) complaints reported in 2023
Empowering our People and the Community	Health & Safety	Zero (0) fatality and LTIR annually	●●● Zero (0) fatality and LTIR reported in 2023
	Diversity, Equity and Inclusion	Increase participation of women in leadership roles at the management level to 30% by 2027	●●● 11% of leadership roles are held by women at the management level in 2023
Caring for the Environment	Climate Change	Reduce energy consumption by 5% from the 2023 baseline by 2027	●●● Achieved, reduced energy consumption by 2.7% in 2023
	Water Management	Reduce water consumption by 5% from the 2023 baseline by 2027	●●● Increased consumption by 8.8% in 2023

Legend: progress tracking

●●● On track to meeting set targets

●●○ Falling short on meeting target for one year, review current practices

●○○ Falling short on meeting target for more than 2 years, review and revise targets (if necessary)

Sustainability Statement (cont'd)

MANAGEMENT APPROACH

The management approach with respect to each identified key stakeholder and their priorities relevant material matters, including the CSM deeming materials for disclosure as per Bursa's Enhanced SRF for this reporting year and onward, is set out below. For best practices, we provided three (3) financial year performance data covering the periods of 2021, 2022, and 2023 for each reported CI.

1. Economic Performance (Shareholders)

Executing our business strategy and continuing to pursue reforestation practices in managing the natural forest as renewable resources in an economically viable, environmentally friendly, and socially responsible manner are the basis of TWB's approach to sustaining and achieving good economic performance.

Primary businesses of the Company and its active 59% owned subsidiary:

Timberwell Berhad (Holding)		
1.	Timber Production	Timber extraction in ITP and NFM compartments and selling of logs to both domestic and export millers to reproduce into sawn timber, plywood, etc.
2.	Tree Plantation	Tree cultivation, nursery management, and planting of trees in the ITP compartment, covering various species, i.e., Binuang, Laran, Albizia, Rubber, Mahogany, Jerutong, Durian and Eucalyptus.
3.	Latex Production (1st rubber tapping trial was commenced in August 2023).	Rubber tapping in ITP compartments and selling rubber produced in the "Cup Lump" form to the nearby rubber processing factory.
Timberwell Plywood Sdn. Bhd. (59% owned subsidiary)		
4.	Lease of assets	Rentals are generated from leased assets, i.e., offices, staff quarters, warehouses, machinery, and jetty.

While maintaining a healthy balance sheet and positive cash flow as long-term goals, TWB also seeks to grow its business by diversifying into new sectors and industries, as well as staying abreast of market trends in consideration of earning carbon credits by participating in the Carbon Exchange Markets or a Carbon Nature-Based Project under the Forestry Sector as a way forward for the Company in the future.

This year, the Group recorded a total revenue of RM18.9 million, with the majority of 100% derived from our core business, trading of timber logs to both local millers and exporting to countries such as India, China, Korea and Philippines. TWB continuously generates wealth for our stakeholders, as shown in the table below.

Economic Performance	2021 RM	2022 RM	2023 RM
Economic value generated (Revenue and other income)	35,605,151.00	35,415,426.00	19,849,471.00
Economic value distributed:			
▪ Operating costs	17,160,809.00	15,679,391.00	15,089,153.00
▪ Employee wages and benefits	2,680,121.00	2,664,733.00	2,530,908.00
▪ Payment to providers of capital (Dividend and finance cost)	78,105.00	1,808,453.00	29,984.00
▪ Payment to government (Royalty, Tax, Rate of Assessment)	8,567,258.00	6,830,531.00	5,384,089.00
▪ Community investment	34,200.00	16,714.00	68,359.00
Economic value retained	7,084,658.00	8,415,604.00	(3,253,022.00)

2. Employee Management (Employees)

TWB believes that our employees are our most valuable assets and are the driving force behind our success and growth. We are committed to recruiting, developing, and retaining performing employees while providing a work environment that is both conducive and empowering.

Sustainability Statement (cont'd)

TWB adheres to local labour and employment-related laws in all our human resources practices and management. As much as the Company focused on employing local talent, it is still a challenge to secure local manpower to work in the operation field, even with the minimum wages being offered by the Company. The local pool remained uninterested in joining the plantation sector as compared to the job location that is centred around the larger towns and industries, which require less outdoor work.

The employees have fully returned to the physical workplace and with the re-opening of the Malaysian borders in April 2022, this has allowed the Company to resume processing the employment documentation for the foreign workers. In 2023, the Company developed a Foreign Workers Recruitment Process Flowchart to efficiently monitor the progress and timeline for processing the employment documentation for the foreign workers.

In 2023, the Company had a total of 53 employees, with 62% of Malaysians and 38% of foreign employees, both Indonesian and Filipino.



Our basic set of benefits consists of both compulsory and non-compulsory benefits. Aside from the fair accommodation, our employees at Paitan Camp have free access to leisure and sports activities at the camp site at the end of their job hours. The Company also organised a monthly birthday celebration for its employees and festive celebrations throughout the year for Hari Raya, Harvest Festival, Christmas and Chinese New Year with a lucky draw activity as a token of appreciation to all the employees.

The following are amongst the benefits provided to our employees:

Leaves	Annual leaves, sick or hospitalisation leave, marriage leave, maternity and paternity leave, compassionate leave and unpaid leave.
Medical	Medical coverage and Insurance coverage.
Others	Parking allowances, employee education assistance and flexible working arrangement.

Training and Development

The Company places much emphasis on its staff training and development programmes. To address skill gaps and help our employees achieve their career development goals, we regularly assess employees' training needs and review our existing training initiatives for continued relevance. Employees are encouraged to undertake continuing professional education to equip themselves with the latest technical and statutory updates to stay relevant and be prepared for their jobs.

In 2023, we remain committed to investing in training and development programmes, utilising both physical and online channels. Our training and development programmes include the following:

1. Leadership development training programmes for executive and middle management levels
2. Upskilling webinar training programmes from subject-matter experts and professionals on Corporate Governance, Accounting, Taxation, Forestry, Plantation, etc.
3. In-house training programmes on sustainability focus on Anti Bribery & Corruption, Health & Safety and Climate Change (Greenhouse Gas Emission Scopes 1, 2 & 3).

Sustainability Statement (cont'd)

Performance and Compensation

We conduct a year-end performance appraisal review, providing them with the opportunity to self-assess, provide feedback, engage in competency discussions, and receive necessary coaching and support. We recognise achievements when employees have demonstrated exceptional performance, delivered quality results and displayed good behaviour, through bonuses and promotions.

TWB aims to create a motivating and encouraging environment by offering competitive benefits and compensation packages that attract and retain talent.

Succession Planning

We intensify our talent management efforts by identifying individuals who are capable of taking on core positions and critical roles for succession planning. In 2023, we identified 12 performing employees from all levels as qualified candidates to participate in the Company Succession Planning Programme, which aims to equip our talent pool with the relevant leadership skills and competencies for the future core position leader.

In 2023, we spent 324.9 hours on training, investing RM15,200.00 internal and external learning and development programmes. Despite the effort to retain employees, especially local ones, the Company still had a turnover rate of approximately 9%.

Employee Category	Measures	2021	2022	2023
Total hours of training - C6(a)				
Management	Hour	64	115	155
Executive	Hour	19	38	84
Non-executive/Production	Hour	70	19	56
General	Hour	14	6	15
Technical	Hour	11	2	15
TOTAL	Hour	178	180	325
Average training hours per employee				
Management	Hour	7.1	12.8	17.2
Executive	Hour	2.4	5.4	12.0
Non-executive/Production	Hour	3.0	0.8	2.3
General	Hour	1.6	0.6	1.7
Technical	Hour	2.8	0.7	3.8
Overall average training hours per employee	Hour	3.4	3.3	6.1
Total number of new hires				
Management	Number	-	-	-
Executive	Number	1	-	-
Non-executive/Production	Number	1	7	-
General	Number	2	5	3
Technical	Number	1	2	1
TOTAL	Number	5	14	4
Total number of employee turnover - C6(c)				
Management	Number	-	-	-
Executive	Number	2	1	-
Non-executive/Production	Number	5	5	1
General	Number	2	4	4
Technical	Number	-	3	-
TOTAL	Number	9	13	5
New hire rate	Percentage	9	26	8
Turnover rate	Percentage	17	24	9

Sustainability Statement (cont'd)

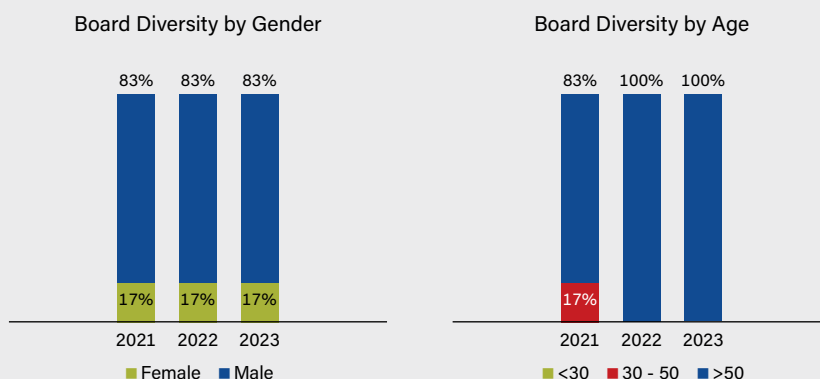
3. Diversity, Equity & Inclusion (Employees)

Diversity and inclusivity at work give us a competitive advantage through the collection of and ability to apply a wide range of knowledge, perspectives, and ideas. In line with this, TWB strives to promote equal employment opportunities and non-discrimination by actively encouraging diversity of gender, race, religion, age, and nationality.

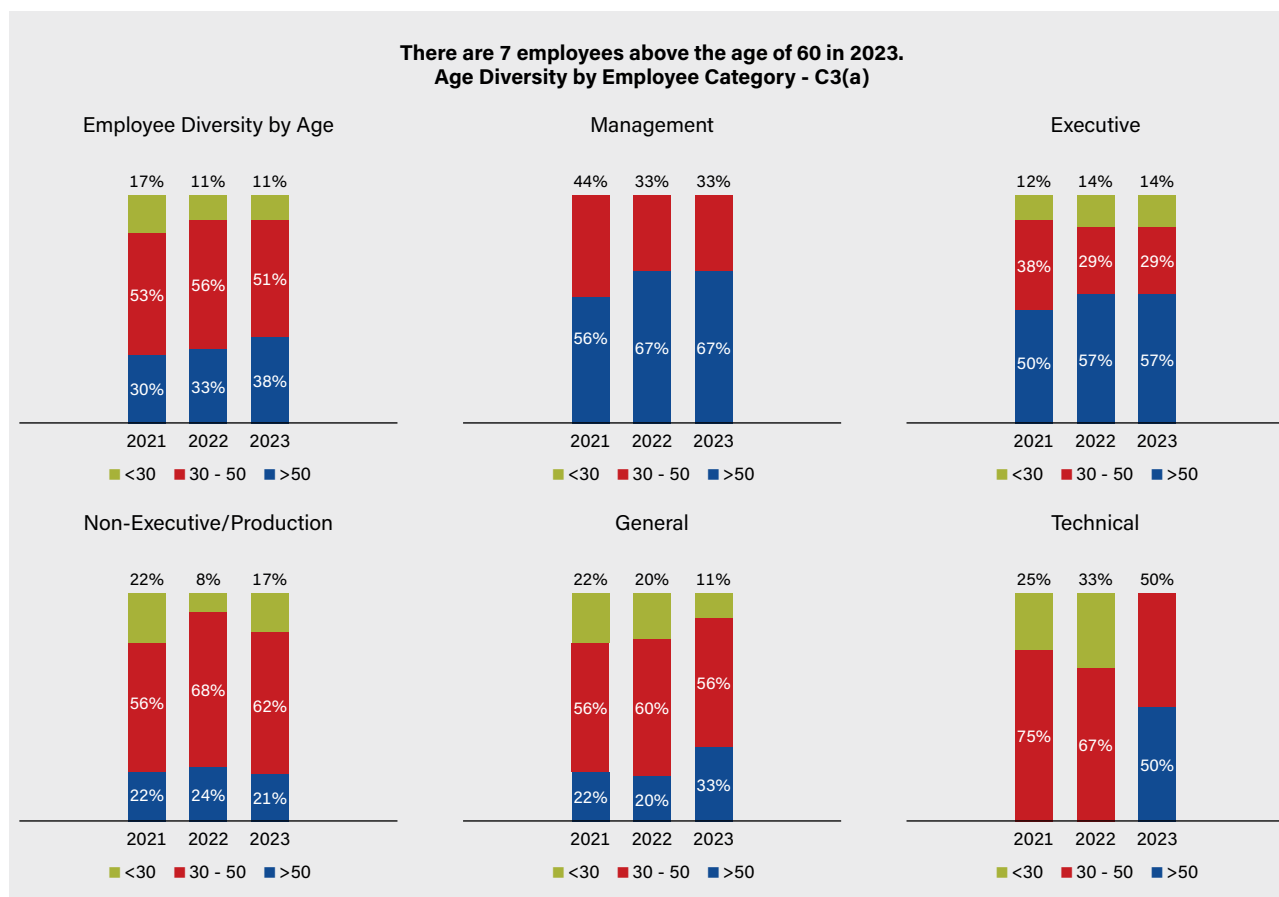
The Company promotes a culture that respects and values differences, advocates for equality, and encourages growth and development to help individuals reach their full potential. Several initiatives were undertaken in 2023 to continue fostering mutual respect among our employees, which includes celebrating cultural and religious events throughout the year, i.e., Hari Raya, Harvest Festival, Christmas and Chinese New Year. At TWB, employees receive competitive wages that are free from any form of gender discrimination.

Besides employees, TWB also acknowledges the importance of equitable gender representation on the board.

Total Directors of 6 in 2023 - C3(b)

Total Employees of 53 in 2023, 15 Female & 38 Male
Gender Diversity by Employee Category - C3(a)

Sustainability Statement (cont'd)



4. Human Rights (Employees)

As a responsible organisation, TWB is committed to protecting and respecting human rights across our business operations. We believe that strong human rights practices coupled with fair and ethical treatment improve productivity and promote a healthy working culture.

TWB adheres to applicable laws and regulations in all our operations, which include but are not limited to Malaysia's Employment Act 1955. Our commitment is reflected in our Human Resources Handbook/Policy ("HRP"), such as fair labour practices, zero-tolerance for any form of forced labour, and protection against discrimination and harassment. The latest HRP, which was updated in 2023, is consistently reviewed by the management to ensure that our approaches to human rights always meet the regulatory requirements and align with the Malaysian National Action Plan on Forced Labour 2021-2025.

Our employees in Paitan Camp are entitled to decent accommodation, fair wages, clean sanitation, healthcare, and access to food and clean water. The Company ensured that they only operated in "safe and secure" working conditions in accordance with the forced labour policy. The Company has in place the Sexual Harassment Policy Statement at the workplace to raise awareness about sexual harassment. TWB also complied with Malaysia's Minimum Wage Order 2022 and ensured all employees earned a basic salary of at least RM1,500 per month.

We have communicated with all our employees and workers about our whistle-blowing policy. Our whistle-blowing channels offer employees a safe and confidential way to report anonymously any violation of labour practices, disputes, or inappropriate behaviour. We guarantee the protection of the whistle-blower's identity throughout the investigation, and all reports will be taken seriously.

Sustainability Statement (cont'd)

In 2023, TWB received zero (0) complaints concerning human rights violations. The Company will intensify its efforts to manage human rights in order to achieve the target of zero substantiated complaints regarding human rights violations.

Labour Practices and Standards	Measure	2021	2022	2023
Number of substantiated complaints concerning human rights violation - C6(d)	Number	0	0	0

5. Supply Chain Management (Suppliers/Contractors)

TWB is dedicated to promoting responsible procurement practices and enhancing our supply chain resilience by incorporating sustainability elements in our 2023 Vendors Evaluation Assessment ("VEA") to drive sustainability awareness. The Company believes in supporting local businesses and driving economic growth in the communities where we operate. To achieve this, we prioritise sourcing from local suppliers and providing business opportunities to small and medium enterprises (SMEs) contractors, improving their livelihoods. We ensure that our sustainability expectations pertaining to procurement practices are extended to our suppliers, which include contractors, service providers, and consultants.

TWB is committed to ensuring that our practices are fair while also collaborating with socially and environmentally conscious suppliers. In our Company, the engaged contractors for harvesting, silviculture, liberation treatment, planting, and maintenance were all briefed prior to the commencement of activities on the requirements to observe environmental mitigations, such as the prohibition of any activities along the river or stream reserve. They also observed the open burning prohibitions and wildlife protection. Any violation is subject to a penalty as stipulated in the licence agreement. At present, our engagement focuses mostly on environmental mitigation and awareness of labour-related practices. We intend to include additional key aspects of environmental management, such as measuring its GHG emissions (our scope 3 emissions) in the future.

With 2023 being the first year for the Company to include sustainability elements in the annual VEA, we managed to cover 100% of our active existing suppliers and contractors. Moving forward, the Company will ensure that all of our new and existing suppliers are assessed against our sustainability requirements. In 2023, RM14.9 million spent on procurement, which was 100% spent on local suppliers.

Vendors Evaluation Assessment ("VEA")	Measures	2021	2022	2023
Percentage of suppliers that were screened using environmental criteria	Percentage	Nil	Nil	100
Number of suppliers assessed for environmental impacts	Number	Nil	Nil	35
Percentage of suppliers that were screened using social criteria	Percentage	Nil	Nil	100
Number of suppliers assessed for social impacts	Number	Nil	Nil	35
Local Suppliers				
Proportion of spending on local suppliers - C7(a)	Percentage	100	100	100
Contractors				
Percentage of employees that are contractors or temporary staff - C6(b)	Percentage	0	0	0

6. Anti-Corruption

TWB upholds a standards of business ethics and compliance across the Company as a reflection of our core values: Honesty, Integrity, and Operational Excellence. This is crucial for us to protect the interests of both the business and stakeholders while building trust and reinforcing confidence of our stakeholders in us.

Since the implementation of the corporate liability provision involving commercial corporations under Section 17A of the Malaysian Anti-Corruption Commission Act, 2009 ("MACC Act, 2009") was enforced on 1 June 2020. The Board and senior management remain committed to conducting business with integrity, guided by our Code of Ethics and Conduct ("CEC"). The CEC communicates TWB fundamental principles and guidelines to all employees, including Directors in addressing ethical issues and carrying out their responsibilities.

Sustainability Statement (cont'd)

The Company's zero-tolerance stance against corruption is outlined in our Anti-Bribery and Corruption ("ABC") Policy, which is regularly reviewed to ensure alignment with the MACC Act, 2009. The Company has also adopted a Whistle-Blowing ("WB") Policy that set forth guidelines for adequate procedures. These policies were extended to internal and external stakeholder and this also will form part of the future Stakeholder Engagement Criteria. With this code of conduct, anti-corruption and whistle-blower mechanism in place, stakeholders would have a proper channel to report any forms of unethical behavior, misconduct, fraud, and other workplace malpractice based on the guidelines for procedures.

The Company is committed to fostering an anti-bribery and corruption culture and to ensuring that its activities and transactions are open, transparent, and conducted in accordance with its policies and the laws. These policies were periodically reviewed and updated to align with the latest provisions of the MACC Act, 2009. These policies were last reviewed on 23 February 2022 and the all-updated versions are also available on the Company's corporate website, <http://timwell.com.my>.

In 2023, 42 employees had completed the necessary training, and we achieved a higher average percentage of 79% overall. As at 31 December 2023, we recorded zero (0) incidents of corruption across TWB's business operations.

Employee Category	Measures	2021	2022	2023
Anti-Bribery and Corruption training - C1(a)				
Management	Percentage	0	11	89
Executive	Percentage	0	14	100
Non-executive/Production	Percentage	0	0	71
General	Percentage	0	0	67
Technical	Percentage	0	0	100
Corruption Risk Assessment - C1(b)				
Operations that underwent corruption risk assessment	Percentage	100	100	100
Report on Corruption Incidents - C1(c)				
Number of confirmed corruption incidents	Number	0	0	0

7. Health & Safety

We prioritise the health and safety of our employees in our business operations and workplaces. By ensuring a healthy, safe and conducive workplace, we aim to prevent injuries and illnesses among those working within our premises, which ultimately leads to increased efficiency and output.

Our Company's Health and Safety Policy Statement outlines how our business operations are conducted in a safe manner through the implementation of various measures and controls by all levels of our workforce. We have established the Standard Operating Procedure on Occupational Health and Safety ("SOP"), which conforms to the Occupational Safety and Health Act, 1994. A yearly meeting was conducted with representatives from the management at HQ to ensure that performance and directions were discussed at all levels.

Furthermore, the Risk Management Committee also discusses Occupational Safety and Health ("OHS") matters, including hazards identification, risk assessment, and idea contribution to manage or reduce risk levels. The Risk Assessment Statement with respect to OHS is annually reviewed and assessed to ensure that it remains relevant in identifying all potential hazards and providing effective mitigation measures. We foster a reporting culture where workers can report incidents and communicate information for management's attention.

At TWB, we offer medical and safety care to our employees, including providing safety equipment and basic medication. We provide transport at our camp sites to ensure easy access for employees to seek medical attention when necessary. Additionally, we provide health and safety training on-the-job, and regular refresher training to employees. Our training programmes include both knowledge-based and skills-based training, covering topics such as emergency response, hazard and risk management, as well as health awareness. These programmes are reviewed on a regular basis to ensure their relevance.

Sustainability Statement (cont'd)

In 2023, a total of 41 employees were given health and safety standards relevant training. As at 31 December 2023, the Company recorded zero (0) fatalities and injuries for both employees and contractors in workplace incidents.

	Measures	2021	2022	2023
Health and safety trainings - C5(c)				
Number of employees trained on health and safety standards	Number	30	10	41
Work-related Injuries				
Total Hours Worked	Hour	110,664	108,000	106,000
Number of Fatalities - C5(a)	Number	0	0	0
Number of Lost Time Injuries	Number	0	0	0
Lost Time Incident Rate ("LTIR") - C5(b)	Rate	0	0	0

8. Climate Change

Climate change poses risks to the Company's operations, which could have a detrimental impact on lives, livelihoods, health, economic, social, and cultural assets, services (including environmental), and infrastructure. Changes in precipitation and increases in the frequency or intensity of particular extreme weather events may have a significant impact on the Company's business activities.

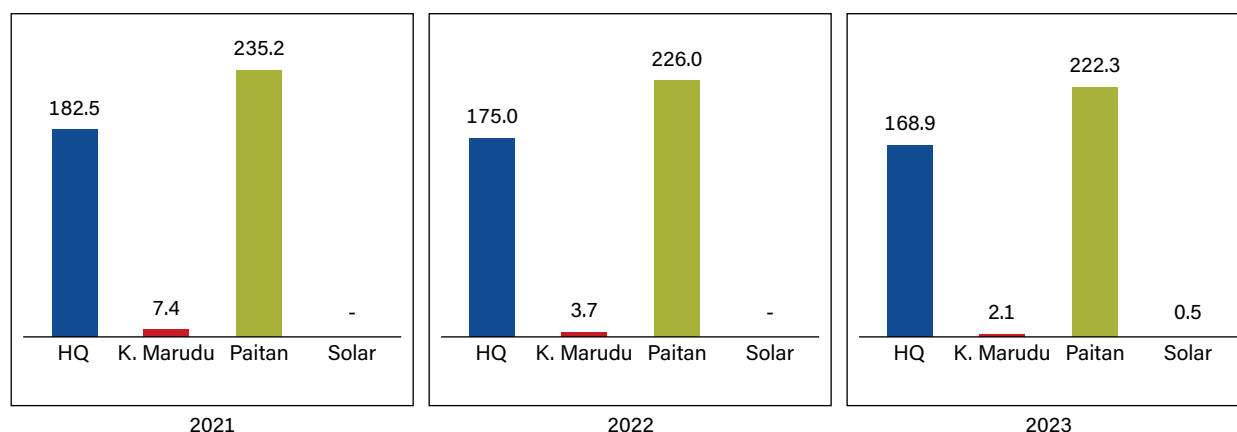
As a result, the Company has embedded environmental regulatory requirements specified in all applicable Malaysian laws, observed all international treaties and agreements to which Malaysia is a signatory, and committed to the Malaysian criteria and indicators for Forest Management Certification at all levels of the Company's governance. To ensure faunal conservation, water and river conservation, and land and soil conservation, all mitigation actions outlined in the EIA must be implemented.

TWB, as a responsible Company acknowledges that energy consumption and GHG emissions contribute to the effects of climate change.

This year, the total energy consumption recorded was 393.8GJ with a 2.7% reduction from 2022. We have started using renewable energy in recent years by gradually installing solar panels system on our camp operation to reduce our dependency on electricity generated from fossil fuels (diesel). In 2023, we successfully generated 0.5GJ of solar power. The Company have set a target of 5% reduction in energy consumption by 2027 from our 2023 baseline.

Energy management	Measures	2021	2022	2023
Total energy consumption - C4(a)	Gigajoules	425.1	404.7	393.8

Total Energy Consumption by Operation
Gigajoules (GJ)



There are no disclosures with regard to GHG emissions in this statement considering obtaining the data, particularly Scope 3 emissions, would require more time.

Sustainability Statement (cont'd)

9. Community Investment

TWB believes that fostering a positive relationship between businesses and communities promotes better social inclusion and creates tangible and favourable outcomes in the long run. At TWB, we strive to be a responsible corporation by giving back to the surrounding communities in which our operation is located through our community engagement programme, with a focus on on-the-job training and social welfare. By investing in on-the-job training, we aim to provide the local community with opportunities to learn, with the hope of improving their living welfare. We are confident that by empowering and supporting the local communities, we will contribute to forming a skills talent pool that will not only benefit TWB in the near term but also serve as future leaders of organisations. Additionally, we are convinced that our contributions towards the betterment of local communities through welfare-related initiatives will strengthen our relationship with them.

TWB's commitment to supporting local communities is addressed in our Community Outreach ("CO") through engagement on the annual Social Baseline Survey Update (Community and Family) and dialogue whenever necessary pertaining to Native Customary Rights ("NCR") claims. The practices in managing these community-related investment decisions align with our community objective of generating mutually beneficial outcomes for both the Company and the community.

This year, we have streamlined our welfare-related initiatives with a focus on CO for the needy, namely Kampung Dampiron, Kampung Tagapalang, Kampung Abuan, and Kampung Waigon 2, and supported the development of Kampung Gana.

TWB has also contributed RM68,358.50 worth of monetary and non-monetary donations to 6 charities, non-profit organizations ("NGO") and needy across the regions we operate in. Non-monetary donations include but are not limited to food packs, basic necessities, groceries and repair the access road for their convenience

Community Investment Performance Data	Measures	2021	2022	2023
Total amount invested in the community where the target beneficiaries are external to TWB - C2(a)	MYR	34,200	16,714	68,359
Total number of beneficiaries of the investment in communities - C2(b)	Number	1,500	3,500	3,500

10. Customer Satisfaction

The Company acknowledges that customer satisfaction and loyalty are key factors in achieving long-term success and maintaining our reputation as one of the leading players and service providers in the Sabah region. With this in mind, we strive to enhance customer satisfaction by considering their feedback and ensuring that quality standards are met across all our products and services.

We are committed to enhancing our customers' experience by engaging with them through participating in our first annual Customer Satisfaction Survey ("CSS") in 2023. These efforts enable us to gain insights into our customers' needs and expectations and enhance our product and service offerings. The CSS covers a range of topics, including but not limited to:



Sustainability Statement (cont'd)

Customer Satisfaction Survey

At TWB, we aim to maintain a minimum CSS score of 80% annually. We are pleased to report that our score for the first annual CSS is 84% in 2023.

Customer Satisfaction Survey ("CSS") Score	Measures	2021	2022	2023
Customer Satisfaction Index	Percentage	Nil	Nil	84

11. Cybersecurity & Data Protection

In recent years, we have seen the acceleration of various trends revolving around remote working, e-commerce and automation, which has propelled the adoption of digital technologies and infrastructure. However, it has also made data more susceptible to cybersecurity risks. Consequently, we have a responsibility to manage the growing threat of cyber-attacks on TWB, including protecting our customers' sensitive information, to prevent any leaks, threats, or loss of customer information.

The Company has strengthened its cybersecurity measures through strict adherence to our Personal Data Protection ("PDP") Policy, which was developed in 2023 in accordance with Malaysia's Personal Data Protection Act ("PDPA"). We conduct annual reviews to ensure that our data privacy and security controls and processes are operating effectively. We take reasonable measures to ensure we collect data by lawful means, and that we are transparent about how data is gathered, used, and secured.

As of 31 December 2023, there were zero (0) substantiated complaints concerning breaches of customer privacy or data loss.

Data Privacy and Security	Measures	2021	2022	2023
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data - C8(a)	Number	0	0	0

12. Water Management

The issue of water scarcity is becoming increasingly alarming due to several factors, such as climate change, poor water management, and contamination. As water cuts and scarcity are becoming more frequent in the nearby region, the Company is committed to mitigating the risk of water shortages through efficient water management across our operations.

As a Company, we are guided by our environmental policy and adopt a practical approach to water management, aiming to improve water efficiency and promote water conservation. This aligns with our target of reducing 5% water consumption from our 2023 baseline by 2027.

To ensure that we adhere to all the requirements stipulated by the relevant regulations and permits pertaining to water quality. Additionally, we embed water-related practices throughout the value chain, especially in accordance with local laws and regulations. We also adopt a number of best practices that are recommended by recognised standards in our operation area.

Our water consumption primarily stems from camp operations, especially planting activities such as watering seedlings, camp cleaning, and irrigation, as well as from our camp office and worker quarters. We are committed to implementing water conservation initiatives and raising employees' awareness of proper water management in all our operations. These initiatives include:

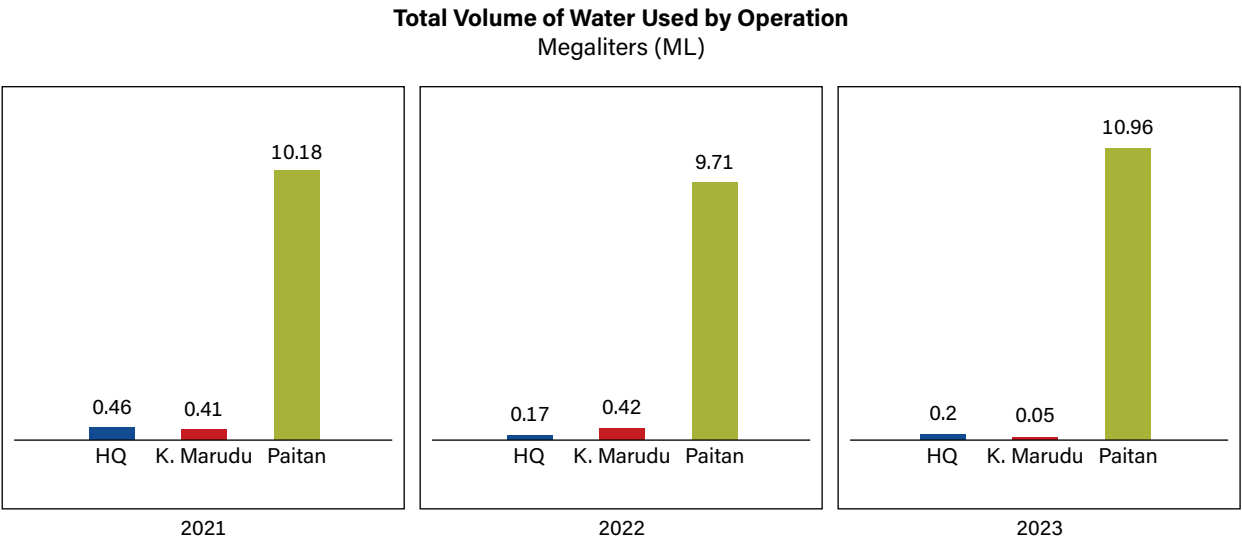
- Implement rainwater harvesting systems to reduce water dependency on natural water from the uphill,
- Raise awareness among employees through reminders on water-saving habits at our office premises.

We will annually review our water management practices of all our operations to continually increase efficiency and ensure we are able to achieve our water consumption reduction targets.

Sustainability Statement (cont'd)

In 2023, the Company consumed 11.21 megaliters of water, representing an increase of 8.8% against the 2022 baseline.

Water management	Measures	2021	2022	2023
Total volume of water used - C9(a)	Megaliters	11.05	10.30	11.21



About 98% of the water used in our operation is for tree planting needs and is derived from surface water sources primarily rivers, and is classified as “blue water” as per the Water Footprints.

PERFORMANCE DATA TABLE

The performance table attached below was generated from the ESG Reporting Platform for mandatory ESG Reporting, disclosures that adhere to the prescribed format mandated by Bursa’s enhanced sustainability reporting requirements within the Main Market Listing Requirements.

Indicator	Measurement Unit	2021	2022	2023
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	0.00	11.00	89.00
Executive	Percentage	0.00	14.00	100.00
Non-executive/Production	Percentage	0.00	0.00	71.00
General Workers	Percentage	0.00	0.00	67.00
Technical	Percentage	0.00	0.00	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	0.00	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	34,200.00	16,714.00	68,359.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	1,500	3,500	3,500
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Management Under 30	Percentage	0.00	0.00	0.00
Management Between 30-50	Percentage	44.00	33.00	33.00
Management Above 50	Percentage	56.00	67.00	67.00
Executive Under 30	Percentage	13.00	14.00	14.00
Executive Between 30-50	Percentage	37.00	29.00	29.00
Executive Above 50	Percentage	50.00	57.00	57.00
Non-executive/Production Under 30	Percentage	22.00	8.00	17.00
Non-executive/Production Between 30-50	Percentage	56.00	68.00	62.00
Non-executive/Production Above 50	Percentage	22.00	24.00	21.00
General Workers Under 30	Percentage	22.00	20.00	11.00
General Workers Between 30-50	Percentage	56.00	60.00	56.00
General Workers Above 50	Percentage	22.00	20.00	33.00
Technical Under 30	Percentage	25.00	33.00	0.00
Technical Between 30-50	Percentage	75.00	67.00	50.00
Technical Above 50	Percentage	0.00	0.00	50.00
Gender Group by Employee Category				
Management Male	Percentage	89.00	89.00	89.00
Management Female	Percentage	11.00	11.00	11.00
Executive Male	Percentage	25.00	14.00	14.00
Executive Female	Percentage	75.00	86.00	86.00
Non-executive/Production Male	Percentage	96.00	84.00	87.00
Non-executive/Production Female	Percentage	4.00	16.00	13.00
General Workers Male	Percentage	44.00	50.00	44.00
General Workers Female	Percentage	56.00	50.00	56.00
Technical Male	Percentage	100.00	100.00	100.00
Technical Female	Percentage	0.00	0.00	0.00
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	83.00	83.00	83.00
Female	Percentage	17.00	17.00	17.00
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	425.10	404.70	393.80
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00	0.00	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	30	10	41
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Management	Hours	64	115	155
Executive	Hours	19	38	84
Non-executive/Production	Hours	70	19	56
General Workers	Hours	14	6	15
Technical	Hours	11	2	15
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00	0.00	0.00
Bursa C6(c) Total number of employee turnover by employee category				

Internal assurance External assurance No assurance

(*)Restated

CORPORATE PERSPECTIVE

Indicator	Measurement Unit	2021	2022	2023
Management	Number	0	0	0
Executive	Number	2	1	0
Non-executive/Production	Number	5	5	1
General Workers	Number	2	4	4
Technical	Number	0	3	0
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	100.00	100.00	100.00
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	11.050000	10.300000	11.210000

Internal assurance External assurance No assurance

(*)Restated

Sustainability Statement (cont'd)**STATEMENT OF ASSURANCE****Assurance undertaken**

In strengthening the credibility of the Sustainability Statement for the reporting year of 2023, this Sustainability Statement has been subjected to an internal review by the Company's internal auditors, Messrs. Lim KK & Co. and has been approved by the Company's Audit Committee on 26 March 2024.

Subject matter

All content of this Sustainability Statement.

Scope

The boundary of the internal review includes all companies within the Group's financial control.

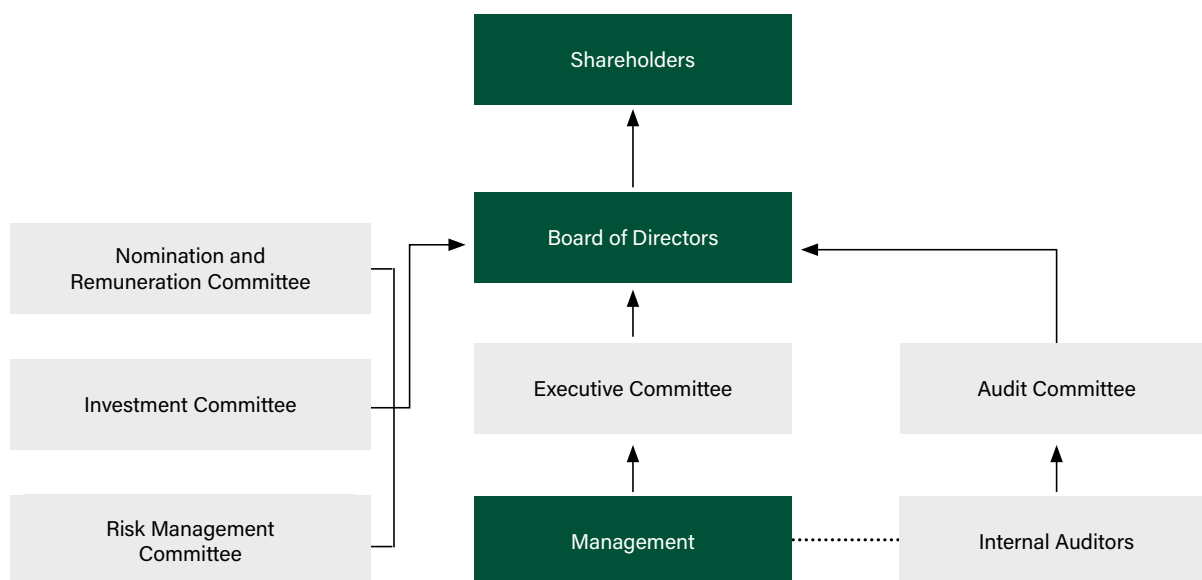
Corporate Governance Overview Statement

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 2021 ("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://www.timwell.com.my> as well as via an announcement on the website of Bursa Malaysia Securities Berhad ("Bursa Securities") (<http://www.bursamalaysia.com>).

CORPORATE GOVERNANCE STRUCTURE



PRINCIPLE A- BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

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

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

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

Corporate Governance Overview Statement (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)

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

The Sustainability Statements, which the details are presented on pages 24 to 55 which stated the actions taken by the Company in protecting the environment while striving 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 21 February 2024. The Board Charter has been published on the Company's website at <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 Board, through the Audit Committee, Nomination & Remuneration 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.

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 Board recognises the importance of having a clear separation of responsibilities of the Chairman and the CEO to promote accountability, ensure appropriate balance of roles, facilitates division of responsibilities between them so as to ensure no one individual can influence the Board's discussions and decision making.

The position of the Chairman and the CEO are held separately by Mr Wong Chong Kim and Datuk Pau Chiong Ung, respectively, to ensure a good balance of power and authority such that no one individual has unfettered powers in decision making.

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)

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

The CEO 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.

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 2023, 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
Mr Wong Chong Kim	Independent Non-Executive Director	5/5
Mr Lim Ah Lay (Appointed on 24 May 2023)	Senior Independent Non-Executive Director	2/2
*Datuk Yap Pak Leong (or his Alternate Director: Ms Yap Fook Fung)	Non-Independent Non-Executive Director	5/5
Mr Loo Choo Hong	Independent Non-Executive Director	5/5
Madam Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director	5/5
Mr Michael @ Radio bin Luban	Independent Non-Executive Director	5/5

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 (cont'd)

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

1.6 Access to Information and Advice

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

Board and the Board Committee meetings are prepared diligently and are structured with a pre-determined agenda. Prior to the meetings, meeting papers, which include operational and financial information, are circulated to the 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.

1.9 Anti-Bribery and Corruption Policy

The Board was appraised and updated on the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act 2009") especially Section 17A of the Corporate Liability Provisions. The Board had adopted an Anti-Bribery and Corruption Policy which was drafted based on the Principles detailed in the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices.

The Anti-Bribery and Corruption Policy is made available on the Company's website.

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)

1.10 Conflict of Interest ("COI")

The Board meticulously follows a robust procedure for the regular scrutiny and oversight of potential conflicts of interest, which is conducted on a quarterly basis. Directors with substantial commitments beyond the Group are required to disclose these commitments prior to their appointment and are expected to provide updates in case of any changes. The Company Secretary maintains a comprehensive register of both actual and potential conflicts of interest, subject to an annual review.

Moreover, all Directors and key senior management are mandated to declare their interests on yearly basis, and this information is presented to the Board for notation.

There were no COI nor potential COI reported in year 2023.

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.

1. Audit Committee ("AC")

The objective, composition, terms of reference and activities of the AC together with its report are presented on pages 86 to 90 of the Annual Report.

2. Nomination and Remuneration Committee ("NRC")

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

Objectives

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

The current members of the NRC are as follows:

Name of Directors	Designation	Meeting Attendance
Lim Ah Lay (Chairman) (Appointed on 24 May 2023)	Senior Independent Non-Executive Director	0/0
Datuk Yap Pak Leong (Resigned on 24 May 2023)	Non-Independent Non-Executive Director	1/1
Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director	1/1
Michael@Radio bin Luban	Independent Non-Executive Director	1/1

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 (cont'd)

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

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

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

NOMINATION FUNCTION

The NRC is responsible for 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, diversity requirements, age and cultural background, 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 were held and attended by all members. The main the activities carried out by the NRC during the financial year under review were as follows:

- reviewed the terms of reference of NRC;
- reviewed and assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the character, experienced, integrity, competence and time commitment of each Director;
- review and assessed the performance of the Chief Financial Officer ("CFO");

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 (cont'd)

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

Summary of Activities of NRC (cont'd)

- reviewed and recommended to the Board, the re-election and re-appointment of retiring Directors who will be retiring at the forthcoming AGM of the Company;
- assessed and evaluated the level of independence of Independent Directors;
- reviewed and assessed the term of office and performance of the AC and each of its members;
- assisted the Board in assessing the training needs of the Directors during the year;
- reviewed and deliberated on the Directors' Fee and Directors' remuneration;
- assessed financial literacy of the AC members;
- reviewed the retention of the Independent Director who has served the Company for more than nine (9) years; and
- review the Directors' Fit and Proper Policy.
- reviewed and assessed the appointment of new director;
- reviewed and assessed the appointment of new Board Committees member;
- reviewed and assessed the re-designation of Independent Non-Executive Director to Non-Independent Non-Executive Director;

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.

3. 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	Meeting Attendance
Lim Ah Lay (Chairman) (Appointed on 24 May 2023)	Senior Independent Non-Executive Director	1/1
Datuk Yap Pak Leong	Non-Independent Non-Executive Director	1/1
Michael@Radio bin Luban	Independent Non-Executive Director	1/1

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;

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

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 (cont'd)

4. 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.

In addition, the sustainability of TWB is governed by Exco and to oversees the organisation's sustainability agenda in environmental, social and governance excellence. It is supported by the Management to manage sustainability strategically, including the integration of sustainability practices into the operations of TWB.

The current members of the Exco are as follows:

Name of Directors	Designation	Meeting Attendance
Datuk Yap Pak Leong (Chairman)	Non-Independent Non-Executive Director	3/3
Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director	3/3
Datuk Pau Chiong Ung	CEO	3/3

In 2023, three (3) meetings were held to discharge its duties and responsibilities.

5. 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)	Non-Independent Non-Executive Director
Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director
Loo Choo Hong	Independent Non-Executive Director

The Board receives periodic reports from the Board Committees and is constantly updated of their proceedings and deliberations. In cases where the Board Committees have no authority to decide on certain matters, the Board Committees will assess and examine the issue and subsequently provide their recommendations, which are highlighted in their respective reports for the Board's decisions. The ultimate responsibility for the final decision on the recommendations lies with the entire Board.

1.2 Board Composition

As at 31 December 2023, the Board consisted of six (6) members, comprising of four (4) Independent Non-Executive Directors ("INED") and two (2) Non-Independent Non-Executive Director ("NINED").

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.

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 (cont'd)

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 11 to 14 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 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 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 9 years. Upon completion of the 9 years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a NINED. The Board will seek shareholders' approval through a two-tier voting process, in the event that a Director, who has served in that capacity for more than 9 years, retains as an Independent Director.

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.

During financial year 2023, the Datuk Yap Pak Leong, who has served as an INED of the Company for a cumulative term of 12 years, was redesignated to NINED on 24 May 2023.

None of the Independent Directors have exceeded a cumulative term of 9 years as at the date of this report.

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)

1.5 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. 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 INED, 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.

Following the amendments made to the MMLR of Bursa Securities, the Board has in May 2022 adopted a Directors' Fit and Proper Policy which sets out the approach, guidelines and procedures to ensure that a formal, rigorous and transparent process is adhered to for the appointment, re-appointment and/or re-election of the Directors of the Group. The said policy is available on the Company's corporate website.

In May 2023, the Board approved the recommendation of the NRC for the appointment of new Independent Director, Mr Lim Ah Lay.

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. All retiring Directors are eligible for re-election.

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

Corporate Governance Overview Statement (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 (cont'd)

Prior to recommending the re-election of the Directors to be tabled at the forthcoming 28th Annual General Meeting of the Company ("AGM"), the NRC also reviewed and assessed the retiring Directors in terms of their performance and contribution. The assessment took into consideration the criteria prescribed in the Directors' Fit and Proper Policy.

The following Directors are subject to retirement at the forthcoming 28th AGM and they have expressed their willingness to seek for re-election at the 28th AGM:-

1. Mr Loo Choo Hong and Mr Michael @ Radio bin Luban are subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution.
2. Mr Lim Ah Lay is subject to retirement by rotation pursuant to Clause 104 of the Company's Constitution.

1.9 Sustainability Leadership

The Board takes cognisance of the importance of improving the values affecting stakeholders, employees, society, and the environment towards the sustainability of the Group's business. The Board with consultation from management, oversees and evaluates the economic, environmental, social, and governance issues and any other external matters that may affect the development of the Group's business or the interests of the shareholders, ensuring that the Company's strategies promote sustainability.

The Group is fully committed to discharge its duty in curbing environmental concerns, ensuring safety and health of employees and consumers are safeguarded.

The Company recognises the importance of stakeholder engagement and engages with stakeholders through communication avenues such as dialogues, media engagement, general meetings, survey, feedback, annual, quarterly reports and announcements, and designated email allowing stakeholders to communicate their views and concerns to the Board and Management.

Aside from environmental and social sustainability practices, the Group has adopted the Code of Ethics and Conduct, Whistleblowing Policy, Anti-Bribery and Corruption Policy and Conflict of Interest to uphold high standards of governance practice across the Group and exercises zero tolerance against all forms of bribery and corruption. The codes and policies are accessible to the Company's website.

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.

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)

As for the performance evaluation of board committees, the Board assesses the performance of the AC and NRC based on the recommended evaluation criteria adopts from Corporate Governance Guide issued by Bursa Securities, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes. The NRC has concluded review of the performance of the board committees.

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

The NRC also undertakes yearly evaluation of the performance of the CFO, whose remuneration is directly linked to performance, based on the score sheet. For this purpose, the performance evaluation for the year 2023 of the CFO was reviewed by the NRC on 21 February 2024.

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.

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.	Wong Chong Kim	
	1. RHB Anti-Bribery and Corruption	November 2023
	2. RHB Secrecy and Information Protection Training	November 2023
	3. RHB AML/CFT (Malaysia)	November 2023
	4. RHB Orderly and Fair Market	November 2023
	5. RHB Conflict of Interest for Capital Markets	November 2023
2.	Datuk Yap Pak Leong	
	1. MIA 2023 Budget Seminar	March 2023
	2. MASB MFRS Application and Implementation Committee (MAIC)	August 2023
	3. MIA 2024 Budget Seminar	November 2023
3.	Agnes Soei-Tin Lamey	
	1. MIA 2023 Budget Seminar	April 2023
	2. MIA How to Develop Super Memory	October 2023

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
4.	Loo Choo Hong	
1.	MIA 2023 Budget Seminar	March 2023
2.	CTIM National Tax Conference 2023	August 2023
3.	Asia Pasific Regional Conference 2023 by Allinial Global	August 2023
4.	LHDN Seminar Percukaian Kebangsaan	October 2023
5.	MIA 2024 Budget Seminar	October 2023
5.	Lim Ah Lay	
1.	Bursa Malaysia Mandatory Accreditation Programme	July 2023
2.	Bursa Malaysia Management of Cyber Risk	October 2023
6.	Michael@Radio Bin Luban	
1.	MIA 2023 Budget Seminar	March 2023
2.	Bursa Malaysia Management of Cyber Risk	October 2023
3.	MIA 2024 Budget Seminar	November 2023
7.	Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	
1.	MIA 2023 Budget Seminar	April 2023
2.	MIA 2024 Budget Seminar	November 2023

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 business acumen and professionalism in discharging their duties to the Group.

PART III - REMUNERATION

The Board has adopted a Remuneration Policy ("Policy") to support the Directors and key senior management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value.

The Board's objective in this respect is to offer a competitive remuneration package in order to attract, motivate and retain persons of high caliber who will manage and drive the Company's success. The details of the policy are included in the Board Charter available on the Group's website.

The Executive Directors' remunerations are designed to link rewards to the Group's and individual's performances whilst the remunerations of the Non-Executive Directors are determined in accordance with their experience and the level of responsibilities assumed. The Directors' remunerations are in line with the market expectation and competition to retain and attract talents. The NRC shall ensure that the level of remuneration is sufficient to attract and retain Directors of the quality required to manage the business of the Group.

The NRC is entrusted with the responsibilities to make recommendations to the Board, the remuneration package for the Executive Directors. However, it is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration.

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

Corporate Governance Overview Statement (cont'd)

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

PART III - REMUNERATION

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

The details of the remuneration of the Directors of the Group and Company, paid and payable for the financial year ended 31 December 2023 are as follows:

	Fees and Allowances RM'000		
Executive Directors			-
Non-Executive Directors			310.3
TOTAL			310.3

	Director Fees RM'000	Meeting Allowances RM'000	Total RM'000
Wong Chong Kim	45.0	12.5	57.5
Datuk Yap Pak Leong	41.0	10.0	51.0
Loo Choo Hong	40.0	15.0	55.0
Agnes Soei-Tin Lamey	40.0	19.5	59.5
Michael @ Radio Bin Luban	40.0	9.5	49.5
Lim Ah Lay ⁽¹⁾	23.3	6.5	29.8
Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	-	7.5	7.5
Stephen Abok ⁽²⁾	0.5	-	0.5
TOTAL	229.8	80.5	310.3

Note:

(1) Appointed on 24 May 2023.

(2) A director of subsidiary Company, Timberwell Plywood Sdn. Bhd.

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

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

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 2023 within the successive bands of RM50,000 is as follows:

	Position	Basic Salaries, Bonus and Other Employee Benefit RM'000	Employer Contribution (EPF, SOCSO & EIS) RM'000	Total RM'000
Datuk Pau Chiong Ung	Chief Executive Officer	490.5	58.8	549.3
William Joseph Jomiu	FMU Manager	131.9	17.0	148.9
Lee Yoke Wah	Corporate Services Manager	123.8	16.1	139.9
Lee Seng Choon	Camp & Plantation Manager	107.3	13.7	121.0
Suhaili Bin Sainan	Assistant FMU Manager	76.6	10.4	87.0
TOTAL		930.1	116.0	1,046.1

Corporate Governance Overview Statement (cont'd)

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

PART III - REMUNERATION (CONT'D)

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

Remuneration Band	Number of top five (5) senior management
RM50,001 to RM100,000	1
RM100,001 to RM200,000	3
RM200,001 to RM300,000	-
RM300,001 to RM400,000	-
RM400,000 to RM500,000	-
RM500,000 to RM600,000	1

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 2023, are set out in the AC Report on pages 86 to 90 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 three (3) 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 2023. 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 21 February 2024, the AC had conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of Messrs. 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.

Based on the AC's annual assessment of the External Auditors, Messrs. Baker Tilly Monteiro Heng PLT, the Board is satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for FY2023. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders at the forthcoming AGM.

Corporate Governance Overview Statement (cont'd)

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

PART I – AC (CONT'D)

2. Oversight and Assessment of the Suitability and Independence of External Auditors (cont'd)

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

3. Financial Reporting

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

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

4. Financial Literacy of the AC

The AC currently comprised of members with professional experience in accounting, financial, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.

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.

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)

1. Risk Management and Internal Control Framework (cont'd)

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

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

2. Internal Audit Function

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

The Statement on Risk Management and Internal Control set out on pages 74 to 85 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 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 Mr Lim Ah Lay as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

The Company is not categorised as a "Large Company" and hence, has not adopted integrated reporting based on a globally recognised framework.

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.

The Company will circulate to shareholders the complete minutes of the general meeting detailing the meeting proceedings including issues or concerns raised by shareholders and responses by the Company no later than 30 business days after the completion of the general meeting.

Corporate Governance Overview Statement (cont'd)

KEY FOCUS AREA AND PRIORITIES ON CORPORATE GOVERNANCE

During the financial year under review, the Board, in addition to the above matters, has adopted the Personal Data Protection Policy and the Conflict of Interest Policy on 24 August 2023 and 21 February 2024 respectively. The Board reviewed and revised the Board Charter, Terms of Reference of the AC to align with the amendments of the MMLR of Bursa Securities and Code.

The Board reviewed and revised the Board performance evaluation form to incorporate Environmental, Social and Governance matters in line with the Code and the MMLR amendments on sustainability in February 2024.

Looking ahead to 2024, the priorities of the Board will be in the following areas:

- (1) The Directors has allocated time to attend the Leading for Impacts "LIP" Sustainability MAP 2.0 Training within the stipulated 24 months period;
- (2) Improving and implementing sustainability practices, policies and procedures to embrace the enhanced sustainability requirements and to be geared for the enhanced sustainability disclosures under the Enhanced Sustainability Reporting Framework issued by Bursa Securities and the amendments to the MMLR arising therefrom, which will be implemented in phases;
- (3) Continue working towards achieving high standards of corporate governance and leverage technology to broaden its channel of dissemination of information and enhance the quality of engagement with the shareholders; and
- (4) To appoint additional independent director(s) as Board's succession plan in compliance with the limitation of tenure of Independent Directors of the MMLR.
- (5) To enhance the disclosure of conflict of interest ("COI") and potential COI of the Board, Key Senior Management and other Stakeholders, as well as the role of the AC in this regard.

This Corporate Governance Overview Statement was approved by the Board on 26 March 2024.

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 ("SORMIC") 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.

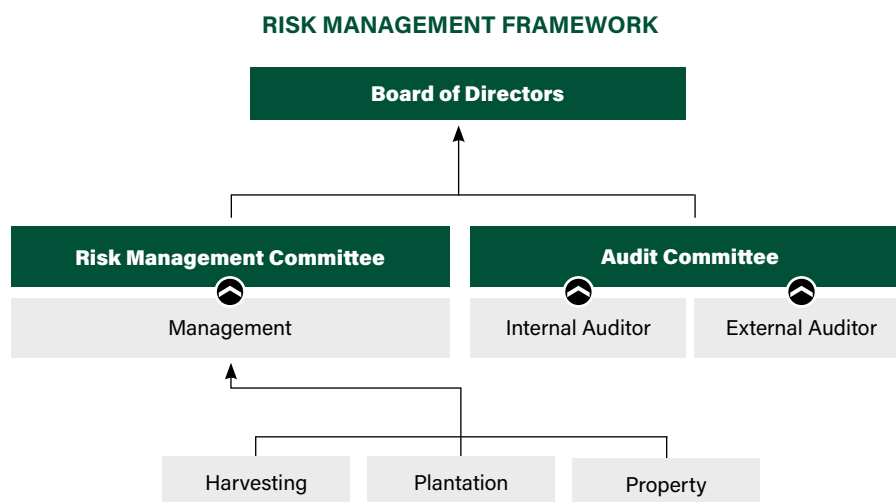
THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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:-

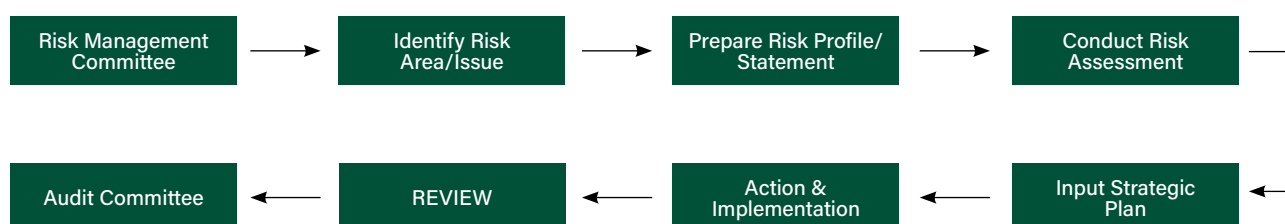
- assessing, improving and monitoring the Group Risk Management Framework ("RMF");
- evaluating and monitoring the overall risk profile;
- reviewing key business area and activities that are considered significant from a risk perspective; and
- providing guidance to Management in the development of appropriate 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	Controls/Measures	In-Charge
1.	IMAGE • Current image, Shareholders, Directors and Management	<ul style="list-style-type: none"> • Profitability and Sustainability • Corporate Social Responsibility 	<ul style="list-style-type: none"> • Effects of support from Banker and recruitment of good management staff and employees • Effects of support from the local communities 	<ul style="list-style-type: none"> • Medium • Low 	<ul style="list-style-type: none"> • More publicity and activities to be carry out by the Directors and management to strengthen the positive image. • More publicity and activities to be carry out by the Directors and management to strengthen the positive image. 	<ul style="list-style-type: none"> • Directors & Management • Management & Staffs

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
2.	BUSINESS • Harvesting	• Contractors	• Great Impact on productivity and subsequent performance of the Company	• Medium	• Proper planning to increase harvesting activity and productivity during dry seasons to cover the shortage for wet seasons. If necessary, engage additional Contractors to increase the harvesting productivity.	• FMU & Harvesting Department
		• Buyer	• Great Impact on productivity and subsequent performance of the Company	• Medium	• Constantly updated on the timber market situation and be alert to the timber demand and prices at all times. • Proper planning is also needed to effectively and efficiently monitor and control the stock in hand. • Company plays an important role in protecting the buyers' sensitive information and preventing data breaches.	• FMU & Sales and Marketing, Corporate Services Department
	• Plantations	• Fair Weather, Soil Suitability and Weather Condition, Proper application of fertilisers.	• Affect the profitability	• High	• Ensure targeted planting area is met according to AWP and proper planning to maximise the planting and maintenance activities. Set minimum / low target for AWP for compliance achievement.	• FMU & Plantations Department
	• Properties	• Occupancy and Maintenance	• Impairment loss	• Medium	• Ensure the renewal of tenancy agreement and increase the rental fees by 5%-10%	• Admin Department, Internal Auditor & Valuer
	• Others (Disposal of Fixed Assets)	• Under control and monitor	• Impairment loss	• Medium	• Control and monitor of assets movement and conduct inspection on the moveable and non-moveable assets regularly.	• Admin Department, Internal Auditor & Valuer
	• Diversified Business Module	• reliance on sole business module	• Limited skills and knowledgeable resources resulting in possible loss of income in the future	• High	• Company to consider diversified business module and venturing into new business direction other than just managing FMU by producing logs through NFM and ITP alone for better business growth.	• Directors & Senior Management

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
3.	SHAREHOLDERS <ul style="list-style-type: none"> Major shareholders Shareholders expectation 	<ul style="list-style-type: none"> Financial Position Dividend & Profitability 	<ul style="list-style-type: none"> Liquidity and cash flow problem Loss of Shareholders' support 	<ul style="list-style-type: none"> Low Low 	<ul style="list-style-type: none"> Improve communication and possible regular meeting between Directors & Shareholders Meet the expectation of the Shareholders to improve the Group performance and possible declaration of dividend at the end of each year. 	<ul style="list-style-type: none"> Directors Directors & Senior Management
4.	FINANCIAL <ul style="list-style-type: none"> International Financial Reporting Standard ("IFRS") and Malaysia Financial Reporting Standards ("MFRS") Property, Plant and Equipment Financial Performance (Funding and Costing) 	<ul style="list-style-type: none"> Compliance with accounting standard Control or monitor of assets movement Effective decision making & Efficient costing / performance 	<ul style="list-style-type: none"> Suspended or reprimanded by MIA, MASB, Bursa Securities ("Bursa"), Securities Commission ("SC"), Companies Commission of Malaysia (CCM") and possible penalties that maybe imposed. Loss of Assets Loss of credibility and funding 	<ul style="list-style-type: none"> Medium Medium Low 	<ul style="list-style-type: none"> Up to date with the accounting standard by attending regular external training conducted by the professional bodies such as MIA, MASB, Bursa, SC and CCM. Conduct inhouse training within the accounts department to ensure that the accounting changes are relatively conveyed and in practice. To ensure the accounting policy and procedure are updated timely. Control and monitor of assets movement and conduct inspection on the moveable and non-moveable assets regularly. Keep proper registration and records. Continuously provide timely accounting analysis for Director/ Management decision. Monitoring funding and cost cutting measure efficiently. Review general ledger regularly to avoid/ minimise input errors. 	<ul style="list-style-type: none"> Directors, Audit Committees, Accounts Department, External Auditors, Internal Auditors & Company Secretary Admin Department, Internal Auditor & Valuer Accounts Department

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
4.	• Budget	• Accuracy & Comprehensive	• Loss of credibility and funding	• Medium	• Ensure the annual budget is accurately prepared in line with the annual business plan and provide comparison at the end of each year. Review each business sector to minimise the losses and improve the performance of the Group.	• Accounts Department
	• Transfer Pricing ("TP")	• Tax Compliance	• Additional taxes and penalties imposed by the Tax Authority	• Medium	• Closely monitor the TP transactions between the related parties and subsidiaries within the Group of Companies and to ensure the TP compliant are in accordance with the TP Rules and Guidelines issued by the Tax Authority.	• Accounts Department
5.	HUMAN CAPITAL • Directors	• Ability and concern of the Company.	• Affect Company performance and Profitability	• Medium	• Conduct appraisal review yearly.	• Major Shareholders & Directors
	• Key Management	• Competency and concern of the Company	• Affect Company performance and Profitability	• Medium	• Conduct appraisal review yearly. Provide job satisfaction review and training in the related field from time to time.	• CEO & Senior Management
	• Forest Management Unit ("FMU")	• Devotion	• Affect Company performance and Profitability	• Medium	• Conduct appraisal review yearly. Provide job satisfaction review and training in the related field from time to time.	• FMU & HR Department
	• Harvesting Staffs	• Competency	• Affect Company performance and Profitability	• Medium	• Conduct appraisal review yearly. Provide job satisfaction review and training in the related field from time to time.	• Harvesting & HR Department
	• Plantation Staffs	• Competency	• Affect Company performance and Profitability	• Medium	• Conduct appraisal review yearly. Provide job satisfaction review and training in the related field from time to time.	• Plantations & HR Department

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
5.	• Occupation Safety and Health ("OSH")	• Safety Procedure and Awareness	• Penalty for non-compliance & Company's performance	• High	• Conduct appraisal review yearly. Improve working environment and facilities in the Camp. Provide job satisfaction review and training in the related field twice a year.	• FMU & HR Department
	• Foreign Workers	• Levy and approval from Immigration	• Loss of workers	• High	• Keep up to date with the foreign worker policy and employment requirement.	• FMU, Admin, Harvesting & Plantation Department
	• Minimum Wages	• Performance	• Penalty for non-compliance	• Medium	• Review the salary scale at the end of each year to ensure Company meet with the minimum wages' requirement.	• HR & Accounts Department
	• COVID-19 (Endemic)	• Health and Safety	• Operation disruption, company performance and penalty for non-compliance	• Medium	• Review the health-related standard operating procedure ("SOP") from time to time in accordance to the World Health Organisation ("WHO") and Ministry of Health ("MOH")	• Internal & External stakeholders (shareholders, directors, employees, contractors, auditors and etc.)
6.	LICENCE & REGULATIONS • Obligation & Compliance (Annual Working Plan ("AWP"), Plantation Development Plan ("PDP") & Forest Management Plan ("FMP"))	• Proper preparation and compliance	• Affect the FMU License Agreement	• Medium	• Prepare check list, regular review/ inspection are conducted to ensure the Company comply with the regulations. Ensure the AWP, PDP & FMP are prepared according to Forestry requirement. Ensure yearly TLAS audit are granted approval.	• CEO, FMU Department & Contractors
	• Malaysian Timber Certification Scheme ("MTCS")	• Compliance	• Reduce profitability and performance	• Medium	• The MTCS Certification was deferred to 2020 after the conversion exercise takes place.	• FMU Department
	• Bursa Securities (Listing Regulations)	• Compliance	• Non-Compliance and possible penalty that maybe imposed	• Low	• Up to date with Bursa requirement by attending the training conducted by Bursa/Company Secretary and prepare a checklist to ensure that Company comply and meet with Bursa requirement and review regularly for amendment.	• Directors, Primary Officers & Company Secretary

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
	<ul style="list-style-type: none"> Environmental, Social & Governance ("ESG") Common Sustainability Matters ("CSM") based on the recommended Common Indicators ("CI") C1 Anti-corruption C2 Community / Society C3 Diversity C4 Energy Management C5 Health & Safety C6 Labor Practices & Standards C7 Supply Chain Management C8 Data privacy & Security C9 Water 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Up to date with Bursa requirement by attending the training conducted by Bursa/Company Secretary and prepare a checklist to ensure that Company comply and meet with Bursa requirement and review regularly for amendment. Adoption of CI as prescribed by the Bursa Malaysia is by 31 December 2023. a) 3 Years Data for each Indicator b) Performance Targets Performance Data Table Sustainability Statement subjected to an internal review by the internal auditor called the "Statement of Assurance" 	<ul style="list-style-type: none"> Directors, Primary Officers & Company Secretary
	<ul style="list-style-type: none"> Additional CSM and CI C10 Waste Management C11 Emissions Management (Scope 1, 2 & 3) 				<ul style="list-style-type: none"> Adoption of CI as prescribed by the Bursa Malaysia is by 31 December 2024. a) 3 Years Data for each Indicator b) Performance Targets Performance Data Table 	<ul style="list-style-type: none"> Directors, Primary Officers, Internal Auditor & Company Secretary
	<ul style="list-style-type: none"> Task-Force on Climate Change Financial Disclosures ("TCFD") -aligned disclosures (pre-adoption) 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Adoption of TCFD-aligned disclosures in 3 Phases based on the recommended disclosures by 31 December 2025. Board of Directors: <ul style="list-style-type: none"> a) Board's Oversight of climate-related issues b) Management's role in assessing and managing climate-related issues. 	<ul style="list-style-type: none"> Directors, Primary Officers, Internal Auditor & Company Secretary

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
6.	<ul style="list-style-type: none"> Conflict of Interest ("COI") Disclosures 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Low 	Risk Management Committee: a) Processes for identifying and assessing climate-related risks. b) Processes for managing climate-related risks. How these processes are integrated into overall risk management. <ul style="list-style-type: none"> The Audit Committee "AC" to disclose a summary of any COI or potential COI situations and the measures taken to resolve, eliminate, or mitigate such conflicts in the Annual Report under the AC Report by 31 December 2024. 	<ul style="list-style-type: none"> Directors, Primary Officers, & Company Secretary
	<ul style="list-style-type: none"> Mandatory Accreditation Programme ("MAP") Part II 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Existing Directors appointed prior to 1 August 2023 are required to complete the MAP Part II within 24 months i.e 1 August 2023 to 1 August 2025. 	<ul style="list-style-type: none"> Directors, Primary Officers, & Company Secretary
	<ul style="list-style-type: none"> Securities Commission of Malaysia ("SC") 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 		<ul style="list-style-type: none"> Up to date with SC requirement by attending the training conducted by SC/ Company Secretary and prepare checklist to ensure that Company comply with SC requirement and review regularly for amendment. 	<ul style="list-style-type: none"> Directors, Primary Officers, & Company Secretary
	<ul style="list-style-type: none"> Companies Commission of Malaysia ("CCM") 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Up to date with CCM requirement by attending the training conducted by CCM/Company Secretary and prepare checklist to ensure that Company comply with CCM requirement and review regularly for amendment. 	<ul style="list-style-type: none"> Chairman, Directors, CEO, Management, FMU Department & Contractors
	<ul style="list-style-type: none"> Sabah Forestry Department ("SFD") 	<ul style="list-style-type: none"> Good working relationship with the authority 	<ul style="list-style-type: none"> Affect the FMU and the core business of the Company 	<ul style="list-style-type: none"> Significant 	<ul style="list-style-type: none"> Good working relationship with the authority and up to date with the changes of the relevant policy. 	<ul style="list-style-type: none"> Directors, Primary officers & all employees

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
6.	<ul style="list-style-type: none"> Malaysian Anti-Corruption Commission ("MACC") 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Non-Compliance and possible penalty that maybe imposed 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> The Anti-Bribery and Corruption "ABC" Policy to be in place and enforce accordingly. A copy of the ABC Policy to publish on Company's website for public information. 	<ul style="list-style-type: none"> Directors, Primary officers & all employees
7.	INDUSTRY & ECONOMIC (MALAYSIA & GLOBAL MARKET) <ul style="list-style-type: none"> Other FMU Holders Timber Association Sabah ("TAS") Timber Demand & Market Price Competition with Artificial Timber Replacement Sabah Timber Industry Association ("STIA") Anti-Logging of Tropical Rainforest by world NGOs Foreign Currency Exchange COVID-19 Pandemic (Globally) Russia-Ukraine War 	<ul style="list-style-type: none"> Mutual Co-operation Devoted leaders Economic downturn or boom Competition Downstream Production Raising of Tariff Fluctuation of foreign currency, US dollar for sale of timber Economic downturn Raising of price of raw materials. In the long run, leading to economic crises. 	<ul style="list-style-type: none"> Loss of market information Loss of market information Reduce profitability and performance Loss of market information Loss of market information Ban of import of tropical timber Impact on Ringgit, profit and cash flow from exchange of Ringgit to US Dollar. Reduced profitability and performance Reduce profitability 	<ul style="list-style-type: none"> Medium Low Medium Low Low High Medium High Medium 	<ul style="list-style-type: none"> Ensure Company is up to date with the competitors strategic and industry. Ensure the annual renewal of membership to qualify for the license requirement. Up to date with the market price and demand Price and product competition Ensure the annual renewal of membership to qualify for the license requirement. Work closely with the Government, the relevant body and association to set standard for tropical timber. Up to date with the foreign currency market situation. Up to date with the global COVID-19 situation. Implement cost saving measures, revise Company's budget to reflect the additional raw material costs incurred (e.g; Diesel) 	<ul style="list-style-type: none"> FMU Department FMU Department Sales & Marketing Department Sales & Marketing Department FMU Department Director/Senior Management Sales & Marketing Department Sales & Marketing and Corporate Services Department Director/Senior Management

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

No.	Key Areas	Key Factors	Impact/Effect	Level of Risk	Controls/Measures	In-Charge
8.	ENVIRONMENT					
	• Natural Disaster (Fire, Flood and Storm)	• Dry and Wet season, full attention	• Loss of Income	• Medium	• Insurance coverage, build and regularly maintain fire tower and ensure the office, staff quarters are built on the high ground. Provide training to the existing staff for fire/flood prevention	• Admin, FMU, Harvesting & Plantation Department
	• Social Impact (3rd Party)	• Encroachment Goodwill policy	• Penalty by the Authority	• Medium	• Set up an enforcement team, conduct regular boundary survey/inspection by licensed surveyor	• FMU, Harvesting & Plantation Department
	• Environmental Impact Assessment "EIA" and Environmental Compliance Report "ECR"	• Environmental Mitigation Measures	• Penalty by the Authority	• Medium	• Prepare ECR on every quarter to monitor the implementation of the mitigation	• FMU, Harvesting & Plantation Department
	• Wildlife Risk	• Wildlife Mitigation Plan	• Destruction of young plants.	• Medium	• Prevention strategy in place and increase of measures of control without killing.	• FMU, Harvesting & Plantation Department

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 2023, the Group has outsourced its internal audit function to Messrs Lim Chong & Co., AF 0069, (Lim KK & Co, AF 002520 with effect from 1 January 2024) 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 including to review and issue assurance for the Company's Sustainability Statement for year 2023 onwards.

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.

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

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

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

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

- **COI**

The Company has in placed the COI Policy which requires a yearly Declaration of Interest of its Directors and Key Senior Management. Each Directors and Key Senior Management must declare the nature, character and extent of his interest and conflict in the "Conflict of Interest Declaration Form". The COI Policy was formulated to appropriately manage the conflict and ensure Company is protected from any consequent damage to its activities and reputation. The Declaration Form must be disclosed to the AC for deliberation and approval, prior to the Board for endorsement and thereafter recorded in the minutes of meetings by the Company Secretary. Key Senior Management refers to Managing Director and/or Chief Executive Officer who is not a Director, Chief Operation Officer, Chief Financial Officer and/or any other person primarily responsible for the management of the subsidiaries.

- **Board Meeting**

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

- **Board Committees**

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

- **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.

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

RISK MANAGEMENT PROCESS & OUTPUT (CONT'D)

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 2024.

CONCLUSION

For the financial year ended 31 December 2023 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 2023 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
Lim Ah Lay (Appointed as at 24 May 2023)	Senior Independent Non-Executive Director	24/05/2023	2/2
Agnes Soei-Tin Lamey	Non-Independent Non-Executive Director	12/05/2017	5/5
Datuk Yap Pak Leong (Resigned as at 24 May 2024)	Non-Independent Non-Executive Director	30/12/2004	3/3

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 Terms of Reference "TOR" of AC was reviewed and revised on 21 February 2024 to reflect the amendments to the MMLR of Bursa Securities in relation to Conflict of Interest.

The detailed Terms of Reference of the AC is available on the Company's website at <http://timwell.com.my>

ACTIVITIES OF AC

The AC met five (5) times during the financial year ended 31 December 2023 ("FYE 2023"). During the FYE 2023, the AC conducted the following activities to discharge its functions and duties:-

1. Financial Results

- Review 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.
- Review 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.
- Review 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.

2. External Audit

- Review and approve the External Auditor's audit plan, audit approach and reporting requirements prior to the commencement of audit works for the year under review.
- Review and discuss 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.

Report of Audit Committee (cont'd)

ACTIVITIES OF AC (CONT'D)

2. External Audit (cont'd)

- Meet 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.
- Review and assess 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

- Review and approve the annual internal audit plan to ensure adequate scope and comprehensive coverage of the Group's activities.
- Review 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.
- Review 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.
- Review and assess 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

- Review 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. Conflict of Interest

- The AC has assessed all disclosures of conflicts of interest by the Directors, Key Senior Management and legal representatives.
- During the process of evaluating and handling the conflict of interest, the committee found no conflict of interest and potential conflict of interest.
- The AC ensures the Group has adequate procedures and processes in place to ensure proper disclosure of conflict of interest or reporting conflict of interest or potential conflict of interest on a periodic basis.

6. Annual Reporting

- Review and recommend the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2023 to the Board for approval. This Statement was approved by the Board on 26 March 2024.

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.

Report of Audit Committee (cont'd)

GROUP EXTERNAL AUDIT (CONT'D)

1. DUTIES AND RESPONSIBILITIES (CONT'D)

As a part of an audit in accordance with approved standards on auditing in Malaysia and 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 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 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.
- 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.

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

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

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

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 2023. 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.

Report of Audit Committee (cont'd)

GROUP EXTERNAL AUDIT (CONT'D)

2. SUITABILITY AND INDEPENDENCE (CONT'D)

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 2023 were as follows:-

Group	Audit Fees (RM)	Non-Audit Fees (RM)
Messrs. Baker Tilly Monteiro Heng PLT	210,000	5,000

3. SUMMARIES 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 without the presence of Management.

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

GROUP INTERNAL AUDIT

1. DUTIES AND RESPONSIBILITIES

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

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

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

- 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.

Report of Audit Committee (cont'd)

GROUP INTERNAL AUDIT (CONT'D)

2. SUMMARY OF ACTIVITIES

The internal audit function was outsourced and carried out by an independent firm, Messrs. Lim KK & Co., to assist the AC in discharging its duties and responsibilities.

Messrs. Lim KK & 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 Harvesting.
- b) Internal Audit Review on the Group's policies and procedures over Human Resource Management & Group's Policies and Procedures over the Stock Movement Control System
- c) Review and issue assurance to the Sustainability Statement for year 2023 onwards.

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2023 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 21 February 2024. 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 2023, the amounts of audit and non-audit fees paid or payable by the Company and the Group to the external auditors are as follows:-

	Company (RM'000)	Group (RM'000)
Audit fees	196	210
Non-audit fees	5	5
Total	201	215

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.

Financial Statement

93	Directors' Report
99	Statements of Financial Position
101	Statements of Comprehensive Income
103	Statements of Changes in Equity
105	Statements of Cash Flows
108	Notes to Financial Statements
153	Statement by Directors
154	Statutory Declaration
155	Independent Auditors' Report

Registration No. 199601014835 (387185–W)

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 2023.

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 include integrated timber activities.

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

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year, net of tax	<u>(2,368)</u>	<u>(2,020)</u>
Attributable to:		
Owners of the Company	(2,219)	(2,020)
Non-controlling interests	<u>(149)</u>	<u>-</u>
	<u>(2,368)</u>	<u>(2,020)</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 dividends in respect of the financial year ended 31 December 2023.

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.

Registration No. 199601014835 (387185–W)

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 there were no known bad debts 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 it necessary to write off any 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.

CHANGE OF CIRCUMSTANCES

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

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (continued)

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.

AUDITORS' REMUNERATION AND INDEMNITY

The auditors' remuneration of the Group and the Company during the financial year are RM215,000 and RM201,000 respectively.

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Datuk Yap Pak Leong*
Agnes Soei-Tin Lamey
Loo Choo Hong
Michael @ Radio Bin Luban
Wong Chong Kim
Yap Fook Fung
Lim Ah Lay
Dato Sri Tiong King Sing

(Alternate director to Datuk Yap Pak Leong)
(Appointed on 24 May 2023)
(Resigned on 3 January 2023)

* 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 this report is:

Datuk Pau Chiong Ung

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

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 1.1.2023	Bought	Sold	At 31.12.2023
Direct interests:				
Agnes Soei-Tin Lamey	6,037,740	-	-	6,037,740
Datuk Yap Pak Leong	4,986,300	-	-	4,986,300
Yap Fook Fung	1,240,000	-	-	1,240,000
Indirect interests:				
Datuk Yap Pak Leong*	1,372,000	-	-	1,372,000
Wong Chong Kim^	5,042,432	-	-	5,042,432
Yap Fook Fung [#]	9,000	-	-	9,000

* Shares held through children

^ Shares held through spouse and company in which the director has substantial financial interests

Shares held through spouse

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 or debentures 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 shown below) 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.

The directors' benefits of the Group and of the Company were as follows:

	Group RM'000	Company RM'000
Directors of the Company		
- Fees	230	228
- Other emoluments	81	81
	<u>311</u>	<u>309</u>

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (continued)

DIRECTORS' BENEFITS (continued)

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.

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 as follows:

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

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

Registration No. 199601014835 (387185-W)


TIMBERWELL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (continued)

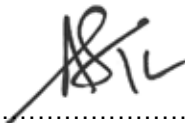
AUDITORS

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

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



.....
DATUK YAP PAK LEONG
Director



.....
AGNES SOEI-TIN LAMEY
Director

Date: 26 March 2024

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	11,667	12,258	7,997	8,458
Investment properties	6	18,137	18,402	-	-
Biological assets	7	28,527	29,650	28,527	29,650
Investment in subsidiaries	8	-	-	6,815	7,165
Intangible assets	9	8,227	8,339	8,227	8,339
Other receivables	10	606	583	606	583
Total non-current assets		67,164	69,232	52,172	54,195
Current assets					
Inventories	11	1,282	2,669	1,282	2,669
Trade and other receivables	10	6,385	5,942	6,277	5,865
Current tax assets		469	78	469	78
Other investment	12	58	1,541	58	1,541
Cash and short-term deposits	13	1,372	1,698	1,344	1,568
Total current assets		9,566	11,928	9,430	11,721
TOTAL ASSETS		76,730	81,160	61,602	65,916

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023** (continued)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	98,677	98,677	98,677	98,677
Revaluation reserve	15	8,140	7,886	1,062	939
Accumulated losses		(45,294)	(43,075)	(50,586)	(48,566)
		61,523	63,488	49,153	51,050
Non-controlling interests		2,699	2,758	-	-
TOTAL EQUITY		64,222	66,246	49,153	51,050
Non-current liabilities					
Borrowings	16	175	335	175	335
Deferred tax liabilities	17	7,428	7,881	7,428	7,881
Total non-current liabilities		7,603	8,216	7,603	8,216
Current liabilities					
Borrowings	16	148	178	148	178
Trade and other payables	18	4,757	6,520	4,698	6,472
Total current liabilities		4,905	6,698	4,846	6,650
TOTAL LIABILITIES		12,508	14,914	12,449	14,866
TOTAL EQUITY AND LIABILITIES		76,730	81,160	61,602	65,916

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

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	19	18,895	26,964	18,895	26,964
Cost of sales		(15,916)	(19,303)	(15,916)	(19,303)
Gross profit		2,979	7,661	2,979	7,661
Other income	20	955	8,445	585	384
Administrative expenses		(4,074)	(4,040)	(3,522)	(3,477)
Net reversal of impairment loss on financial instrument		-	5	-	-
Other expenses		(2,742)	(820)	(2,507)	(820)
Operating (loss)/profit		(2,882)	11,251	(2,465)	3,748
Finance costs	21	(30)	(27)	(30)	(27)
(Loss)/Profit before tax	22	(2,912)	11,224	(2,495)	3,721
Income tax credit/(expense)	24	544	(995)	475	(995)
(Loss)/Profit for the financial year		(2,368)	10,229	(2,020)	2,726
Other comprehensive (loss)/income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation of property, plant and equipment		344	-	123	-
Total comprehensive (loss)/income for the financial year		(2,024)	10,229	(1,897)	2,726

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(2,219)	7,159	(2,020)	2,726
Non-controlling interests		(149)	3,070	-	-
		<u>(2,368)</u>	<u>10,229</u>	<u>(2,020)</u>	<u>2,726</u>
Total comprehensive (loss) /income attributable to:					
Owners of the Company		(1,965)	7,159	(1,897)	2,726
Non-controlling interests		(59)	3,070	-	-
		<u>(2,024)</u>	<u>10,229</u>	<u>(1,897)</u>	<u>2,726</u>
(Loss)/Earnings per ordinary share attributable to owners of the Company					
- basic and diluted, (loss)/earnings per ordinary share (sen)	26	<u>(2.49)</u>	<u>8.04</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 2023**

<----- 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 2022		98,677	7,886	(48,453)	58,110	(312)	57,798
Total comprehensive income for the financial year							
Profit for the financial year, representing total comprehensive income							
		-	-	7,159	7,159	3,070	10,229
Transaction with owners							
Dividend paid on shares, representing total transaction with owners							
27		-	-	(1,781)	(1,781)	-	(1,781)
At 31 December 2022							
		98,677	7,886	(43,075)	63,488	2,758	66,246
Total comprehensive loss for the financial year							
Loss for the financial year							
		-	-	(2,219)	(2,219)	(149)	(2,368)
Other comprehensive income for the financial year							
		-	254	-	254	90	344
Total comprehensive loss							
		-	254	(2,219)	(1,965)	(59)	(2,024)
At 31 December 2023							
		98,677	8,140	(45,294)	61,523	2,699	64,222

Registration No. 199601014835 (387185–W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**STATEMENTS OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (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
At 1 January 2022		98,677	939	(49,511)	50,105
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	2,726	2,726
Transaction with owners					
Dividend paid on shares, representing total transaction with owners	27	-	-	(1,781)	(1,781)
At 31 December 2022		98,677	939	(48,566)	51,050
Total comprehensive loss for the financial year					
Loss for the financial year		-	-	(2,020)	(2,020)
Other comprehensive income for the financial year		-	123	-	123
Total comprehensive loss		-	123	(2,020)	(1,897)
At 31 December 2023		98,677	1,062	(50,586)	49,153

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

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities:					
(Loss)/Profit before tax		(2,912)	11,224	(2,495)	3,721
Adjustments for:					
Amortisation of intangible assets	9	112	112	112	112
Depreciation of property, plant and equipment	5	1,114	1,074	694	652
Fair value gain on other investment		(16)	(29)	(16)	(29)
Fair value loss on biological assets	7	2,390	720	2,390	720
Fair value loss/(gain) on investment properties	6	265	(7,766)	-	-
Fair value loss on other receivable measured at amortised cost		86	100	86	100
Gain on lease modification		(1)	-	(1)	-
Interest expense		30	27	30	27
Interest income		(208)	(94)	(208)	(94)
Impairment losses on investment in a subsidiary		-	-	20	-
Loss on striking-off of a subsidiary		-	-	10	-
Net reversal of impairment loss on other receivables	10	-	(5)	-	-
Operating profit before changes in working capital		860	5,363	622	5,209
Changes in working capital:					
Inventories		1,387	(1,057)	1,387	(1,057)
Receivables		(552)	(4,331)	(521)	(4,267)
Payables		(1,763)	1,658	(1,763)	1,654
Net cash (used in)/from operations		(68)	1,633	(275)	1,539
Interest received		207	92	207	92
Interest paid		(6)	(9)	(6)	(9)
Income tax paid		(408)	(1,093)	(408)	(1,093)
Net cash (used in)/from operating activities		(275)	623	(482)	529

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities:					
Addition of biological assets		(1,267)	(870)	(1,267)	(870)
Purchase of property, plant and equipment	(a)	(77)	(313)	(77)	(313)
Repayments from subsidiaries		-	-	320	300
Withdrawal of short-term fund		1,500	500	1,500	500
Net cash from/(used in) investing activities		156	(683)	476	(383)
Cash flows from financing activities:					
Dividend paid	(b)	-	(1,781)	-	(1,781)
Interest paid		(24)	(18)	(24)	(18)
Payment of lease liabilities		(79)	(78)	(79)	(78)
Repayment of hire purchase		(104)	(88)	(104)	(88)
Repayment to subsidiaries		-	-	(11)	(14)
Net cash used in financing activities		(207)	(1,965)	(218)	(1,979)
Net decrease in cash and cash equivalents		(326)	(2,025)	(224)	(1,833)
Cash and cash equivalents at the beginning of the financial year		1,698	3,723	1,568	3,401
Cash and cash equivalents at the end of the financial year		1,372	1,698	1,344	1,568

(a) Purchase of property, plant and equipment

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	77	647	77	647
Financed by way of lease arrangements	-	(334)	-	(334)
Cash payments on purchase of property, plant and equipment	77	313	77	313

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1 January 2023 RM'000	Cash flows RM'000	Non-cash Lease modification RM'000	31 December 2023 RM'000
Group				
Lease liabilities	171	(79)	(7)	85
Hire purchase payables	342	(104)	-	238
	<u>513</u>	<u>(183)</u>	<u>(7)</u>	<u>323</u>
Company				
Lease liabilities	171	(79)	(7)	85
Hire purchase payables	342	(104)	-	238
Amounts owing to a subsidiary	40	(11)	-	29
	<u>553</u>	<u>(194)</u>	<u>(7)</u>	<u>352</u>

	1 January 2022 RM'000	Cash flows RM'000	<----- Non-cash -----> Acquisition RM'000	Capital reduction RM'000	31 December 2022 RM'000
Group					
Lease liabilities	249	(78)	-	-	171
Hire purchase payables	96	(88)	334	-	342
	<u>345</u>	<u>(166)</u>	<u>334</u>	<u>-</u>	<u>513</u>
Company					
Lease liabilities	249	(78)	-	-	171
Hire purchase payables	96	(88)	334	-	342
Amounts owing to a subsidiary	9,475	(14)	-	(9,421)	40
	<u>9,820</u>	<u>(180)</u>	<u>334</u>	<u>(9,421)</u>	<u>553</u>

(c) Total cash outflows for leases

During the financial year, the Group and the Company had total cash outflows for leases of RM84,976 (2022: RM86,976) respectively.

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

Registration No. 199601014835 (387185–W)

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 and the principal place of business of the Company are located at 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah, Malaysia.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2024.

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

2.2 Adoption of new MFRS and amendments to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

New MFRS

MFRS 17	Insurance Contracts
---------	---------------------

Amendments to MFRSs

MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

The adoption of the above new MFRS and amendments 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, except as discussed below:

Amendments to MFRS 101 Presentation of Financial Statements

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.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policy of the Group and the Company.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

2.3 Amendments to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- 2.3.1** The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

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.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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

***Amendments to MFRS 101 Presentation of Financial Statements* (continued)**

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Unless otherwise stated, the following material accounting policy information 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

(a) Subsidiaries and business combination

The Group applies the acquisition method to account for business combinations from the acquisition date when the acquired set of activities meets the definition of a business and control is transferred to the Group.

(b) Non-controlling interests

At the acquisition date, components of non-controlling interests of the Group are measured at their acquisition-date fair values.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Financial instruments

Financial assets – subsequent measurement and gain and losses

Financial assets at fair value through profit or loss

The Group and the Company subsequently measure these assets at fair value. Net gains and losses, including any interest and dividend income, are recognised in profit or loss.

Debt instruments at amortised cost

The Group and the Company subsequently measures these assets at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – subsequent measurement and gain and losses

Financial liabilities at amortised cost

The Group and the Company subsequently measures other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4 Property, plant and equipment

Property, plant and equipment (other than buildings, plant and machineries, motor vehicles and right-of-use assets) are measured at cost less accumulated depreciation and accumulated impairment losses.

Buildings, plant and machineries and motor vehicles are measured using revaluation model, based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses recognised after the date of revaluation. 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.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Property, plant and equipment (continued)

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

All property, plant and equipment (other than right-of-use assets as disclosed in Note 3.5) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Buildings	2.63% - 10%
Plant and machineries	6.67% - 10%
Motor vehicles	20%
Road and 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.

3.5 Leases

(a) Lessee accounting

The Group and the Company presents right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 5 and lease liabilities as borrowings in Note 16.

Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are 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.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

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

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Leases (continued)

(b) Lessor accounting

The Group recognises lease payment received from investment properties under operating leases as income on a straight-line basis over the lease term as part of other income.

3.6 Investment properties

Investment properties are measured at fair value with gains and losses arising from changes in the fair value of investment properties recognised in profit or loss for the period in which they arise.

3.7 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.

3.8 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.

3.9 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.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Revenue and other income

(a) Sales of goods

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.

(b) Interest income

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

(c) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

3.11 Deferred tax

Where investment properties are carried at fair value in accordance with the accounting policy information as disclosed in Note 3.6, 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. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 and of the Company are reported at fair value, with changes in fair values being recognised in profit or loss. The Group and the Company 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.

(b) Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group is to estimate the fair value of the investment properties based on information provided and the market valuation performed by an external independent valuer. Significant judgement is required to be 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.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Plant and machineries		Motor vehicles RM'000	Road and bridges RM'000	Office equipments		Office renovation and fittings RM'000	Furniture RM'000	Nursery RM'000	Right-of-use assets		Total RM'000
		At valuation	At cost			RM'000	RM'000				RM'000	RM'000	
2023													
At cost/valuation													
At 1 January 2023	457	6,393	874	10,873	206	56	96	170	432	19,557			19,557
Additions	76	-	-	-	1	-	-	-	-	-			77
Derecognition*	-	-	-	-	-	-	-	-	-	-		(44)	(44)
Elimination of accumulated depreciation on revaluation	(129)	(2,058)	(533)	-	-	-	-	-	-	-		-	(2,720)
Revaluation surplus	7	158	287	-	-	-	-	-	-	-		-	452
At 31 December 2023	411	4,493	628	10,873	207	56	96	170	388	17,322			17,322
Accumulated depreciation													
At 1 January 2023	80	1,508	368	4,636	106	56	95	170	280	7,299			7,299
Derecognition*	-	-	-	-	-	-	-	-	(38)	-		(38)	(38)
Depreciation charge for the financial year	49	550	165	259	19	-	-	-	72	1,114			1,114
Elimination of accumulated depreciation on revaluation	(129)	(2,058)	(533)	-	-	-	-	-	-	-		-	(2,720)
At 31 December 2023	-	-	-	4,895	125	56	95	170	314	5,655			5,655
Carrying amount													
At 31 December 2023	411	4,493	628	5,978	82	-	1	-	74	11,667			11,667

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings		Plant and		Motor		Road and		Office		Furniture		Nursery		Right-of-use		Total
	RM'000	machineries	RM'000	vehicles	RM'000	bridges	equipments	renovation	and fittings	RM'000	RM'000	RM'000	RM'000	RM'000	assets	RM'000	RM'000
	<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		<----- At valuation ----->		Total
2022	At valuation		At valuation		At valuation		At valuation		At valuation		At valuation		At valuation		At valuation		Total
At cost/valuation	At cost		At cost		At cost		At cost		At cost		At cost		At cost		At cost		Total
At 1 January 2022	457	5,886	760	10,873	180	56	96	170	432	18,910							
Additions	-	507	114	-	26	-	-	-	-	647							
At 31 December 2022	457	6,393	874	10,873	206	56	96	170	432	19,557							
Accumulated depreciation																	
At 1 January 2022	34	984	214	4,377	89	56	95	170	206	6,225							
Depreciation charge for the financial year	46	524	154	259	17	-	-	-	74	1,074							
At 31 December 2022	80	1,508	368	4,636	106	56	95	170	280	7,299							
Carrying amount																	
At 31 December 2022	377	4,885	506	6,237	100	-	1	-	152	12,258							

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

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 RM'000	Furniture and fittings RM'000	Nursery RM'000	Right-of-use assets RM'000	Total RM'000
2023										
At cost/valuation										
At 1 January 2023	457	1,367	837	10,873	205	56	89	170	432	14,486
Additions	76	-	-	-	1	-	-	-	-	77
Derecognition*	-	-	-	-	-	-	-	-	(44)	(44)
Elimination of accumulated depreciation on revaluation	(128)	(390)	(519)	-	-	-	-	-	-	(1,037)
Revaluation surplus/ (loss)	6	(123)	279	-	-	-	-	-	-	162
At 31 December 2023	411	854	597	10,873	206	56	89	170	388	13,644
Accumulated depreciation										
At 1 January 2023	79	257	356	4,636	106	56	88	170	280	6,028
Derecognition*	-	-	-	-	-	-	-	-	(38)	(38)
Depreciation charge for the financial year	49	133	163	259	18	-	-	-	72	694
Elimination of accumulated depreciation on revaluation	(128)	(390)	(519)	-	-	-	-	-	-	(1,037)
At 31 December 2023	-	-	-	4,895	124	56	88	170	314	5,647
Carrying amount										
At 31 December 2023	411	854	597	5,978	82	-	1	-	74	7,997

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings		Plant and machineries		Motor vehicles		Road and bridges		Office equipments		Office renovation and fittings		Furniture		Nursery		Right-of-use assets		Total
	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000	At valuation	RM'000
2022																			
At cost/valuation																			
At 1 January 2022	457		860		723		10,873		179		56		89		170		432		13,839
Additions	-		507		114		-		26		-		-		-		-		647
At 31 December 2022	457		1,367		837		10,873		205		56		89		170		432		14,486
Accumulated depreciation																			
At 1 January 2022	34		150		206		4,377		89		56		88		170		206		5,376
Depreciation charge for the financial year	45		107		150		259		17		-		-		-		74		652
At 31 December 2022	79		257		356		4,636		106		56		88		170		280		6,028
Carrying amount																			
At 31 December 2022	378		1,110		481		6,237		99		-		1		-		152		8,458

* Derecognition of the right-of-use assets was a result of termination of certain leases.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Assets pledge as security

Plant and machineries and motor vehicles with carrying amount of RM454,000 and RM85,000 (2022: RM512,000 and RM108,000) respectively have been pledged as security for hire purchase arrangement as disclosed in Note 16(b).

(b) Right-of-use assets

The Group and the Company lease buildings.

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

	Group and Company Buildings RM'000 At cost
Carrying amount	
At 1 January 2022	226
Depreciation	(74)
	<hr/>
At 31 December 2022	152
Depreciation	(72)
Derecognition*	(6)
	<hr/>
At 31 December 2023	<u>74</u>

* Derecognition of the right-of-use assets was a result of termination of certain leases.

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 4 to 6 years.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Fair value information

Fair value of buildings, plant and machineries and motor vehicles are categorised as Level 3. Level 3 fair value is based on the cost approach determined by external independent valuer, 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 2023 and 31 December 2022.

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.

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 of the Company are as follows:

	2023	2022
	RM'000	RM'000
Group		
Buildings	109	55
Plant and machineries	652	791
Motor vehicles	85	108
	<u>846</u>	<u>954</u>
	<u><u>846</u></u>	<u><u>954</u></u>
Company		
Buildings	109	55
Plant and machineries	652	785
Motor vehicles	85	108
	<u>846</u>	<u>948</u>
	<u><u>846</u></u>	<u><u>948</u></u>

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTIES

Group	Leasehold land RM'000	Buildings RM'000	Total RM'000
At fair value:			
At 1 January 2022	4,554	6,082	10,636
Fair value gain/(loss) on investment properties (Note 20)	8,046	(280)	7,766
At 31 December 2022	12,600	5,802	18,402
Fair value gain/(loss) on investment properties (Note 22)	800	(1,065)	(265)
At 31 December 2023	13,400	4,737	18,137

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

	Group	
	2023 RM'000	2022 RM'000
Rental income	353	252
Direct operating expenses		
- Income generating investment properties	36	36

(a) Assets pledged as security

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

(b) Fair value information

Fair value of investment properties is categorised as Level 3.

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 2023 and 31 December 2022.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTIES (continued)

(b) Fair value information (continued)

Level 3 fair value

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land	Sales comparison approach	Price per acre of RM460,000 (2022: RM430,000)	The higher the price per acre, the higher the fair value
Buildings	Cost approach	Price per square foot of RM13 (2022: RM16)	The higher the price per square foot, the higher the fair value

Valuation processes applied by the Group

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. The valuer is engaged on a yearly basis. Changes in Level 3 fair values are analysed by the Group 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 investment properties, the highest and best use of the properties is their current use.

7. BIOLOGICAL ASSETS

	Group and Company	
	2023	2022
	RM'000	RM'000
At fair value:		
At 1 January	29,650	29,500
Additions	1,267	870
Changes in fair value of biological assets	(2,390)	(720)
At 31 December	<u>28,527</u>	<u>29,650</u>

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. BIOLOGICAL ASSETS (continued)

Biological assets represent the forest planting expenditures incurred on the development of the Group's and the Company's Sustainable Forest Management Project under a Sustainable Forest Management Licence Agreement with the Sabah State Government over an area of 45,659 hectares (2022: 45,659 hectares) in the Lingkabau Forest Reserve in Sabah for 100 years since 1997.

Fair value information

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

Level 3 fair value

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Planted trees	Discounted cash flows	(i) Log selling price per m ³ RM450 (2022: RM470)	The higher the selling price, the higher the fair value
		(ii) Discount rate of 12% (2022: 12%)	The higher the discount rate, the lower the fair value
		(iii) Estimated yield per hectare of wood/timber (m ³ /ha) ranging from 43 to 111 (2022: 43 to 111)	The higher the yield rate, the higher the fair value

Valuation processes applied by the Group and the Company

The Group and the Company 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.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2023	2022
	RM'000	RM'000
Unquoted shares - at cost	39,901	39,911
Loans that are part of net investments	15,000	15,320
	54,901	55,231
Less: Accumulated impairment losses	(48,086)	(48,066)
	6,815	7,165

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

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2023	2022	
		%	%	
Held directly:				
Timberwell Plywood Sdn. Bhd.	Malaysia	59	59	Integrated timber activities
Timberwell Properties Sdn. Bhd.	Malaysia	100	100	Dormant
Timberwell Plantations Sdn. Bhd.*	Malaysia	-	100	Dormant

* Struck-off in current financial year

(a) Striking-off of a subsidiary

Timberwell Plantations Sdn. Bhd.

On 8 November 2023, the Company's wholly-owned subsidiary, Timberwell Plantations Sdn. Bhd. had been struck-off from the Register of Companies Commission of Malaysia.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENT IN SUBSIDIARIES (continued)

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

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

	Timberwell Plywood Sdn. Bhd.	
	2023	2022
	RM'000	RM'000
NCI percentage of ownership interest and voting interest	41%	41%
Carrying amount of NCI	2,699	2,758
(Loss)/Profit allocated to NCI	(59)	3,070

(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:

	Timberwell Plywood Sdn. Bhd.	
	2023	2022
	RM'000	RM'000
Summarised statement of financial position		
Non-current assets	21,630	22,025
Current assets	133	203
Current liabilities	(74)	(74)
Net assets	21,689	22,154
Loans that are part of investment	(15,000)	(15,320)
	6,689	6,834
Summarised statement of comprehensive income		
Revenue	-	-
(Loss)/Profit for the financial year	(366)	7,521
Total comprehensive (loss)/income for the financial year	(145)	7,521
Summarised cash flow information		
Cash flows from operating activities	219	109
Cash flows used in financing activities	(320)	(300)
Net decrease in cash and cash equivalents	(101)	(191)

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INTANGIBLE ASSETS

	Group and Company	
	2023	2022
	RM'000	RM'000
Cost		
At 1 January/31 December	<u>10,411</u>	<u>10,411</u>
Accumulated amortisation		
1 January	2,072	1,960
Amortisation charged during the financial year	<u>112</u>	<u>112</u>
31 December	<u>2,184</u>	<u>2,072</u>
Carrying amount		
31 December	<u><u>8,227</u></u>	<u><u>8,339</u></u>

The amortisation of intangible assets of the Group and of the Company is an amount of RM111,722 (2022: RM111,722) included in administrative expenses in the statements of comprehensive income.

Registration No. 199601014835 (387185-W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**10. TRADE AND OTHER RECEIVABLES**

		Group		Company	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Non-current:					
Non-trade					
Other receivables	(a)	606	583	606	583
Current:					
Trade					
Trade receivables	(b)	5,063	4,451	5,063	4,451
Non-trade					
Other receivables		1,332	1,530	1,006	1,235
Less: Allowance for impairment loss	(c)	(226)	(226)	-	-
		1,106	1,304	1,006	1,235
Refundable deposits		146	152	138	144
Prepayments		70	35	70	35
		1,322	1,491	1,214	1,414
Total trade and other receivables (current)		6,385	5,942	6,277	5,865
Total trade and other receivables (non-current and current)		6,991	6,525	6,883	6,448

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER RECEIVABLES (continued)

- (a) Long term other receivable is measured at amortised cost at imputed interest rate at 12.27% (2022: 12.65%) per annum.
- (b) Trade receivables are non-interest bearing and normal credit terms offered by the Group and the Company ranging from 30 to 120 days (2022: 30 to 120 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.
- (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:

	Group	
	2023	2022
	RM'000	RM'000
Other receivables		
At 1 January	226	231
Reversal of impairment loss	-	(5)
At 31 December	<u>226</u>	<u>226</u>

- (d) The information about the credit exposures are disclosed in Note 28(b)(i).

11. INVENTORIES

	Group and Company	
	2023	2022
	RM'000	RM'000
At cost:		
Raw materials	1,282	2,652
Finished goods	-	17
	<u>1,282</u>	<u>2,669</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>15,916</u>	<u>19,303</u>

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. OTHER INVESTMENT

	Group and Company	
	2023	2022
	RM'000	RM'000
Financial assets at fair value through profit or loss ("FVPL")		
At fair value:		
Short-term fund	58	1,541

13. CASH AND SHORT-TERM DEPOSITS

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Cash and bank balances		948	1,282	920	1,152
Short-term deposits placed with licensed bank	(a)	424	416	424	416
		<u>1,372</u>	<u>1,698</u>	<u>1,344</u>	<u>1,568</u>

- (a) Deposits placed with licensed banks of the Group and of the Company bear effective interest rates at 1.75% (2022: 1% to 1.75%) per annum with a maturity of three months or less.

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		<----- Amounts ----->	
	2023	2022	2023	2022
	Units	Units	RM'000	RM'000
Issued and fully paid up (no par value):				
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.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. REVALUATION RESERVE

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

16. BORROWINGS

		Group and Company	
		2023	2022
	Note	RM'000	RM'000
Non-current:			
Lease liabilities	(a)	12	97
Hire purchase payables	(b)	163	238
		<u>175</u>	<u>335</u>
Current:			
Lease liabilities	(a)	73	74
Hire purchase payables	(b)	75	104
		<u>148</u>	<u>178</u>
		<u>323</u>	<u>513</u>
Total borrowings:			
Lease liabilities	(a)	85	171
Hire purchase payables	(b)	238	342
		<u>323</u>	<u>513</u>

Registration No. 199601014835 (387185–W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**16. BORROWINGS** (continued)**(a) Lease liabilities**

The average interest rate implicit in the leases is 4.50% (2022: 4.50%).

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Minimum lease payments:		
Not later than one year	75	87
Later than one year and not later than 5 years	12	92
	<u>87</u>	<u>179</u>
Less: Future finance charges	<u>(2)</u>	<u>(8)</u>
Present value of minimum lease payments	<u>85</u>	<u>171</u>
Present value of minimum lease payments:		
Not later than one year	73	74
Later than one year and not later than 5 years	12	97
	<u>85</u>	<u>171</u>
Less: Amount due within 12 months	<u>(73)</u>	<u>(74)</u>
Amount due after 12 months	<u>12</u>	<u>97</u>

(b) Hire purchase payables

Hire purchase payables of the Group of RM238,000 (2022: RM342,000) bears interest ranging from 2.49% to 2.55% (2022: 2.49% to 4.50%) per annum and are secured by the Group's plant and machineries and motor vehicles under hire purchase arrangements as disclosed in Note 5(a).

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. DEFERRED TAX LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	<u>(7,428)</u>	<u>(7,881)</u>	<u>(7,428)</u>	<u>(7,881)</u>

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	(7,881)	(7,799)	(7,881)	(7,799)
Recognised in profit or loss (Note 24)	561	(82)	492	(82)
Recognised in other comprehensive income (Note 25)	<u>(108)</u>	<u>-</u>	<u>(39)</u>	<u>-</u>
At 31 December	<u>(7,428)</u>	<u>(7,881)</u>	<u>(7,428)</u>	<u>(7,881)</u>

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
Property, plant and equipment	(706)	(765)	(706)	(765)
Biological assets	<u>(6,847)</u>	<u>(7,116)</u>	<u>(6,847)</u>	<u>(7,116)</u>
	<u>(7,553)</u>	<u>(7,881)</u>	<u>(7,553)</u>	<u>(7,881)</u>
Deferred tax assets				
Unused tax losses	90	-	90	-
Unabsorbed capital allowance	<u>35</u>	<u>-</u>	<u>35</u>	<u>-</u>
	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>
	<u>(7,428)</u>	<u>(7,881)</u>	<u>(7,428)</u>	<u>(7,881)</u>

Registration No. 199601014835 (387185-W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**17. DEFERRED TAX LIABILITIES** (continued)

- (c) Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2023	2022
	RM'000	RM'000
Property, plant and equipment	(6,838)	(6,384)
Unused tax losses	20,693	20,693
Unabsorbed capital allowance	174	-
	<u>14,029</u>	<u>14,309</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.

The unused tax losses are available for offset against future taxable profits of the Group up to the following financial years:

	Group	
	2023	2022
	RM'000	RM'000
2028	<u>20,693</u>	<u>20,693</u>

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Current:					
Trade					
Trade payables	(a)	<u>836</u>	<u>748</u>	<u>836</u>	<u>748</u>
Non-trade					
Other payables		119	128	107	115
Deposits		72	72	-	-
Accruals		3,730	5,572	3,726	5,569
Amount owing to a subsidiary	(b)	<u>-</u>	<u>-</u>	<u>29</u>	<u>40</u>
		<u>3,921</u>	<u>5,772</u>	<u>3,862</u>	<u>5,724</u>
Total trade and other payables (current)		<u>4,757</u>	<u>6,520</u>	<u>4,698</u>	<u>6,472</u>

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. TRADE AND OTHER PAYABLES (continued)

- (a) The normal trade credit terms granted to the Group range from 30 to 60 days (2022: 30 to 60 days).
- (b) Amount owing to a subsidiary is unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.
- (c) For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 28(b)(ii).

19. REVENUE

	Group and Company	
	2023	2022
	RM'000	RM'000
At point in time:		
Sales of goods	18,895	26,964

20. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fair value gain on other investment	16	29	16	29
Fair value gain on investment properties (Note 6)	-	7,766	-	-
Gain on lease modification	1	-	1	-
Interest income	208	94	208	94
Realised gain on foreign exchange	9	164	9	164
Rental income	353	252	-	-
Other income	368	140	351	97
	<u>955</u>	<u>8,445</u>	<u>585</u>	<u>384</u>

Registration No. 199601014835 (387185-W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**21. FINANCE COSTS**

	Group and Company	
	2023	2022
	RM'000	RM'000
Interest expense on:		
- lease liabilities	6	9
- hire purchase payables	24	18
	<u>30</u>	<u>27</u>

22. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	112	112	112	112
Auditors' remuneration				
- statutory audit:				
- Baker Tilly Monteiro Heng PLT	210	195	196	182
Other services				
- Baker Tilly Monteiro Heng PLT	5	5	5	5
- Member firms of Baker Tilly International	24	34	17	22
Depreciation of property, plant and equipment (Note 5)	1,114	1,074	694	652
Employee benefits expenses (Note 23)	2,682	2,796	2,666	2,780
Fair value loss on other receivable measured at amortised cost	86	100	86	100
Fair value loss on biological assets (Note 7)	2,390	720	2,390	720
Fair value loss on investment properties (Note 6)	265	-	-	-
Impairment losses on investment in a subsidiary	-	-	20	-
Loss of striking-off of a subsidiary	-	-	10	-
Realised loss on foreign exchange	32	-	32	-
Reversal of impairment loss on other receivables	-	(5)	-	-

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	2,333	2,488	2,319	2,473
Defined contribution plan	268	219	266	218
Other employee benefits	81	89	81	89
	<u>2,682</u>	<u>2,796</u>	<u>2,666</u>	<u>2,780</u>
Included in employee benefits expenses are:				
Directors of the Company				
- Fees	230	248	228	245
- Other emoluments	81	89	81	89
	<u>311</u>	<u>337</u>	<u>309</u>	<u>334</u>
Key management personnel				
- Salaries and other emoluments	1,193	1,275	1,193	1,275
- Defined contribution plan	144	156	144	156
	<u>1,337</u>	<u>1,431</u>	<u>1,337</u>	<u>1,431</u>

Registration No. 199601014835 (387185–W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**24. INCOME TAX (CREDIT)/EXPENSE**

The major components of income tax (credit)/expense for the financial years ended 31 December 2023 and 31 December 2022 are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	-	1,011	-	1,011
- Adjustment in respect of prior years	17	(98)	17	(98)
	<u>17</u>	<u>913</u>	<u>17</u>	<u>913</u>
Deferred tax (Note 17)				
- Reversal of temporary differences	(560)	(8)	(491)	(8)
- Adjustment in respect of prior years	(1)	90	(1)	90
	<u>(561)</u>	<u>82</u>	<u>(492)</u>	<u>82</u>
Income tax (credit)/expense recognised in profit or loss	<u>(544)</u>	<u>995</u>	<u>(475)</u>	<u>995</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated assessable (loss)/profit for the financial year.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax	(2,912)	11,224	(2,495)	3,721
Tax at Malaysian statutory income tax rate of 24% (2022: 24%)	(699)	2,694	(599)	893
Adjustments:				
- Income not subject to tax	(48)	(1,891)	(51)	(26)
- Non-deductible expenses	341	272	179	161
- Deferred tax not recognised on tax losses and temporary differences	(67)	91	-	-
- Crystallisation of deferred tax liabilities	(87)	(163)	(20)	(25)
- Adjustment in respect of prior years:				
- current income tax	17	(98)	17	(98)
- deferred tax	(1)	90	(1)	90
Income tax (credit)/expense	(544)	995	(475)	995

25. OTHER COMPREHENSIVE (LOSS)/INCOME

	Assets	Income tax	Total
	Revaluation	(credit)/	(Net of tax)
	reserve	expense	
	RM	RM	RM
2023			
Group			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	452	(108)	344
Company			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	162	(39)	123

Registration No. 199601014835 (387185-W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**26. (LOSS)/EARNINGS PER SHARE****(a) Basic 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:

	Group	
	2023	2022
(Loss)/Profit attributable to owners of the Company (RM'000)	<u>(2,219)</u>	<u>7,159</u>
Weighted average number of ordinary shares for basic earnings per share (unit)	<u>89,050,667</u>	<u>89,050,667</u>
Basic (loss)/earnings per share (sen)	<u>(2.49)</u>	<u>8.04</u>

(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.

27. DIVIDEND

	2022
	RM'000
Recognised during the financial year:	
Single tier interim dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2022, paid on 11 October 2022	<u>1,781</u>

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

- (i) Fair value through profit or loss ("FVPL")
- (ii) Amortised cost

	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000
2023			
Financial assets			
Group			
Trade and other receivables, net of prepayments	6,921	6,921	-
Cash and short-term deposits	1,372	1,372	-
Other investment	58	-	58
	<u>8,351</u>	<u>8,293</u>	<u>58</u>
Company			
Trade and other receivables, net of prepayments	6,813	6,813	-
Cash and short-term deposits	1,344	1,344	-
Other investment	58	-	58
	<u>8,215</u>	<u>8,157</u>	<u>58</u>
Financial liabilities			
Group			
Trade and other payables	(4,757)	(4,757)	-
Hire purchase payables	(238)	(238)	-
	<u>(4,995)</u>	<u>(4,995)</u>	<u>-</u>
Company			
Trade and other payables	(4,698)	(4,698)	-
Hire purchase payables	(238)	(238)	-
	<u>(4,936)</u>	<u>(4,936)</u>	<u>-</u>

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. 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	FVPL RM'000
2022			
Financial assets			
Group			
Trade and other receivables, net of prepayments	6,490	6,490	-
Cash and short-term deposits	1,698	1,698	-
Other investment	1,541	-	1,541
	<u>9,729</u>	<u>8,188</u>	<u>1,541</u>
Company			
Trade and other receivables, net of prepayments	6,413	6,413	-
Cash and short-term deposits	1,568	1,568	-
Other investment	1,541	-	1,541
	<u>9,522</u>	<u>7,981</u>	<u>1,541</u>
Financial liabilities			
Group			
Trade and other payables	(6,520)	(6,520)	-
Hire purchase payables	(342)	(342)	-
	<u>(6,862)</u>	<u>(6,862)</u>	<u>-</u>
Company			
Trade and other payables	(6,472)	(6,472)	-
Hire purchase payables	(342)	(342)	-
	<u>(6,814)</u>	<u>(6,814)</u>	<u>-</u>

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS (continued)

(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.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables).

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.

The Group and the Company consider a financial asset to be in default when:

- The counterparty 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.

At the end of the reporting period, 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. Those events evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the counterparty;
- a breach of contract, including a default event;
- a concession or restructuring of loans granted by the lender of the counterparty relating to the counterparty's financial difficulty; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation.

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.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. 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. 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. The Group and the Company use ageing analysis to monitor the credit quality of trade receivables. In managing credit risks of trade receivables, the Group and the Company also take appropriate actions (including but not limited to legal actions) to recover long past due balances.

Credit risk concentration profile

The Group and the Company determine the credit risk concentration of their trade receivables by monitoring the profile of their trade receivables on an ongoing basis. As at the reporting date, the Group and the Company have a significant credit risk concentration in the form of outstanding balances arising from the amount due from 1 customer (2022: 1 customer) representing 94% (2022: 100%) of the total trade receivables.

The Group and the Company apply the simplified approach to provide for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information. Forward-looking information considered includes consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations. The Group and the Company believe that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

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

	Expected credit loss rate %	Gross carrying amount at default RM'000	Impairment losses RM'000
Group and Company 2023			
Trade receivables			
Neither past due nor impaired	0%	5,063	-

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

	Expected credit loss rate %	Gross carrying amount at default RM'000	Impairment losses RM'000
Group and Company 2022			
Trade receivables			
Neither past due nor impaired	0%	4,451	-

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, where applicable:

- 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 counterparty'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.

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Some intercompany balances between entities within the Group comprise loans or advances which are repayable on demand. The Company regularly monitors the financial performance and position of these entities on an individual basis. When these entities' financial performance and position deteriorate significantly, the Company assumes that there is a significant increase in credit risk, and thereby a lifetime expected credit loss assessment is necessary. As the Company is able to determine the timing of repayment of the loans or advances, the Company will consider the loans or advances to be in default when these entities are unable to pay based on the expected manner of recovery and recovery period. The Company determines the probability of default for these loans or advances using internally available information. The Company considers the loans or advances to be credit-impaired when the entities are unlikely to repay their debts.

As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

(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 borrowings.

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

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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:

Group	<--Contractual undiscounted cash flows-->			
	Carrying amount	On demand or within 1 year	Between 1 and 5 years	Total
2023	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Trade and other payables	4,757	4,757	-	4,757
Lease liabilities	85	75	12	87
Hire purchase payables	238	92	179	271
	5,080	4,924	191	5,115
2022				
Financial liabilities:				
Trade and other payables	6,520	6,520	-	6,520
Lease liabilities	171	87	92	179
Hire purchase payables	342	128	272	400
	7,033	6,735	364	7,099
Company				
2023				
Financial liabilities:				
Trade and other payables	4,698	4,698	-	4,698
Lease liabilities	85	75	12	87
Hire purchase payables	238	92	179	271
	5,021	4,865	191	5,056
2022				
Financial liabilities:				
Trade and other payables	6,472	6,472	-	6,472
Lease liabilities	171	87	92	179
Hire purchase payables	342	128	272	400
	6,985	6,687	364	7,051

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. 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 arises primarily from their 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 13(a) and 16(a) 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 United States Dollar.

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the functional currencies of the Group and of the Company does not have material impact on the (loss)/profit after taxation and other comprehensive (loss)/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.

The fair value of other investment is determined by reference to the redemption price at the end of the reporting period.

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. There have been no transfers between Level 1 and Level 2 during the financial year (2022: no transfer between Level 1 and Level 2).

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount Total RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total RM'000
		<-----Fair value----->				<-----Fair value----->				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group and Company										
2023										
Financial assets										
Other investment										
- Short-term fund	58	58	-	-	58	-	-	-	-	-
Financial liabilities										
Hire purchase payables	(238)	-	-	-	-	-	-	(238)	(238)	(238)
2022										
Financial assets										
Other investment										
- Short-term fund	1,541	1,541	-	-	1,541	-	-	-	-	-
Financial liabilities										
Hire purchase payables	(342)	-	-	-	-	-	-	(342)	(342)	(342)

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. 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.

Related parties of the Group include:

- (i) Subsidiaries as disclosed in Note 8;
- (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, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

There are no significant related party transactions disclosed in the financial statements.

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 10 and 18.

(c) Compensation of key management personnel

The compensation of key management personnel of the Group and the Company is disclosed in Note 23.

30. 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.

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. COMMITMENTS

(a) Commitments

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Approved but not contracted for:		
- Industrial tree-planting project	1,100	1,100

(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 four 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:

	Group	
	2023	2022
	RM'000	RM'000
- Not later than one year	205	316
- One to two years	156	169
- Two to three years	156	120
- Three to four years	65	120
- Four to five years	-	50
	582	775

32. CONTINGENT LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Bank guarantee 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	-	-
	5,029	5,029	5,000	5,000

Registration No. 199601014835 (387185–W)**TIMBERWELL BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS** (continued)**33. 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 their 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.

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

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Total borrowings	323	513	323	513
Trade and other payables	4,757	6,520	4,698	6,472
Less: Cash and short-term deposits	(1,372)	(1,698)	(1,344)	(1,568)
Net debts	3,708	5,335	3,677	5,417
Total equity	64,222	66,246	49,153	51,050
Capital and net debts	67,930	71,581	52,830	56,467
Gearing ratio	5%	7%	7%	10%

Registration No. 199601014835 (387185–W)

TIMBERWELL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

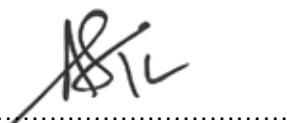
(Pursuant to Section 251(2) of the Companies Act 2016)

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 99 to 152 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 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 2024

Registration No. 199601014835 (387185-W)

TIMBERWELL BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

(Pursuant to Section 251(1) of the Companies Act 2016)

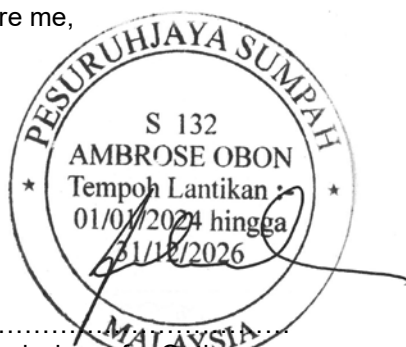
I, **LEE YOKE WAH**, being the officer primarily responsible for the financial management of Timberwell Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 99 to 152 are correct, and I make this solemn declaration 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 2024.

Before me,



.....
Commissioner for Oaths

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

Registration No. 199601014835 (387185–W)



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

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

info@bakertilly.my
www.bakertilly.my

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Timberwell Berhad, which comprise the statements of financial position as at 31 December 2023 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 material accounting policy information, as set out on pages 99 to 152.

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 2023, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

Registration No. 199601014835 (387185–W)

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



Key Audit Matters

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

Group and Company

Biological assets (Notes 4(a) and 7 to the financial statements)

Biological assets of the Group and of the Company are reported at fair value, with changes in fair values being recognised in profit or loss. The Group and the Company 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.

Our audit response:

Our audit procedures included, among others:

- considering 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 as well as 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;
- discussing with management the sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the biological assets; and
- checking the mathematical computation of the discounted cash flow calculations.

Registration No. 199601014835 (387185–W)

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



Key Audit Matters (continued)

Group

Investment properties (Notes 4(b) and 6 to the financial statements)

The Group's accounting policy is to carry its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group is to estimate the fair value of the investment properties based on information provided and the market valuation performed by an external independent valuer. Significant judgement is required to be exercised by the directors in determining the appropriate valuation methods and the key assumptions used in the valuation.

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 discussing 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.

Registration No. 199601014835 (387185-W)

**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.

Registration No. 199601014835 (387185–W)

**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, actions taken to eliminate threats or safeguards applied.

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.

Registration No. 199601014835 (387185-W)

**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.

A handwritten signature in black ink that reads "bakertilly" in a cursive, lowercase style.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Kyk." in a stylized, cursive script.

Kenny Yeoh Khi Khen
No. 03229/09/2024 J
Chartered Accountant

Kuala Lumpur

Date: 26 March 2024

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 31.12.2023 (RM'000)
CL075385670	29.19 acres	99 years (1.1.1980 to 31.12.2078)	20	Industrial land with storage sheds, integrated processing plant cum office	18,137 (After revaluation)
CL075385689					

Analysis of Shareholdings

AS AT 1 APRIL 2024

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	28	2.14	950	0.00
100 – 1,000	447	34.12	399,935	0.45
1,001 – 10,000	644	49.16	2,442,845	2.74
10,001 – 100,000	143	10.92	3,943,870	4.43
100,001 – 4,452,532*	43	3.28	37,985,116	42.66
4,452,533 and above**	5	0.38	44,277,961	49.72
Total	1,310	100.00	89,050,677	100.00

Notes:

* Less than 5% of issued shares capital

** 5% and above of issued shares capital

LIST OF SUBSTANTIAL SHAREHOLDERS (AS AT 1 APRIL 2024)

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 ¹	0.003
Agnes Soei-Tin Lamey	6,037,740 ⁴	6.78	-	-
Lam Soei Lim	5,904,540	6.63	75,000 ¹	0.08
Datuk Yap Pak Leong	4,986,300	5.60	1,372,000 ¹	1.54
Lee Ngee Moi	2,674,899	3.00	2,367,533 ²	2.66
Wong Chong Kim	-	-	5,042,432 ³	5.66

Notes:

- Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016 ("the Act").
- Deemed interested by virtue of shareholdings held of her shareholdings in Harmony Chime Sdn. Bhd. pursuant to Section 8 of the Act.
- Deemed interested by virtue of shareholdings held by persons connected and of his shareholdings in Harmony Chime Sdn. Bhd. pursuant to Section 8 of the Act.
- 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	%
Wong Chong Kim	-	-	5,042,432 ²	5.66
Datuk Yap Pak Leong	4,986,300	5.60	1,372,000 ¹	1.54
Loo Choo Hong	-	-	-	-
Agnes Soei-Tin Lamey	6,037,740 ³	6.78	-	-
Michael @ Radio bin Luban	-	-	-	-
Lim Ah Lay ⁴	-	-	-	-
Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	1,240,000	1.39	9,000 ¹	0.01

Notes:

1. Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Act.
2. Deemed interested by virtue of shareholdings held by persons connected and of his shareholdings in Harmony Chime Sdn. Bhd. pursuant to Section 8 of the Act.
3. Held through Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Bank of Singapore Limited.
4. Appointed on 24 May 2023.

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.	CIMSEC Nominees (Tempatan) Sdn. Bhd. [CIMB for Yap Pak Leong (PB)]	3,912,600	4.39
7.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Hew Mui Lan]	3,458,700	3.88
8.	Cartaban Nominees (Asing) Sdn. Bhd. [Exempt AN for LGT Bank AG (Foreign)]	2,889,200	3.24
9.	Lee Ngee Moi	2,674,899	3.00
10.	Harmony Chime Sdn. Bhd.	2,367,533	2.66
11.	Ting Sing Hong	2,255,700	2.53
12.	Patrick Chiong Sui Chai	2,078,700	2.33
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Chiong Sui Chai & Sons Sdn. Bhd.]	1,638,100	1.84
14.	Everise Ventures Sdn. Bhd.	1,459,000	1.64
15.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Bounty Leisure Sdn. Bhd.]	1,288,000	1.45
16.	Bounty Leisure Sdn. Bhd.	1,250,000	1.40

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	%
17.	Yap Fook Fung	1,240,000	1.39
18.	Lu Yieng Kee	1,106,500	1.24
19.	Hew Tien Shoong	1,000,000	1.12
20.	Lam Soei Lim	980,120	1.10
21.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Yap Pak Leong]	933,700	1.05
22.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Pau Chiong Ung]	800,000	0.90
23.	HSBC Nominees (Asing) Sdn. Bhd. [Exempt AN for CACEIS Bank (SW-CSG-FGN)]	695,600	0.78
24.	Robert Tan	650,000	0.73
25.	Chen Chee Min	570,666	0.64
26.	Anders Moller	480,000	0.54
27.	Wong Kam Seng	409,000	0.46
28.	Lim Lee Li	394,000	0.44
29.	Wong Lien Tung	371,233	0.42
30.	Ting Sing Hong	368,000	0.41

- *This page has been intentionally left blank* -

- *This page has been intentionally left blank* -

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 28th Annual General Meeting of the Company to be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Tuesday, 21st day of May 2024 at 3:00 p.m., and at any 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.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees in respect of the financial year ended 31 December 2023.		
2.	To approve the payment of Directors' benefits payable to the Board of the Company and its subsidiaries.		
3.	To re-elect Mr Michael @ Radio Bin Luban as a Director.		
4.	To re-elect Mr Loo Choo Hong as a Director.		
5.	To re-elect Mr Lim Ah Lay as a Director.		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT (AF0117) as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To approve the Authority to Issue and Allot Shares.		

Dated this _____ day of _____ 2024

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

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

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

First named proxy	%
Second named proxy	%
	100 %

*Strike out whichever is not applicable.

NOTES:

- 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 2nd Floor, Wisma BSN Sabah, Jalan Kemajuan, Karamunsing, 88000 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 13 May 2024.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

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

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

1st fold here

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)

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

Tel: 088-214 222 | Fax: 088-235 907

Email: enquiry@timwell.com.my | Website: <http://timwell.com.my>