



TIMBERWELL BERHAD

**WE PRACTICE
SUSTAINABLE FORESTRY**

2017
ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting (“22nd AGM”) of Timberwell Berhad (“Company”) will be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamunsing, 88000 Kota Kinabalu, Sabah on Wednesday, 23rd day of May 2018 at 1:00 p.m., for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|---|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 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 RM255,000.00 for the financial year ended 31 December 2017. | RESOLUTION 1 |
| 3. | To approve the payment of Directors’ remuneration (excluding Directors’ Fees) payable to the Board of the Company and its subsidiaries amounting to RM150,000 for the period from 24 May 2018 until the next Annual General Meeting. | RESOLUTION 2 |
| 4. | To re-elect the following directors who retire in accordance with Article 94 of the Constitution of the Company and being eligible offer themselves for re-election:- | |
| | a. Dato’ Seri Abdul Azim Bin Mohd Zabidi | RESOLUTION 3 |
| | b. Mr Melton Martin | RESOLUTION 4 |
| 5. | To re-elect Mr Loo Choo Hong who is retiring pursuant to Article 101 (1) of the Constitution of the Company, who being eligible offers himself for re-election. | RESOLUTION 5 |
| 6. | To approve the payment of a final single-tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2017. | RESOLUTION 6 |
| 7. | To re-appoint Messrs. Crowe Horwath (AF 1018) as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. | RESOLUTION 7 |

AS SPECIAL BUSINESS

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

9. **Ordinary Resolution**

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

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

RESOLUTION 9

(b) "THAT subject to the passing of Resolution 3, authority be and is hereby given to Dato' Seri Abdul Azim Bin Mohd Zabidi, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

RESOLUTION 10

10. **Special Resolution**

- **Proposed Adoption of New Company's Constitution**

RESOLUTION 11

"THAT the existing Memorandum and Articles of Association of the Company be hereby deleted in its entirety and a new Constitution, marked as "Appendix A" (a copy of which is attached) be replaced thereof and hereby adopted as the Company's Constitution.

THAT henceforth, the Constitution shall bind the Company, the members and the Directors to the same extent as if the Constitution had been signed and sealed by each member and contain covenants on the part of each member and Director to observe all the provisions of the Constitution.

AND THAT the Secretaries be authorised and instructed to do all the necessary and deemed fit to lodge the Constitution as adopted herewith with the Companies Commission of Malaysia on behalf of the Company in accordance with Section 36 of the Companies Act 2016."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at Twenty-Second Annual General Meeting, a final single-tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2017, if approved, will be paid on 2 July 2018 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 5 June 2018.

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

- a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 5 June 2018 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

TAN KOK SIONG (LS 0009932)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries

Kota Kinabalu
24th day of April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company, if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. To be valid, this form duly completed must be deposited at the registered office of the Company at Lot 8 & 9, Block A, 2nd Floor, Damai Point Commercial Centre, Off Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend, vote and speak at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Annual General Meeting is 16 May 2018.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

(a) Audited Financial Statements for the financial ended 31 December 2017

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

(b) Directors' 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 2017 will only be made if the proposed Resolution 1 has been passed at the Twenty-Second Annual General Meeting ("22nd AGM") pursuant to Article 103 of the Company's Constitution and Section 230(1) of the Companies Act 2016.

(c) Directors' Remuneration and any benefit payable (Resolution 2)

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred, particularly after having discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the period from 24 May 2018 until the next Annual General Meeting ("AGM"). Payment of the Directors' remuneration will be made by the Company and its subsidiaries at the discretion of the Company, if the proposed Resolution 2 is passed at the 22nd AGM.

(d) Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 (Resolution 8)

The proposed Ordinary Resolution 8, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

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

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

NOTICE OF ANNUAL GENERAL MEETING

(e) Continuing in Office as Independent Non-Executive Director (Resolutions 9 and 10)

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

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

(f) Adoption of New Constitution (Resolution 11)

The proposed Special Resolution is to seek shareholders' approval to adopt a new Constitution to align with the provisions of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Corporate Governance Requirements ("Proposed New Constitution"). Please refer to the Appendix A for detailed information on the Proposed New Constitution.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Seri Tiong King Sing - appointed 19/3/2017
(Managing Director)

Datuk Yap Pak Leong
(Senior Independent Non-Executive Director)

Loo Choo Hong - appointed 12/5/2017
(Independent Non-Executive Director)

Melton Martin
(Independent Non-Executive Director)

Agnes Soei-Tin Lamey
(Independent Non-Executive Director)

Yap Fook Fung
(Alternate Director to Datuk Yap Pak Leong)

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE
(previously known as Business Risk Assessment
Management Committee)

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

EXECUTIVE COMMITTEE

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

INVESTMENT COMMITTEE

Datuk Yap Pak Leong - Chairman
Datuk Pau Chiong Ung

CHIEF EXECUTIVE OFFICER

Datuk Pau Chiong Ung

CORPORATE OFFICE

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

COMPANY SECRETARIES

Tan Kok Siong (LS0009932)
Teo Mee Hui (MAICSA 7050642)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

Messrs Crowe Horwath
Chartered Accountants
Damai Plaza 3, 3rd Floor, Jalan Damai
P.O. Box 11003, 88811 Kota Kinabalu, Sabah
Tel : 088-233 733 (Main)
Fax : 088-238 955

PRINCIPAL BANKERS

Affin Bank Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

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



VISION STATEMENT

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

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.

MISSION STATEMENT

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

Profit with Honour

A commitment to pursue profit by building long term values.

Fairness

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

Pursuit of Excellence

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



BUSINESS PROFILE

TIMBERWELL BERHAD was incorporated as public company in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016 on 13 May 1996. The Company was subsequently listed on the then Second Board of Bursa Malaysia Securities Berhad on 16 May 1997, where it offered for sale of 6,000,000 Ordinary Shares of RM1.00 each.

The Company is a licence-holder of the Sustainable Forest Management Licence Agreement 06/97 ("SFMLA") granted by the State Government of Sabah covering an area of 71,293 hectares of natural forest in the Lingkabau Forest Reserve, Forest District of Kota Marudu, Sabah. 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 enhance its production capacity and area for planting.

The Group operates under the following business units:-

Forestry Division

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

The harvested timbers are supplied to other local millers and exported to countries in the Asia Region.

Plantation Division

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

Trading 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.

CORPORATE STRUCTURE

100%

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

100%

**TIMBERWELL
FOREST SDN BHD**
(445404-M)

100%

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

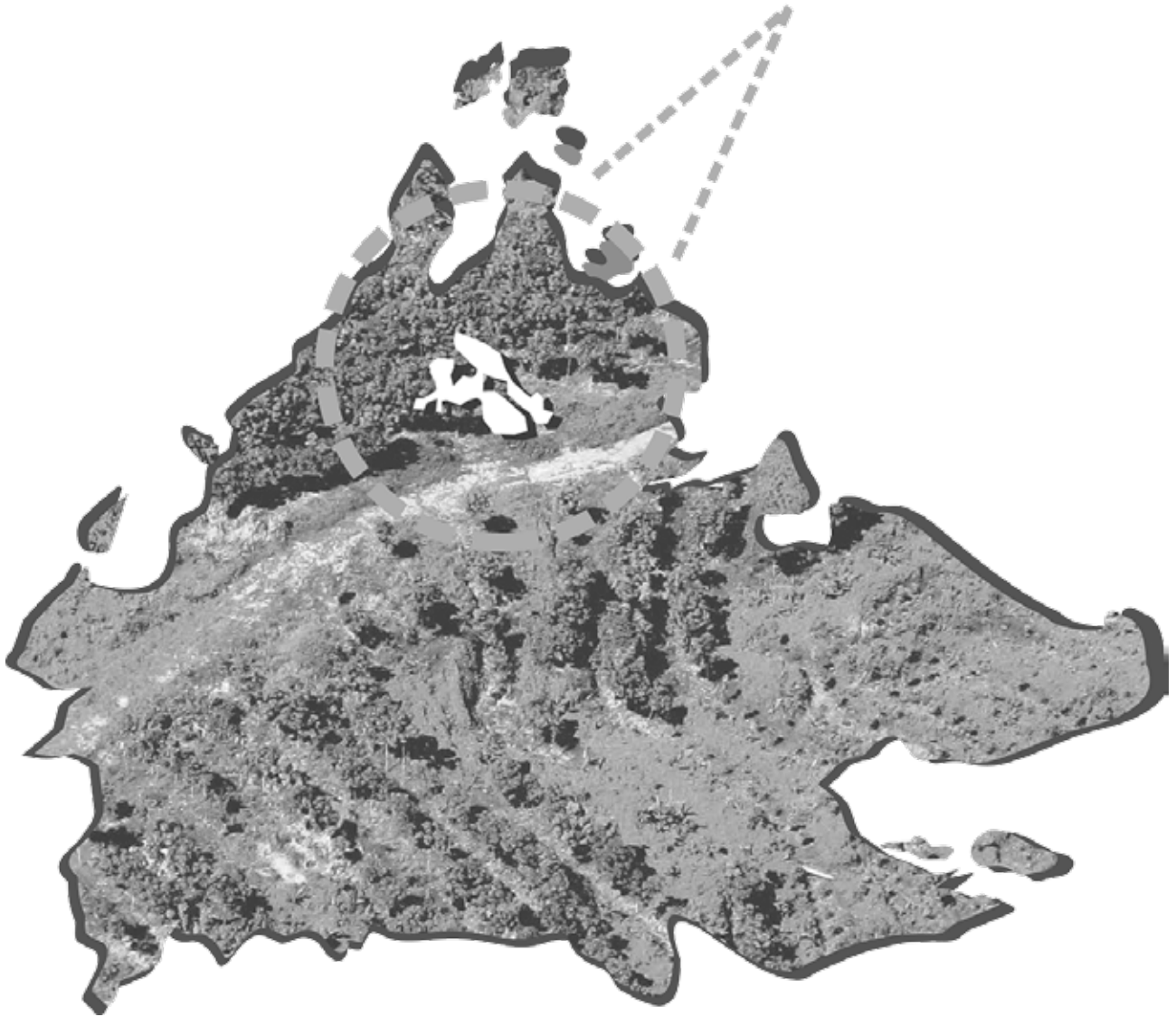
59.17%

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

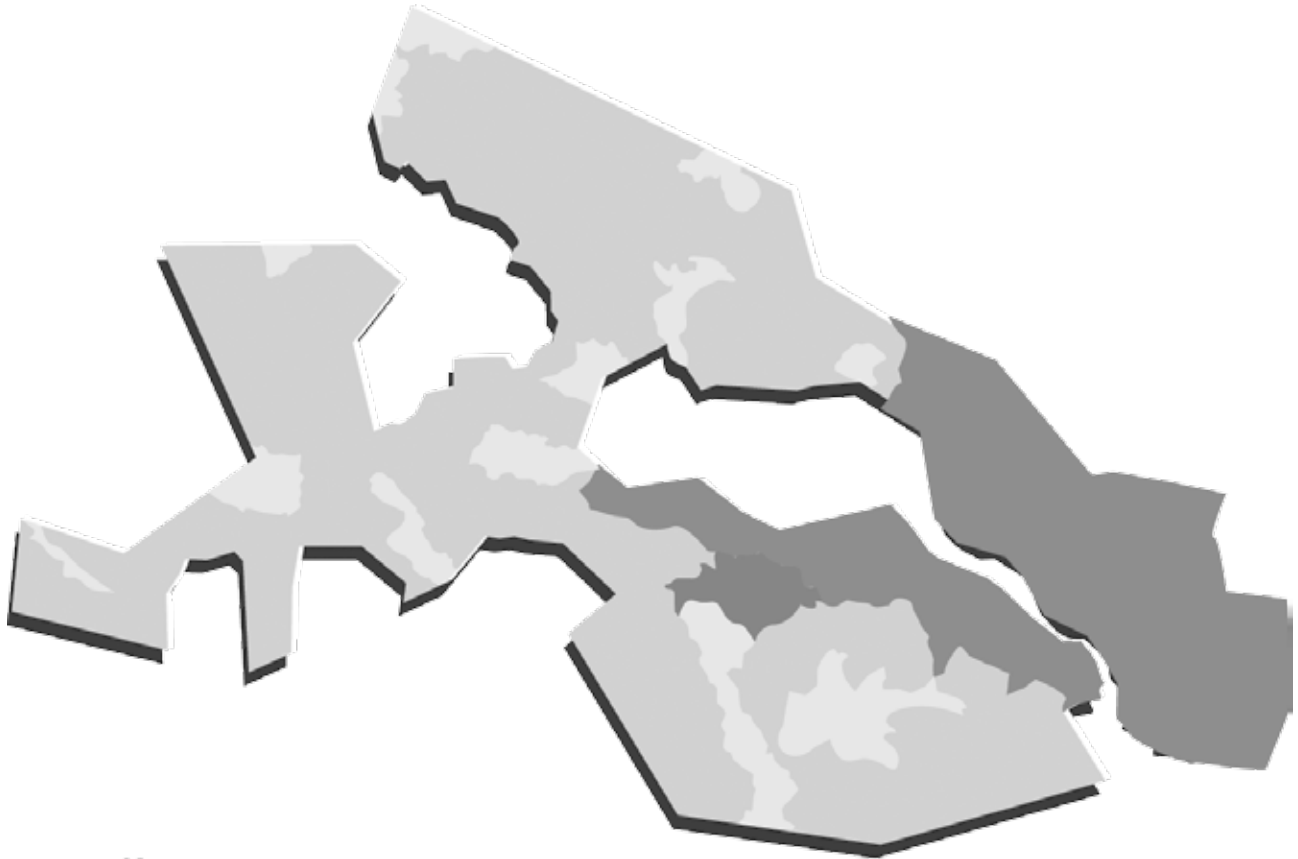


LOCATION MAP

Lingkabau Forest Reserve







LOCATION MAP



Scale 1 : 150,000

LEGEND :

-  Conservation Forest
-  Community Forest
-  Natural Forest Management (NFM)
-  Industrial Tree Plantation (ITP)

DIRECTORS' PROFILE

DATO' SERI ABDUL AZIM BIN MOHD ZABIDI

Chairman / Independent Non-Executive Director
Aged 58 / Malaysian / Male

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

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

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

He now sits on numerous local and foreign Boards of Companies, both public and private, amongst which are Anzo Holdings Berhad, XOX Berhad, Fintech Global Berhad (formerly known as Asia Bioenergy Technologies Berhad) and Plastrade Technology Berhad. He was also recently appointed as Chairman of the National Sports Institute and subsequent to that, appointed Malaysia's Chef-de-Mission to the Asian Games 2018 in Jakarta, Indonesia. His time is also spent on various non-governmental organisations some of which he chairs.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

Details of number of board meetings attended by him during the financial year are set out in page 35 of this Annual Report.

DIRECTORS' PROFILE

DATO' SERI TIONG KING SING JP.

Managing Director
Aged 57 / Malaysian / Male

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

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

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

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

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

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

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

He is a major shareholder of the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

Details of number of board meetings attended by him during the financial year are set out in page 35 of this Annual Report.

DATUK YAP PAK LEONG

Senior Independent Non-Executive Director
Aged 83/ Malaysian / Male

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

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

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

Details of number of board meetings attended by him during the financial year are set out in page 35 of this Annual Report.

DIRECTORS' PROFILE

LOO CHOO HONG

Independent Non-Executive Director
Aged 45/ Malaysian / Male

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

Mr Loo is also an Independent Non-Executive Director, the Chairman of the Audit Committee of Wang Zheng Berhad and Gabungan AQRS Berhad and a member of the Nomination Committee and Remuneration Committee of Gabungan AQRS Berhad. In addition, he holds several other directorships in a number of private limited companies.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanctions or penalties imposed on him by the relevant regulatory bodies during the financial year 2017.

Details of number of board meetings attended by him during the financial year are set out in page 35 of this Annual Report.

AGNES SOEI-TIN LAMEY

Independent Non-Executive Director
Aged 64/ British / Female

Agnes Soei-Tin Lamey was appointed as Director of the Company on 13 August 2007. She is a member of the Executive Committee, the Nomination and Remuneration Committees, Risk Management Committee and Audit Committee. She has more than ten (10) years working experiences in Chartered Accountant firm in United Kingdom. Since coming to Malaysia in 1991, she has been involved in Sinar Pembangunan Sdn. Bhd., a family owned property Development Company in Sabah. She is currently a director of various private companies involving in oil palm plantations, and properties development business. She has extensive experience on the financial management of companies both in United Kingdom and Malaysia.

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

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

Details of number of board meetings attended by her during the financial year are out in page 35 of this Annual Report.

DIRECTORS' PROFILE

MELTON MARTIN (S.K)

Independent Non-Executive Director
Aged 37/ Malaysian / Male

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

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

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

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

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

Details of number of board meetings attended by him during the financial year are set out in page 35 of this Annual Report.

YAP FOOK FUNG

Alternate Director to Datuk Yap Pak Leong
Aged 49 / Malaysian / Female

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

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

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

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

She is a daughter to Datuk Yap Pak Leong, the Senior Independent Non- Executive Director. She has no conflict of interest with the Company. She has no family relationship with any Director (other than Datuk Yap Pak Leong) and/or major shareholder of the Company and has no conflict of interest with the Company. She has no convictions for any offences within the past five (5) years other than traffic offence, and there are no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year 2017.

KEY SENIOR MANAGEMENT

DATUK PAU CHIONG UNG

Chief Executive Office
Aged 66 / Malaysian / Male

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

His interest in the securities of the Company and its subsidiary as at 30 March 2018 are as follows:

Timberwell Berhad

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

He does not have any family relationship with any other director and/or major shareholders of the Company and has no conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading in nature that is necessary for day to day operations of the Group. He has no convictions for any offences within the past five (5) years, other than traffic offences, and there are no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.



CORPORATE PERSPECTIVE

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CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to present to you the Annual Report, incorporating the Financial Statements of the Group and the Company, for the financial year ended 31 December 2017.

Overview

The Malaysian economy recorded a steady pace of growth in Gross Domestic Product ("GDP") from 5%-6% in 2017 despite the challenging international economic environment. The careful credit expansion in the US had a significant effect worldwide, resulting in the maintenance of timber prices as well as other commodities. This affected Malaysia positively.

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

Financial Review

During the financial period under review, the Group posted a Revenue of RM31.2 million compared to RM14.5 million in the corresponding period of 2016. This market improvement can be attributed to a higher rate of log production and an increase in the export of logs, where the Ringgit was enjoying a favorable exchange rate against the US Dollars.

As a result of this, more than twofold increase in Revenue, the Group recorded a profit from Operations of almost RM3.3 million compared to a corresponding figure in 2016 of a Loss from Operations of RM0.4 million.

Despite the fact that Operating, Administrative, Selling & Distribution expenses rose by about 20%. Compare to 2016, the Group showed an impressive impact in Profit After Tax of RM1.6 million after taking into account non-cash items such as depreciation and amortisation amounting to RM1.7 million (2016:RM1.7 million). From a cash flow perspective therefore, the Group is in a much stronger financial footing.

Operations Review

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

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

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

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

CHAIRMAN'S STATEMENT

Achievement and Accomplishment

The Sabah Chief Conservator of Forests has again awarded the Company with a Certificate of Compliance on Timber Legality Assurance System ("TLAS") (Principle 1-4) for the Licensed Area Sustainable Forest Management Licence Agreement 06/97 - Forest Management Unit 3 on the 1 May 2017.

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

On the 1 April 2017, the Company was further awarded with a Certificate of Compliance for having successfully complied with the requirements of the Sabah TLAS Principle 5 (Mill Operations) and Principle 6 (Customs and Trade)

In recognition of the continuous effort by the management and the Board of Directors, the Company was again awarded the Compliance Certificate by the Sabah Forestry Department on the 19 May 2017, for its achievement in overall performance in accordance to Annual Work Plan 2016.

Further to the compliance achieved by the Company, the proposed 2017 Annual Work Plan of the Company was also approved by the Sabah Forestry Department on 19 February 2018.

Dividend

The Board recommends the declaration of Final Single-Tier dividend of One (1) cent per ordinary shares payment for this year, subject to Shareholder's approval in the Annual General Meeting ("AGM") to be held on 23 May 2018.

Outlook and Prospect

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth in GDP of 4% - 5% in 2018. Domestic demand is expected to remain resilient and will continue to be the anchor for growth.

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

The Board of Directors is cautiously optimistic that the Group will continue to improve its performance for the financial year ending 31 December 2018.

Acknowledgement

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

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

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

Dato' Seri Abdul Azim bin Mohd Zabidi

Chairman

Independent Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Timberwell Berhad ("the Company") should be read in conjunction with the Financial Statements for the year ended 31 December 2017 and notes related thereto.

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

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

OVERVIEW

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

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

FINANCIAL REVIEW

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

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

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

The Group's revenue of RM31.2million which has increased RM16.7 million compared to the year 2016 (RM14.6million). The revenue increased marginally by 113.7%. The drastic rise in revenue is mainly due to better production. Besides, higher market price for timber and increase in export sales also contributed to the higher revenue.

The profit after tax figure of RM1.6million was arrived at after taking into account non-cash items such as depreciation and amortisation amounting to RM1.7million (2016: RM1.7million).

OPERATIONAL REVIEW

The focal operations of the Company are Timber harvesting, Rehabilitation mainly involving Silviculture Treatment and Mosaic Timber Planting. The approved 2017 Annual Work Plan ("2017 AWP") stipulates the targets for all the activities in the entire year and the achievements are assessed in the year ending 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

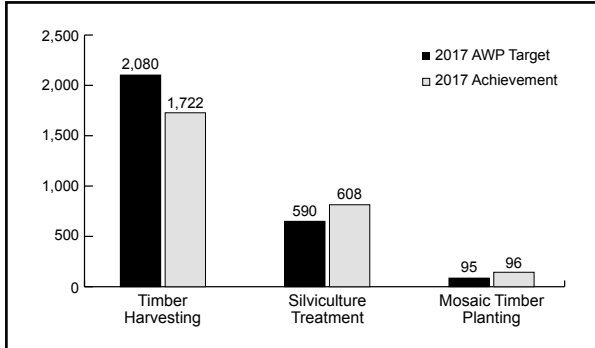


Figure 1: Areas in hectare for 2016 AWP target and the year ending 2017 achievements

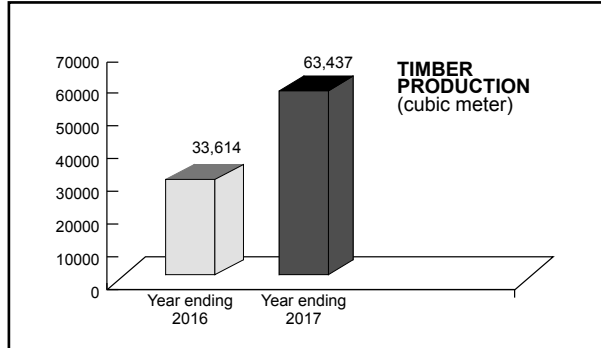


Figure 2: Comparison of logs production volume for year ending 2016 and 2017

The Company managed to excellently accomplish all rehabilitation activities targeted in 2017. The slow rate in Timber harvesting is affected by the measured pace of planning and field operation in natural forest harvesting. The Company will take further improved action to ensure the operation in 2017 will be efficient without compromising the environmental mitigations involved.

The market for timber remains challenging in 2017. The price of small logs experienced drastic drop rendering cutting of small log economically not feasible. Hence the previously adopted strategy to increase the diameter cutting limit in ITP remains in 2017.

Apart from the main tasks, other supporting activities carried out by the Company in 2017 are Area Surveillance, Community Development & Outreach and Environmental inspection for Environmental Compliance. All the tasks are carried out in full compliance to the approved 2017 AWP.

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

ACHIEVEMENT & ACOMPLISHMENT

For year ending 2017, the Company attained the following achievement:

Approval of the 2017 Annual Work Plan on 24 March 2017	Certificate of Compliance on Timber Legality Assurance System Principle 5 (Mill operation) and Principle 6 (Customs and Trade) on 1 April 2017
Compliance Certificate by the Sabah Forestry Department on 19 May 2017	Certificate of Compliance on Timber Legality Assurance System (Principle 1 - 4) for the Licensed Area Sustainable Forest Management License Agreement 06/97 - Forest Management Unit 3 on 1 May 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK & PROSPECT

The Management has improved the harvesting performance in 2017. However, further improvement is required in Reduced Impact Logging (“RIL”) to ensure efficient planning and field operation.

The Management with the consent of the Executive Committee will continue to target larger area for harvesting and have incorporated the increase in the 2018 AWP. In tandem with the increase of area, additional contractor for ITP harvesting and rehabilitation will also be engaged to expedite the harvesting and rehabilitation activity.

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

HUMAN RESOURCE REVIEW

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

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

In line with the Internal Audit Module on Human Resources Management conducted by the Internal Auditor, Messrs. Lim Chong & Co., the Company has developed a new Employee Handbook for its Camp Operation and also update the existing Employee Handbook for the Main Office. Both Handbook were approved by the Directors in the Executive Committee Meeting held on April 2018.

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

SUCCESSION PLANNING

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

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

The Company continued exploring the employee development plans and streamline the strategy into an “executive level” leadership development succession plan that will allow every employee to prepare and develop their future leadership roles in line with the Company’s growth.

The Company’s Succession Planning has been review and assessed accordingly in the Nomination and Remuneration Meeting on 25 April 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTOR'S SERVICE CONTRACT

Pursuant to the new Companies Act, 2016 ("CA 2016"), Company is required to prepare a Service Contract for the Executive Director and upon execution of the Service Contract it shall be kept and maintained at the registered office of the Company. Being the Listed Company, Timberwell Berhad has adhered and complied with the new set of Bursa requirements and each copy of every director's service contract with the Company or with its subsidiaries are available for inspection at the registered office of the Company.

The Service Contract has been approved by the Directors in the Nomination and Remuneration Meeting held on 25 April 2017.

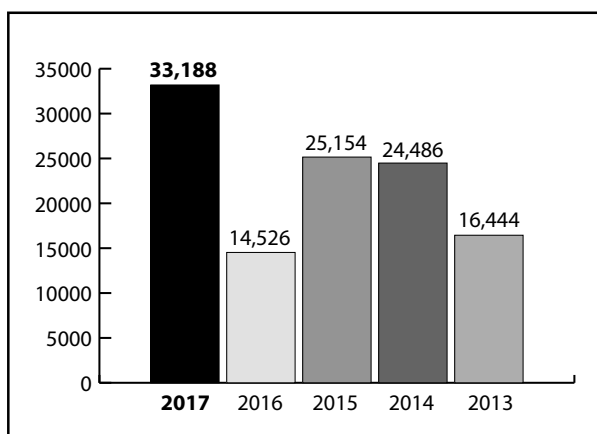
TRAINING

The Company is committed to providing Training Benefits to its employees on the basis of motivation and rewards growths through challenging targets and roles motivation for their Self and Career Development. In 2017, Company continued to organise the Safety and Health Training in line with the Occupational Safety and Health ("OSH") requirement. Quarterly meeting were held for the Safety Committees to present their reports and allocated employees have received their Personal Protective Equipment ("PPE") on 3 April 2017. Company takes active measures to equip its employees with PPE such as Hand Gloves, Safety Shoes and Helmets to field employees who undertakes the day-to-day operation responsibilities.

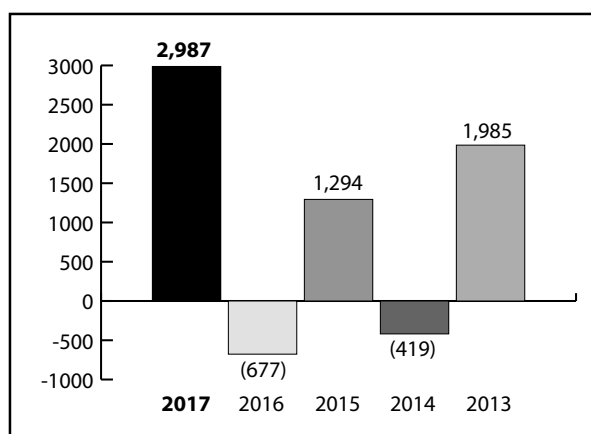
FIVE (5) YEARS FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
-Continuing Operations	31,188	14,526	25,154	24,486	16,444
-Discontinued Operations	-	-	-	-	-
Total Revenue	31,188	14,526	25,154	24,486	16,444
Profit/(Loss) Before Taxation					
-Continuing Operations	2,987	(677)	1,294	(419)	1,985
-Discontinued Operations	-	-	-	-	-
Total Profit/(Loss) Before Taxation	2,987	(677)	1,294	(419)	1,985
Income/(Loss)Attributable To Equity Shareholder's Fund	2,070	75	1,067	433	2,934
Basic Earnings Per Share (Sen)	38,800	35,116	35,041	33,974	33,541
Net Assets Per Share (Sen)	2.32	0.08	1.20	0.49	3.29
	43.57	39.43	39.35	38.15	37.67

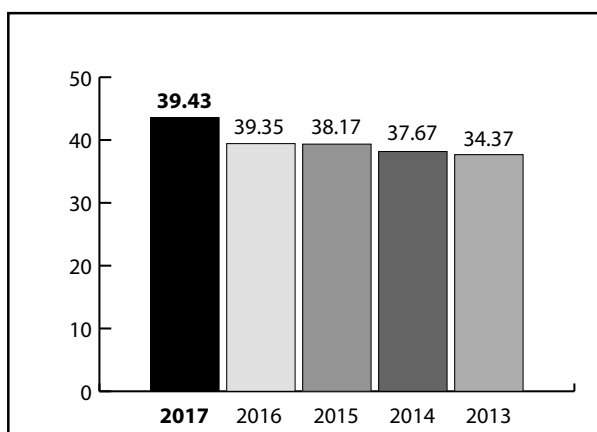
TOTAL REVENUE
(RM'000)



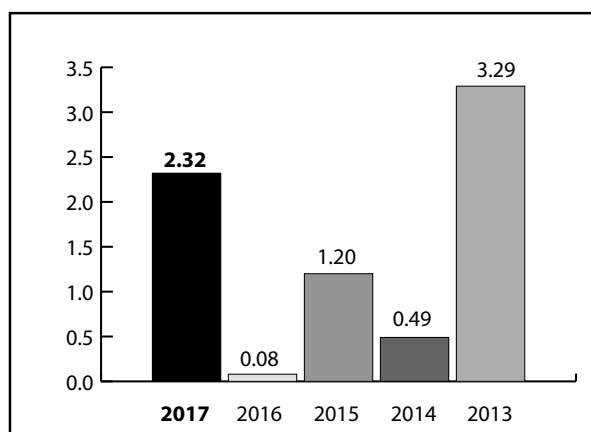
TOTAL PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



NET ASSETS PER SHARE
(SEN)



BASIC EARNINGS PER SHARE
(SEN)





STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

2017 was another challenging year for the Group. The International economic growth was generally low throughout the year. However, the depreciation of Malaysian currency during the year remains to facilitate an attractive venture for timber export resulting in almost 50% of total sales for 2017 derived from export sales.

The Sabah Chief Conservator of Forests has again awarded a Certificate of Compliance for fulfilling the requirements for AWP 2017 with an improved performance. It is therefore astute that the group continued to improve its productivity and efficiency and adopt a prudent approach in planting within a discreet and manageable area.

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

For 2018, the company pledged to continue the effort and has committed to replant a practical rehabilitation planting area with a combination of mosaic gap planting design and liberation treatment and carry out forest improvement through Silviculture activity and continue to practice Reduced Impact Logging (RIL).

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

SUSTAINABILITY STATEMENT

Sustainability Statement is the practice of measuring, disclosing and accounting for corporate performance towards the goal of sustainable development. Sustainability issues are complex, inter-connected and continually evolving. Thus, this report essentially describes the Company's performance in its forest resource management, and initiatives on environmental and social responsibility during 2017, and presents our commitments for the future years. The report concentrates primarily on the core activities of Timberwell Berhad.

OVERVIEW

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

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

The principles of sustainable forest management entail the following:

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

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

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

FOREST RESOURCE MANAGEMENT

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

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

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

No.	Performance measure	Target	Achieved
1.	Timber harvesting	8 compartments	5 compartments
2.	Silviculture treatment	5 compartments	5 compartments
3.	Timber plantation	95 hectare	96.9 hectare

Timber harvesting during the year is concentrated in salvage harvesting in Industrial Tree Plantation area while RIL harvesting in the natural forest area was carried out circumspectly in full compliance to RIL guidelines. The Company have fully rehabilitated the targeted area for Silviculture treatment and timber plantation.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL PROTECTION

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

Three phases of EIA for Industrial Tree Plantations area and one phase of EIA for Natural Forest Management (“NFM”) area have been approved separately by the Environmental Protection Department of Sabah in 2005 and 2007. In 2017, apart from for the final quarter, all Environmental Compliance Reports (“ECR”) of the areas were submitted by the environmental consultant of the Company to the Environmental Protection Department of Sabah without any major concerns raised. The final quarter will be submitted in the first quarter of 2018.

SOCIAL AND COMMUNITY DEVELOPMENT

Sustainable Forest Management is closely linked with the socio-economic development of the local community through social projects implemented by Sabah Forestry Department and the Company as well as the local communities. As a committee member for the “Gana Resettlement and Integrated Development Project (“GRID”)”, the Company continues to provide inputs to the projects in 2017. The Company also continued to be engaged indirectly with the GRID community to gauge and take note on current issues related to GRID that are affecting the community.

The Company’s involvement in the local communities in 2017 includes the following:

- Conducting consultations with local communities via formal and informal dialogues in Kampung Dampiron and Kampung Tagapalang.
- Social baseline study for four (4) household in Kampung Tagapalang that near the Compartment 60 of Lingkabau Forest Reserve.
- Verification and survey alleged old graveyard in Compartment 60 of Lingkabau Forest Reserve.
- Monitoring and verification of the identified High Conservation Value Forest (“HCVF”) with active inputs and participation of the relevant community.

SUSTAINABLE MANAGEMENT

At the outset, the commitment of the Company towards Sustainable Management was set out with the signing of the SFMLA in 1997. Hence, the Company thereon operates with the guidance of the principles of Sustainable Forest Management. In recognition of the Company’s commitment towards Sustainable Forest Management, the Company was awarded the Compliance Certificate by the Sabah Forestry Department on 19 May 2017, for its achievement to successfully comply with the requirements for Timber harvesting operations, Silviculture Treatment and Mosaic Planting under the Annual Work Plan 2016, in Forest Management Unit (“FMU”) 3, as stipulated in the SFMLA.

Moving forward, the Company has embarked to fully undertake forest management certification under Malaysian Timber Certification Scheme (“MTCS”) in 2017 as certification is a meaningful yardstick for effective implementation of Sustainable Forest Management. However, the full certification of the natural forest has slightly been delayed pending area rezoning.

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

1) Occupational Health and Safety performance

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

SUSTAINABILITY STATEMENT

2) Environmental mitigation performance

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

3) Promoting Community relations and Workers Rights

- a) During the year, a total of 11 trainings related to the Company's operations were held for all levels of workers.
- b) Provided a mechanism for grievance resolving for workers as well as adjacent local community.
- c) Continued to update Baseline studies of local communities adjacent to the Forest reserve and conduct dialogues and engagements.
- d) Provided access to the local community to proven ancestor burial sites that was classified as High Conservation Value Forest.



CORPORATE GOVERNANCE

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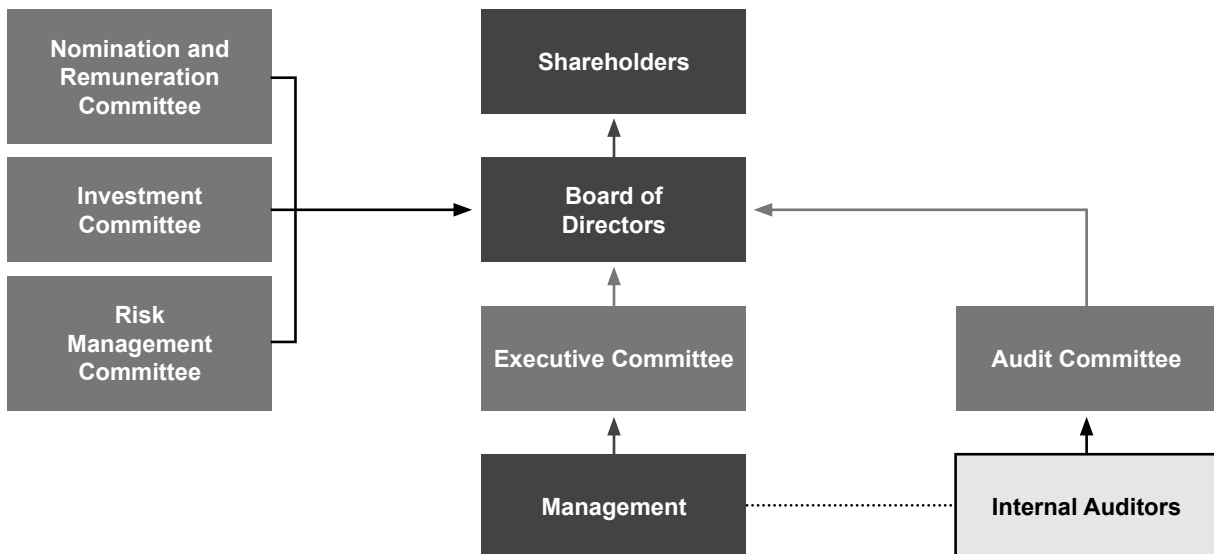
CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) is fully committed to ensuring that a high standard of corporate governance in accordance with the Malaysian Code on Corporate Governance 2017 (“Code”) are applied and maintained throughout the Group with the ultimate objective of safeguarding the interests of the shareholders as well as the stakeholders and the financial performance of the Group.

The Board is pleased to set out below how the Group has applied the three (3) key principles laid down in the Code. This Statement, together with the Statement on Risk Management and Internal Control, sets out the manner in which the Company has applied the principles and practices of the Code.

This statement is to be read together with the Corporate Governance Report (“CG Report”) which is available on the Company’s website at www.timwell.com.my as well as via an announcement on the website of Bursa Malaysia Securities Berhad (“Bursa Securities”)(http://www.bursamalaysia.com/market/listed-companies/company-announcements/#/?category=all&sub_category=all&alphabetical=All&company=7854).

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

The Sustainability Statements, which the details are presented from pages 28 to 30 stated the actions taken by the Company in protecting the environment while striving to achieve a better performance towards the goal of sustainable development.

The Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter, which was reviewed and revised by the Board on 21 February 2017 and 28 March 2018. The Board Charter has been published on the Company's website at www.timwell.com.my.

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

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

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

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

- approve and proactively participate in strategic decisions;
- ensure adherence to its fiduciary obligation;
- challenge Management with questions based on informed knowledge;
- oversee Management's plans, decisions, and actions;
- monitor Management's ethical conduct, financial reporting and regulatory compliance;
- play a critical role in ensuring sound and prudent policies and practices of the Company;
- be capable of effectively achieving good governance and protecting the interests of shareholders;
- ensure that there is a sound framework for internal control and risk management;
- set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- establish a succession planning for Board and Senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits; and
- promote good corporate governance culture within the Group, which reinforces ethical, prudent and professional behavior.

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

1.2 The Roles of Chairman and CEO

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

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

The details of the role and functions of the Chairman and CEO are stated in the Board Charter which is available in the Company's website www.timwell.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.3 Separation of the Positions of the Chairman and CEO

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

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

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

The Chairman as an Independent Non-Executive Director is independent of management and free from any business or other relationship, which could materially interfere with the exercise of his independent judgment. Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by Management are fully deliberated and examined, in the interest of shareholders as well as stakeholders.

The Chairman is responsible for the integrity and effectiveness of the Board as a whole. He conducts Board meetings and ensures that it proceeds in an orderly manner.

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

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

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

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

1.4 Qualified and Competent Secretaries

In performing their duties, all Directors have access to the advice and services of the Company Secretaries. The Company Secretaries acts as the corporate governance counsel and ensures good information flow within Board, Board Committees and Management. The Company Secretaries attended all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Main Market Listing Requirements ("MMLR"), the Code and 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 at least three (3) days prior to the meeting to assist them to make the best decisions in the best interest of the Company at all times. 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;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.5 Board Meetings (cont'd)

- 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 2017, a total of five (5) Board Meetings were held. The following are the details of attendance of the Directors:

Name of Directors	Designation	Number of Meetings Attended
Dato' Seri Abdul Azim Bin Mohd Zabidi (Chairman)	Independent Non-Executive Director	5/5
Dato' Seri Tiong King Sing (Appointed on 19 March 2017)	Managing Director	2/4
Datuk Yap Pak Leong (or his Alternate Director : Ms Yap Fook Fung)	Senior Independent Non-Executive Director	5/5
Mr Loo Choo Hong (Appointed on 12 May 2017)	Independent Non-Executive Director	2/2
Madam Agnes Soei-Tin Lamey (Re-designated on 12 May 2017)	Independent Non-Executive Director	5/5
Mr Melton Martin	Independent Non-Executive Director	5/5

The Board also observed for the 50.0% minimum attendance requirement. Overall, all Board members complied with the attendance threshold.

1.6 Access to Information and Advice

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

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

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

1.7 Code of Ethics and Conduct

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

PART II - BOARD COMPOSITION

1. Strengthen Board’s Objectivity

1.1 Board Committees

The Board has delegated certain responsibilities to the following Board Committees and each Board Committees has respective written terms of reference:-

1. Audit Committee (“AC”)

The objective, composition, terms of reference and activities of this Committee together with its report are presented on pages 54 to 61 of the Annual Report.

2. Nomination and Remuneration Committee

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

Objectives

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

The term of reference of the NRC was reviewed and updated on 28 March 2018 to correspond to the amendments MMLR in relation to the Disclosure and Corporate Governance requirements. The detailed terms of references of the NRC is made available on the Company’s website at www.timwell.com.my.

Composition

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.1 Board Committees (cont'd)

2. Nomination and Remuneration Committee (cont'd)

NOMINATION FUNCTION

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

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

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

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

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

REMUNERATION FUNCTION

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

Summary of Activities of NRC

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

- reviewed the terms of reference of NRC;
- reviewed and assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the character, experienced, integrity, competence and time commitment of each Director and the CFO;
- reviewed and recommended to the Board, the re-election and re-appointment of retiring Directors who will be retiring at the forthcoming Annual General Meeting ("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;
- reviewed the succession planning policy for management;
- reviewed and assessed the appointment of new director;
- reviewed and assessed the appointment of new NRC member, AC members and AC Chairman;
- reviewed and assessed the re-designation of Non-Independent Non-Executive Director to Independent Non-Executive Director;
- assisted the Board in assessing the training needs of the Directors during the year;
- reviewed and deliberated on the Directors' Fee and Directors' remuneration; and
- reviewed and assessed the renewal of employment contract of CEO.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.1 Board Committees (cont'd)

3. Risk Management Committee ("RMC")(Previously known as Business Risk Management Committee)

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

Composition

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

Duties and Responsibilities

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

Summary of Activities

The risk assessment profile and framework was reviewed on 25 April 2017 and the key risk areas were updated to better reflect the Group and Company's current situation and business environment. In 2017, one (1) meeting was held to discharge its duties and responsibilities.

4. Executive Committee ("Exco")

Composition

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

Duties and Responsibilities

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.1 Board Committees (cont'd)

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

Duties and Responsibilities (cont'd)

- deliberate and make recommendations to the Board on any discontinue and dissolution of business operations of the Group; and
- undertake such functions and all matters as may be approved or delegated by the Board.

Rights and Authority

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

Summary of Activities

In 2017, four (4) meetings were held to discharge its duties and responsibilities.

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

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.

Composition

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

Duties and Responsibilities

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.2 Board Composition

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

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

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

A brief profile of each Director is presented on pages 13 to 16 of this Annual Report.

1.3 Board Balance and Independence

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

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

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

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

1.4 Tenure of Independent Directors

The Company had adopted the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director. The Board will seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as an Independent Director. For a Director retained as an Independent Director after the twelfth (12) years, the Board shall seek shareholders' approval annually through a two-tier voting process as provided under the Code.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 has embraced the recommendations of the Code of having at least 30% women representation on the Board.

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

The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member.

Nonetheless, the Board is supportive of gender diversity in the Board composition as recommended by the Code and will endeavour to consider suitable and qualified female candidates when it comes to the appointment of Directors.

1.7 Board Appointment Process

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

As for the appointment of Independent Non-Executive Directors, the NRC evaluates the ability to discharge such responsibilities before making recommendation to the Board.

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

The NRC had reviewed and assessed the suitability of the appointment of Mr Loo Choo Hong as an Independent Director of the Company in 2017 in line with the objectives as set out in the Board Charter in terms of experience, skills, knowledge, age and gender diversity and succession planning.

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 of the Directors including the Managing Director retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years. A retiring Director is eligible for re-election.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. Overall Board Effectiveness

2.1 Annual Evaluation

On annual basis, the relevant assessment and review forms / questionnaires in relation to the board evaluation will be circulated to all the Directors to complete in advance of the meeting of the NRC in order to collate the assessment results for the NRC's review.

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

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

As for the performance evaluation of board committees, the Board assesses the performance of the AC and NRC based on the recommended evaluation criteria adopts from Corporate Governance Guide issued by Bursa Securities, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes. Review of the performance of the board committees was conducted by the NRC on 26 February 2018.

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, Ms Angie Lee whose remuneration is directly linked to performance, based on her score sheet. For this purpose, the performance evaluation for the year 2017 of the CFO was reviewed by the NRC on 26 February 2018.

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 Directors also attended various trainings conducted by their respective in-house companies and/or by external professionals. Amongst those training programmes, conferences, seminar, attended by the respective Directors are as follows:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.2 Directors' Training (cont'd)

No.	Continuing Education Programme Attended	Month Attended
1.	Dato' Seri Abdul Azim Bin Zabidi 1. Angkatan Amanah Merdeka Malaysia "Sejauh Mana Anda Memahami Hudud" 2. The Revitalisation of Lasallian Schools – The Journey Forward 3. SIDC "Global Business Insights Series: Embracing Paradoxes by Professor Salvatore Cantale"	February 2017 February 2017 March 2017
2.	Dato' Seri Tiong King Sing 1. SSM "Interpreting Financial Statement for Directors"	November 2017
3.	Datuk Yap Pak Leong 1. MIA "Companies Act 2016 Unlocked" 2. MIA "Auditors, Financial Statements & Reports under the Companies Act 2016" 3. MIA "2018 Budget Seminar" 4. MIA "Auditing of Property Developers and Contractors"	September 2017 September 2017 November 2017 November 2017
4.	Madam Agnes Soei-Tin Lamey 1. MIA "Companies Act 2016 Unlocked" 2. MIA "Auditors, Financial Statements & Reports under the Companies Act 2016" 3. MIA "2018 Budget Seminar"	September 2017 September 2017 November 2017
5.	Mr Loo Choo Hong 1. Seminar Bajet 2017: Pindaan GST dalam Bajet 2. Audit Express User Training 3. National Tax Conference 2017 4. Seminar Percukaian Kebangsaan 2017	January 2017 April 2017 July 2017 November 2017
6.	Mr Melton Martin 1. MIA "Companies Act 2016 Unlocked" 2. MIA "2018 Budget Seminar"	September 2017 November 2017
7.	Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong) 1. MIA "2018 Budget Seminar" Companies.	November 2017

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART III – REMUNERATION

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

Directors' fee and their remuneration are recommended by NRC for the Board to table at the AGM for shareholder's approval.

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 CEO and the Directors of the Group and Company, paid and payable for the financial year ended 31 December 2017 are as follows:

	Basic Salaries, Bonus and Other Employee Benefit RM'000	Fees and Allowances RM'000	EPF Contribution RM'000	Total RM'000
CEO	337.5	1.5	40.5	379.5
Executive Directors	--	33.5	--	33.5
Non-Executive Directors	--	315.2	--	348.7
TOTAL	337.5	350.2	40.5	728.20

	Director Fees RM'000	Meeting Allowances RM'000	Total RM'000
Dato' Seri Abdul Azim Bin Zabidi (Chairman)	45.0	12.5	57.5
Dato' Seri Tiong King (Appointed on 19 March 2017)	30.5	3.0	33.5
Datuk Yap Pak Leong	42.0	18.5	60.5
Madam Agnes Soei-Tin Lamey	40.0	18.5	58.5
Mr Loo Choo Hong (Appointed on 12 May 2017)	23.3	6.0	29.3
Mr Melton Martin	40	8.5	48.5
Ms Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	-	7.5	7.5
Datuk Alladin Bin Mohd Hashim (Retired on 12 May 2017)	16.7	10.5	27.2
Mr Sui Diong Hoe (Retired on 12 May 2017)	17.2	9.0	26.2
TOTAL	254.7	94.0	348.7

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Range of remuneration	Number of Directors		
	Executive	*Non-Executive	*Total
Below RM50,000	1	7	8
TOTAL	1	7	8

* This include the Directors, who retired during the financial year.

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 2017 within the successive bands of RM50,000 is as follows:

Remuneration Band	Number of top five (5) senior management
RM50,001 to RM100,000	4
RM350,001 to RM400,000	1

The Board has chosen to disclose the remuneration of the top (5) senior management in bands instead on named basis as the Board considered the information of the remuneration of these staff to be sensitive and proprietary. The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the above disclosures.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AC

1. AC Composition and Chairman

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

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

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

Details of the activities carried out by the AC in 2017 are set out on pages 56 to 61.

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 2017. The Board considered several factors including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the External Auditors to the Group for the financial year under review.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

AC on 28 March 2018 conducted an annual assessment of the timeliness, competence, audit quality and resource capacity of Crowe Horwath in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

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

3. Financial Reporting

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

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

4. Financial Literacy of the AC

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

5. Relationship with the auditors

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

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

PART II – Risk Management and Internal Control Framework

1. Risk Management and Internal Control Framework

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

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Risk 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 Risk Management Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

2. Internal Audit Function

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

The Statement on Risk Management and Internal Control set out on pages 49 to 53 of this Annual Report provides an overview of the state of internal controls within the Group.

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

PART I - COMMUNICATION WITH STAKEHOLDERS

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

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

The corporate website also serves as another channel of communication for the shareholders, the investors and the general public. Information such as announcements made to Bursa Securities as well as documents such as Board Charter, Whistleblowing Policy, Code of Ethics and Conduct can be obtained from the corporate website at www.timwell.com.

PART II - CONDUCT OF GENERAL MEETING

The AGM of the Company provides the principal forum of dialogue and interaction between the Board and the shareholders. The Board presents the progress and performance of the Company in the AGM and shareholders are given the opportunity to raise questions or to seek for clarifications of pertinent and relevant information of the Company. During the meeting, the Chairman, the Board members and the external auditors are available to respond to the shareholders' queries.

The AGM of the Company will be held at a hotel which is an easily accessible location. The notices of the AGM and the Annual Report are sent out to shareholders at least twenty eight (28) days' to the Meeting so that shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

In line with the MMLR of Bursa Securities, the Company will implement poll voting for all the resolutions set out in the notice of AGM. Each item of special business included in the notice of AGM will be accompanied by an explanation of the proposed resolutions. All shareholders or proxies will be briefed on the voting procedures prior to the poll voting by the Share Registrar. The Company will appoint scrutineers to validate the votes cast at the AGM. The outcome of resolutions tabled and passed at the AGM are released to Bursa Securities on the same meeting day.

This Corporate Governance Overview Statement was approved by the Board on 28 March 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

THE BOARD'S RESPONSIBILITY

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

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

THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

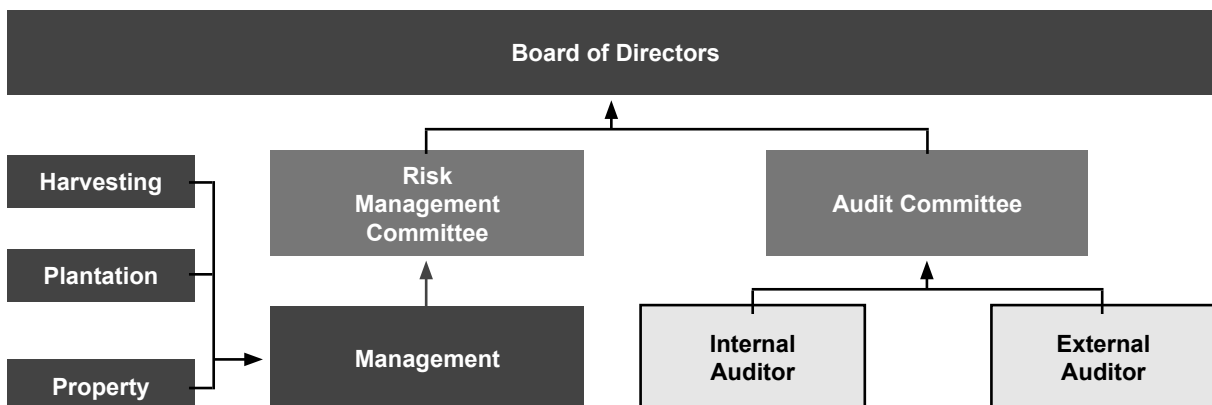
RISK MANAGEMENT

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

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

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

RISK MANAGEMENT FRAMEWORK



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RMC is mainly responsible for the following:-

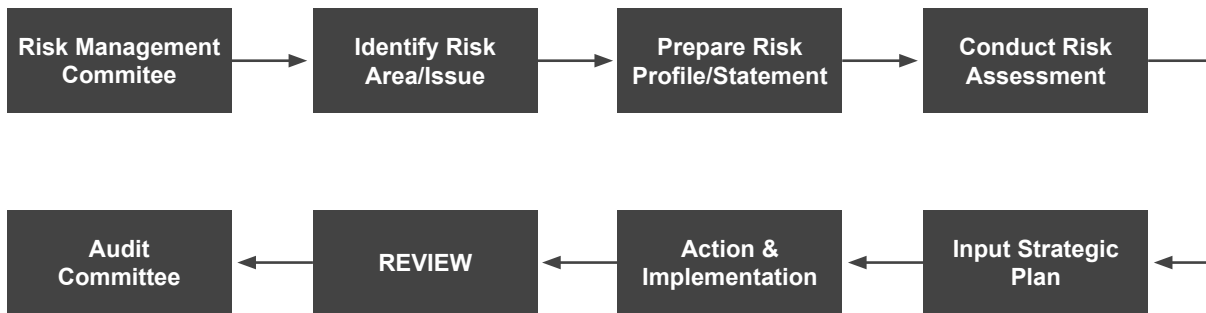
- assessing, improving and monitoring the Group Risk Management Framework (“RMF”);
- evaluating and monitoring the overall risk profile;
- reviewing key business area and activities that are considered significant from a risk perspective; and
- providing guidance to the management in the development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

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

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

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

RISK MANAGEMENT PROCESS & OUTPUT



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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

NO	KEY AREAS	KEY FACTORS	IMPACT/EFFECT	LEVEL OF RISK
4.	<u>FINANCIAL</u> <ul style="list-style-type: none"> International Financial Reporting Standard (“IFRS”) Property, Plant and Equipment (“PPE”) Financial Performance (Funding and Costing) Budget and Business Planning 	<ul style="list-style-type: none"> Compliance with accounting standard Control or monitor of assets movement Effective decision making & Efficient costing/performance Accuracy & Comprehensive 	<ul style="list-style-type: none"> Suspended or reprimanded by MIA, MASB, Bursa possible penalties Loss of Assets Loss of credibility and funding Loss of credibility and funding 	<ul style="list-style-type: none"> Low Medium Low Medium
5.	<u>HUMAN CAPITAL</u> <ul style="list-style-type: none"> Directors Key Management Forest Management Unit (“FMU”) Harvesting Staffs Plantation Staffs Occupation Safety and Health 	<ul style="list-style-type: none"> Ability Competency Devotion Competency Competency Awareness 	<ul style="list-style-type: none"> Affect company performance Affect company performance Affect company performance Affect company performance Affect company performance Penalty for non-compliance & company’s performance 	<ul style="list-style-type: none"> Medium Medium Medium Medium Medium Medium
6.	<u>LICENCE & REGULATIONS</u> <ul style="list-style-type: none"> Obligation & Compliance (Annual Working Plan (“AWP”), Plantation Development Plan (“PDP”) & Forest Management Plan (“FMP”) MTCS Certification Bursa Securities (Listing Regulations) 	<ul style="list-style-type: none"> Proper preparation and compliance Non compliance Non compliance 	<ul style="list-style-type: none"> Affect the FMU Licence Agreement Reduce profitability and performance Penalty 	<ul style="list-style-type: none"> Medium Medium Low
7.	<u>INDUSTRY & ECONOMIC (MALAYSIA & GLOBAL MARKET)</u> <ul style="list-style-type: none"> Other FMU Holders Timber Association Sabah Timber Demand & Market Price 	<ul style="list-style-type: none"> Mutual Co-operation Devoted leaders Economic downturn or boom 	<ul style="list-style-type: none"> Loss of market information Loss of market information Reduce profitability and performance 	<ul style="list-style-type: none"> Low Low Medium
8.	<u>ENVIRONMENT</u> <ul style="list-style-type: none"> Natural Disaster (Fire, Flood and Storm) Social Impact (3rd Party) 	<ul style="list-style-type: none"> Dry and Wet season, full attention Encroachment Goodwill policy 	<ul style="list-style-type: none"> Loss of Income Penalty 	<ul style="list-style-type: none"> Medium Medium

The risk assessment profile and framework was reviewed on 25 April 2017 and the key risk areas and factors were updated to better reflect the Group and Company’s current situation and business environment, particularly the Company’s financial position which had substantially improved.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2017, the Group has outsourced its internal audit function to Messrs Lim Chong & Co., an independent professional services firm which reports to the Audit Committee on half-yearly basis at yearly cost of RM30,000.00. The Audit Committee acknowledges that an independent and adequately resourced internal audit function is required to provide assurance on the effectiveness of the system of the internal control in addressing the risks identified.

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

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

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

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

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

- **Board Meeting**

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

- **Board Committees**

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Organisational Structure and Responsibility Levels**

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

- **Budget and Reporting**

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

Assurance from Management

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

Review of Statement

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 had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control. This Statements was reviewed by AC and approved by the Board on 28 March 2018.

CONCLUSION

For the financial year ended 31 December 2017 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 2017 are as follows:

Name of Committee Members	Designation	Date of Appointment	Meeting Attendance
Loo Choo Hong (Chairman)	Independent Non-Executive Director	12/05/2017	2/2
Datuk Yap Pak Leong	Senior Independent Non-Executive Director	30/12/2004	5/5
Agnes Soei-Tin Lamey	Independent Non-Executive Director	12/05/2017	2/2

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

TERMS OF REFERENCE

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

SUMMARY OF TERMS OF REFERENCE

A. MEMBERSHIPS

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

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

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

If a member of the AC resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months appoint such number of new members as may be required to make up the shortfall. Thus, a member of the AC who wish to retire or resign should provide sufficient written notice of not less than three (3) months to the Company.

In case a former key audit partner is being nominated as a member of the AC, he shall observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

REPORT OF AUDIT COMMITTEE

B. CHAIRMAN

- (i) The Chairman, who shall be elected by the AC, shall be an independent director and is not the Chairman of the Board.
- (ii) In the absence of the Chairman, the meeting shall be chaired by an Independent Director.
- (iii) The Chairman should engage on a continuous basis with senior management, such as the chief executive officer, the chief operating officer, the group financial controller, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the company

C. SECRETARY

The Company Secretary and/or his/her nominee and/or any other persons as may be appointed by the AC shall be the Secretary of the AC.

D. QUORUM OF MEETINGS

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

E. MEETINGS

The AC shall meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the AC.

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

Other Board members and employees shall attend AC meetings only at the invitation of the AC.

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

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The internal auditors and external auditors may attend at any meeting at the invitation of the AC and shall appear before the Committee when required to do so by the Committee. The internal auditors and external auditors may also request a meeting if they consider it is necessary.

At least twice a year, the AC shall meet with the external auditors without the presence of any Executive Directors and Management.

The AC shall meet prior to the release of the Group's quarterly results and annual reports to discuss the proposed disclosures in the quarterly announcements and annual reports.

REPORT OF AUDIT COMMITTEE

F. DUTIES AND RESPONSIBILITIES

1. To assist the Board in discharging its statutory duties and responsibilities relating to accounting policies and procedure as well as reporting practices of the Company and the Group in accordance with Generally Accepted Accounting Practices.
2. To review, assess, evaluate, approve and/or report to the Board on the following:

(a) External Auditors

- i. the annual audit plan, auditors' report and management letter and management's response to the management letter.
- ii. their evaluation of the system of internal controls.
- iii. issues and/or findings arising from audits and management's response.
- iv. the recommendation of nomination and re-appointment of the external auditors and audit fee, after reviewing the suitability, resources, competency and independence of the external auditors.
- v. make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- vi. the suitability and independence of the external auditors, including reviewing the external auditors' non-audit services.

(b) Internal Audit Functions

- i. the adequacy of the scope, competency and resource of internal audit functions and that it has the necessary authority to carry out its work.
- ii. the internal audit plan, process, the results of internal audit assessment or investigation undertaken and whether or not appropriate action is taken on the recommendations.
- iii. review any special audit which the AC deems necessary.
- iv. annually assess the performance of services provided by the internal auditors.

(c) Financial Reporting

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

- i. any changes in or implementation of accounting policies and practices.
- ii. significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transaction, and how these matters are addressed.
- iii. going concern assumption.
- iv. compliance with accounting standards, regulatory and other legal requirements.

(d) Risk Management and Internal Control

- i. recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group.
- ii. evaluate the quality and effectiveness of Company's internal control system and management information systems, including in compliance with applicable laws, rules, corporate governance requirements and guidelines.
- iii. recommend to the Board the Directors' Statement on Risk Management and Internal Control and any changes to the said Statement.

(e) Related Party Transactions

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

REPORT OF AUDIT COMMITTEE

3. To report on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the MMLR to Bursa Securities.
4. To prepare the AC Report for inclusion in the Company's Annual Report.
5. To review the following for publication in the Company's Annual Report:
 - i. Statement on Risk Management and Internal Control; and
 - ii. Circular to Shareholders on Recurrent Related Party Transactions.
6. To undertake any other such functions as may be agreed to by the AC and the Board.

G. RIGHTS AND AUTHORITY

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

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

H. ASSESSMENT OF AC'S PERFORMANCE

The terms of office and performance of an AC and each of its members must be reviewed by the Nomination and Remuneration Committee annually to determine whether such AC and members have carried out their duties in accordance with their terms of reference.

I. REVIEW OF THE TERMS OF REFERENCE

The AC shall recommend any changes to its term of reference in such manner as the AC deems appropriate to the Board for approval. The terms of reference shall be accessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, MMLR or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the AC's role.

REPORT OF AUDIT COMMITTEE

ACTIVITIES OF AC

The AC met five (5) times during the financial year ended 31 December 2017. The work carried out by the AC in discharging its duties and functions with respect to their responsibilities during the financial year were summarised as follows:

1. Financial Results

- reviewed the unaudited quarterly results of the Company and Group including announcements, going concern of the Company and Group to avoid triggering criteria of Practice Note 17 of the MMLR of Bursa Securities, clarifications or explanations were sought from the management in particular on any significant changes to the items or transactions that would affect the financial position of the Company and the Group before the AC recommends to the Board for their approval and subsequent release to Bursa Securities.
- reviewed the unaudited quarterly results to ensure that the quarterly financial reporting and disclosures are presented in a true and fair view of the Group's financial performance in accordance with the Malaysian Financial Reporting Standards ("MFRS") as well as the applicable disclosure provisions of the MMLR.
- prior to the issuance of the finalised audited financial statements of the Company and the Group, the AC had reviewed the audit status update presented by the External Auditors comprising amongst others, areas of audit emphasis, audit materiality, significant adjustments resulting from the audit, going concern assumption and impairment arising from the audit during the year under review.
- Reviewed any changes in the implementation of major accounting policies and practices to the Group.

2. External Audit

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

3. Internal Audit

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

4. Related Party Transactions

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

REPORT OF AUDIT COMMITTEE

5. Annual Reporting

- The AC reviewed and recommended the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2017 to the Board for approval. This Statement was approved by the Board on 28 March 2018.
- The AC reviewed the Terms of Reference and made the necessary amendments in line with the MMLR, the Malaysia Code on Corporate Governance 2017 and Companies Act 2016 on 28 March 2018.

GROUP EXTERNAL AUDIT

1. DUTIES AND RESPONSIBILITIES

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

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

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

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

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

REPORT OF AUDIT COMMITTEE

1. DUTIES AND RESPONSIBILITIES (CONT'D)

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

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

2. SUITABILITY AND INDEPENDENCE

The AC considered the suitability and independence of the external auditor Messrs Crowe Horwath during the discussion of the Group Audit Plan for the financial year ended 31 December 2017. The AC considered several factors including the adequacy of experience and resources of the firm and professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors to the Group for the financial year under review.

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

The fee incurred by the external auditor for audit and non-audit services for the financial year ended 31 December 2017 were as follows:-

Group	Audit Fees (RM)	Non-Audit Fees (RM)
Crowe Horwath	89,000.00	-
Crowe Horwath KK Tax Sdn. Bhd. (a company affiliated to the external auditors' firm)	-	21,950.00
TOTAL	89,000.00	21,950.00

3. SUMMARY OF ACTIVITIES

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

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

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

REPORT OF AUDIT COMMITTEE

GROUP INTERNAL AUDIT

1. DUTIES AND RESPONSIBILITIES

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

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

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

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

2. SUMMARY OF ACTIVITIES

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

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

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

- a) Goods and Services Tax and Transfer Pricing (GST Implementation) - reviewed the internal control and compliance with the Company's policies and procedures over the business process of GST activities on the areas of legislation, compliance, planning authorisation, file maintenance and operating procedures. The audit review also covers the follow-up by Management on the implementation of recommendations in their earlier reports (i.e. Group's Business Process of Plantation), which was tabled and deliberated at the AC meeting.
- b) Human Resources Management – reviewed the areas of governance and organisational structure, legal compliance or employment policies, practices and procedures, recruitment, hiring and selection management, performance management and appraisal, communication and information, time and attendance management, training and development, compensation and benefits or payroll management process and safety and health management. The audit review also covers the follow-up by Management on the implementation of recommendations in their earlier reports (i.e. GST and Transfer Pricing (GST Implementation) and Group's Business Process of Plantation), which was tabled and deliberated at the AC meeting.

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

The fee incurred for internal audit function of the Group for the financial year ended 31 December 2017 was RM30,000.00.

ANNUAL PERFORMANCE ASSESSMENT

During the financial year, the Board, through the Nomination and Remuneration Committee had reviewed the term of office and assessed the performance of the AC on 26 February 2018. The Board was satisfied that the AC has discharged its duties in accordance with the Terms of Reference.

ADDITIONAL DISCLOSURE REQUIREMENTS

1. CORPORATE PROPOSAL AND UTILISATION OF PROCEEDS

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

2. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2017, the amounts of audit and non-audit fees paid or payable by the Company and the Group to the external auditors / internal auditors are as follows:-

	Company (RM)	Group (RM)
Audit fees	77,500.00	89,000.00
Non-audit fees	12,000.00	21,950.00
Total	89,500.00	110,950.00

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



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TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	<u>1,601</u>	<u>2,761</u>
Attributable to:		
Owners of the Company	2,070	2,761
Non-controlling interest	(469)	-
	<u>1,601</u>	<u>2,761</u>

DIVIDENDS

At the forthcoming Annual General Meeting, a final dividend of 1.00 sen per ordinary share amounting to RM890,507 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 31 to the financial statements. At the date of this report, there does not exist:

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES (CONT'D)

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

DATUK YAP PAK LEONG

AGNES SOEI-TIN LAMEY

YBHG. DATO' SERI ABDUL AZIM BIN MOHD ZABIDI

YBHG. DATO' SERI TIONG KING SING

MEI TON MARTIN

YAP FOOK FUNG (alternate director to Datuk Yap Pak Leong)

LOO CHOO HONG (APPOINTED ON 12 MAY 2017)

DATUK ALLADIN BIN MOHD. HASHIM (RETIRED ON 12 MAY 2017)

SUI DIONG HOE (RETIRED ON 12 MAY 2017)

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

DATUK PAU CHIONG UNG

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

<i>Direct interest in the Company</i>	Number Of Ordinary Shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
AGNES SOEI-TIN LAMEY	2,948,620	3,059,120	-	6,007,740
DATUK YAP PAK LEONG	4,546,300	-	-	4,546,300
YBHG. DATO' SERI TIONG KING SING	21,210,322	-	-	21,210,322
YAP FOOK FUNG	1,240,000	-	-	1,240,000
<i>Indirect interest in the Company</i>				
DATUK YAP PAK LEONG	1,512,000	-	-	1,512,000
AGNES SOEI-TIN LAMEY	13,766,600	-	13,766,600	-
YAP FOOK FUNG	15,000	-	-	15,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than other than the benefits included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into with companies in which certain directors have substantial financial interests as disclosed in Note 30(b) to the financial statements.

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 29(a) to the financial statements.

INDEMNITY AND INSURANCE COST

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

SUBSIDIARIES

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 35 to the financial statements.

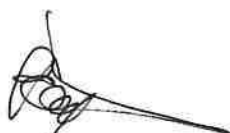
AUDITORS

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

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 28 MAR 2018



Datuk Yap Pak Leong



Agnes Soei-Tin Lamey

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

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

We, Yap Pak Leong and Agnes Soei-Tin Lamey, being two of the directors of Timberwell Berhad, state that, in the opinion of the directors, the financial statements set out on pages 14 to 77 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 MAR 2018



Datuk Yap Pak Leong



Agnes Soei-Tin Lamey

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

I, Lee Yoke Wah, being the officer primarily responsible for the financial management of Timberwell Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 77 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee Yoke Wah
at Kota Kinabalu in the State of Sabah
on this 28 MAR 2018



Lee Yoke Wah

Before me



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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Timberwell Berhad, which comprise the Statements of Financial Position as at 31 December 2017 of the Group and of the Company, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

Key Audit Matters (Cont'd)

Going concern assessment	
Area of focus	Response
<p>The accounts are prepared on a going concern basis in accordance with FRS101 Presentation of Financial Statements and as the directors' assessment of the group's and company's ability to continue as a going concern can be highly judgemental, we identified going concern as a significant risk requiring special audit consideration.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ▪ Evaluating the directors' assessment of the group's and company's ability to continue as a going concern. In particular, we reviewed cash flow projections for the next accounting period, reviewing and challenging the directors' assumptions, including expected selling price and future costs to be incurred. ▪ Evaluating the directors' plans for future actions in relation to their going concern assessment, taking into account any relevant events subsequent to the year-end through discussion with the Audit Committee.
Biological Assets – RM20,346,000	
Area of focus	Response
<p>Existence and valuation</p> <p>The Group carries significant biological assets (38% of total assets) at cost less accumulated amortisation. The biological assets consist of initial costs incurred in obtaining and maintaining the Sustainable Forest Management Licence (SFML) issued by the state government of Sabah and cost of planted trees in industrial tree plantation area. The company's SFML which has a remaining life of 80 years (out of 100 years) gives rights to the company to extract timber and to replant trees over a significantly large area. The company has no titled ownership over the land but only certain rights over the land. There are judgements involved in the estimation of recoverable amounts which are inherently uncertain. Thus, this is one of the key judgmental areas that our audit has concentrated on.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ▪ Assessing the terms and conditions of the SFML and determining whether any breaches occurred which may result in termination of the concession lease. ▪ Assessing the reasonableness of the basis used in determining the recoverable amount of the value of the natural trees and planted trees. ▪ Making enquiries of management on the control in place in safeguarding the area from misappropriations and unauthorized activities. ▪ Inspection of and reliance on the annual compliance report certified and verified by the state authority and another independent party. ▪ Conducting site visit to the concession area.

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

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

Key Audit Matters (Cont'd)

Impairment of Property, Plant and Equipment - RM27,091,000	
Area of focus	Response
<p>The property, plant, and equipment of the Group accounts for 56% of the total non-current assets which mainly consists of the assets held by the subsidiary, Timberwell Plywood Sdn Bhd at its Plywood Factory which had ceased operations since 2010 but its assets are currently leased out partially. There is therefore a risk that the assets are stated at a value above their recoverable amount.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ▪ Assessing the competence, capabilities and objectivity of the professional valuer engaged, obtaining understanding of the work of that expert and evaluating the appropriateness of the expert's work before placing reliance on the expert's work. ▪ Conducting site inspection on the property, plant and equipment.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

Responsibilities of the Directors for the Financial Statements (Cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

(Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report the following:

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

OTHER MATTERS

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

CROWE HORWATH
Firm No: AF1018
Chartered Accountants

Kota Kinabalu

Dated **28 MAR 2018**

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017

ASSETS	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
NON-CURRENT ASSETS					
Biological assets	5	20,346	19,756	20,346	19,756
Property, plant and equipment	6	27,091	25,431	9,644	8,686
Investments in subsidiaries	7	-	-	21,000	21,000
Non-trade receivables	8	847	715	847	659
		48,284	45,902	51,837	50,101
CURRENT ASSETS					
Inventories	9	1,582	307	1,582	307
Trade receivables	10	1,627	165	1,534	82
Non-trade receivables, deposits and prepayments	8	583	1,641	295	1,399
Amounts due from subsidiaries	11	-	-	147	125
Tax recoverable		-	354	-	347
Fixed deposit with a licensed bank	12	380	371	380	371
Cash and bank balances		1,045	761	977	684
		5,217	3,599	4,915	3,315
TOTAL ASSETS		53,501	49,501	56,752	53,416

The Statements of Financial Position continues on page 15.

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017

EQUITY AND LIABILITIES	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY					
Share capital	13	98,677	89,051	98,677	89,051
Share premium		-	9,626	-	9,626
Revaluation reserve	14	7,552	5,938	784	-
Accumulated losses		(67,429)	(69,499)	(69,411)	(72,172)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		38,800	35,116	30,050	26,505
Non-controlling interest	7	(1,258)	(1,366)	-	-
TOTAL EQUITY		37,542	33,750	30,050	26,505
NON-CURRENT LIABILITIES					
Deferred taxation	15	7,071	6,172	4,419	3,955
Hire purchase payables	16	224	225	224	225
Non-trade payables	17	2,741	3,084	2,741	3,084
		10,036	9,481	7,384	7,264
(Forward)		10,036	9,481	7,384	7,264

The Statements of Financial Position continues on page 16.

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Cont'd)		10,036	9,481	7,384	7,264
CURRENT LIABILITIES					
Trade payables	18	2,591	4,800	2,591	4,800
Non-trade payables and accruals	17	3,069	1,337	2,937	1,211
Amounts due to subsidiaries	11	-	-	13,527	13,503
Hire purchase payables	16	219	133	219	133
Current tax liabilities		44	-	44	-
		<u>5,923</u>	<u>6,270</u>	<u>19,318</u>	<u>19,647</u>
TOTAL LIABILITIES		<u>15,959</u>	<u>15,751</u>	<u>26,702</u>	<u>26,911</u>
TOTAL EQUITY AND LIABILITIES		<u>53,501</u>	<u>49,501</u>	<u>56,752</u>	<u>53,416</u>
NET ASSETS PER SHARE	19	<u>43.57 sen</u>	<u>39.43 sen</u>		

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
REVENUE	20	31,188	14,526	31,188	14,526
COST OF SALES	21	(23,561)	(11,723)	(23,561)	(11,723)
GROSS PROFIT		7,627	2,803	7,627	2,803
OTHER OPERATING INCOME	22	467	865	277	2,182
OTHER OPERATING EXPENSES		(1,140)	(1,142)	-	-
ADMINISTRATIVE EXPENSES		(3,511)	(2,875)	(3,301)	(2,904)
SELLING AND DISTRI- BUTION EXPENSES		(171)	(1)	(171)	(1)
PROFIT/(LOSS) FROM OPERATIONS		3,272	(350)	4,432	2,080
FINANCE COSTS	23	(285)	(327)	(285)	(327)
PROFIT/(LOSS) BEFORE TAXATION	24	2,987	(677)	4,147	1,753
INCOME TAX EXPENSE	25	(1,386)	281	(1,386)	82
PROFIT/(LOSS) AFTER TAXATION		1,601	(396)	2,761	1,835
OTHER COMPREHENSIVE INCOME	26				
<u>Items that Will Not be</u> <u>Reclassified subsequently</u> <u>to profit or loss</u> Revaluation of property, plant and equipment		2,191	-	784	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		3,792	(396)	3,545	1,835

The Statements of Profit or Loss and Other Comprehensive Income continues on page 18.

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		2,070	75	2,761	1,835
Non-controlling interest		(469)	(471)	-	-
		<u>1,601</u>	<u>(396)</u>	<u>2,761</u>	<u>1,835</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO:					
Owners of the Company		3,684	75	3,545	1,835
Non-controlling interest		108	(471)	-	-
		<u>3,792</u>	<u>(396)</u>	<u>3,545</u>	<u>1,835</u>
EARNINGS PER SHARE					
BASIC	27	<u>2.32 sen</u>	<u>0.08 sen</u>		
DILUTED		<u>Not applicable</u>	<u>Not applicable</u>		

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No. : 387185 - W

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Group	Note	Non-Distributable					Attributable To Owners Of The Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000				
Balance at 1.1.2016		89,051	9,626	5,938	(69,574)	35,041	(895)	34,146	
Profit after taxation/Total comprehensive income/(expense) for the financial year		-	-	-	75	75	(471)	(396)	
Balance at 31.12.2016/1.1.2017		89,051	9,626	5,938	(69,499)	35,116	(1,366)	33,750	
Profit after taxation for the financial year		-	-	-	2,070	2,070	(469)	1,601	
Other comprehensive income for the financial year:		-	-	-	-	-	-	-	
- Revaluation of property, plant and equipment	26	-	-	1,614	-	1,614	577	2,191	
Total comprehensive income for the financial year		-	-	1,614	2,070	3,684	108	3,792	
Transfer to share capital upon implementation of the Companies Act 2016	13	9,626	(9,626)	-	-	-	-	-	
Balance at 31.12.2017		98,677	-	7,552	(67,429)	38,800	(1,258)	37,542	

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Company	Note	←-----Non-Distributable-----→				Total Equity RM
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Accumulated losses RM'000	
Balance at 1.1.2016		89,051	9,626	-	(74,007)	24,670
Profit after taxation for the financial year		-	-	-	1,835	1,835
Balance at 31.12.2016/1.1.2017		89,051	9,626	-	(72,172)	26,505
Profit after taxation for the financial year		-	-	-	2,761	2,761
Other comprehensive income for the financial year:						
- Revaluation of property, plant and equipment	26	-	-	784	-	784
Total comprehensive income for the financial year		-	-	784	2,761	3,545
Transfer to share capital upon implementation of the Companies Act 2016		9,626	(9,626)	-	-	-
Balance at 31.12.2017		98,677	-	784	(69,411)	30,050

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

CASH FLOWS FROM OPERATING ACTIVITIES	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before taxation	2,987	(677)	4,147	1,753
Adjustments for:				
Amortisation of biological assets	111	111	111	111
Depreciation of property, plant and equipment	1,605	1,614	465	473
Impairment loss on investment in subsidiary companies	-	-	-	598
Interest expenses	285	327	285	327
Interest income	(60)	(305)	(49)	(284)
Property, plant and equipment written off	-	9	-	9
Net gain on disposal of property, plant and equipment	(168)	-	(168)	-
Reversal of impairment losses on property, plant and equipment	(52)	-	(52)	-
Waiver of liabilities	-	(119)	-	-
Operating profit before working capital changes	4,708	960	4,739	2,987
(Increase)/Decrease in inventories	(1,275)	865	(1,275)	865
(Increase)/Decrease in receivables	(536)	688	(536)	687
Decrease in payables	(825)	(1,028)	(826)	(1,128)
Increase in amounts due from subsidiaries	-	-	(22)	(52)
Increase/(Decrease) in amounts due to subsidiaries	-	-	24	(1,650)
CASH FROM OPERATIONS	2,072	1,485	2,104	1,709
Interest paid	(285)	(327)	(285)	(327)
Interest received	60	305	49	284
Tax refund	193	416	181	350
Tax paid	(960)	(454)	(960)	(442)
NET CASH FROM OPERATING ACTIVITIES/BALANCE CARRIED FORWARD	1,080	1,425	1,089	1,574

The Statements of Cash Flows continues on page 84.

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Cont'd)					
NET CASH FROM OPERATING ACTIVITIES/BALANCE BROUGHT FORWARD		1,080	1,425	1,089	1,574
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	28(a)	(109)	(19)	(109)	(19)
Proceeds from disposal of property, plant and equipment		183	-	183	-
Acquisition of biological assets		(701)	(789)	(701)	(789)
NET CASH FOR INVESTING ACTIVITIES		(627)	(808)	(627)	(808)
CASH FLOWS FOR FINANCING ACTIVITY					
Payment of hire purchase liabilities	28(b)	(160)	(118)	(160)	(118)
NET INCREASE IN CASH AND CASH EQUIVALENTS		293	499	302	648
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,132	633	1,055	407
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28(c)	1,425	1,132	1,357	1,055

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

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

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

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

2. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated **28 MAR 2018**

3. BASIS OF PREPARATION

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

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

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

FRS 14 Regulatory Deferral Accounts

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

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

Amendments to FRS 101: Disclosure Initiative

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

Amendments to FRS 127: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 – 2014 Cycle

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. BASIS OF PREPARATION (CONT'D)

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

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. BASIS OF PREPARATION (CONT'D)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

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

(a) Depreciation of Property, Plant and Equipment

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

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

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

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

(b) *Income Taxes*

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

(c) *Write-down of Inventories*

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

(d) *Impairment of Trade and Other Receivables*

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

(e) Revaluation of Property, Plant and Equipment

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

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

(f) Classification of Leasehold Land

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

4.2 Basis of Consolidation

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

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
Company No : 387185 - W

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of Consolidation (Cont'd)

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

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

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

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

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

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of Consolidation (Cont'd)

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

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

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

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

4.3 Goodwill

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

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

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

TIMBERWELL BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Functional and Foreign Currency

(a) *Functional and Presentation Currency*

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

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

(b) *Transactions and Balances*

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

4.5 Financial Instruments

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

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

(a) Financial Assets

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

- *Financial Assets at Fair Value Through Profit or Loss*

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

- *Held-to-maturity Investments*

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

- *Loans and Receivables Financial Assets*

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

- *Loans and Receivables Financial Assets (Cont'd)*

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

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

- *Available-for-sale Financial Assets*

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

(b) Financial Liabilities

- *Financial Liabilities at Fair Value through Profit or Loss*

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(b) Financial Liabilities (Cont'd)

- Other Financial Liabilities

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

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

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

(c) Equity Instruments

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

Ordinary Shares

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

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

(d) Derecognition

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial Instruments (Cont'd)

(d) Derecognition (Cont'd)

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

4.6 Investments in Subsidiaries

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

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

4.7 Property, Plant and Equipment

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Property, Plant and Equipment (Cont'd)

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

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

Leasehold land	over the remaining lease period of 66 years
Buildings	2.63% - 10%
Office renovation	10%
Plant and machineries	6.67% - 10%
Furniture and fittings	10%
Office equipment	10%
Motor boats	20%
Motor vehicles	10% - 20%
Bridges	2% - 6.67%
Infrastructure	10%

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Property, Plant and Equipment (Cont'd)

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

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

4.8 Biological Assets

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

4.9 Impairment

(i) *Impairment of Financial Assets*

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment (Cont'd)

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

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

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

(ii) *Impairment of Non-Financial Assets*

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment (Cont'd)

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

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

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

4.10 Assets under Hire Purchase

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

4.11 Inventories

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Income Taxes

(a) Current Tax

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

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

(b) Deferred Tax

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Income Taxes (Cont'd)

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

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

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

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

4.13 Borrowing Costs

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

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

4.14 Cash and Cash Equivalents

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

4.15 Employee Benefits

(i) Short term benefits

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Employee Benefits (Cont'd)

(ii) Defined contribution plans

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

4.16 Related Parties

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Related Parties (Cont'd)

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

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

4.17 Contingent Liabilities

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

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

4.18 Fair Value Measurements

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Fair Value Measurements (Cont'd)

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

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

4.19 Revenue Recognition

(i) *Sales of goods*

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

(ii) *Services*

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

(iii) *Interest income*

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Revenue Recognition (Cont'd)

(iv) *Dividend income*

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

(v) *Rental income*

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

5. BIOLOGICAL ASSETS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	19,756	19,078	19,756	19,078
Additions	701	789	701	789
	<u>20,457</u>	<u>19,867</u>	<u>20,457</u>	<u>19,867</u>
Amortisation during the financial year	(111)	(111)	(111)	(111)
At 31 December	<u>20,346</u>	<u>19,756</u>	<u>20,346</u>	<u>19,756</u>

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

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6. PROPERTY, PLANT AND EQUIPMENT

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

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**NOTES TO THE FINANCIAL STATEMENTS
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	At 1.1.2016 RM'000	Additions RM'000	Written Off RM'000	Depreciation Charges RM'000	At 31.12.2016 RM'000
<i>Net Book Value</i>					
Leasehold land	3,287	-	-	(87)	3,200
Buildings	9,168	-	-	(335)	8,833
Road and bridges	8,050	-	-	(259)	7,791
Plant and machineries	6,209	3	(1)	(841)	5,370
Motor vehicles and motor boats	196	94	-	(79)	211
Office equipment, furniture and fittings	43	2	(8)	(11)	26
Office renovation	2	-	-	(2)	-
	26,955	99	(9)	(1,614)	25,431

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

The Group	At Cost RM'000	At Valuation RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Loss RM'000	Net Book Value RM'000
2017					
Leasehold land	-	4,233	(-)	-	4,233
Buildings	-	14,476	(2,750)	(3,492)	8,234
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,341)	-	7,532
Plant and machineries	-	6,375	(177)	-	6,198
Nursery	170	-	(170)	-	-
Motor vehicles	-	842	(33)	-	809
Office equipment, furniture and fittings	231	-	(144)	(2)	85
	<u>11,330</u>	<u>25,926</u>	<u>(6,671)</u>	<u>(3,494)</u>	<u>27,091</u>
2016					
Leasehold land	-	3,544	(344)	-	3,200
Buildings	810	13,977	(3,060)	(2,894)	8,833
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,082)	-	7,791
Plant and machineries	1,212	15,187	(11,021)	(8)	5,370
Nursery	170	-	(170)	-	-
Motor vehicles	1,413	-	(1,158)	(44)	211
Office equipment, furniture and fittings	160	-	(132)	(2)	26
	<u>14,694</u>	<u>32,708</u>	<u>(19,023)</u>	<u>(2,948)</u>	<u>25,431</u>

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

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

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

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

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

The Company	At Cost RM'000	At Valuation RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Loss RM'000	Net Book Value RM'000
2017					
Buildings	-	499	-	-	499
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,341)	-	7,532
Plant and machineries	-	844	-	-	844
Nursery	170	-	(170)	-	-
Motor vehicles	-	684	-	-	684
Office equipment, furniture and fittings	224	-	(139)	-	85
	<u>11,323</u>	<u>2,027</u>	<u>(3,706)</u>	<u>-</u>	<u>9,644</u>
2016					
Buildings	810	-	(619)	-	191
Office renovation	56	-	(56)	-	-
Road and bridges	10,873	-	(3,082)	-	7,791
Plant and machineries	1,038	-	(526) (8)	-	504
Nursery	170	-	(170)	-	-
Motor vehicles	733	-	(515) (44)	-	174
Office equipment, furniture and fittings	153	-	(127)	-	26
	<u>13,833</u>	<u>-</u>	<u>(5,095) (52)</u>	<u>-</u>	<u>8,686</u>

During the financial year, the Group's leasehold land, buildings, plant and machineries, and motor vehicles were revalued by an independent professional valuer. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income as disclosed in Note 26 to the financial statements and accumulated in equity under the revaluation reserve.

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

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

The Group

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

2016

Leasehold land	-	3,200	-	3,200
Buildings	-	-	8,833	8,833
Plant and machineries	-	-	5,370	5,370
	-	3,200	14,203	17,403

The Company

2017

Buildings	-	-	499	499
Plant and machineries	-	-	844	844
Motor vehicles	-	-	684	684
	-	-	2,027	2,027

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

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

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

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

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

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2017			
Leasehold land	2,192	(817)	1,375
Buildings	12,369	(5,103)	7,266
Plant and machineries	49,441	(48,751)	690
Motor vehicles	1,570	(1,174)	396
	<u>65,572</u>	<u>(55,845)</u>	<u>9,727</u>
2016			
Leasehold land	2,192	(773)	1,419
Buildings	11,585	(4,234)	7,351
Plant and machineries	48,668	(48,326)	342
	<u>62,445</u>	<u>(53,333)</u>	<u>9,112</u>
The Company			
2017			
Buildings	784	(637)	147
Plant and machineries	773	(365)	408
Motor vehicles	944	(556)	388
	<u>2,501</u>	<u>(1,558)</u>	<u>943</u>

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

	The Group		The Company	
	2017	2016	2017	2016
Plant and machinery	343	387	343	387
Motor vehicles	388	166	388	166
	<u>731</u>	<u>553</u>	<u>731</u>	<u>553</u>

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7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	52,351	52,351
Quasi loans	19,596	19,596
	<u>71,947</u>	<u>71,947</u>
Less: Accumulated impairment loss		
At 1 January	50,947	50,349
Addition during the financial year	-	598
	<u>50,947</u>	<u>50,947</u>
	<u>21,000</u>	<u>21,000</u>

Details of the subsidiaries are as follows:

Name of subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal activities
		2017 %	2016 %	
Timberwell Plywood Sdn. Bhd.	Malaysia	59	59	Ceased operations
Timberwell Properties Sdn. Bhd.	Malaysia	100	100	Property investment and holding
Timberwell Forest Sdn. Bhd.	Malaysia	100	100	Ceased operations
Timberwell Plantations Sdn. Bhd.	Malaysia	100	100	Ceased operations

During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment losses of RM Nil (2016: RM598,000), representing the write-down of the investments to their recoverable amounts, was recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income. The recoverable amount is based on the net asset value of the subsidiaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	The Group	
	2017 RM'000	2016 RM'000
Timberwell Plywood Sdn. Bhd.	(1,258)	(1,366)

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

	Timberwell Plywood Sdn. Bhd.	
	2017 RM'000	2016 RM'000
<u>At 31 December</u>		
Non-current assets	17,270	16,567
Current assets	166	157
Non-current liabilities	(2,653)	(2,216)
Current liabilities	(2,166)	(2,153)
Net assets	<u>12,617</u>	<u>12,355</u>
Financial year ended 31 December		
Loss for the financial year	(1,145)	(1,147)
Total comprehensive Income/(expenses)	<u>(263)</u>	<u>(1,147)</u>
Net cash flows from/(for) operating activities	(14)	(267)
Net cash flows from/(for) financing activities	<u>13</u>	<u>199</u>

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8. NON-TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Third parties	847	715	847	659
Current				
Third parties	455	1,526	167	1,284
Deposit	120	21	120	21
Prepayments	8	94	8	94
	<u>1,430</u>	<u>2,356</u>	<u>1,142</u>	<u>2,058</u>
Less: Allowance for impairment loss	-	-	-	-
	<u>1,430</u>	<u>2,356</u>	<u>1,142</u>	<u>2,058</u>
Allowance of impairment losses:				
At 1 January	-	2,729	-	2,729
Written off during the financial year	-	(2,729)	-	(2,729)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current				
Non-trade receivables	<u>583</u>	<u>1,641</u>	<u>295</u>	<u>1,399</u>

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

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9. INVENTORIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
Finished goods	<u>1,582</u>	<u>307</u>	<u>1,582</u>	<u>307</u>
Recognised in profit or loss:				
Inventories recognised as cost of sales	<u>1,582</u>	<u>307</u>	<u>1,582</u>	<u>307</u>

10. TRADE RECEIVABLES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Third party	1,627	165	1,534	82
Less: Allowance for impairment losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,627</u>	<u>165</u>	<u>1,534</u>	<u>82</u>
Allowance for impairment losses:				
At 1 January	-	999	-	999
Written off during the financial year	<u>-</u>	<u>(999)</u>	<u>-</u>	<u>(999)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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11. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

12. FIXED DEPOSIT WITH A LICENSED BANK

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

The weighted average effective interest rate of fixed deposit at the end of the reporting period is 2.45% (2016: 2.45%) per annum. The maturity period of the fixed deposits at end of the reporting period is 1 month (2016: 1 month).

13. SHARE CAPITAL

Authorised	The Group/The Company			
	2017	2016	2017	2016
	Number of shares		RM	RM
Ordinary share of RM1 each	N/A	500,000,000	N/A	500,000,000

N/A Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

Issued and fully paid-up	The Group/The Company			
	2017	2016	2017	2016
	Number of shares		RM	RM
Ordinary share with no par value (2016: value of RM1 each)				
At 1 January	89,050,667	89,050,667	89,050,667	89,050,667
Transfer from share premium account	-	-	9,626,008	-
At 31 December	89,050,667	89,050,667	98,676,675	89,050,667

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. SHARE CAPITAL (CONT'D)

- (i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition

14. REVALUATION RESERVE

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

15. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	6,172	6,565	3,955	4,149
Recognised in profit or loss (Note 25)	216	(393)	216	(194)
Recognised in other comprehensive income (Note 26)	683	-	248	-
At 31 December	<u>7,071</u>	<u>6,172</u>	<u>4,419</u>	<u>3,955</u>

The deferred tax liabilities arose from the following temporary differences:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	4,809	4,035	2,157	1,818
Biological assets	2,368	2,223	2,368	2,223
Hire purchase	(106)	(86)	(106)	(86)
	<u>7,071</u>	<u>6,172</u>	<u>4,419</u>	<u>3,955</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum hire purchase payments:				
- not later than 1 year	241	156	241	156
- later than 1 year and not later than 5 years	234	243	234	243
	<u>475</u>	<u>399</u>	<u>475</u>	<u>399</u>
Less: Future finance charges	32	41	32	41
Present value of hire purchase payables	<u>443</u>	<u>358</u>	<u>443</u>	<u>358</u>
Analysed by:				
Current liabilities	219	133	219	133
Non-current liabilities	224	225	224	225
	<u>443</u>	<u>358</u>	<u>443</u>	<u>358</u>

The hire purchase facility bears effective interest rate ranging from 4.94% to 9.45% (2016: ranging from 5.13% to 9.45%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

17. NON-TRADE PAYABLES AND ACCRUALS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Third parties	2,817	1,194	2,685	1,068
Amounts due to directors - fees	252	143	252	143
Related parties	2,741	3,084	2,741	3,084
	<u>5,810</u>	<u>4,421</u>	<u>5,678</u>	<u>4,295</u>

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17. NON-TRADE PAYABLES AND ACCRUALS (CONT'D)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysed by:				
Current	3,069	1,337	2,937	1,211
Non-current	2,741	3,084	2,741	3,084
	<u>5,810</u>	<u>4,421</u>	<u>5,678</u>	<u>4,295</u>

Three of the related parties amounting to RM2,741,000 (2016: RM3,084,000) bear interest rate at 9% (2016: 9%) per annum.

18. TRADE PAYABLES

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

Included in trade payables are non-refundable advance payment received from buyers amounting to RM Nil (2016: RM2,024,000).

19. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the end of the reporting period of RM38,800,000 (2016: RM35,116,000) divided by the enlarged number of ordinary shares in issue at the end of the reporting period of 89,050,667 (2016: 89,050,667), details of which are as follows:

	The Group	
	2017	2016
Ordinary shares in issue at the end of the reporting period	<u>89,051</u>	<u>89,051</u>

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20. REVENUE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of timber products	<u>31,188</u>	<u>14,526</u>	<u>31,188</u>	<u>14,526</u>

21. COST OF SALES

Cost of sales represents cost of inventories sold.

22. OTHER OPERATING INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income	-	-	-	1,680
Gain on disposal of property, plant and equipment	168	-	168	-
Interest income	60	305	49	284
Miscellaneous	11	34	8	34
Reversal of impairment losses on property, plant and equipment	52	-	52	-
Rental income	176	407	-	184
Waiver of liabilities	-	119	-	-
	<u>467</u>	<u>865</u>	<u>277</u>	<u>2,182</u>

23. FINANCE COSTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense				
- Advances from related parties	257	243	257	243
- Hire purchase	28	34	28	34
- Shareholder	-	50	-	50
	<u>285</u>	<u>327</u>	<u>285</u>	<u>327</u>

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24. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before taxation is arrived at after charging/ (crediting):				
Auditors' remuneration:				
- audit fees	89	89	78	78
- non-audit fees:				
- member firms of the auditor of the company	23	23	12	12
Amortisation of biological assets	111	111	111	111
Depreciation of property, plant and equipment	1,605	1,614	465	473
Directors' remuneration (Note 29)	350	244	346	240
Gain on disposal of property, plant and equipment	(168)	-	(168)	-
Impairment loss on investment in subsidiaries	-	-	-	598
Property, plant and equipment written off	-	9	-	9
Rental of premises	71	51	75	71
Reversal of impairment impairment losses on property, plant and equipment	(52)	-	(52)	-
Staff costs (Note 33)	1,192	852	1,124	784

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25. INCOME TAX EXPENSE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax				
- current year	1,134	157	1,134	157
- under/(over)provision in the previous financial year	36	(45)	36	(45)
Deferred taxation				
- origination of temporary differences	82	114	82	114
- reversal of temporary differences	-	(199)	-	-
- under/(over)provision in the previous financial year	134	(308)	134	(308)
	<u>216</u>	<u>(393)</u>	<u>216</u>	<u>(194)</u>
Total income tax expense	<u>1,386</u>	<u>(281)</u>	<u>1,386</u>	<u>(82)</u>

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

	The Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	20,705	20,705
Unabsorbed capital allowances	29,323	28,880
	<u>50,028</u>	<u>49,585</u>

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25. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before taxation	2,987	(677)	4,147	1,753
Taxation at statutory tax rate of 24%	717	(162)	996	421
Non-deductible expenses	258	259	250	320
Non-taxable income	(31)	(72)	(30)	(470)
Deferred tax assets not recognised during the financial year	272	47	-	-
Under/(over)provision of deferred tax in the previous financial year	134	(308)	134	(308)
Under/(over)provision of income tax in the previous financial year	36	(45)	36	(45)
Total income tax expense	1,386	(281)	1,386	(82)

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

26. OTHER COMPREHENSIVE INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment (Note 6)	2,874	-	1,032	-
Less: Deferred tax liabilities (Note 15)	(683)	-	(248)	-
	2,191	-	784	-

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27. EARNINGS PER SHARE

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

	The Group	
	2017	2016
Profit/(Loss) after taxation (RM'000)	1,601	(396)
Profit attributable to owners of the Company (RM'000)	2,070	75
Weighted average number of ordinary shares in issue (units'000)	89,051	89,051
Basic earnings per share (sen)	2.32	0.08

28. CASH FLOW INFORMATION

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

	The Group		The Company	
	2017	2016	2017	2016
Acquisition of property, plant and equipment	354	99	354	99
Financed by hire purchase arrangements	(245)	(80)	(245)	(80)
	109	19	109	19

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

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

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28. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed deposit with a licensed bank	380	371	380	371
Cash and bank balances	1,045	761	977	684
	<u>1,425</u>	<u>1,132</u>	<u>1,357</u>	<u>1,055</u>

29. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Directors				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- Fees	252	143	252	143
- Other emoluments	94	97	94	97
	<u>346</u>	<u>240</u>	<u>346</u>	<u>240</u>
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- Fees	4	4	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>
Total directors' remuneration (Note 24)	<u>350</u>	<u>244</u>	<u>346</u>	<u>240</u>

TIMBERWELL BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) Other Key Management Personnel

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	826	876	766	816
Defined contribution plan benefits	103	109	95	101
Total compensation for other key management personnel	<u>929</u>	<u>985</u>	<u>861</u>	<u>917</u>

30. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

The Group/The Company	2017 RM'000	2016 RM'000
(i) Interest paid/payable for advances granted from business entity/company connected to the directors	225	254

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. RELATED PARTY DISCLOSURES (CONT'D)

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

The Group/The Company (cont'd)	2017 RM'000	2016 RM'000
(ii) Interest paid/payable to shareholder	-	2
(iii) Transactions with a company which the Chief Executive Officer of the Company is connected to a director of that company: - Interest paid/payable for advances granted	<u>32</u>	<u>37</u>

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

31. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required:

	The Group	
	2017 RM'000	2016 RM'000
Bank guarantees granted to secure a performance bond made in favour of the Forestry Department	5,000	5,000
Bank guarantee facility in favour of third party	24	24
	<u>5,024</u>	<u>5,024</u>

32. CAPITAL COMMITMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Approved but not contracted for:				
- Industrial tree-planting project (2014 - 2023)	109,572	110,275	109,572	110,275
- Biological assets	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. EMPLOYEES INFORMATION

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff cost (including other key management personnel as disclosed in note 29)				
- Employees' Provident Fund contributions	119	100	111	92
- Salaries, wages and bonuses	1,064	745	1,005	686
- Socso	9	7	8	6
	<u>1,192</u>	<u>852</u>	<u>1,124</u>	<u>784</u>

34. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

34.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Company does not have any floating rate borrowings and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group and the Company does not have quoted investments and hence is not exposed to equity price risk.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by subsidiaries) as at the end of the reporting period is as follows:

The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Amount RM'000
2017			
Not past due	1,043	-	1,043
Past due:			
- less than 3 months	534	-	534
- 3 – 6 months	30	-	30
- over 6 months	20	-	20
	<u>1,627</u>	<u>-</u>	<u>1,627</u>
2016			
Not past due	54	-	54
Past due:			
- 3 – 6 months	5	-	5
- over 6 months	106	-	106
	<u>165</u>	<u>-</u>	<u>165</u>

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Certain substantial shareholders have committed to provide financial support to the Company should the Company requires funds for its business activities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2017					
Hire purchase payables	6.70	443	475	241	234
Trade payables	Nil	2,591	2,591	2,591	-
Non-trade payables and accruals	9.00	5,810	5,810	3,069	2,741
		8,844	8,876	5,901	2,975

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2016					
Hire purchase payables	7.57	358	399	156	243
Trade payables	Nil	4,800	4,800	4,800	-
Non-trade payables and accruals	9.00	4,421	4,421	1,337	3,084
		9,579	9,620	6,293	3,327

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):

The Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2017					
Amounts due to subsidiaries	Nil	13,527	13,527	13,527	-
Hire purchase payables	6.70	443	475	241	234
Trade payables	Nil	2,591	2,591	2,591	-
Non-trade payables and accruals	9.00	5,678	5,678	2,937	2,741
		22,239	22,271	19,296	2,975
2016					
Amounts due to subsidiaries	Nil	13,503	13,503	13,503	-
Hire purchase payables	7.57	358	399	156	243
Trade payables	Nil	4,800	4,800	4,800	-
Non-trade payables and accruals	9.00	4,295	4,295	1,211	3,084
		22,956	22,997	19,670	3,327

TIMBERWELL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

34.3 Classification of Financial Instruments

Financial Assets	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Loans and receivables financial assets</u>				
Trade receivables	1,627	165	1,534	82
Non-trade receivables and deposits	1,423	2,262	1,135	1,964
Amounts due from subsidiaries	-	-	147	125
Fixed deposit with a licensed bank	380	371	380	371
Cash and bank balances	1,045	761	977	684
	<u>4,475</u>	<u>3,559</u>	<u>4,173</u>	<u>3,226</u>

Financial Liabilities	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Other financial liabilities</u>				
Hire purchase payables	443	358	443	358
Trade payables	2,591	4,800	2,591	4,800
Non-trade payables and accruals	5,810	4,421	5,678	4,295
Amounts due to subsidiaries	-	-	13,527	13,503
	<u>8,844</u>	<u>9,579</u>	<u>22,239</u>	<u>22,956</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Fair Value Information

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of hire purchase payables that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments ranging from 4.94% to 9.45% (2016: 5.13% to 9.45%) and the fair value is within level 2 of the fair value hierarchy.

35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective note(s) to financial statements.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2017

TIMBERWELL PLYWOOD SDN.BHD.

2 parcels of industrial land situated in the District of Sandakan, Sabah

Location	Land Area	Tenure	Approximate Age (year) of Building	Description	Net Book Value as at 31.12.2015 (RM'000)
CL075385670 CL075385689	29.19 acres	99 years (01.01.1980 to 31.12.2078)	20	Industrial land with storage sheds, integrated processing plant cum office	11,968 (After revaluation)

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

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	22	1.77	818	0.00
100 – 1,000	472	38.03	440,572	0.49
1,001 – 10,000	589	47.46	1,980,817	2.22
10,001 – 100,000	108	8.70	3,245,126	3.64
100,001 – 4,452,532 *	45	3.63	39,105,383	43.91
4,452,533 and above **	5	0.40	44,277,961	49.72
TOTAL:	1,241	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

Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Dato' Seri Tiong King Sing	21,210,322	23.82	-	-
Tan Toeng Swie @ Lam Toeng Sui	12,135,479	13.62	3,000#	0.003
Agnes Soei-Tin Lamey	6,007,740	6.75	-	-
Lam Soei Lim	5,904,540	6.63	75,000#	0.08
Datuk Yap Pak Leong	4,546,300	5.11	1,512,000#	1.70
Lee Ngee Moi	2,694,899	3.03	2,367,533#	2.66

Note:

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

DIRECTORS' INTEREST IN SHARES IN THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Seri Abdul Azim Bin Mohd Zabidi	-	-	-	-
Dato' Seri Tiong King Sing	21,210,322	23.82	-	-
Datuk Yap Pak Leong	4,546,300+	5.11	1,512,000^	1.70
Loo Choo Hong	-	-	-	-
Agnes Soei-Tin Lamey	6,007,740	6.75	-	-
Melton Martin	-	-	-	-
Yap Fook Fung (Alternate Director to Datuk Yap Pak Leong)	1,240,000	1.39	15,000^	0.02

Notes:-

+ Held in own name / through nominee companies.

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

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

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

No.	Name	No. of Shares Held	%
1	RHB Nominees (Tempatan) Sdn. Bhd. [OSK Capital Sdn. Bhd. for Tiong King Sing]	21,210,322	23.82
2	Tan Toeng Swie @ Lam Toeng Sui	6,380,206	7.16
3	Agnes Soei-Tin Lamey	6,007,740	6.75
4	Lam Toeng Sui	5,755,273	6.46
5	Lam Soei Lim	4,924,420	5.53
6	Cartaban Nominees (Asing) Sdn. Bhd. [Exempt An for LGT Bank AG (Foreign)]	4,400,000	4.94
7	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Hew Mui Lan]	3,458,700	3.88
8	Harmony Chime Sdn. Bhd.	2,367,533	2.66
9	Ting Sing Hong	2,282,500	2.56
10	CIMSEC Nominees (Tempatan) Sdn. Bhd. [CIMB Bank for Yap Pak Leong (MQ0379)]	2,208,000	2.48
11	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Lee Ngee Moi]	1,968,033	2.21
12	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chiong Sui Chai & Sons Sdn. Bhd.]	1,638,100	1.84
13	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Patrick Chiong Sui Chai]	1,498,600	1.68
14	Bonus River Sdn. Bhd.	1,459,000	1.64
15	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Yap Pak Leong]	1,404,600	1.58
16	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Bounty Leisure Sdn. Bhd.]	1,288,000	1.45
17	Bounty Leisure Sdn. Bhd.	1,250,000	1.40
18	Yap Fook Fung	1,240,000	1.39
19	Lee Li-Ly	1,083,000	1.22
20	Hew Tien Shoong	1,000,000	1.12
21	Lam Soei Lim	980,120	1.10
22	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Yap Pak Leong]	933,700	1.05
23	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Pau Chiong Ung]	800,000	0.90
24	Lee Ngee Moi	726,866	0.82
25	Cartaban Nominees (Asing) Sdn. Bhd. [Exempt An for CA Indosuez (Switzerland) SA, Singapore Branch (Foreigner)]	695,600	0.78
26	Robert Tan	650,000	0.73
27	MKW Jaya Sdn Bhd	590,000	0.66
28	Chen Chee Min	570,666	0.64
29	Anders Moller	480,000	0.54
30	Lim Lee Li	394,000	0.44

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 22nd Annual General Meeting of the Company to be held at Crown 2, 2nd Floor, Sabah Oriental Hotel, Jalan Kemajuan, Karamuning, 88000 Kota Kinabalu, Sabah on Wednesday, 23rd day of May 2018 at 1:00 p.m., and at every adjournment thereof.

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

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the year ended 31 December 2017.			
	Ordinary Business			
2.	To approve the Directors' fees in respect of the financial year ended 31 December 2017.	1		
3.	To approve the Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries.	2		
4.	To re-elect Dato' Sri Abdul Azim Bin Mohd Zabidi as a Director.	3		
5.	To re-elect Mr Melton Martin as a Director.	4		
6.	To re-elect Mr Loo Choo Hong as a Director.	5		
7.	To approve Final Single-Tier Dividend.	6		
8.	To re-appoint Messrs Crowe Horwath (AF 1018) as Auditors.	7		
	Special Business			
9.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	8		
10.	Continuing in Office as Independent Non-Executive Director - Datuk Yap Pak Leong.	9		
11.	Continuing in Office as Independent Non-Executive Director - Dato' Seri Abdul Azim Bin Mohd Zabidi.	10		
12.	Proposed Adoption of New Company's Constitution.	11		

Dated this _____ day of _____ 2018

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	%
	<u>100 %</u>

*Delete whichever is not applicable.

NOTES:

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company, if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- To be valid, this form duly completed must be deposited at the registered office of the Company at Lot 8 & 9, Block A, 2nd Floor, Damai Point Commercial Centre, Off Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or adjournment thereof.
- A member shall be entitled to appoint more than one (1) proxy to attend, vote and speak at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 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.
- The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 16 May 2018.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

TIMBERWELL BERHAD
(387185-W)

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

1st fold here

If undelivered, please return to:

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

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(387185-W)

CORPORATE OFFICE

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Email: enquiry@timwell.com.my

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