

TIMBERWELL BERHAD

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 6 MONTHS PERIOD ENDED 30 JUNE 2016

	← INDIVIDUAL QUARTER →		← CUMULATIVE YTD →	
	Current year	Preceding year comparative	Current year	Preceding year comparative
	3 months ended 30.06.2016 (RM'000)	3 months ended 30.06.2015 (RM'000)	6 months ended 30.06.2016 (RM'000)	6 months ended 30.06.2015 (RM'000)
Continuing Operations				
Revenue	6,618	7,198	8,805	10,548
Operating expenses	(6,545)	(6,423)	(8,355)	(10,612)
Other income	0	8	1	31
Profit/(Loss) from operations	<u>73</u>	<u>783</u>	<u>451</u>	<u>(33)</u>
Finance costs	(81)	(134)	(164)	(284)
Profit/(Loss) before tax	<u>(8)</u>	<u>649</u>	<u>287</u>	<u>(317)</u>
Income tax expense	(90)	0	(214)	0
Profit/(Loss) for the period from continuing operation	<u>(98)</u>	<u>649</u>	<u>73</u>	<u>(317)</u>
Profit/(loss) after taxation/Total comprehensive income/(expenses) attributable to:				
Owners of the Company	(156)	739	318	(144)
Non-controlling interest	58	(90)	(245)	(173)
	<u>(98)</u>	<u>649</u>	<u>73</u>	<u>(317)</u>
Earnings/(Loss) per share (Sen) attributable to owners of the Company :				
- Basic	<u>(0.18)</u>	<u>0.83</u>	<u>0.36</u>	<u>(0.16)</u>
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The Condensed Unaudited Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	As at 30.06.2016 (RM'000)	As at 31.12.2015 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	25,982	26,955
Investment properties	0	0
Biological assets	19,399	19,078
Non-trade receivable	670	670
	<u>46,051</u>	<u>46,703</u>
CURRENT ASSETS		
Inventories	2,477	1,172
Trade and other receivables	2,026	2,612
Deposits, bank and cash balances	423	653
Tax recoverable	0	438
	<u>4,926</u>	<u>4,875</u>
	<u>4,926</u>	<u>4,875</u>
TOTAL ASSETS	<u>50,977</u>	<u>51,578</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	89,051	89,051
Reserves	(53,692)	(54,010)
	<u>35,359</u>	<u>35,041</u>
Equity attributable to owners of the Company	35,359	35,041
Non-controlling interest	(1,140)	(895)
	<u>34,219</u>	<u>34,146</u>
Total equity	34,219	34,146
NON-CURRENT LIABILITIES		
Borrowings	299	299
Deferred tax liabilities	6,565	6,565
Non-trade payables	3,546	3,444
	<u>10,410</u>	<u>10,308</u>
CURRENT LIABILITIES		
Trade and other payables	6,320	7,007
Borrowings	23	117
Tax payables	5	0
	<u>6,348</u>	<u>7,124</u>
Total liabilities	16,758	17,432
TOTAL EQUITY AND LIABILITIES	<u>50,977</u>	<u>51,578</u>
Net assets per share attributable to owners of the Company (RM)	0.3971	0.3935

The Condensed Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016

	Attributable to Owners of the Company Non-Distributable			Distributable Retained earnings/ (Accumulated losses) (RM'000)	Attributable to owners of the Company (RM'000)	Non-controlling interests (RM'000)	Total equity (RM'000)
	Share capital (RM'000)	Share premium (RM'000)	Revaluation reserve (RM'000)				
For The Year Ended 30 JUNE 2016							
At 1 January 2016	89,051	9,626	5,938	(69,574)	35,041	(895)	34,146
Net profit/(loss) for the year/Total comprehensive income/(expenses) for the year	0	0	0	318	318	(245)	73
At 30 JUNE 2016	<u>89,051</u>	<u>9,626</u>	<u>5,938</u>	<u>(69,256)</u>	<u>35,359</u>	<u>(1,140)</u>	<u>34,219</u>
For The Year Ended 31 DECEMBER 2015							
At 1 January 2015	89,051	9,626	5,938	(70,641)	33,974	(579)	33,395
Net loss for the year/Total comprehensive expenses for the year	0	0	0	1,067	1,067	(316)	751
At 31 December 2015	<u>89,051</u>	<u>9,626</u>	<u>5,938</u>	<u>(69,574)</u>	<u>35,041</u>	<u>(895)</u>	<u>34,146</u>

The Condensed Unaudited Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016

	6 months ended	
	30.06.2016 (RM'000)	31.12.2015 (RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
Continuing operations	73	1,294
Adjustments for :		
Non-cash Items	437	1,833
Non-operating Items	(440)	328
Operating profit before changes in working capital	<u>70</u>	<u>3,455</u>
Net change in Current Assets	(51)	(1,361)
Net change in Current Liabilities	776	677
Cash (used in)/generated from operations	<u>795</u>	<u>2,771</u>
Interest paid	(164)	(527)
Interest received	0	9
Tax paid	(214)	(180)
Net cash (used in)/generated from operating activities	<u>417</u>	<u>2,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	0	360
Purchase of property, plant and equipment	0	(236)
Acquisition of biological assets	(321)	(867)
Net cash generated from/(used in) investing activities	<u>(321)</u>	<u>(743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	0	0
Repayment of borrowings	(306)	(1,358)
Net cash used in financing activities	<u>(306)</u>	<u>(1,358)</u>
Net increase/(decrease) in Cash and Cash Equivalents	(210)	(28)
Cash and Cash Equivalents at beginning of the financial year	633	661
Cash and Cash Equivalents at end of the financial year	<u>423</u>	<u>633</u>
Cash and Cash equivalents at the end of the financial year comprise the following:		
	As at 30.06.2016 (RM'000)	As at 31.12.2015 (RM'000)
Fixed deposit, cash and bank balances	423	661
Bank overdrafts	<u>0</u>	<u>0</u>
	<u>423</u>	<u>661</u>

The Condensed Unaudited Consolidated Statement of cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

A2. Changes in Accounting Policies

The financial statement of the Company 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 Company Act 1965 in Malaysia.

FRSs, Amendments to FRSs and Interpretations

FRS 119 Defined Benefit Plans - Employee Contribution
Annual Improvements to FRSs
2010 - 2012 Cycle
Annual Improvements to FRSs
2011 - 2013 Cycle

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.

The Company 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.

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2015)	1 January 2018
Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Until further notice
Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 (2011) Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101 Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 (2011) Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to FRSs 2012 - 2014 Cycle	1 January 2016

A2. Changes in Accounting Policies (Cont'd)

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no materials impact on the financial statements of the Group upon their initial application except as follows:

FRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in FRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under the FRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. There fore, it is expected that the Company's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of FRS 9. The Company is currently assessing the financial impact of adopting FRS 9.

MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS"), 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 futher 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 Company 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.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was not qualified.

A4. Comments about Seasonality or Cyclicity

The Group's performance is not subject to seasonality or cyclicity except that the timber logs harvesting operation could be severely affected by the prevailing weather condition.

A5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review due to their nature, size or incidence.

A6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt securities nor any movement in the share capital for the current quarter and financial period under review.

A8. Dividends Paid

There were no dividends paid since the last financial year ended 31 December 2015.

A9. Segmental Information

No segmental analysis was prepared as the Group is primarily engaged in forest management, timber harvesting, marketing and trading of timber and related products in Malaysia.

A10. Valuations of Property, Plant and Equipment

The Group did not carry out any valuation exercise during the quarter ended 30 June 2016.

A11. Subsequent Events

There were no material events subsequent to the end of the current quarter.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter ended 30 June 2016.

A13. Capital Commitments

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Approved but not contracted for		
- Industrial tree-planting project (2009-2018)	0	21,156
- Plant & equipment	335	335
- Biological assets	2,388	882
	<u>2,723</u>	<u>22,373</u>

A14. Changes in Contingent Liabilities and Contingent Assets

The Group's contingent liabilities of a material nature as at the date of issue of this interim report were as follows:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Unsecured		
Bank guarantees obtained by the Company in order for the Company to provide a performance bond to the forestry department	5,000	5,000
Bank guarantee facility in favor of third party	0	0
	<u>5,000</u>	<u>5,000</u>

A15. Biological Assets

The Company has been granted a sustainable forest management license (SFML) for 100 years commencing 1997 over an area of 71,293 hectares in the Lingkabau Forest Reserve ("LFR") in Sabah under an agreement entered into with the State Government of Sabah. Under the agreement, the State Government of Sabah granted permission to the Company to plant, rehabilitate and harvest forests in the sustainable forest management concession area.

Out of the total 71,293 hectares, 43,957 hectares is marked for Natural Forest Management (NFM), 12,342 hectares for conservation and the remaining 15,000 hectares for Industrial Tree Plantation (ITP). To date, total area planted with various tree species under the ITP area is about 3,954.7 hectares with a total expenditure of RM10,343,974 which is part of the total timber plantation development expenditure of RM19.4 million.

Biological asset is stated at cost which comprises expenditure incurred on infrastructure cost, land clearing, new planting, enrichment planting, silvicultural treatments, upkeep and maintenance of the sustainable forest management concession area.

The Directors are of the opinion that the standing timber in the concession area commands a valuation far greater than the carrying value of the biological asset.

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of Performance

For the current quarter ended 30 June 2016, the Group registered a revenue of RM 6.6 million as compared with RM 7.2 million in the corresponding quarter ended 30 June 2015. This was mainly due to unfavorable weather condition and decrease in demand for timber resulting the decrease in timber prices.

The Group recorded a pre-tax loss of RM 0.01 million for the current quarter ended 30 June 2016 as compared to a pre-tax profit of RM 0.6 million in the corresponding quarter ended 30 June 2015.

B2 Variation of Results as Compared to the Preceding Quarter

In the current quarter ended 30 June 2016, the Group recorded a pre-tax loss of RM 0.01 million as compared to a pre-tax profit of RM 0.3 million in the immediate preceding quarter. This is attributed to the same reason highlighted in Note B1 above.

B3 Commentary on Prospects

Barring unforeseen circumstances, the Group is expected to perform better for this remaining financial year .

B4 Statement of Revenue or Profit Estimate, Forecast, Projection or Internal Targets previously announced or disclosed in a Public Document

This note is not applicable.

B5 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the current financial year to date.

B6 Taxation

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<u>Taxation comprise the following :</u>				
<i>Malaysian income tax</i>				
Current	(90)	0	(214)	0

B7 Corporate Proposal

There are no corporate proposals announced but not completed as at the date of this report.

B8 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2016 were as follows :-

	Secured	Unsecured	As at
			30.06.2016
	RM'000	RM'000	Total
			RM'000
Current	23	0	23
Non-current	299	3,546	3,845
	<u>322</u>	<u>3,546</u>	<u>3,868</u>

There are no outstanding foreign borrowings as at 30 June 2016

B9 Material Litigation

There is no litigation received during the current quarter ended 30 June 2016.

B10 Dividend Proposed or Declared

No dividend has been proposed or declared for the financial period ended 30 June 2016.

B11 Earnings per Share

The basic earnings per share for the current quarter and preceding year corresponding quarter are computed as follow:

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Profit / (loss) for the period (RM'000)	(156)	739	318	(144)
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	89,051	89,051	89,051	89,051
Basic Earnings / (Loss) Per Share (sen)	(0.18)	0.83	0.36	(0.16)

B12 Disclosure of realised and unrealised profits/(losses)

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits/(losses).

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained profits/(losses) of the Group as at 30 June 2016, into realised and unrealised profits/(losses), pursuant to directive, is as follows :

	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	(65,107)	(69,858)
- Unrealised	(4,149)	(4,149)
	<u>(69,256)</u>	<u>(74,007)</u>

The determination of realised and unrealised profits/(losses) is compiled based on guidance of Special Matter No. 1, *Determination of realised and unrealised Profits/(Losses) in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

B13 Profit/(Loss) for the period

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
This is arrived at after (charging)/crediting:				
Amortisation and Depreciation	(429)	(464)	(857)	(931)
Gain on disposal of properties, plant & equipment	0	0	0	0
Interest expense	(81)	(134)	(164)	(284)
Rental income	119	132	239	266

Other disclosure items pursuant to Appendix 9B Note 16 fo the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.