

**TIMBERWELL BERHAD**
**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 12 MONTHS PERIOD ENDED 31 DECEMBER 2017**

	← INDIVIDUAL QUARTER →		← CUMULATIVE YTD →	
	Current year	Preceding year comparative	Current year	Preceding year comparative
	3 months ended 31.12.2017 (RM'000)	3 months ended 31.12.2016 (RM'000)	12 months ended 31.12.2017 (RM'000)	12 months ended 31.12.2016 (RM'000)
<b>Continuing Operations</b>				
Revenue	9,531	122	31,188	14,526
Operating expenses	(8,980)	(1,422)	(28,383)	(15,741)
Other income	127	864	467	865
Profit/(Loss) from operations	678	(436)	3,272	(350)
Finance costs	(70)	(85)	(285)	(327)
<b>Profit/(Loss) before tax</b>	608	(521)	2,987	(677)
Income tax expense	(468)	502	(1,386)	281
<b>Profit/(Loss) for the period from continuing operation</b>	140	(19)	1,601	(396)
Profit/(loss) after taxation/Total comprehensive income/(expenses) attributable to:				
Ordinary equity holders of the parent	283	182	2,070	75
Non-controlling interest	(143)	(201)	(469)	(471)
	140	(19)	1,601	(396)
Earnings per share (Sen) attributable to ordinary equity holders of the parent :				
- Basic	0.32	0.20	2.32	0.08
- Diluted	N/A	N/A	N/A	N/A

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**TIMBERWELL BERHAD**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	As at 31.12.2017 (RM'000)	As at 31.12.2016 (RM'000)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	27,091	25,431
Investment properties	0	0
Biological assets	20,346	19,756
Non-trade receivables	847	715
	<u>48,284</u>	<u>45,902</u>
<b>CURRENT ASSETS</b>		
Inventories	1,582	307
Trade and other receivables	2,210	1,806
Fixed deposits with licensed banks	380	371
Cash and bank balances	1,045	761
Tax recoverable	0	354
	<u>5,217</u>	<u>3,599</u>
	<u>5,217</u>	<u>3,599</u>
<b>TOTAL ASSETS</b>	<u>53,501</u>	<u>49,501</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to ordinary equity holders of the parent</b>		
Share capital	98,677	89,051
Reserves	(59,877)	(53,935)
	<u></u>	<u></u>
Equity attributable to ordinary equity holders of the parent	38,800	35,116
Non-controlling interest	(1,258)	(1,366)
	<u></u>	<u></u>
Total equity	<u>37,542</u>	<u>33,750</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	224	225
Deferred tax liabilities	7,071	6,171
Non-trade payables	2,741	3,084
	<u>10,036</u>	<u>9,480</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5,660	6,138
Borrowings	219	133
Tax payables	44	0
	<u>5,923</u>	<u>6,271</u>
Total liabilities	<u>15,959</u>	<u>15,751</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>53,501</u>	<u>49,501</u>

Net assets per share attributable to ordinary equity holders of the parent (RM)

0.4357

0.3943

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**TIMBERWELL BERHAD**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2017**

	Attributable to ordinary equity holders of the parent			Distributable retained earnings/ (Accumulated losses) (RM'000)	Attributable to ordinary equity holders of the Parent (RM'000)	Non-controlling interests (RM'000)	Total equity (RM'000)
	Non-Distributable						
	Share capital (RM'000)	Share premium (RM'000)	Revaluation reserve (RM'000)				
<b>For The Period</b>							
<b><u>Ended 31 December 2017</u></b>							
At 1 January 2017	89,051	9,626	5,938	(69,499)	35,116	(1,366)	33,750
Other comprehensive income for the financial year:							
Revaluation of property, plant and equipment	0	0	1,614	0	1,614	577	2,191
Transfer to share capital upon implementation of the Companies Act 2016	9,626	(9,626)	0	0	0	0	0
Net profit/(loss) for the year/Total comprehensive income/(expenses) for the period	0	0	0	2,070	2,070	(469)	1,601
At 31 DECEMBER 2017	98,677	0	7,552	(67,429)	38,800	(1,258)	37,542
<b>For The Year</b>							
<b><u>Ended 31 DECEMBER 2016</u></b>							
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	75	75	(471)	(396)
At 31 December 2016	89,051	9,626	5,938	(69,499)	35,116	(1,366)	33,750

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**TIMBERWELL BERHAD**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2017**

	<b>12 months ended</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
Continuing operations	1,601	(677)
Adjustments for :		
Non-cash Items	2,092	1,725
Non-operating Items	415	(88)
Operating profit before changes in working capital	4,108	960
Net change in Current Assets	(1,618)	1,553
Net change in Current Liabilities	(348)	(1,028)
Cash (used in)/generated from operations	2,142	1,485
Interest paid	(285)	(327)
Interest received	10	305
Tax paid	(960)	(38)
Net cash (used in)/generated from operating activities	907	1,425
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	175	0
Purchase of property, plant and equipment	(241)	(19)
Acquisition of biological assets	(590)	(789)
Net cash used in investing activities	(656)	(808)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	189	0
Repayment of borrowings	(147)	(118)
Net cash used in financing activities	42	(118)
Net (decrease)/increase in Cash and Cash Equivalents	293	499
Cash and Cash Equivalents at beginning of the financial year	1,132	633
Cash and Cash Equivalents at end of the financial year	1,425	1,132

Cash and Cash equivalents at the end of the financial period/year comprise the following:

	<b>As at</b>	<b>As at</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
Fixed deposits, cash and bank balances	1,425	1,132
Bank overdrafts	0	0
	1,425	1,132

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 2016 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 2016. 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 2016.

**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 2016 in Malaysia.

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, Amendments to FRSs and Interpretations

Amendments to FRS 107 : Disclosure Initiative

Amendments to FRS 112 : Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRSs

2014 - 2016 Cycles : Amendments to FRS 12 : Clarification of the scope of the Standard

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 2014)	1 January 2018
IC Interpretation 22 : Foreign Currency Transaction and Advance Consideration	1 January 2018
IC Interpretation 23 : Uncertainty Over Income Tax Treatments	1 January 2019
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 (2011) : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 140 : Transfers of investment Property	1 January 2018
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

## 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.

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 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.

As a transitioning entity as defined above, the Group will be presenting its first set of MFRS financial statements in the best financial year. In presenting these financial statements, the Group is required to adjust the comparative financial statements prepared under the FRSs to amounts reflecting the application of MFRSs. The majority of the adjustments requires on transition would be made, retrospectively, against opening retained profits at 1 January 2017. The Group is currently at its advance stage of accessing the full impacts on the transition to the MFRS framework but that effect

## A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 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 2016.

## 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 has carried out a valuation exercise on the Property, Plant and Equipment ("PPE") during the quarter ended 31 December 2017. The revaluation is conducted by Smiths Gore Sabah, to comply with the requirements of the Malaysian Financial Reporting Standards ("MFRS") in respect of the fair value measurement of PPE and also to ascertain the carrying value of PPE of the Group for impairment purposes. This Revaluation is in compliance with MFRS 116 and MFRS 141.

### Revaluation Surplus

Types of PPE	Net Book Value as at 31 December 2017 RM'000	Market Value as at 30 December 2017 RM'000	Surplus / (Deficit) RM'000
Leasehold Land	3,114	4,233	1,119
Buildings	8,480	8,234	(246)
Plant and Equipment	4,775	6,830	2,055
Total	16,369	19,297	2,928

**A10. Valuations of Property, Plant and Equipment (Cont'd)**Effect on Net Assets per Share

Based on the 4th quarter financial report for the financial year ended 31 December 2017, the net assets per share of the Group will be increased by 1.81 sen to 43.57 sen upon incorporation of the Revaluation surplus, net of deferred tax.

Description	Unaudited as at 31 December 2017 Before the Revaluation	Effect of the Revaluation	After The Revaluation
Equity Attributable to the Owners of the Company (RM'000')	37,186	1,614	38,800
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (Sen)	41.76	1.81	43.57

\* Revaluation surplus is net of deferred tax.

**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 31 December 2017.

**A13. Capital Commitments**

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Approved but not contracted for		
- Industrial tree-planting project (2014-2023)	110,275	111,064
- Plant & equipment	-	280
- Biological assets	1,100	1,836
	<u>111,375</u>	<u>113,180</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 31.12.2017 RM'000	As at 31.12.2016 RM'000
<b>Unsecured</b>		
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	24	19
	<u>5,024</u>	<u>5,019</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, 46,522.67 hectares is marked for Natural Forest Management (NFM), 9,340.42 hectares for conservation and the remaining 15,429.91 hectares for Industrial Tree Plantation (ITP). To date, total area planted with various tree species under the ITP area is about 4,035.7 hectares with a total expenditure of RM11,448,191 which is part of the total timber plantation development expenditure of RM20.3 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.

The Group has appointed an external valuer to undertake a full valuation of the biological assets and the directors have confident that the value of the biological asset may have significant impact on the net assets of the company.

**PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

**B1 Review of Performance**

	Individual Period		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	9,531	122	7712.30%	31,188	14,526	114.70%
Operating Profit	2,524	7	35957.14%	7,988	1,377	480.10%
Profit/(Loss) Before Interest and Tax	678	(436)	255.50%	3,272	(350)	-1034.86%
Profit/(Loss) Before Tax	608	(521)	216.70%	2,987	(677)	541.21%
Profit/(Loss) After Tax	140	(19)	836.84%	1,601	(396)	504.29%
Profit Attributable to Ordinary Equity Holders of the Parent	283	182	-55.49%	2,070	75	-2660.00%

For the current quarter ended 31 December 2017, the Group registered a revenue of RM 9.5 million as compared with RM 0.1 million in the corresponding quarter ended 31 December 2016. This was mainly due to better production and higher market price for timber in this quarter.

For the financial year ended 31 December 2017, the Group registered a revenue of RM 31.2 million as compared with RM 14.5 million in the corresponding financial year ended 31 December 2016.

The Group recorded a profit of RM 0.3 million for the current quarter ended 31 December 2017 as compared to a profit of RM 0.2 million in the corresponding quarter ended 31 December 2016.

The Group recorded a profit of RM 2.1 million for the financial year ended 31 December 2017 as compared to profit of RM 0.8 million in the corresponding financial year ended 31 December 2016. The better result for current financial year was mainly due to an improvement in margin brought about by higher export sales.

**B2 Variation of Results as Compared to the Preceding Quarter**

	Current Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	Changes Amount/%
Revenue	9,531	12,185	-21.78%
Operating Profit	2,524	2,813	-10.27%
Profit Before Interest and Tax	678	1,753	-61.32%
Profit Before Tax	608	1,680	-63.81%
Profit After Tax	140	1,136	-87.68%
Profit Attributable to Ordinary Equity Holders of the parent	283	1,241	-77.20%

In the current quarter ended 31 December 2017, the Group recorded a profit of RM 0.3 million as compared to a profit of RM 1.2 million in the immediate preceding quarter. This was mainly due to unfavorable weather condition in the current quarter resulting in lower production.

**B3 Commentary on Prospects**

The Group expect the demand for timber to strengthen in the ensuing markets although there will be challenges with the strengthening of ringgit. Despite all this, the Group expects to post better results than the preceding 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		12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
<b>Taxation comprise the following :</b>				
<i>Malaysian income tax</i>				
Current	(468)	502	(1,386)	281

**B7 Corporate Proposal**

There are no corporate proposals announced as at the date of this report.



**B8 Group Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2017 were as follows :-

	As at 31.12.2017		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
<b>Secured</b>			
- Hire Purchase	224	219	443
<b>Unsecured</b>			
- Friendly Loans	2,741	0	2,741
	As at 31.12.2016		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
<b>Secured</b>			
- Hire Purchase	225	133	358
<b>Unsecured</b>			
- Friendly Loans	3,084	0	3,084

There are no outstanding foreign borrowings as at 31 December 2017

**B9 Material Litigation**

There is no litigation received during the current quarter ended 31 December 2017.

**B10 Dividend Proposed or Declared**

No dividend has been proposed or declared for the financial quarter ended 31 December 2017.

**B11 Earnings per Share**

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

	3 months ended		12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Profit for the period (RM'000)	283	182	2,070	75
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)	0.32	0.20	2.32	0.08

**B12 Derivative Financial Instruments**

There is no derivative financial instruments during the current quarter ended 31 December 2017.

**B13 Fair Value Changes of Financial Instruments**

There is no fair value changes of financial instruments during the current quarter ended 31 December 2017.

**B14 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 31 December 2017 into realised and unrealised profits/(losses), pursuant to directive, is as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Group		
- Realised	(63,280)	(65,350)
- Unrealised	(4,149)	(4,149)
	<u>(67,429)</u>	<u>(69,499)</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.

**B15 Profit/(Loss) for the period**

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
This is arrived at after (charging)/crediting:				
Amortisation and Depreciation	(440)	(443)	(1,717)	(1,727)
Gain on disposal of properties, plant & equipment	0	0	175	0
Interest expense	(70)	(85)	(285)	(327)
Rental income	51	86	176	409

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

