

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	← INDIVIDUAL QUARTER →		← CUMULATIVE YTD →	
	Current year	Preceding year comparative	Current year	Preceding year comparative
	3 months ended 30.09.2018 (RM'000)	3 months ended 30.09.2017 (RM'000)	9 months ended 30.09.2018 (RM'000)	9 months ended 30.09.2017 (RM'000)
Continuing Operations				
Revenue	9,846	12,138	26,367	21,657
Operating expenses	(8,138)	(10,467)	(21,695)	(19,403)
Other income	11	81	17	340
Profit from operations	<u>1,719</u>	<u>1,752</u>	<u>4,689</u>	<u>2,594</u>
Finance costs	(52)	(73)	(179)	(215)
Profit before tax	<u>1,667</u>	<u>1,679</u>	<u>4,510</u>	<u>2,379</u>
Income tax expense	(200)	(543)	(1,136)	(918)
Profit for the period from continuing operations	<u><u>1,467</u></u>	<u><u>1,136</u></u>	<u><u>3,374</u></u>	<u><u>1,461</u></u>
Profit after taxation/Total comprehensive income attributable to:				
Ordinary equity holders of the parent	1,579	1,240	3,716	1,787
Non-controlling interest	(112)	(104)	(342)	(326)
	<u>1,467</u>	<u>1,136</u>	<u>3,374</u>	<u>1,461</u>
Earnings per share (Sen) attributable to ordinary equity holders of the parent :				
- Basic	<u>1.77</u>	<u>1.39</u>	<u>4.17</u>	<u>2.01</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	As at 30.09.2018 (RM'000)	As at 31.12.2017 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	26,332	27,091
Biological assets	20,877	20,346
Non-trade receivables	847	847
	<u>48,056</u>	<u>48,284</u>
CURRENT ASSETS		
Inventories	1,167	1,582
Trade and other receivables	3,088	2,210
Fixed deposits with licensed banks	380	380
Cash and bank balances	1,405	1,045
	<u>6,040</u>	<u>5,217</u>
	<u>6,040</u>	<u>5,217</u>
TOTAL ASSETS	<u>54,096</u>	<u>53,501</u>
EQUITY AND LIABILITIES		
Equity attributable to ordinary equity holders of the parent		
Share capital	98,677	98,677
Reserves	(56,161)	(59,877)
	<u>42,516</u>	<u>38,800</u>
Equity attributable to ordinary equity holders of the parent	42,516	38,800
Non-controlling interest	(1,600)	(1,258)
	<u>40,916</u>	<u>37,542</u>
TOTAL EQUITY	<u>40,916</u>	<u>37,542</u>
NON-CURRENT LIABILITIES		
Non-trade payables	2,120	2,741
Borrowings	224	224
Deferred tax liabilities	6,828	7,071
	<u>9,172</u>	<u>10,036</u>
TOTAL NON-CURRENT LIABILITIES	<u>9,172</u>	<u>10,036</u>
CURRENT LIABILITIES		
Trade and other payables	2,953	5,660
Borrowings	255	219
Tax payables	800	44
	<u>4,008</u>	<u>5,923</u>
TOTAL CURRENT LIABILITIES	<u>4,008</u>	<u>5,923</u>
TOTAL LIABILITIES	<u>13,180</u>	<u>15,959</u>
TOTAL EQUITY AND LIABILITIES	<u>54,096</u>	<u>53,501</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.4774	0.4357

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to ordinary equity holders of the parent							Total equity (RM'000)
	Non-Distributable			Distributable retained earnings/ (Accumulated losses) (RM'000)	Attributable to ordinary equity holders of the Parent (RM'000)	Non-controlling interests (RM'000)		
	Share capital (RM'000)	Share premium (RM'000)	Revaluation reserve (RM'000)					
For The Period Ended 30 SEPTEMBER 2018								
At 1 January 2018	98,677	0	7,552	(67,429)	38,800	(1,258)		37,542
Net profit/(loss) for the year/Total comprehensive income/(expenses) for the period	0	0	0	3,716	3,716	(342)		3,374
At 30 September 2018	<u>98,677</u>	<u>0</u>	<u>7,552</u>	<u>(63,713)</u>	<u>42,516</u>	<u>(1,600)</u>		<u>40,916</u>
For The Year Ended 31 DECEMBER 2017								
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 year	0	0	0	2,070	2,070	(469)		1,601
At 31 December 2017	<u>98,677</u>	<u>0</u>	<u>7,552</u>	<u>(67,429)</u>	<u>38,800</u>	<u>(1,258)</u>		<u>37,542</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	9 months ended	
	30.09.2018 (RM'000)	31.12.2017 (RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
Continuing operations	4,510	2,987
Adjustments for :		
Non-cash Items	1,492	1,716
Non-operating Items	111	5
Operating profit before changes in working capital	<u>6,113</u>	<u>4,708</u>
Net change in Current Assets	(463)	(1,811)
Net change in Current Liabilities	(2,707)	(825)
Net change in Non-Current Liabilities	(621)	0
Cash generated from operations	<u>2,322</u>	<u>2,072</u>
Interest paid	(179)	(285)
Interest received	0	60
Tax paid	(802)	(767)
Net cash generated from operating activities	<u><u>1,341</u></u>	<u><u>1,080</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	0	183
Purchase of property, plant and equipment	(236)	(109)
Acquisition of biological assets	(531)	(701)
Net cash used in investing activities	<u><u>(767)</u></u>	<u><u>(627)</u></u>
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of borrowings	(214)	(160)
Net cash used in financing activity	<u><u>(214)</u></u>	<u><u>(160)</u></u>
Net increase in Cash and Cash Equivalents	360	293
Cash and Cash Equivalents at beginning of the financial year	1,425	1,132
Cash and Cash Equivalents at end of the financial period / year	<u><u>1,785</u></u>	<u><u>1,425</u></u>
Cash and Cash equivalents at the end of the financial period/year comprise the following:		
	As at	As at
	30.09.2018	31.12.2017
	(RM'000)	(RM'000)
Fixed deposits, cash and bank balances	<u>1,785</u>	<u>1,425</u>
	<u><u>1,785</u></u>	<u><u>1,425</u></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 2017 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 2017. 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 2017.

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 Group will be applying the Malaysian Financial Reporting Standards Framework for the annual period beginning on or after 1 January 2018. Therefore, the Group will not be adopting the above FRS, Interpretations and Amendments to FRSs.

On 30 November 2017, MASB issued notice of withdrawal of FRSs for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has decided to adopt the MFRS Framework effective 1 January 2018.

In preparing the first MFRS financial statements in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' ("MFRS 1"), adjustments will be made to the financial statements of the Group for the previous financial year to ensure the comparative financial information in the first MFRS financial statements is comparable. Accordingly, the financial performance and financial position of the Group as presented in these financial statements could be different if prepared in accordance with MFRS. The adjustments required on transition are expected to be made retrospectively other than those exempted under MFRS 1.

The Group is currently assessing the impact of adopting MFRS 1, including the identification of the differences in the existing accounting policies as compared to the MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the potential impact of the application of MFRS 1 cannot be determined and estimated reliably until the assessment is completed later.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 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

The Company has made an announcement for the fixing date of the Final Single-Tier Dividend of 1 sen per ordinary share for the financial year ended 31 December 2017 on 13 April 2018. The approval has been made in the Company's 22nd AGM on 23 May 2018 whereas the entitlement date is on the 5 June 2018 and payment date is on the 2 July 2018.

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 31 December 2017 RM'000	Reversal of impairment loss	Surplus / (Deficit) RM'000
Leasehold Land	3,115	4,233	-	1,118
Buildings	8,480	8,234	-	(246)
Plant and Equipment	4,536	6,198	8	1,654
Motor Vehicle	417	809	44	348
Total	16,548	19,474	52	2,874

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 30 September 2018.

A13. Capital Commitments

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Approved but not contracted for		
- Industrial tree-planting project (2014-2023)	109,572	109,572
- Plant & equipment	0	0
- Biological assets	1,100	1,100
	<u>110,672</u>	<u>110,672</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 30.09.2018 RM'000	As at 31.12.2017 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	24	24
	<u>5,024</u>	<u>5,024</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 4,059.8 hectares with a total expenditure of RM11,448,191 which is part of the total timber plantation development expenditure of RM20.9 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 confidence that the value of the biological assets may have significant impact on the net assets of the Company. However, the valuation was held up due to the revised FMP is still pending approval from the forestry department. Once approved, the valuation process will continue.

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	
	30.09.2018	30.09.2017		30.09.2018	30.09.2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	9,846	12,138	-18.88%	26,367	21,657	21.75%
Operating Profit	3,069	2,813	9.10%	8,194	5,464	49.96%
Profit/(Loss) Before Interest and Tax	1,719	1,752	-1.88%	4,689	2,594	80.76%
Profit/(Loss) Before Tax	1,667	1,679	-0.71%	4,510	2,379	89.57%
Profit/(Loss) After Tax	1,467	1,136	29.14%	3,374	1,461	130.93%
Profit Attributable to Ordinary Equity Holders of the Parent	1,579	1,240	27.34%	3,716	1,787	107.94%

For the current quarter ended 30 September 2018, the Group registered a revenue of RM 9.8 million as compared with RM 12.1 million in the corresponding quarter ended 30 September 2017. This was mainly due to the temporary ban on export sales of round logs by the authorities since May 2018. However, there has been little substantial effect on the profitability of the Company.

The Group recorded a profit of RM 1.6 million for the current quarter ended 30 September 2018 as compared to a profit of RM 1.2 million in the corresponding quarter ended 30 September 2017.

B2 Variation of Results as Compared to the Preceding Quarter

	Current Quarter 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Changes Amount/%
Revenue	9,846	11,568	-14.89%
Operating Profit	3,069	3,414	-10.11%
Profit Before Interest and Tax	1,719	2,396	-28.26%
Profit Before Tax	1,667	2,332	-28.52%
Profit After Tax	1,467	1,651	-11.14%
Profit Attributable to Ordinary Equity Holders of the parent	1,579	1,755	-10.03%

In the current quarter ended 30 September 2018, the Group recorded a profit of RM 1.6 million as compared to a profit of RM 1.8 million in the immediate preceding quarter. This was mainly due to export ban as mentioned above.

B3 Commentary on Prospects

With the export ban on round logs, the Company has applied a export license of sawn timber from Sabah Forestry Department and the license has been approved on 12 September 2018. It will generate the income to offset the shortfall of export log timber.

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		9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Taxation comprise the following :				
<i>Malaysian income tax</i>				
Current	(535)	(543)	(1,471)	(918)
Overprovision of tax expenses in prior year	92	-	92	-
Deferred Tax	243	-	243	-
	(200)	(543)	(1,136)	(918)

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 30 September 2018 were as follows :-

	As at 30.09.2018		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Secured			
- Hire Purchase	224	255	479
Unsecured			
- Friendly Loans	2,120	0	2,120
	As at 30.09.2017		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Secured			
- Hire Purchase	225	175	400
Unsecured			
- Friendly Loans	3,299	0	3,299

There are no outstanding foreign borrowings as at 30 September 2018

B9 Material Litigation

There is no litigation received during the current quarter ended 30 September 2018.

B10 Dividend Proposed or Declared

At the 22nd Annual General Meeting, a final dividend of 1.00 sen per ordinary shares amounting to RM890,507 in respect of the financial year ended 31 December 2017 has been approved. The proposed dividend amounted to RM 890,507 has been distributed on 2 July 2018 via edividend through our appointed undertaker, Securities Services Holdings Sdn Bhd. The dividend distributed has also been reflected in the current quarter ended 30 September 2018 result.

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		9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Profit for the period	1,579	1,240	3,716	1,787
Weighted average number of ordinary shares of RM1.00 each in issue	89,051	89,051	89,051	89,051
Basic Earnings Per Share (sen)	1.77	1.39	4.17	2.01

B12 Derivative Financial Instruments

There is no derivative financial instruments during the current quarter ended 30 September 2018.

B13 Fair Value Changes of Financial Instruments

There is no fair value changes of financial instruments during the current quarter ended 30 September 2018.

B14 Disclosure of Realised and Unrealised Profits

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 30.09.2018 RM'000	As at 31.12.2017 RM'000
Total retained earnings of the Group		
- Realised	(56,456)	(61,081)
- Unrealised	(7,257)	(6,348)
	<u>(63,713)</u>	<u>(67,429)</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 for the period

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
This is arrived at after (charging)/crediting:				
Amortisation and Depreciation	(456)	(423)	(1,313)	(1,277)
Gain on disposal of property, plant & equipment	0	0	0	175
Interest expense	(52)	(73)	(179)	(215)
Rental income	31	47	97	125

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