

TIMBERWELL BERHAD
REGISTRATION NO. 199601014835 (387185-W)
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR 6 MONTHS PERIOD ENDED 30 JUNE 2023

	← INDIVIDUAL QUARTER →		← CUMULATIVE YTD →	
	Current year	Preceding year comparative	Current year	Preceding year comparative
	3 months ended 30.06.2023 (RM'000)	3 months ended 30.06.2022 (RM'000)	6 months ended 30.06.2023 (RM'000)	6 months ended 30.06.2022 (RM'000)
Continuing Operations				
Revenue	3,288	10,453	6,119	14,849
Operating expenses	(3,995)	(7,862)	(7,377)	(12,110)
Other income	99	94	194	121
(Loss)/Profit from operations	<u>(608)</u>	<u>2,685</u>	<u>(1,064)</u>	<u>2,860</u>
Finance costs	(6)	(1)	(12)	(3)
(Loss)/Profit before tax	<u>(614)</u>	<u>2,684</u>	<u>(1,076)</u>	<u>2,857</u>
Income tax expense	0	(693)	0	(792)
(Loss)/Profit for the period from continuing operations	<u><u>(614)</u></u>	<u><u>1,991</u></u>	<u><u>(1,076)</u></u>	<u><u>2,065</u></u>
(Loss)/Profit after taxation/Total comprehensive				
(Loss)/Income attributable to:				
Ordinary equity holders of the parent	(606)	2,005	(1,045)	2,107
Non-controlling interest	(8)	(14)	(31)	(42)
	<u>(614)</u>	<u>1,991</u>	<u>(1,076)</u>	<u>2,065</u>
(Loss)/Earnings per share (Sen) attributable to ordinary equity holders of the parent:				
- Basic	<u>(0.68)</u>	<u>2.25</u>	<u>(1.17)</u>	<u>2.37</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 2022 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
REGISTRATION NO. 199601014835 (387185-W)
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	As at 30.06.2023 (RM'000)	As at 31.12.2022 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	11,748	12,258
Biological assets	30,128	29,650
Intangible assets	8,284	8,339
Investment properties	18,402	18,402
Non-trade receivables	583	583
	<u>69,145</u>	<u>69,232</u>
CURRENT ASSETS		
Inventories	4,879	2,669
Trade and other receivables	5,591	5,942
Other investment	416	1,541
Cash and short-term deposits	1,064	1,698
Current tax assets	340	78
	<u>12,290</u>	<u>11,928</u>
TOTAL ASSETS	<u>81,435</u>	<u>81,160</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital	98,677	98,677
Reserves	(36,234)	(35,189)
	<u>62,443</u>	<u>63,488</u>
Non-controlling interest	2,727	2,758
Total equity	<u>65,170</u>	<u>66,246</u>
NON-CURRENT LIABILITIES		
Borrowings	336	336
Deferred tax liabilities	7,881	7,881
	<u>8,217</u>	<u>8,217</u>
CURRENT LIABILITIES		
Trade and other payables	7,940	6,519
Borrowings	108	178
	<u>8,048</u>	<u>6,697</u>
Total liabilities	<u>16,265</u>	<u>14,914</u>
TOTAL EQUITY AND LIABILITIES	<u>81,435</u>	<u>81,160</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.7012	0.7129

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
REGISTRATION NO. 199601014835 (387185-W)
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	Attributable to ordinary equity holders of the parent			Subtotal (RM'000)	Non-controlling interest (RM'000)	Total equity (RM'000)
	Share capital (RM'000)	Revaluation reserve (RM'000)	Non-Distributable (Accumulated losses) (RM'000)			
<u>For The Period</u> <u>Ended 30 JUNE 2023</u>						
At 1 January 2023	98,677	7,886	(43,075)	63,488	2,758	66,246
Net loss for the year / Total comprehensive loss for the period	0	0	(1,045)	(1,045)	(31)	(1,076)
At 30 June 2023	<u>98,677</u>	<u>7,886</u>	<u>(44,120)</u>	<u>62,443</u>	<u>2,727</u>	<u>65,170</u>
<u>For The Period</u> <u>Ended 31 DECEMBER 2022</u>						
At 1 January 2022	98,677	7,886	(48,453)	58,110	(312)	57,798
Net profit for the year / Total comprehensive income for the year	0	0	7,159	7,159	3,070	10,229
Dividend	0	0	(1,781)	(1,781)	0	(1,781)
At 31 December 2022	<u>98,677</u>	<u>7,886</u>	<u>(43,075)</u>	<u>63,488</u>	<u>2,758</u>	<u>66,246</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 2022 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
REGISTRATION NO. 199601014835 (387185-W)
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	6 months ended	
	30.06.2023	31.12.2022
	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation		
Continuing operations	(1,076)	11,224
Adjustments for:		
Non-cash items	722	(5,792)
Non-operating items	55	(69)
Operating (loss)/profit before changes in working capital	(299)	5,363
Net change in current assets	(362)	(5,388)
Net change in current liabilities	1,351	1,658
Cash generated from operations	690	1,633
Interest paid	(13)	(9)
Interest received	0	92
Income tax paid	(340)	(1,093)
Net cash generated from operating activities	337	623
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	0	(313)
Acquisition of biological assets	(478)	(870)
Withdrawal of short-term fund	0	500
Net cash used in investing activities	(478)	(683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	0	(1,781)
Payment of lease liabilities	(77)	(166)
Interest paid	0	(18)
Net cash used in financing activities	(77)	(1,965)
Net decrease in cash and cash equivalents	(218)	(2,025)
Cash and cash equivalents at beginning of the financial period	1,698	3,723
Cash and cash equivalents at end of the financial period	1,480	1,698

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

	As at	As at
	30.06.2023	31.12.2022
	(RM'000)	(RM'000)
Total cash and bank balances	1,480	1,698
	1,480	1,698

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2022. 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 2022.

A2. Changes in Accounting Policies

The financial statements of the Group and 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

During the current financial period, the Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

Adoption of amendments / improvements to MFRSs

The Group and the Company have adopted the following amendments / improvements to MFRSs that are mandatory for the current financial year.

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

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

<u>New MFRS</u>		Effective for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]

A2. Changes in Accounting Policies (Cont'd)

<u>Amendments/Improvements to MFRSs (Cont'd)</u>		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#] / 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2022 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 2022.

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 2022. 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.

A10. Valuations of Property, Plant and Equipment (Cont'd)

Revaluation Surplus

Types of PPE	Net Book Value as at 31 December 2022 RM'000	Market Value as at 31 December 2022 RM'000	Reversal of impairment loss	Surplus / (Deficit) RM'000
<u>Investment Properties</u>				
Leasehold Land	4,554	12,600	-	8,046
Buildings	6,082	5,802	-	(280)
<u>Property, Plant & Equipment</u>				
Building	376	407	-	31
Plant, Machinery & Equipment	4,908	5,767	-	859
Motor Vehicles	483	807	-	324
Total	16,403	25,383	-	8,980

The surplus of RM7,765,900 arising from the category of Investment Properties (Leasehold Land and Building) from the table above will be incorporated into the financial results of the Group for the financial year ended 31 December 2022. The remaining surplus of RM1,213,759 is to ascertain the carrying value of PPE of the Group for impairment purposes.

Effect on Net Assets per Share

Based on the 4th quarter financial report for the financial year ended 31 December 2022, the net assets per share of the Group will be increased by 8.72 sen to 74.39 sen upon incorporation of the Revaluation surplus, net of deferred tax.

Description	Unaudited as at 31 December 2022 Before the Revaluation	Effect of the Revaluation	After The Revaluation
Total Equity (RM'000)	58,480	7,766	66,246
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (Sen)	65.67	8.72	74.39

* 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 June 2023.

A13. Capital Commitments

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Approved but not contracted for		
- Industrial tree-planting project	1,100	1,100
- Biological assets	0	0
	<u>1,100</u>	<u>1,100</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 30.06.2023 RM'000	As at 30.06.2022 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	29	29
	<u>5,029</u>	<u>5,029</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 according to the principal licence agreement, 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).

The Company had subsequently on 12 April 2018 entered into a supplemental agreement with the State Government of Sabah to convert a total area of 25,633.58 hectares for Totally Protected Area (15,438.30 hectares) and excised an area for socio-economic purposes (10,195.28 hectares). There are no significant or detrimental operational and financial impact affecting the Company. Nevertheless, the conversion may enhance the Company's long term prospect as the ITP area increased from 15,429.91 hectares to 30,399.14 hectares and hence will enable the Company to enhance its production capacity and area for planting.

To date, total area planted with various tree species under the ITP area is about 3,104.5 hectares with a total expenditure of RM29,650,000.

The Group has carried out a valuation exercise on the Biological Asset during the quarter ended 31 December 2022. 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 biological assets and also to ascertain the carrying value of intangible assets of the Group for impairment purposes. This revaluation is in compliance with MFRS 141.

Only the planted trees are categorized as Biological Assets. Therefore, only the planted trees will be reflected as fair value in the financial statement. The biological asset previously stated in the financial statement 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 is reclassified as intangible asset.

Particulars	Smiths Gore Sabah	
	Valuation Report 31.12.2021 RM'000	Valuation Report 31.12.2022 RM'000
Biological Assets	29,500	29,650
Intangible Assets	8,451	8,339
Total	37,951	37,989

Particulars	Net Book Value As at 31.12.2022 RM'000	Valuation As at 31.12.2022 RM'000	Surplus / (Deficit) RM'000
Biological Assets	30,370	29,650	(720)
Intangible Assets	8,339	8,339	0
Total	38,709	37,989	(720)

The Directors are of the opinion that the recoverable amount of the natural standing timber in the concession area commands a valuation greater than the carrying amount of the intangible asset.

Effect on Net Assets per Share

Based on the 4th quarter financial report for the financial year ended 31 December 2022, the net assets per share of the Group will be decreased by 0.81 sen to 65.67 sen upon incorporation of the Revaluation deficit, net of deferred tax.

Description	Unaudited as at 31 December 2022 Before the Revaluation	Effect of the Revaluation	After The Revaluation (Prior to the revaluation of PPE)
Total Equiry (RM'000)	59,200	(720)	58,480
No. of shares ('000)	89,051	89,051	89,051
Net Assets per share (Sen)	66.48	(0.81)	65.67

* Revaluation deficit is net of deferred tax.

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING

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	
	30.06.2023	30.06.2022		30.06.2023	30.06.2022	
	RM'000	RM'000		RM'000	RM'000	
Revenue	3,288	10,453	-68.54%	6,119	14,849	-58.79%
Operating Profit	339	3,552	-90.46%	866	4,541	-80.93%
(Loss)/Profit Before Interest and Tax	(608)	2,685	-122.64%	(1,064)	2,860	-137.20%
(Loss)/Profit Before Tax	(614)	2,684	-122.88%	(1,076)	2,857	-137.66%
(Loss)/Profit After Tax	(614)	1,991	-130.84%	(1,076)	2,065	-152.11%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(606)	2,005	-130.22%	(1,045)	2,107	-149.60%

For the current quarter ended 30 June 2023, the Group generated a revenue of RM 3.3 million as compared to RM 10.5 million in the corresponding quarter ended 30 June 2022. The decrease in revenue in the current quarter is mainly due to the decline in timber demand and prices which also resulted in decreased in production to meet the current market situation.

The Group recorded a loss of RM 0.6 million for the current quarter ended 30 June 2023 as compared to a profit of RM 2.0 million in the corresponding quarter ended 30 June 2022. This decrease in profit is mainly due to reasons stated above.

B2 Variation of Results as Compared to the Preceding Quarter

	Current Quarter 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000	Changes Amount/%
Revenue	3,288	2,831	16.14%
Operating Profit	339	439	-22.78%
Loss Before Interest and Tax	(608)	(455)	-33.63%
Loss Before Tax	(614)	(462)	-32.90%
Loss After Tax	(614)	(462)	-32.90%
Loss Attributable to Ordinary Equity Holders of the parent	(606)	(439)	-38.04%

In the current quarter ended 30 June 2023, the Group recorded a loss of RM 0.6 million as compared to a loss of RM 0.4 million in the immediate preceding quarter. The increase in losses in the current quarter was due to a further decline in timber demand, prices continuing from the previous quarter and also taking into account the cost of the excess stock for export shipment in the coming quarter.

B3 Commentary on Prospects

The global timber market is expected to remain challenging. The Company has adopted necessary strategy and approaches to deal with the volatile market situation and expects to generate lower revenue compared to 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 period to date.

B6 Taxation

	3 months ended		6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
<u>Taxation comprise the following :</u>				
<i>Malaysian income tax</i>				
Current	-	(693)	-	(792)
	-	(693)	-	(792)

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 June 2023 were as follows:

	As at 30.06.2023		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Secured			
- Lease liabilities	336	108	444
Unsecured			
- Friendly loans	0	0	0
	As at 30.06.2022		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Secured			
- Lease liabilities	211	101	312
Unsecured			
- Friendly loans	0	0	0

There are no outstanding foreign borrowings as at 30 June 2023.

B9 Material Litigation

There is no litigation received during the current quarter ended 30 June 2023.

B10 Dividend Proposed or Declared

No dividend has been proposed or declared for the financial quarter ended 30 June 2023.

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		6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
(Loss)/Profit for the period	(606)	2,005	(1,045)	2,107
Weighted average number of ordinary shares of RM1.00 each in issue	89,051	89,051	89,051	89,051
Basic (Loss)/Earnings Per Share (sen)	(0.68)	2.25	(1.17)	2.37

B12 Derivative Financial Instruments

There is no derivative financial instruments during the current quarter ended 30 June 2023.

B13 Fair Value Changes of Financial Instruments

There is no fair value changes of financial instruments during the current quarter ended 30 June 2023.

B14 Profit for the Period

	3 months ended		6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
This is arrived at after (charging)/crediting:				
Amortisation and depreciation	(296)	(253)	(593)	(505)
Foreign exchange gain/(loss)	9	0	9	(1)
Interest expense	(6)	(1)	(13)	(2)
Rental income	88	45	176	45
Interest income	0	1	0	5

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