



JAWALA INC.

**REPLANTING
SABAH'S FORESTS
FOR FUTURE GENERATIONS**

ANNUAL REPORT 2019



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This annual report has been prepared by Jawala Inc. (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 65356868.

CORPORATE PROFILE



Listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 1 June 2018, **JAWALA Inc.**, (the “Company” and together with its subsidiary corporation, the “Group”) is a Malaysian sustainable forest company.

The Group’s objective “Replanting Sabah’s Forests For Future Generations” represents a commitment to sustainable development.

The Group focuses on the cultivation of industrial tree plantations through the implementation of sustainable forest management practices situated in Sabah. Its main business is the management of forestry resources including the planting and extraction of

timber, managing the planting and silvicultural treatments of natural and plantation forests, felling, cutting, collecting, removing and converting trees into forest produce such as logs and timber within the Sapulut Forest Reserve, Sabah (the “Licensed Area”). The Group currently manages a Licensed Area comprising a Commercial Forest Reserve (Class II) of approximately 11,043 hectares in the Licensed Area, until 31 December 2115, with a potential for a 100 year period extension at the discretion of Sabah’s Chief Minister.

The logs produced from salvage logging are sold to customers for the production of sawn-timber, veneer, plywood and other timber products.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Jema Anton Khan

("Datuk Jema Khan")
(Chairman and Chief Executive Officer)

Abdul Rahman Khan Bin Hakim Khan

("Mr. Rahman Khan")
(Executive Director)

Nadja Binti Jema Khan ("Ms. Nadja")

(Non-Independent Non-Executive)

Lee Yong Soon ("Mr. Lee Yong Soon")

(Lead Independent Director)

Leow Ming Fong @ Leow Min Fong

("Mr. Leow Ming Fong")
(Independent Director)

Faridah Binti Mohd. Fuad Stephens

("Ms. Faridah")

AUDIT COMMITTEE

Leow Ming Fong @ Leow Min Fong

(Chairman)

Lee Yong Soon

Faridah Binti Mohd. Fuad Stephens

NOMINATING COMMITTEE

Lee Yong Soon (Chairman)

Faridah Binti Mohd. Fuad Stephens

Leow Ming Fong @ Leow Min Fong

REMUNERATION COMMITTEE

Faridah Binti Mohd. Fuad Stephens

(Chairman)

Lee Yong Soon

Leow Ming Fong @ Leow Min Fong

SECRETARIES

Hans Corporate Services Ltd

Raymond Lam Kuo Wei

Chew Pei Tsing

REGISTERED OFFICE

Lot A020, Level 1, Podium Level
Financial Park, Jalan Merdeka
87000 Labuan, F.T. Malaysia
Tel : +608 742 7745
Fax : +608 742 8845

SPONSOR

UOB Kay Hian Private Limited

8 Anthony Road
#01-01
Singapore 229957

SHARE REGISTRAR

**Boardroom Corporate & Advisory
Services Pte. Ltd.**

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360

INDEPENDENT AUDITORS

**Nexia TS Public Accounting
Corporation**

80 Robinson Road,
#25-00
Singapore 068898

Partner-in-Charge:

Loh Ji Kin

(Appointed since the financial year ended
31 July 2018)

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd.

UOBM Medan Pasar
Bangunan UOB 10-12
Medan Pasar
50050 Kuala Lumpur

CIMB Islamic Bank Bhd.

Damai Plaza
Lot No. 41 & 42, Ground Floor
Jalan Damai, Damai Plaza Phase 1
88300 Kota Kinabalu, Sabah.

Public Bank Bhd.

Lido Branch
Lot 8, 9 & 10 Blk P
Taman Che Mei KM5 Jln Penampang
88300 Lido, Kota Kinabalu, Sabah

Tawau Branch

TB 304A & B, Block 34
Ground & 1st Floor Fajar Complex
91000 Tawau, Sabah

RHB Bank Bhd.

58, Bukit Bintang Street
Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutuan

CHAIRMAN AND CEO MESSAGE

DEAR SHAREHOLDERS,

OVERALL REVIEW

On behalf of the Board of Directors (“Board”) of Jawala Inc. (the “Company”, together with its subsidiary corporation, collectively the “Group”), it is my pleasure to present the Group’s Annual Report for the financial year ended 31 July 2019 (“FY2019”).

At Jawala Inc, we are committed to the “Replanting of Sabah’s Forests For Future Generations”, combining commercial success with sustainable growth.

With the ongoing US-China trade war tensions, there are a number of uncertainties remaining in the global economy – Malaysia being no exception to this. Statistics from the Sabah Forestry Department show that exports of timber products from Sabah for the first half of 2019 recorded a drop of 23% and 28% in value and volume respectively as compared to the first half of 2018.⁽¹⁾

FINANCIAL PERFORMANCE

Our revenue is derived principally from the sale of timber in Malaysia, comprising of Seraya, Kapur, Keruing, Selangan Batu, Laran, Sedaman and other timbers of hard and soft densities. For the financial year under review, total revenue decreased marginally from RM39.9m to RM39.8m in FY2019 compared to FY2018 mainly due to a decrease in sales volume from 68,887m³ to 65,528m³ as a result of a decrease in the demand of logs from the local markets. However, the decrease in volume was partially offset by an increase of average selling price.

Nevertheless, the Group managed to achieve an increase of approximately RM2.2 million, or 21% for profit after tax of RM13.1 million in FY2019, as compared to RM10.9 million in FY2018.



Cash and bank balances remain healthy at RM32.1 million as at 31 July 2019 compared to the previous year of RM25.4 million as a result of the increase in cash flow from operating activities.

I am delighted to report that the Group has achieved its internal financial performance targets for FY2019.

DIVIDEND

The Company does not have a fixed dividend policy. The Directors had however, indicated in the offer document dated 24 May 2018 of the Company’s intention to recommend and distribute dividends of not less than 20% of the Group’s profit after tax to Shareholders for FY2018 and FY2019. In line with FY2018, a final tax-exempt dividend (one-tier) of S\$0.004 per ordinary share for FY2019 is proposed for the shareholders’ approval in the upcoming annual general meeting.

GOVERNANCE AND SUSTAINABILITY

The Board’s sustainability agenda is implemented by a team comprising senior management and key executives of the Group, who assist the Board in overseeing the sustainability of the organisation. The team initiates, drives and monitors various aspects of the Group’s sustainability practices, ensuring effective integration of the Group’s initiatives into business operations and corporate objectives.

Jawala Inc., was one of the main sponsors of the Forum on the New Sabah, “New Challenges, New Realities, New Opportunities” held on 18 June 2019. The keynote speaker was YAB Datuk Seri Panglima Haji Mohd Shafie Bin Haji Apdal, Chief Minister of Sabah on Sustainable Development in Sabah.

⁽¹⁾ Sabah Statistic Department

CHAIRMAN AND CEO MESSAGE



At the Forum, we emphasised the importance of Industrial Tree Plantations (“ITPs”) which can yield up to 10 times more volume than natural forest regeneration. One of the advantages of growing in Sabah is that the country’s proximity to the equator – where sun, rain and fertile soil are plentiful. The trees grow quickly in this tropical climate giving us one of our main competitive advantages.

I am pleased to inform shareholders that the Sabah Forestry Department has certified that the Group is in compliance with all requirements under the Timber Legality Assurance Scheme (TLAS), for industrial timber plantations. On 1 June 2019, the Group received a TLAS Certificate covering the period from 1 June 2019 to 31 May 2020 based on the assessment conducted by GFS (Sabah) Sdn Bhd on 6 May 2019 to 10 May 2019.

The Group also received a Certificate of Compliance on 26 July 2019 from the Chief Conservator of Forests, Sabah Forestry Department with no gaps and no observations reported across all four of the Scheme’s Principles. The certificate also mentioned that the Group successfully met the conditions of its Annual Work Plan 2018 and all environmental impact assessment requirements.

GOING FORWARD

According to Bank Negara, Malaysia, the Malaysian economy is expected to grow between 4% and 5% in 2020 despite the current international economic environment.⁽¹⁾ We expect the market conditions to be challenging. However, barring any unforeseen circumstances, we hope the Group to remain stable in FY2020. Our ongoing engagement and working relationship with Sabah’s regulatory authorities, will continue to guide us in respect of our management practices and operations.

With regard to ramping up growth, we are and will always remain receptive to explore opportunities for acquisitions, joint ventures and strategic alliances to strengthen the Company’s market position. We hope to achieve greater economies of scale and catapult progress in the future.

Subsequent to the financial year end, the Group had on 30th October 2019 entered into a facility agreement with Forest Plantation Development Sdn. Bhd., which allowing us to progressive draw down of a loan up to a maximum RM10 million to finance partially the Group’s development of the Sapulut Forest Reserve in Sabah.

THANK YOU

On behalf of the Board, we would like to extend our sincere gratitude to our shareholders, customers, suppliers, business associates and partners for their trust and confidence in the Group.

I would also like to take this opportunity to show my appreciation to my fellow colleagues on the Board, management team and employees for their commitment and dedication as we continue to grow the Group.

Jawala Inc is committed to demonstrate sustainable growth and we look forward to all our stakeholders’ continuous support as we forge ahead in managing future challenges.

Datuk Jema Anton Khan
Executive Chairman and
Chief Executive Officer

⁽¹⁾ Sabah Statistic Department

BOARD OF DIRECTORS

**DATUK JEMA KHAN**

*Executive Chairman and
Chief Executive Officer*

Datuk Jema Khan was appointed to the Board as the Executive Chairman and Chief Executive Officer on 8 August 2017 and was last re-elected as Director on 26 November 2018. He is responsible for the overall management, strategic planning and business expansion of the Group.

Datuk Jema Khan has more than 30 years of experience in the timber industry including trading of timber. Datuk Jema Khan had previously served as the Chief Executive Officer of Jawala Corporation Sdn. Bhd. ("Jawala Corporation") from August 2016 until the date of listing of the Company. Prior to this, he was the Managing Director of Jawala Corporation from April 1988 to June 2004 and was responsible for the overall direction and management of Jawala Corporation, a company involved in the trading of wood and palm oil products. During this time, he was also the Deputy Chairman in Jaycorp Bhd., a company in the business of furniture manufacturing, for the period from April 2006 to July 2011 and the Chairman of Progressive Insurance Bhd. from the period of January 1995 to November 2000. Datuk Jema Khan did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

Datuk Jema Khan graduated from City University, London, with a Bachelor of Science in Economics and Accountancy in October 1985.

**MR. RAHMAN KHAN**

Executive Director

Mr. Rahman Khan was appointed to the Board as Executive Director on 28 September 2017 and was last re-elected as Director on 26 November 2018. He is responsible for the management of the business operations and has oversight of our Group's strategies and business development. He is also in charge of marketing.

Mr. Rahman Khan has more than 20 years of experience in the timber industry, including the production of sawn timber, log purchasing and marketing. He started his career as a Property Manager in Induslumber Sdn. Bhd., for the period from 1992 to 1998. Thereafter, in 1998, he joined Harusmas Agro Sdn. Bhd., as a General Manager and was promoted to Director in 2001. Mr. Rahman Khan was a director of Imaprima Sdn. Bhd., from 2011 to 2018 and has been a Non-Independent Non-Executive Director of Jaycorp Engineering & Construction Sdn. Bhd., since 2014. Mr. Rahman Khan did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

**MS. NADJA BINTI JEMA KHAN**

*Non-Independent
Non-Executive Director*

Ms. Nadja Binti Jema Khan was appointed to the Board as Non-Independent Non-Executive Director on 28 September 2017 and was last re-elected as Director on 26 November 2018. Ms. Nadja started as a Group Financial Controller of Jaycorp Bhd. in September 2017 and was promoted as Group Chief Financial Officer in October 2018. Ms. Nadja was also appointed to the Board of Jaycorp Bhd. as an Executive Director on 1 October 2018. Jaycorp Bhd., is an associated company of Jawala Corporation. Ms. Nadja previously worked in Deloitte LLP (UK), from September 2010 to June 2017, first as an associate in the audit department before moving to the corporate tax (advisory) department where she was subsequently promoted to associate director. During her time in the corporate tax department, Ms. Nadja advised businesses (both private and listed companies) on corporate and personal tax issues. Apart from her Executive Director position in Jaycorp Bhd., Ms. Nadja did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

Ms. Nadja graduated from Imperial College London in 2010 with a Bachelor of Science in Biomedical Science. She is currently a member of the Institute of Chartered Accountants in England and Wales, a member of Chartered Institute of Taxation (UK) and a member of the Malaysian Institute of Accountants.

BOARD OF DIRECTORS



MR. LEE YONG SOON
Lead Independent Director

Mr. Lee Yong Soon was appointed to the Board as Lead Independent Non-Executive Director on 27 April 2018 and was last re-elected as Director on 26 November 2018. Mr. Lee Yong Soon has more than 45 years of experience in the finance industry, and started his career in September 1968 with the Inchcape Group, where he was responsible for accounting, finance and administrative matters. He left in 1981 to join the Haw Par Group, where he assumed the role of financial controller for its subsidiary corporations. After serving in the Haw Par Group for four years, Mr. Lee Yong Soon joined the Petrodril group as their financial controller from February 1986 to May 1997. After his stint at the Petrodril group, he joined Keppel Integrated Engineering Ltd as its financial controller from July 1997 to August 1999, and from the period of August 1999 to December 2014, Mr. Lee Yong Soon served as the financial controller of Keppel FELS Ltd where he was involved in the accounting, finance, management of operations and administrative functions of the company and several subsidiary corporations within the Keppel group. He was also involved in the company's SGX-ST compliance matters.

Mr. Lee Yong Soon served as an independent Non-Executive Director of Wong Fong Industries Ltd, a company listed on the Catalist, and was also the chairman of its remuneration committee, from 28 June 2016 up to his retirement on 29 April 2019. Save for the aforementioned, Mr. Lee Yong Soon did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

Mr. Lee Yong Soon obtained his Diploma in Management Studies from the Singapore Institute of Management in 1977 and subsequently his degree in Accountancy from the Association of International Accountants of the United Kingdom in 1981. He is currently a Fellow of the Association of International Accountants of the United Kingdom, and an associate of the Institute of Chartered Secretaries and Administrators of Australia. He is also a member of the Singapore Institute of Directors.



MR. LEOW MING FONG
Independent Director

Mr. Leow Ming Fong was appointed to the Board as Independent Non-Executive Director on 27 April 2018 and was last re-elected as Director on 26 November 2018. Mr. Leow Ming Fong has more than 40 years of experience in the finance industry, and started his career with KPMG Malaysia in 1974, where he was primarily responsible for audit and accounting matters. He was promoted in 1980, and became a partner in KPMG Malaysia.

Mr. Leow Ming Fong currently serves as an Independent Non-Executive Director of Focus Point Holdings Bhd. and Hap Seng Consolidated Bhd. companies which are listed on Bursa Malaysia. Mr. Leow Ming Fong is also a director of KSK Group Bhd., a non listed public company. He also sits on the board of three Cambodian companies; Canadia Bank PLC, Sovannaphum Life Assurance PLC and Dara Insurance PLC as an Independent Non-Executive Director. Apart from the aforementioned, Mr. Leow Ming Fong did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

Mr. Leow Ming Fong is currently a Fellow of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants.

BOARD OF DIRECTORS



**MS. FARIDAH BINTI
MOHD. FUAD STEPHENS**

Independent Director

Ms. Faridah Binti Mohd. Fuad Stephens was appointed to the Board as Independent Non-Executive Director on 27 April 2018 and was last re-elected as Director on 26 November 2018. Ms. Faridah began her career as a journalist in Berita Publishing Sdn. Bhd., from October 1990 to January 1993. Thereafter, she joined The Writers' Publishing House Sdn. Bhd., from October 1993 till September 2015 and served as its managing director. Ms Faridah did not hold any directorship in any other listed company as at the date of Annual Report and for the last three years.

Ms. Faridah obtained her Bachelor of Arts Degree from Monash University in December 1984 and a LLB Bachelor Of Laws from the University of London in August 1989.



SENIOR MANAGEMENT



MR. MAXY SELF
Chief Operations Officer

Mr. Maxy Self was appointed as our Group's Chief Operations Officer on 8 August 2017. He is mainly responsible for the running of the operations on the ground, which includes oversight of forest and plantation management, security, camp management and administrative issues.

Mr. Maxy Self has more than 40 years of experience in the timber industry and started his career as a Management Cadet with Benawood Sdn. Bhd. in January 1974, where he was involved in the overall management of the logging operations. He left in December 1983 and subsequently joined Inchcape Ltd as a forest manager for the period from January 1984 to May 1990. Following his role as a forest manager in Inchcape Ltd, he started his role as a self-employed consultant, providing ad-hoc consultancy services for Malaysian companies involved in the management of forestry resources, planting and extraction of timber from the period of June 1990 to December 2015.



MS. JULIE TAN
Chief Financial Officer

Ms. Julie Tan was appointed as the Chief Financial Officer of the Group on 8 August 2017. She oversees the accounting and financial matters of the Group and has overall responsibility for the framework and implementation of finance-related activities including management and financial reporting, budgeting, compliance, and tax-related matters.

Ms. Julie Tan started her career in Myers Davies & Company, United Kingdom, as a trainee accountant in April 1981. She left soon after and continued her career as a trainee accountant in Cohen Arnold & Company, United Kingdom till April 1985. Thereafter, she joined MP Saunders & Company, United Kingdom from January 1986 to April 1987, KPMG Malaysia from June 1987 to October 1987, Finnie & Company, United Kingdom from November 1987 to December 1989, Storey Blackwood & Company, Australia from January 1990 to February 1994, where she largely oversaw the audit supervision (including the review of

corporation tax returns) and preparation of management and statutory accounts of various companies. From March 1994 to July 1995, she joined Datuk Keramat Holdings Bhd., Malaysia, an investment holding company listed on the Bursa Malaysia as a group accountant. Thereafter, Ms. Julie Tan joined Solarvest Sdn. Bhd., from September 1996 to February 2005, as its finance manager and had the overall responsibility of managing its financial reporting. In August 2006, she joined Jaycorp Bhd., as its group financial controller till June 2013. Prior to her current role, she was also the finance director at Pacific Regency Hotel from October 2014 to April 2016. Ms. Julie Tan is currently an independent Non-Executive Director of Komarkcorp Bhd., and serves as the chairperson of its Audit Committee, Nomination Committee and Remuneration Committee.

Ms. Julie Tan is currently a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Institute of Corporate Directors Malaysia (ICDM) and is also a member of the Malaysian Institute of Accountants.

CHRONOLOGICAL DEVELOPMENT OF JAWALA PLANTATION INDUSTRIES SDN. BHD.



Camp Clinic



Germination House



Executive House



Staff Hostel and Activity Center



First Staff Quarter

2019

2018

2017

2016



Nursery Main Office



Rest House



Nursery Labour Quarter



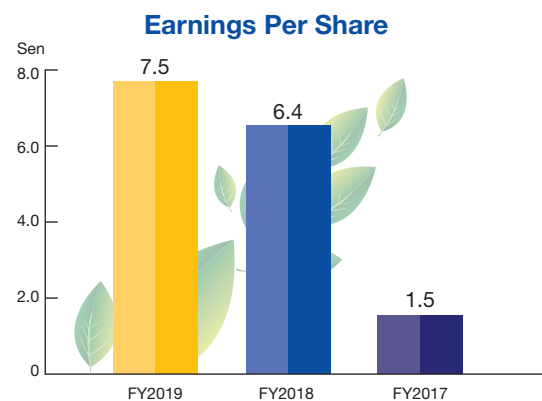
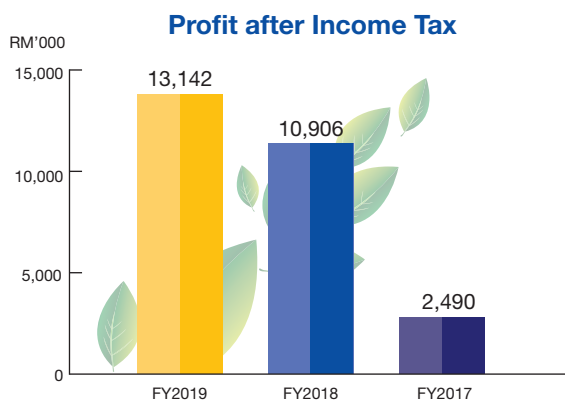
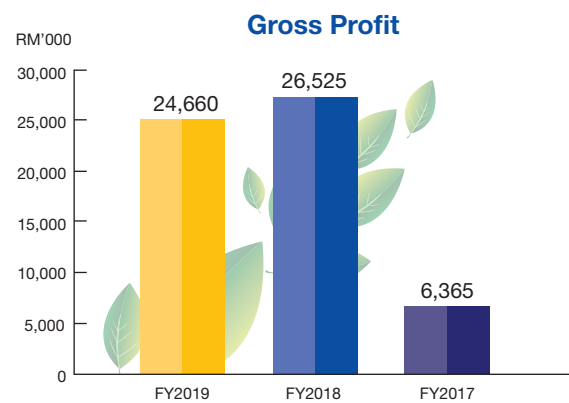
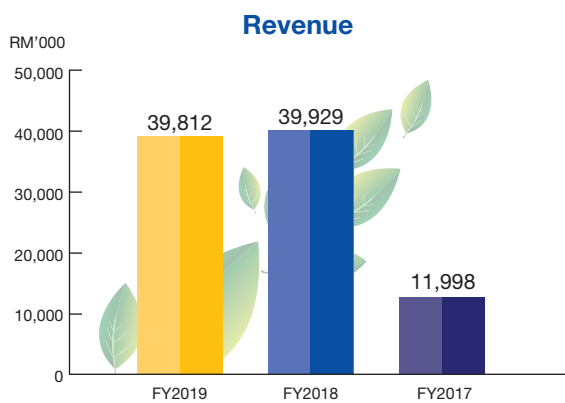
First Camp Office

FINANCIAL HIGHLIGHTS

Income Statement (RM'000)	FY2019	FY2018	FY2017
Revenue	39,812	39,929	11,998
Gross profit	24,660	26,525	6,365
Gross profit margin	62%	66%	53%
Profit before income tax	16,847	15,909	3,316
Profit after income tax	13,142	10,906	2,490
Profit attributable to:			
Equity holders of the Company	8,876	7,535	1,743
Non-controlling interests	4,266	3,371	747
Earnings per share:			
Basic and diluted (sen)	7.5	6.4	1.5

Balance Sheet (RM'000)	31 July 2019	31 July 2018	31 July 2017
Current assets	38,086	30,188	3,700
Non-current assets	6,172	3,543	1,099
Current liabilities	4,073	4,971	1,506
Non-current liabilities	1,214	426	233
Total Equity	38,971	28,334	3,060

Cash Flows (RM'000)	FY2019	FY2018	FY2017
Cash flows from operating activities	10,756	9,970	2,715
Cash flows used in investing activities	(2,511)	(2,190)	(312)
Cash flows (used in)/from financing activities	(1,612)	14,287	(12)
Cash and cash equivalents at the end of the year	31,101	24,468	2,402



FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

REVENUE

Our revenue is derived principally from the sales of timber in Malaysia. Our timber comprises of Seraya, Kapur, Keruing, Selangan Batu, Sedaman and other timbers of hard and soft densities. Revenue decreased by RM117,000, or 0.3% in FY2019 compared to FY2018 mainly due to a decrease in sales volume from 68,887 m³ in FY2018 to 65,528 m³ in FY2019 as a result of a decrease in the demand of logs from the local markets, partially offset by an increase of average selling price.

COST OF SALES AND GROSS PROFITS

The increase in cost of sales by approximately RM1.7 million, or 13% in FY2019 compared to FY2018 was mainly due to an increase in extraction fees during the year as well as higher royalties paid for larger logs that were sold during the year.

The gross profit decreased by approximately RM1.9 million, or 7% in FY2019 compared to FY2018 mainly due to the aforementioned reason.

OTHER INCOME

Other income comprised mainly of interest income from fixed deposits. Other income increased by RM617,000, or 256% in FY2019 compared to FY2018 mainly due to the increase in fixed deposits placed during the year as well as higher interest income generated from a longer period of placement compared to FY2018.

DISTRIBUTION EXPENSES

Distribution expenses comprised of transportation expenses incurred for transporting our logs to customers in Tawau and Sandakan. Distribution expenses decreased by approximately RM1 million or 53% mainly due to the sales of logs to certain customers with cost saving measures.

ADMINISTRATIVE EXPENSES

Administrative expenses comprised mainly of employee compensation, depreciation, amortisation, listing expenses, rental and travelling expenses. Administrative expenses decreased by approximately RM1.2 million, or 14% mainly due to listing expenses of RM3.3 million charged in FY2018 which were absent in FY2019. This was partially offset by an increase in depreciation expenses of RM0.1 million, professional fees of RM1.0 million, repair and maintenance expenses of RM0.2 million, and employee compensation of RM0.7 million due to additional head count.

PROFIT AFTER TAX

As a result of the foregoing, profit after tax in FY2019 amounted to RM13.1 million compared to FY2018, RM10.9 million, an increase of approximately RM2.2 million, or 21%.

CURRENT ASSETS

Cash and bank balances were the most significant component of current assets and amounted to approximately RM32.1 million, or 84% of current assets.

Trade and other receivables amounted to approximately RM4.8 million, or 13% of current assets. Trade receivables amounted to approximately RM4.2 million, or 11% of current assets. Other receivables amounted to approximately RM0.6 million or 2% of current assets. Trade receivables increased by approximately RM0.4 million, or 10% in FY2019 mainly due to longer credit terms given to customers during the year as compared to FY2018.

Inventories amounted to approximately RM1.2 million, or 3% of current assets and is related to the logs held at central stumping. Inventories increased by approximately RM0.7 million, or 132% in FY2019 compared to FY2018 mainly due to lower stock turnover.

NON-CURRENT ASSETS

Other receivables amounted to approximately RM0.7 million or 11% of non-current assets. This is related to the retention sum collected by the Sabah Forestry Department ("SFD") to offset against any potential shortfall in payment to the SFD. Such retention sum can be used for future payments to the SFD. Other receivables increased by approximately RM0.3 million, or 74% in FY2019 compared to FY2018 due to the retention sum paid to SFD during the financial year.

Property, plant and equipment amounted to approximately RM2.3 million, or 38% of non-current assets comprising mainly motor vehicles, plantation infrastructure, office equipment, and furniture and fittings. Property, plant and equipment increased by RM0.5 million in FY2019 compared to FY2018, or 31% mainly due to additions of motor vehicles and plantation infrastructure.

Biological assets amounted to approximately RM2.7 million, or 43% of non-current assets. Biological assets mainly comprised of hiring charges for equipment used in stacking and levelling of the nursery to prepare the land for planting, depreciation of fixed assets, employee compensation and all other expenses relating to the preparation of the nursery and planting. Biological assets increased by approximately RM1.8 million, or 207% mainly due to the cost incurred for the initial stages of replanting and planting activities in compartments 7, 8 and 9 during the financial year.

Intangible assets amounted to approximately RM0.5 million, or 8% of non-current assets and is related to the acquired timber rights on the license granted by the SFD as per the Sustainable Forest management License Agreement (SFMLA) in FY2019.

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

CURRENT LIABILITIES

Trade and other payables amounted to approximately RM3.8 million, or 92% of current liabilities comprising mainly of trade payables of approximately RM0.5 million and other payables amounting to RM3.2 million. Trade payables decreased by approximately RM0.5 million, or 46% in FY2019 compared to FY2018 mainly due to prompt payment made to contractors and other suppliers. Other payables increased by approximately RM0.9 million, or 40% in FY2019 compared to FY2018 mainly due to a higher dividend amount accrued in FY2019.

Finance lease liabilities amounted to RM75,000, or 2% of current liabilities and is comprised of the current portion of the finance leases for motor vehicles. Current finance lease liabilities increased by approximately RM0.02 million or 47% in FY2019 compared to FY2018 mainly due to the addition of two units of motor vehicles under hire purchase.

Current income tax liabilities decreased by approximately RM1.4 million or 85% in FY2019 compared to FY2018 was due to higher tax paid in FY2019 and a decrease in the provision for income tax expense.

NON-CURRENT LIABILITIES

Finance lease liabilities amounted to approximately RM0.4 million or 34% of non-current liabilities. This comprises of hire purchase principal due later than one year. Non-current finance lease liabilities increased by approximately RM0.07 million, or 20% in FY2019 compared to FY2018 mainly due to addition of two units of motor vehicles under hire purchase.

Deferred income tax liabilities amounted to RM0.8 million or 66% of non-current liabilities. Deferred income tax liabilities increased by approximately RM0.7 million or 874% in FY2019 compared to FY2018 mainly due to higher taxable temporary difference between the net book value and tax written down value as a result of the addition in property, plant and equipment and biological assets.

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities of approximately RM10.7 million in FY2019 was higher compared to RM10 million in FY2018. The higher cash generated was mainly due to an increased operating profit after tax in FY2019.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities of approximately RM2.5 million in FY2019 was mainly due to the acquisition of motor vehicles, plantation infrastructure and biological assets.

NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities of approximately RM1.6 million is mainly due to the payment of dividends to the shareholders.

Overall, the Group's cash position remains healthy with accumulated cash of approximately, RM31 million as at 31 July 2019.

CORPORATE GOVERNANCE REPORT

The board of directors (the “Board”) of JAWALA INC. (“Jawala” or the “Company” and together with its principal subsidiary corporation, Jawala Plantation Industries Sdn Bhd (“JPISB”), the “Group”) recognises the importance of corporate governance and the offering of high standards of accountability to all shareholders (the “Shareholders”). The Board is committed to maintaining and implementing the good practices recommended by the Code of Corporate Governance 2012 (the “Code”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”), to enhance corporate transparency as well as to establish and maintain an ethical environment within the Group to protect the interests of Shareholders.

This report describes the corporate governance structure and practices that the Company had adopted for the financial year ended 31 July 2019 (“FY2019”), with specific reference to the principles and guidelines of the Code and Guide, as well as SGX-ST Listing Manual: Section B Rules of Catalyst (the “Catalist Rules”). The Company has adhered to the principles and guidelines as set out in the Code and Guide, where applicable. Appropriate explanations are provided in the relevant sections below, where there are deviations from the Code and/or the Guide.

The Board noted the revised Code of Corporate Governance issued on 6 August 2018 (“Revised Code”), which is only effective from the Company’s financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code once it is effective.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises the following members:

Datuk Jema Anton Khan	Executive Chairman and Chief Executive Officer
Abdul Rahman Khan Bin Hakim Khan	Executive Director
Nadja Binti Jema Khan	Non-Executive Non-Independent Director
Lee Yong Soon	Lead Independent Director
Leow Ming Fong @ Leow Min Fong	Independent Director
Faridah Binti Mohd. Fuad Stephens	Independent Director

Principal Duties of the Board

The Board provides entrepreneur leadership and is responsible for the overall corporate governance, strategic direction (including sustainability issues) and formulation of policies of the Company to protect and enhance long-term value for Shareholders and other stakeholders.

The main roles of the Board, apart from its statutory duties, are:

- (a) to review and oversee Management’s performance and affairs of the Group;
- (b) to ensure that the necessary financial and human resources are available for the Group to meet its objectives;
- (c) to oversee the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

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- (d) to establish a framework of prudent and effective controls to assess and manage risks including safeguarding the Group's assets and Shareholders' interests;
- (e) to identify key stakeholder groups, and determine the Group's values and standards including ethical standards to ensure that obligations to its stakeholders are understood and met;
- (f) to set the Group's values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met;
- (g) to consider sustainability issues, e.g., environmental and social factors, in the formulation of its strategies; and
- (h) to ensure compliance with all laws and regulations as may be relevant to the business.

Matters which are specifically reserved to the Board for decision are, inter alia, those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

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Delegation by the Board

The Board delegates specific responsibilities to committees ("**Board Committees**") namely:

- (a) Audit Committee ("**AC**");
- (b) Nominating Committee ("**NC**"); and
- (c) Remuneration Committee ("**RC**").

These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Information on each of the Board Committees is set out below. The Board accepts that while these Board Committees have been mandated to examine specific areas or issues and make decisions or recommendations, ultimate authority and responsibility on all matters rests with the Board.

Board Processes

The Board meets at least once every six months to discuss and review the strategic policies of the Group, significant business transactions, performances of the business and approves the release of the half-yearly financial results. Board meetings may include presentations by members of the Management and/or external advisers/consultants on strategic issues pertinent to the Group. Ad-hoc meetings are convened as and when warranted by circumstances. The Company's Articles of Association ("**Articles**") allow a Board meeting to be conducted by means of a teleconference telephone, videoconferencing, audio visual or other electronic means of communication.

The attendance of each Director at the Board and Board Committee meetings during FY2019 is summarised as follows:

Name	Board		AC		RC		NC	
	No. of Meetings held	No. of Meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Datuk Jema Anton Khan	4	4	N/A	4*	N/A	N/A	N/A	N/A
Abdul Rahman Khan Bin Hakim Khan	4	4	N/A	4*	N/A	N/A	N/A	N/A
Nadja Binti Jema Khan	4	4	N/A	4*	N/A	N/A	N/A	N/A
Lee Yong Soon	4	4	4	4	1	1	1	1
Leow Ming Fong @ Leow Min Fong	4	4	4	4	1	1	1	1
Faridah Binti Mohd Fuad Stephens	4	4	4	4	1	1	1	1

* by invitation

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The Board communicates frequently through informal meetings and teleconference to discuss the Group's strategies and businesses. All the Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group, and are obliged to act in good faith and consider at all times the interest of the Group. The Directors are also required to discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Group.

Directors' Orientation and Training

Newly appointed Directors had signed appointment letters which set out their duties and obligations. A comprehensive and tailored induction programme is also conducted by the Chief Operations Officer ("COO") and the plantation manager at the Group's campsite in Sapulut Forest Reserve in Sabah to allow newly appointed Directors to get acquainted with key executives and Management, and to familiarise him/her with the Group's business and governance practices. Thereafter and on an on-going basis, the Directors are provided with opportunities to develop and maintain their skills and knowledge, particularly on applicable new laws, regulations, as well as trainings in areas such as accounting, legal and industry-specific knowledge, as appropriate, at the Group's expense. These ranges from in-house talks by invited speakers or training or seminars conducted by external parties. During the year, the Directors had attended training on Corporate Liability and Sustainability Reporting, organised by a third party.

The Board is also provided with information and updates on the Group's policies and procedures relating to issues pertaining to governance, disclosure of interests in securities and restrictions on disclosure of price sensitive information, changes in reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties and responsibilities as Board members or Board Committee members.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Independence of the Board

The Board currently comprises two (2) Executive Directors, one (1) Non-Executive Non-Independent Director, and three (3) Independent Directors. In line with the Guideline 2.2 of the Code, the Independent Directors made up at least half of the Board as the Chairman of the Board and Chief Executive Officer is the same person.

In its deliberation on whom may be considered as independent, the Board takes into account the views of the NC and adopts the Code's definition of independence in its review. The Board considers whether a Director had business relationships with the Group, its related corporations, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Group. Each Director is required to disclose to the Board any relationships or circumstances which are likely to affect or could appear to affect the Director's judgement, as and when they arise. The independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code.

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For FY2019, the NC has assessed the independence of Ms. Faridah Binti Mohd. Fuad Stephens, Mr. Leow Ming Fong @ Leow Min Fong and Mr. Lee Yong Soon, and is satisfied that there were no relationships or other factors such as past associations, business dealings and relationship with Directors and the Management that could impair or compromise their independent judgement or which deem them to be not independent. All Independent Directors have also provided written declaration confirming their independence in accordance with the Code for FY2019.

As half of the Board is made up of Independent Directors, the NC believes that the Board is able to exercise strong and independent judgement on corporate affairs, and that no one individual or groups of individuals dominate any decision making process. The Independent Directors have no financial or contractual interests in the Group other than by way of their directors' fees as set out in the financial statements. There are also no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

Board Size and Diversity

Jawala strives to achieve an appropriately balanced mix of talent on the Board, principally through combining Directors with diverse but complimentary backgrounds and experiences, but also through gender and racial diversity. The NC believes that the Board, in its current size, has a good balance of Directors who have extensive business, financial, accounting and management experience, and whom as a group, is capable of providing the core competencies, necessary to meet the Group's objectives. There is also currently gender diversification within the Board, with a 33% female representation on board.

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The current Board composition provides a diversity of skills, experience and knowledge to the Group as follows:

Core Competencies	Number of Directors	Proportion of the Board (%)
Accounting or finance	4	67
Business Management	4	67
Legal or Corporate Governance	5	83
Relevant Industry knowledge or experience	3	50
Strategic Planning Experience	3	50
Customer based experience or knowledge	2	33

None of the Independent Directors has served on the Board beyond nine (9) years from the date of his/her first appointment.

Board Guidance

The Non-Executive Directors of the Company (including the Independent Directors) endeavour to constructively challenge Management and help to develop proposals on strategy. The Directors also review and oversee effective implementation by Management in achieving agreed goals and objectives and monitor the reporting of performance.

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To ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, such Directors are provided unrestricted access to Management. Where necessary, the Company would co-ordinate information sessions for Non-Executive Directors to meet on a need-basis with relevant external auditors of the Group or amongst the Non-Executive Directors, without the presence of Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company’s business. No one individual should represent a considerable concentration of power.

Chairman and CEO

Datuk Jema Anton Khan (“**Datuk Jema Khan**”) is both the Chairman of the Board (“**Chairman**”) and the Chief Executive Officer (“**CEO**”) of the Company. After taking into consideration the size, scope and the nature of the operations of the Group, the Board is of the view that it is not necessary to separate the role of the Chairman and the CEO at this juncture. Datuk Jema Khan is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has more than 30 years of experience in the timber industry, including the trading of timber. With his considerable industry experience and business network, Datuk Jema Khan has provided the Group with strong leadership and vision. The Board has assessed and agreed to maintain a single leadership structure for now.

Roles and Responsibilities of Chairman/CEO

As the Chairman, Datuk Jema Khan is responsible for, amongst others:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular, strategic issues;
- (c) promoting a culture of openness and debate at the Board;
- (d) facilitating contributions from the Non-Executive and Independent Directors and encourage constructive relationships within the Board and between the Directors and Management;
- (e) exercising control over the quality, quantity and timeliness of information flow to the Board;

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- (f) ensuring effective communication with Shareholders and fostering constructive dialogue between Shareholders, the Board and Management during general meetings;
- (g) promoting high standards of corporate governance; and
- (h) managing and developing the businesses of the Group and implements Board's decisions.

As the CEO, Datuk Jema Khan has overall executive responsibilities of the business direction and operational decision of the Group.

Lead Independent Director

As Datuk Jema Khan is both the Executive Chairman and Chief Executive Officer, Mr. Lee Yong Soon is appointed as the Lead Independent Director, complying with Guideline 3.3 of the Code. As the Lead Independent Director, Mr. Lee Yong Soon will be available to Shareholders if they have concerns and in the unlikely event that contact through normal channels of the Chairman, the CEO or the chief financial officer ("CFO") has failed to resolve any of their concerns or is inappropriate.

Led by the Lead Independent Director, the Independent Directors would meet periodically without the presence of the other Directors, where necessary. Feedback from such meeting(s) would be provided by the Lead Independent Director to the Chairman. The Independent Directors had met without the presence of other Directors in FY2019.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

NC and its Terms of Reference

The NC comprises the following members, all of whom are independent:

Lee Yong Soon (Chairman)	Lead Independent Director
Leow Ming Fong @ Leow Min Fong	Independent Director
Faridah Binti Mohd. Fuad Stephens	Independent Director

The NC had convened one (1) scheduled meeting in FY2019, which was attended by all members.

Under the NC's terms of reference, the NC performs the following functions:

- (a) review and approve any new employment of related persons and proposed terms of their employment;
- (b) recommend to the Board on board appointments, including re-nominations of existing Directors for re-election in accordance with the Company's Articles, taking into account the Directors' contribution and performance;
- (c) review board succession plans for the Directors;

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- (d) determine on an annual basis, and when so required under the particular circumstances, whether or not a Director of the Company is independent;
- (e) in respect of a Director who has multiple board representations on various companies, if any, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the Director when serving on multiple Boards and discharging his duties towards other principal commitments;
- (f) decide whether or not a Director of the Company is able to and has been adequately carrying out his duties as a director;
- (g) review training and professional development programmes for the Board;
- (h) decide on how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers and address how the Board has enhanced long-term shareholders' value; and
- (i) administer jointly with the RC, the Jawala Performance Share Plan and the Jawala Employee Share Option Scheme.

Roles and Responsibilities of the NC

The NC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees. In the process for selection and nomination, the NC taps on the Directors' resources to ensure that potential candidates possess relevant experience and the caliber to contribute to the Group and its business, having regards to the attributes of the existing Board and the requirements of the Group. Pursuant to the Company's Articles, a new Director can be appointed by the Directors following upon a favorable recommendation by the NC. Newly appointed Directors must put themselves for re-elections at the next annual general meeting ("**AGM**") of the Company.

All Directors are also subject to the provisions of the Articles whereby at least one-third (1/3) of the Directors are required to retire and subject themselves to re-election by Shareholders at every AGM. Further, all Directors are required to retire from office at least once in every three years. Shareholders will be provided with relevant information of the candidates for election or re-election.

Retiring by Rotation at the 2019 AGM

The NC oversees the nomination of Directors for election or re-election. Article 98 of the Articles of the Company requires one-third of the Directors to retire and submit themselves for re-election by the Shareholders at every AGM and every Director in the Company will be due for re-election at least once every three years. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her re-election as Director.

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The following Directors are due for retirement at the forthcoming AGM:

- (a) Datuk Jema Anton Khan; and
- (b) Mr. Abdul Rahman Khan Bin Hakim Khan;

(together the “**Retiring Directors**”).

After consideration of the Retiring Directors’ overall contribution and performance, NC had recommended them for re-election and the Board has accepted the recommendation of the NC. Both Retiring Directors have offered themselves for re-election at the AGM, and upon re-election:

- (a) Datuk Jema Khan shall remain as Executive Chairman and CEO of the Company; and
- (b) Mr. Abdul Rahman Khan Bin Hakim Khan shall remain as an Executive Director of the Company.

The additional information relating to the Retiring Directors is set out on pages 42-46 of this report.

Review of Directors’ Independence

The NC deliberates annually, to determine the independence of a Director, in line with the relevant guidelines of and salient factors in the Code. No member of the NC participated in the deliberation in respect of his/her own status as an Independent Director. Each of the Independent Directors has also signed a declaration of independence based on the substantive requirements of the Code, and confirmed that he/she does not have any relationship with his/her fellow Directors or with the Group and its substantial shareholders.

Commitments of Directors sitting on Multiple Directorships

In assisting the NC to determine whether the Directors who have multiple board representations are able to adequately carry out their duties and commitments towards the Group, the Directors have adopted a form of internal guidelines whereby Directors are required to apprise the Board of their other listed company directorships and other principal commitments. The NC, after reviewing the completed disclosure forms returned by all Directors together with the respective list of directorships held by each Director as well as their attendance at Board and/or Committee meetings, is satisfied that all the Directors who sit on multiple boards are able to devote adequate time and attention to the affairs of the Group and to fulfil their duties as Directors. The NC has recommended, and the Board has agreed that the maximum number of listed company board representations which a Director may hold, should not be more than five (5) including the Company, in line with international practices and conventions.

Alternate Director

There are no alternate Directors on the Board as of the date of this Annual Report.

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Succession Planning for the Board

As and when required, the NC seeks to balance Board renewal, which brings in fresh insights with maintenance of knowledge and experience of the Group's operations. The NC strives to ensure that the Board, Board Committees and key management personnel comprise individuals who are able to discharge their duties and responsibilities as Directors with regard to the highest standards of corporate governance.

Process for Selection, Appointment and Re-appointment of Directors

The NC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments of Directors to the Board. The NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates, taking into consideration factors such as the ability of the potential candidate to contribute to discussions, deliberations and activities of the Board. The NC also taps on the Directors' resources to ensure the potential candidates possess relevant experience and are to contribute to the Group and its business. The potential candidate will go through a shortlisting process and thereafter, an interview will be set up before the NC proceeds to recommend the selected candidate to the Board for consideration and approval. Pursuant to the Articles of Association of the Company, the Directors, upon receipt of recommendation from the NC, shall have power to appoint a new Director either to fill a casual vacancy or as an additional Director. Newly appointed Directors must put themselves for re-elections at the next AGM of the Company. In FY2019, no new director has been appointed to the Board.

Information on Directors

Key information on the Directors, including their academic and professional qualifications, and their shareholdings, if any, in the Company, are found on pages 5-7 of this annual report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Board Performance and Board Evaluation

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board as well as the contributions of each individual director to the overall effectiveness of the Board.

To facilitate the evaluation and assessment of the effectiveness of the Board Committees and Executive Chairman and CEO, the relevant Directors completed a board committee evaluation questionnaire for each of the board committees. The key areas covered in such assessment included:

- (a) roles and responsibilities of the respective board committees;
- (b) actual practices, which cover matters relating to decision making in meetings and access to information;
- (c) performance of the board committee;
- (d) culture and robustness of discussions amongst the members; and
- (e) composition of members which the right competencies and skillsets.

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Their feedback and responses were collated by the Company Secretary and presented to the NC for review and discussion prior to submitting to the Board for its review and assessment of areas of improvement.

A Board assessment is also performed by each Director in the form of a Board Performance Evaluation. Among the areas covered in the board effectiveness assessment are:

- (a) Board culture and dynamics;
- (b) Board composition;
- (c) Board organization, processes and procedures;
- (d) quality of information and accessibility provided during Board meetings;
- (e) Board's relationship with senior management;
- (f) potential Board developmental needs; and
- (g) Shareholders' engagement and communications.

The performance assessment is administered on a confidential basis by the Company Secretary, and the results and data collated from the input and performance assessments from the Directors are consolidated and shared with the NC and the Chairman, prior to the results being tabulated for review and discussion at the Board meeting. The Company did not engage any external facilitator for the Board and Board Committee assessments for FY2019.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board's Access to Information

Directors receive a regular flow of information from Management on information pertaining to relevant matters to be brought before the Board for its decision as well as ongoing reports, explanations and updates relating to the operational and financial performance of the Group.

To allow the Directors sufficient time to prepare for meetings of the Directors and relevant Board Committees, all scheduled Board and Board Committee papers are distributed to the Directors not less than a week in advance of the respective meetings. Information provided include amongst others, the background or explanatory information relating to matters to be brought before the Board, budgets, forecasts, internal and external auditors' reports and internal financial statements. The Directors also liaise with senior Management as required, and may consult with other employees and seek additional information on request. Any additional material or information requested by the Directors will be promptly furnished.

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Role of the Company Secretaries

All Directors have separate and independent access to the Company Secretaries at all times. The Company Secretaries are responsible, among other things, to ensure that Board procedures are followed and that applicable rules and regulations including the provisions of the Company's Articles are complied with. The Company Secretaries assist the Chairman to ensure good information flow within the Board and its Board Committees and between Management and Non-Executive Directors.

The Company Secretaries, or at least one of the Company Secretaries attended all Board and Board Committee meetings and assist the Chairman, the Chairmen of the respective Board Committees and Management in the development of meeting agendas for the various Board and Board Committee meetings.

The appointment and removal of the Company Secretaries is subject to the approval of the Board.

Board's Access to Independent Professional Advice

Directors, either individually or as a group, in the furtherance of their duties, may seek independent professional advice, if necessary, at the Company's expense.

(B) REMUNERATION MATTERS

REMUNERATION COMMITTEE ("RC")

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

RC and its Terms of Reference

The RC comprises three (3) members, all of whom are Independent Directors, namely:

Faridah Binti Mohd. Fuad Stephens (Chairman)	Independent Director
Leow Ming Fong @ Leow Min Fong	Independent Director
Lee Yong Soon	Lead Independent Director

The RC had convened one (1) scheduled meeting, which was attended by all members, during the financial year.

Under the RC's terms of reference, the RC performs the following functions:

- (a) to establish and recommend to the Board, the individual remuneration structure and policy for the key management personnel, taking due account of short term and long term incentives and whether there is an appropriate balance between fixed and incentive pay that is aligned with the objectives of the Company and is commensurate with the level of executive responsibilities;

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- (b) to review and advise on the terms of any contract to be offered to the key management personnel ensuring that contractual terms on appointment, retirement, termination and any payments made are fair to the individual and the Company;
- (c) to take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code in determining the remuneration policy;
- (d) to review the remuneration of employees who are immediate family members of a director, and whose remuneration exceeds SGD50,000 during the year;
- (e) to review the ongoing appropriateness and relevance of the remuneration policy and approving any major changes to remuneration policy;
- (f) to determine and agree with the Board an appropriate performance framework;
- (g) to support the setting of performance target parameters for the remuneration of the key management personnel;
- (h) to monitor Management's performance against targets and to recommend resultant annual remuneration levels; and
- (i) to administer jointly with the NC, the Jawala Performance Share Plan and the Jawala Employee Share Option Scheme.

Roles and Responsibilities of the RC

The scope of responsibilities of the RC encompasses all aspects of remuneration, including but not limited to the Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The RC also review the remuneration of senior Management and employees related to the Directors, if any. Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package and also in respect of any employee related to him/her, if any. The remuneration of employees who are related to Directors and substantial shareholders will also be reviewed annually by the RC to ensure that their remuneration package are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Additionally, the RC also review the Group's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or key management personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group.

RC's Access to Advice on Remuneration Matters

In discharging its functions, the RC may from time to time, seek independent external legal and other professional advice on the remuneration of all Directors and key management personnel. The expenses of such advice shall be borne by the Company.

The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2019.

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LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Remuneration of Executive Directors and Key Management Personnel

The Company entered into separate service agreements with Datuk Jema Khan (Executive Chairman and Chief Executive Officer), Mr. Rahman Khan (Executive Director) and Ms. Julie Tan (Chief Financial Officer). The service agreements are for an initial period of three years (the “**Initial Term**”) with effect from the Listing Date, subject to renewal annually thereafter unless otherwise agreed in writing or terminated in accordance with the service agreements. During the Initial Term, the parties may terminate the respective service agreement by either party giving not less than six months’ notice in writing to the other.

In setting remuneration packages, the Company takes into account, the pay and employment conditions within the same industry and in comparable companies, as well as the Group’s relative performance and the performance of individual Directors and key management personnel.

The Company has adopted an overall remuneration policy for employees comprising a fixed component in the form of base salary, and a variable component in the form of a bonus that is linked to the performance and cashflows of the Group, the individual, the industry and the economy. The remuneration packages are formulated to attract, retain and motivate the Executive Directors and the key management personnel, to align their interests with the long-term interests of the Company. The RC endorses the bonus for distribution to key management personnel and Directors based on individual performance, and presents its recommendations to the Board for approval.

To align the interest of the Directors and key management personnel, the Company has also adopted the Jawala Performance Share Plan (“**PSP**”) and the Jawala Employee Share Option Scheme (“**ESOS**”), details of which are set out in pages 29 and 30 respectively of this Annual Report. The PSP and ESOS aim to amongst others, provide an opportunity for Executive Directors, key management personnel and eligible employees of the Group to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organizational commitment, dedication and loyalty of the eligible participants to the Group. Non-Executive Directors who satisfy the eligibility requirements shall also be eligible to participate in the PSP and ESOS.

Remuneration of Non-Executive Directors

The Non-Executive Directors (including Independent Directors) do not have any service agreement with the Company and they receive Directors’ fees which are pro-rated according to their appointment date, where applicable, and based on their contributions to the Company, taking into account factors such as efforts and time spent as well as their responsibilities on the Board and Board Committees, if applicable. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. Directors’ fees are recommended by the Board and will be subject to Shareholders’ approval at the Company’s AGM.

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Contractual Provision to Reclaim Incentive Components of Remuneration

The Company does not currently use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. The Executive Directors and key management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Remuneration of the Directors and Top Key Management Personnel

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and key management personnel with adequate experience and expertise to manage the business and operations of the Group.

The remuneration paid to the Directors and key management personnel for services rendered for FY2019 are as follows:

Names	Salary	Performance Bonus	Directors' Fees	Total
	%	%	%	%
Directors				
Below SGD250,000 (equivalent to approximately RM757,525)				
Datuk Jema Khan	64	36	–	100
Abdul Rahman Khan Bin Hakim Khan	39	61	–	100
Nadja Binti Jema Khan	–	–	100	100
Faridah Binti Mohd. Fuad Stephens	–	–	100	100
Leow Ming Fong @ Leow Min Fong	–	–	100	100
Lee Yong Soon	–	–	100	100
Key Management Personnel				
Below SGD250,000 (equivalent to approximately RM757,525)				
Julie Tan	69	31	–	100
Maxy Bin Self	63	37	–	100

Save for the Executive Directors, the Company only has 2 top key management personnel as at 31 July 2019.

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After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the commercial sensitivity and confidential nature of remuneration packages. The Board is of the view that this level of disclosure in bands of SGD250,000 (equivalent to approximately RM757,525) is both sufficient and adequate.

There were no termination, retirement and post-employment benefits granted to Directors and key management personnel in FY2019.

Aggregate remuneration for key management personnel

The aggregate remuneration paid to the above key management personnel (who are not Directors or CEO) in FY2019 was SGD0.23 million (equivalent to approximately RM0.7 million).

Employee Related to Directors/CEO

There are no employees whose remuneration exceeds SGD50,000 (equivalent to approximately RM151,505) during FY2019 who are immediate family members of any Director or the CEO.

Jawala Performance Share Plan ("PSP")

The Company recognises that the contributions and continued dedication of the employees within the Group and Non-Executive Directors are critical to the future growth and development of the Group and has adopted the PSP which was approved by its Shareholders at an extraordinary general meeting held on 26 April 2018 ("EGM"). The PSP which is based on the principle of pay-for-performance, is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance.

The PSP allows for participation by full-time employees of the Group (including the Executive Directors) and Non-Executive Directors (including Independent Directors), controlling shareholders and their associates, provided they have met the eligibility criteria.

The PSP is managed by the members of the NC and the RC (the "**Administration Committee**") which has the absolute discretion to determine persons who are eligible to participate in the PSP.

The aggregate number of shares which may be issued and/or transferred under the PSP (including other share schemes of the Company) shall not exceed eight per cent (8%) of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.

There is no minimum vesting period under the PSP for Awards and the length of the vesting period in respect of each Award will be determined on a case-by-case basis by the Administration Committee.

As at the date of this report, no awards had been granted under the PSP.

Information on the PSP is set out in the Company's Offer Document dated 24 May 2018.

CORPORATE GOVERNANCE REPORT

Jawala Employee Share Option Scheme (“ESOS”)

The ESOS was adopted at the EGM, and provides eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS which forms an integral and important component of the Company’s compensation plan is designed to primarily reward and retain employees whose services are vital to the success of the Company.

The ESOS allows for participation by confirmed employees of the Group (including the Executive Directors) and Non-Executive Directors (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.

The ESOS is managed by the Administration Committee which shall have the powers to determine, among others, the following:

- (a) persons to be granted Options;
- (b) number of Options to be offered; and
- (c) recommendations for modifications to the ESOS.

The aggregate number of shares which may be offered under the ESOS (including the PSP and any other share option schemes of the Company) shall not exceed eight per cent (8%) of the Company’s total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.

The options that are granted under the ESOS may have exercise prices that are at the discretion of the Administration Committee.

As at the date of this report, no options had been granted under the ESOS.

Information on the ESOS is set out in the Offer Document.

Link Between Remuneration and Performance

The RC reviews the remuneration of the Executive Directors and key management personnel, and makes recommendation for the Board’s endorsement of an appropriate framework of remuneration.

The remuneration received by the Executive Directors and key management personnel takes into consideration his/her performance and contribution towards the overall performance of the Group in FY2019. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary and Kumpulan Wang Simpanan Pekerja whilst the variable compensation is determined based on the level of achievement of corporate and individual performance objectives. In determining remuneration and bonus awards, Management makes recommendations to the RC, having regard to key performance indicators, such as, (a) sales and profit targets, (b) strategic requirements and goals of the Group, (c) investment in future growth, and ultimately (d) the individual executive’s contribution to these objectives.

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Balanced and Understandable Assessment of the Company's Performance

The Company provides information pertaining to the operations, performance and financial position of the Group to all Shareholders through SGXNET, the Offer Document and the Company's Annual Report.

In discharging its responsibility, the Board ensures that the Group's financial results provide a balanced and understandable assessment of the Group's performance, position and prospects. The Company conveys its financial performance, position and outlook on a half-yearly basis via announcements to the SGX-ST. Additional disclosures, when required, are also made through the same communication channels.

Compliance with Legislative and Regulatory Requirements

Management currently provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time.

During FY2019, the Board reviewed reports from the Management to ensure compliance with the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements. The Directors may seek independent professional advice and receive relevant training so as to maintain continuing standards and vigilance.

Jawala has also procured undertakings from all its Directors and key management personnel in compliance with Catalist Rule 720(1).

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Risk Management and Internal Control System

The Board is responsible for the overall internal control framework and risk management in the Group, amongst other matters. The Board determines the Group's levels of risk tolerance and risk policies and oversees Management in the design, implementation and monitoring of risk management and internal control systems. Such systems are put in place to address financial, operational, compliance and information technology risks with the objectives to provide reasonable assurance that there are no material financial misstatements or material loss and assets are safeguarded.

Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board reviews, at least quarterly, the adequacy and effectiveness of the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The Company, with the assistance of an external consultant, had established a formal Enterprise Risk Management (“ERM”) framework which facilitates risk assessment and the identification of risk actions. Risk assessment was carried out by the Group’s internal audit function and risk action plans were deliberated during the financial year. An internal control review was also carried to assess the adequacy and effectiveness of the internal control system established by the Company’s principal subsidiary corporation, JPISB.

The risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group’s system of risk management and internal controls in addressing investment, financial, operational, compliance, information technology, market and planting risks as well as the risks of non-performing contractors and termination of the Sustainable Forest Management License Agreement. Material control weaknesses, if any, would also be highlighted by the external auditors in the course of the audit of the Group’s books.

Board’s Comments on the Adequacy and Effectiveness of Internal Controls and Risk Management Systems

For FY2019, the Board and the AC have obtained assurances from the CEO and the CFO for the following:

- (a) that the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group’s operations and finances; and
- (b) that the Group’s risk management and internal control systems in place were adequate and effective in FY2019 in addressing the material risks of the Group in its current business environment including financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed and actions taken by Management and on-going reviews and continuing efforts at enhancing controls and processes, the Board with the concurrence of the AC, is satisfied that the Group’s risk management systems and internal controls were adequate and effective to address the financial, operational, compliance and information technology risks for FY2019.

The Board also notes that the system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board and the AC wish to highlight that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud, market risks which include changes in weather, currency fluctuations, government policies or other irregularities.

Risk Management Committee

To assist the Board in carrying out its responsibility of overseeing the Group’s risk management framework and policies, the Board has established the Risk Management Committee (“RMC”), a dedicated board risk management committee comprising the Executive Directors, the CFO and COO as its members. The RMC which would report to the Board, is responsible for:

- (a) monitoring the consistent enforcement of ERM Framework across the Group;
- (b) communicating requirements of the ERM Framework and ensuring continuous enhancement of ERM;
- (c) reviewing the risk appetite, risk parameters, risk profiles, risk treatment options and risk action plans status monitoring;

CORPORATE GOVERNANCE REPORT

- (d) providing guidance and advice on the appropriateness of risk treatment option selected and risk action plans development;
- (e) formulating and implementing ERM mechanism to accomplish requirements of the ERM policy;
- (f) articulating and challenging risk ratings, control effectiveness, risk treatment options and risk action plans;
- (g) ensuring that the ERM reports prepared are submitted to Board in a timely manner, and flash reports are submitted in the event of any new risk(s) that required urgent attention; and
- (h) reviewing the ERM Policy on an quarterly basis and considering to adopt best practices based on corporate governance framework.

AUDIT COMMITTEE (“AC”)

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

AC and its Terms of Reference

The AC comprises the following members, all of whom are independent:

Leow Ming Fong @ Leow Min Fong (Chairman)	Independent Director
Lee Yong Soon	Lead Independent Director
Faridah Binti Mohd. Fuad Stephens	Independent Director

The AC had convened four (4) scheduled meetings, which were attended by all members.

The AC comprises members who have sufficient experience in both the finance and business fields.

The Board is of the view that the members of the AC, in particularly the AC Chairman, are appropriately qualified in that they have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of risk management and internal control.

Under the AC's terms of reference, the AC performs, among others, the following functions:

- (a) to assist the Board in the discharge of its responsibilities on financial reporting matters;
- (b) to maintain oversight and discretionary power on the Use of Strategic Reserves as set out in the section entitled “Working Capital” in the Offer Document;
- (c) to monitor and review on a quarterly basis, the Use of Strategic Reserves, which will be kept in a separate bank account;
- (d) to review and approve the Use of Strategic Reserves for any other purposes other than the stated Use of Strategic Reserves;

CORPORATE GOVERNANCE REPORT

- (e) to monitor compliance with the undertakings provided by the Company in relation to the Bumiputra Requirement, the Jawala Corporation Additional Undertaking, the Khan Family Additional Undertaking as set out under the section entitled “Shareholders – Moratorium” in the Offer Document, the Undertaking provided by Jawala Corporation in relation to the provision of shareholder loans as set out in the sections entitled “Working Capital” and “General Information on our Group – Business – Salvage Logging within the Licensed Area” of the Offer Document, and the Undertakings by Jawala Corporation, Datuk Jema Khan, Tan Sri Abdul Majid Khan, JPISB and the Company in relation to compliance with the Shareholding Requirement of the Sustainable Forest Management Licence Agreement (“**SFMLA**”) as set out in the section entitled “General Information on Our Group – Licences, Permits, Approvals and Certifications” in the Offer Document;
- (f) to review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the Management’s response, and results of the Group’s audits compiled by the Company’s internal and external auditors;
- (g) to review the interim and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;
- (h) to review the effectiveness and adequacy of the Group’s internal control and procedures, including accounting, financial controls, operational, compliance and information technology and risk management systems and ensure coordination between the internal and external auditors and Management, to review the assistance given by the Management to the auditors, and to discuss problems and concern, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (i) to review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (j) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group’s operating results or financial position, and Management’s response;
- (k) to make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- (l) to review significant reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group’s financial performance before submission to the Board of Directors;
- (m) to review and report to the Board at least annually, the adequacy and effectiveness of the Group’s material internal controls with the CFO and the internal and external auditors, including financial, operation, compliance and information technology controls, and risk management systems via reviews carried out by the internal auditors;
- (n) to monitor and review the implementation of recommendations from external and internal auditors, if any, to address any control weaknesses;

CORPORATE GOVERNANCE REPORT

- (o) to review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- (p) to review any potential conflict of interests;
- (q) to review and approve all hedging policies and instruments (if any) to be implemented by the Group;
- (r) to undertake such reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (s) to review and establish procedures for receipt, retention and treatment of complaints received by the Group, among others, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- (t) to generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matters within its terms of reference. It has full access to and co-operation of Management and full discretion to invite any Director or Executive Director to attend its meetings, with reasonable resources to enable it to discharge its function.

The Company's internal and external auditors are invited to attend AC meetings and to make presentations, as appropriate. The AC, which also has independent access to both the internal and external auditors, meets with the external auditors without the presence of Management in FY2019.

Independence of External Auditors

The AC oversees the Group's relationship with its external auditors. It reviews the selection of the external auditors and recommends to the Board the appointment, re-appointment and removal, if necessary, of the external auditors, the remuneration and terms of engagement of the external auditors. The AC undertook the review of the independence and objectivity of the external auditors annually through discussions with the external auditors as well as reviewing the non-audit fees awarded to them to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors.

The total fees in respect of audit and non-audit fees paid to the external auditors (including its associate firms) for FY2019 are as stated below:

External Auditors' Fees for FY2019	S\$	% of Total Fees
Total Audit Fees	68,500	100
Total Non-Audit Fees	–	–
Total Fees Paid	68,500	100

There were no non-audit fees paid to the external auditors for FY2019.

The AC is satisfied with their independence and hence has recommended to the Board the re-appointment of Nexia TS Public Accounting Corporation ("**Nexia**") as the Company's external auditors at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy and procedures to provide employees and others with well-defined and accessible channels within the Group, to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters. The policy establishes a confidential line of communication by way of a dedicated and secured email address which would be monitored by the AC Chairman. This ensures that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The aim of the policy is to encourage employees to report malpractices and misconduct in the workplace. All information received will be treated confidentially and the identity of the whistle-blowers protected. Anonymous disclosures will be accepted and anonymity honored. Employees who have acted in good faith will be protected from reprisal.

The AC reviews all whistleblowing complaints, if any, at each AC meeting to ensure independent, thorough investigation and appropriate follow-up actions. Where appropriate, an independent third party may be appointed to assist in the investigation.

There were no whistleblowing reports received in FY2019.

Activities in FY2019

The AC is kept abreast of changes by the external auditors and Company Secretaries in accounting standards, stock exchange rules and other codes and regulations, where applicable, which could have an impact on the Group's business and financial statements, during its meeting(s).

Partners or Directors of the Company's Existing Auditing Firm

None of the AC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 12 months and (ii) holds any financial interest in the auditing firm or auditing corporation.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Internal Auditors

The AC reviews the effectiveness of the internal control procedures within the Group and had appointed Axcelasia Columbus Sdn Bhd ("**Axcelasia**") as its internal auditor to ensure the adequacy and sufficiency of internal controls procedures within the Group. Axcelasia carries out its function in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC exercised its oversight over the internal audit function and reviews, among other things, the followings:

- (a) scope of the annual internal audit plans;
- (b) significant audit observations and Management's responses thereto; and
- (c) adequacy and effectiveness of the internal audit function.

CORPORATE GOVERNANCE REPORT

The internal auditor has unrestricted access to the AC, members of the Management as well as the Group's documents, records, properties and personnel, where necessary, for the internal auditor to carry out their function accordingly.

The internal auditor carries out their functions under the direction of the AC and reports directly to the AC Chairman, and administratively to the CEO and CFO. Key audit findings and recommendations are tabled for discussion at AC meetings, and the timeliness and progress of implementing the corrective or improvement actions are measured and reported.

Adequacy and Effectiveness of the Internal Audit Functions

The AC reviews annually the adequacy and effectiveness of the internal audit function to ensure that internal audits are conducted effectively and that Management provides the necessary co-operation to enable the internal auditor to perform its function. The AC also reviews the internal auditor's reports and remedial actions implemented by Management to address any internal control inadequacies identified and was satisfied that the internal audit functions were adequate and effective.

The AC is satisfied that Axcelasia is adequately qualified (given, inter alia, its adherence to Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Shareholders' Rights to Information

The Company endeavors to maintain full and adequate disclosure of material event and matters concerning its business, in a timely, fair and transparent manner. Information which is material or that may influence the price of the Company's shares are disclosed timely in compliance with the requirements of the Catalist Rules, via public announcements, press release, annual reports or circulars to the Shareholders.

Shareholders' Participation and Voting at General Meetings

Shareholders are informed of Shareholders' meetings through notices published in the newspapers and the Company's announcements via SGXNet, as well as reports/circulars sent to all Shareholders.

All Shareholders are entitled to attend the Annual and/or Extraordinary General Meetings ("**General Meetings**") of the Company and are accorded the opportunity to participate effectively and vote in General Meetings. All Shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the Chairman of each of the Board Committees.

CORPORATE GOVERNANCE REPORT

The Company's Articles allow a member of the Company to appoint up to two (2) proxies to attend and vote at the Company's General Meetings. Indirect investors, who hold the Company's shares through a relevant intermediary, may attend and vote at the General Meetings. Pursuant to the Articles of the Company, a member who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at a General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

The Company conducts poll voting for all resolutions tabled at the General Meetings. An independent polling agent will be appointed by the Company for General Meetings who will also explain the rules, including the voting procedures which govern the proceedings of the General Meetings.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Communication with Shareholders

The Company is committed to maintaining high standards of corporate disclosure and transparency. In line with the continuous disclosure obligations under the Catalist Rules, the Board has and will continue to apprise Shareholders promptly of all pertinent information. Material information is disclosed in an adequate, accurate and timely manner via SGXNet. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Company's interactions with the investing community, a media release or announcement will be released to the public via SGXNet promptly.

The Company does not currently have an investor relations policy and considers advice from its corporate lawyers and professionals on the appropriate disclosure requirements before the announcement of each material information. The Company will consider the appointment of a professional investor relations officer to manage this function, should the need arise.

Board's Dialogues with Shareholders

General Meetings are currently the principal forum for the Board's dialogue with Shareholders. Shareholders are encouraged to participate during the General Meetings, to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters.

The Directors (including the chairpersons of the respective Board Committees) and key management personnel are in attendance to address queries and concerns about the Group. The Company's external auditors also attend to address Shareholders' queries relating to the conduct of the audit and the preparation and content of the external auditors' report.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company does not have a fixed dividend policy. The Directors had however, indicated in the Offer Document of the Company's intention to recommend and distribute dividends of not less than 20% of the Group's profit after tax to Shareholders for FY2018 and FY2019 (the "**Proposed Dividends**"). Investors should note that all the foregoing statements including the statement on the Proposed Dividends are merely statements of the present intention and shall not constitute legally binding statements in respect of the future dividends which may be subject to modification. For more details, please refer to page 55 of the Offer Document. The Company may declare an annual first and final dividend with the approval of the Shareholders in a General Meeting, but the amount of such dividend shall not exceed the amount recommended by the Board.

For FY2019, the Company is recommending a first and final one-tier tax-exempted dividend of SGD0.004 per ordinary share to be approved by Shareholders at the forthcoming AGM. Subject to Shareholders' approval of the final dividend, payment shall be made on 12 December 2019.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders' Participation

The Board welcomes the view of Shareholders on matters affecting the Company, whether at General Meetings or on an ad-hoc basis. Shareholders are encouraged to attend the Company's General Meetings to ensure high level of accountability and to stay informed of the Group's strategies and goals.

The Company's Articles provide for Shareholders to participate and vote at General Meetings, and Shareholders are encouraged to do so. If any Shareholder is unable to attend, the Articles allow the Shareholder to appoint up to two (2) proxies to vote on his/her behalf through proxy forms submitted at least 72 hours prior to the relevant meeting. The Company has decided not to implement voting in absentia by mail, email or facsimile, until all relevant issues on security and integrity on such mode of communication are satisfactorily resolved.

Resolutions to be tabled at General Meetings

As a matter of good order, the Board ensures that issues or matters requiring Shareholders' approval are tabled at General Meetings in the form of separate and distinct resolutions, unless such resolutions are interdependent and linked.

Attendance at General Meetings

All the Directors including the Chairman of the Board and the Board Committees shall attend all General Meetings to address Shareholders' queries, if any. The Company's external auditors will also present to address questions raised by the Shareholders.

CORPORATE GOVERNANCE REPORT

Minutes of General Meetings

The Company Secretaries prepare minutes of General Meetings relating to the agenda of the meeting, which would be subsequently approved by the Board. These minutes will be made available to shareholder upon their request.

Voting by Poll

In line with the Code, all resolutions at General Meetings are put to vote by poll, and the number of votes cast for and against each resolution as well as the respective percentage, will be announced. An independent external party will be appointed as scrutineer for the electronic poll voting process. The results of the electronic poll voting are announced immediately after each resolution is put to a vote, and the number of votes cast for and against and the respective percentages will be displayed in real-time at the General Meetings. Detailed results of the poll votes for each resolution will be promptly disclosed on the SGXNet after trading hours, following upon the conclusion of the General Meetings.

SUSTAINABILITY REPORT

(Rule 711A and Rule 711B of the Catalyst Rules)

The Company will issue a standalone Sustainability Report on or before 31 July 2020.

APPOINTMENT OF AUDITORS

(Rule 712 and Rule 715 of the Catalyst Rules)

The Company confirmed that Rule 712 and Rule 715 of the Catalyst Rules has been complied with.

MATERIAL CONTRACTS

(Rule 1204(8) of the Catalyst Rules)

Other than disclosed in the audited financial statements for FY2019 and the service agreements between the Executive Directors and the Company, there was no material contracts entered into by the Group involving the interest of the Chairman, CEO or any Directors or controlling shareholders which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

DEALINGS IN SECURITIES

(Rule 1204(19) of the Catalyst Rules)

In line with Catalyst Rule 1204(19), the Company has adopted a policy with respect to dealings in securities by Directors and officers of the Group. The Company, its Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares for the period of two (2) weeks prior to the announcement of the Company's half-yearly results and one (1) month prior to the announcement of the full year results as the case may, ending on the date of announcement of the relevant results. The Company, its Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term consideration. The Company, its Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

(Rule 907 and 920 of the Catalyst Rules)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

There was no interested person transactions for the financial year ended 31 July 2019.

NON-SPONSOR FEES

(Rule 1204(21) of the Catalyst Rule)

No non-sponsor fees were paid up to the Company's sponsor, UOB Kay Hian Private Limited for FY2019.

USE OF PROCEEDS

(Rule 1204(22) of the Catalyst Rule)

Pursuant to the Company's Initial Public Offer ("IPO"), the Company received net proceeds from the IPO of approximately S\$4.5 million (the "Net Proceeds"). Please refer to the Offer Document for further details.

As at the date of this Annual Report, the Net Proceeds have been utilised as follows:

Purpose	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Development of the plantation site within the Licensed Area	1,900	(884)	1,016
Working capital	1,250	(642)	608
Listing expenses	1,350	(1,350)	–
Total	4,500	(2,876)	1,624

Note:

- (1) The utilisation of proceeds under working capital amounted S\$642,000 relates to payment of directors fees, employee compensation, professional fees and administrative expenses.

The above utilisation is in accordance with the intended use of proceeds from the IPO as stated in the Offer Document.



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

Datuk Jema Anton Khan and Mr. Abdul Rahman Khan Bin Hakim Khan who will be retiring by rotation under Article 98 of the Articles of Association of the Company, are seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 November 2019 (“**AGM**”) (collectively the “**Retiring Directors**” and each a “**Retiring Director**”).

The information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) as required under Rule 720(5) of the Catalist Rules, is set out below:

Name of Retiring Director	Datuk Jema Anton Khan (“ Datuk Jema ”)	Mr. Abdul Rahman Khan Bin Hakim Khan (“ Mr. Rahman ”)
Date of Appointment	8 August 2017	28 September 2017
Date of last re-appointment	26 November 2018	26 November 2018
Age	54	46
Country of principal residence	Malaysia	Malaysia
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, after considering the recommendation of the Nominating Committee, is of the view that Datuk Jema possesses the requisite experience and capabilities to continue to assume his responsibilities as Chairman and Chief Executive Officer of the Group, and that he has the expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors, after considering the recommendation of the Nominating Committee, has reviewed and considered Mr. Rahman’s work experience and suitability for an Executive Director of the Company. The Board has reviewed and concluded that Mr. Rahman possesses the requisite expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Providing overall strategy and direction for implementation by Management.	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of the Board and Chief Executive Officer	Executive Director
Professional qualifications	Bachelor of Science (Honours) in Economics and Accountancy	N/A
Working experience and occupation(s) during the past 10 years	<u>Jawala Corporation</u> <ul style="list-style-type: none"> ▪ Chief Executive Officer August 2016 to 24 May 2018 ▪ Managing Director April 1988 to June 2004 <u>Jaycorp Bhd.</u> <ul style="list-style-type: none"> ▪ Executive Deputy Chairman April 2006 to July 2011 	<u>Jaycorp Engineering & Construction Sdn. Bhd.</u> <ul style="list-style-type: none"> ▪ Director since 2014 to Present <u>Imaprima Sdn. Bhd.</u> <ul style="list-style-type: none"> ▪ Director from 2011 to 2018 <u>Harusmas Agro Sdn. Bhd.</u> <ul style="list-style-type: none"> ▪ General Manager from 1998 to 2001 ▪ Director from 2001 to 2008

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

Name of Retiring Director	Datuk Jema Anton Khan ("Datuk Jema")	Mr. Abdul Rahman Khan Bin Hakim Khan ("Mr. Rahman")
Shareholding interest in the listed issuer and its subsidiaries	Deemed Interest in Jawala Inc. 100,000,000 ordinary shares	N/A
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	(i) Son of Tan Sri Abdul Majid Khan, Substantial Shareholder (ii) Father of Ms. Nadja, Non-Executive Non-Independent Director (iii) Cousin to Mr. Abdul Rahman Khan Bin Hakim Khan, Executive Director	(i) Nephew of Tan Sri Abdul Majid Khan, Substantial Shareholder (ii) Cousin to Datuk Jema Khan, Executive Chairman and Chief Executive Officer
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	CEO and Statutory Director of Jawala Corporation Sdn. Bhd. Director of Countertrade (M) Sdn. Bhd. Executive Chairman of Pana Harrison (M) Sdn. Bhd. Director of Jawala Veneer Sdn. Bhd.	Director of Imaprima Sdn. Bhd.
Present	Executive Director in Jawala Inc.	Director in Jaycorp Engineering & Construction Sdn. Bhd. Executive Director in Jawala Inc. Director in Jawala Plantation Industries Sdn. Bhd. Director in Paragaya Sdn. Bhd. Director in Harusmas Holdings Sdn. Bhd.
Information Required Pursuant to Rule 720(5) of the Catalyst Rules		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

Name of Retiring Director	Datuk Jema Anton Khan ("Datuk Jema")	Mr. Abdul Rahman Khan Bin Hakim Khan ("Mr. Rahman")
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

Name of Retiring Director	Datuk Jema Anton Khan ("Datuk Jema")	Mr. Abdul Rahman Khan Bin Hakim Khan ("Mr. Rahman")
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

Name of Retiring Director	Datuk Jema Anton Khan ("Datuk Jema")	Mr. Abdul Rahman Khan Bin Hakim Khan ("Mr. Rahman")
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
<p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Executive Deputy Chairman of Jaycorp Bhd, a public company listed on the main board of Bursa Malaysia.</p> <p>Training attended: Listed Company Director Essentials on 24 January 2018 conducted by the Singapore Institute of Directors.</p>	<p>No</p> <p>Training attended: Listed Company Director Essentials on 24 January 2018 conducted by the Singapore Institute of Directors.</p>



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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 July 2019 and the balance sheet of the Company as at 31 July 2019.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 58 to 99 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 July 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Datuk Jema Anton Khan ("Datuk Jema Khan")
 Abdul Rahman Khan Bin Hakim Khan ("Mr. Rahman Khan")
 Nadja Binti Jema Khan
 Lee Yong Soon
 Leow Ming Fong @ Leow Min Fong ("Leow Ming Fong")
 Faridah Binti Mohd. Fuad Stephens

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" and "Performance share plan" in this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which the directors are deemed to have an interest	
	As at 31.07.2019	As at 31.07.2018	As at 31.07.2019	As at 31.07.2018
Jawala Inc.				
<u>(No. of ordinary shares)</u>				
Datuk Jema Khan ⁽¹⁾⁽²⁾	–	–	100,000,000	100,000,000
Nadja Binti Jema Khan ⁽²⁾	–	–	–	–
Immediate and ultimate holding corporation – Jawala Corporation Sdn. Bhd.				
<u>(No. of ordinary shares)</u>				
Datuk Jema Khan ⁽¹⁾⁽²⁾	3,000,000	3,000,000	–	–
Nadja Binti Jema Khan ⁽²⁾	1,500,000	1,500,000	–	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Directors' interests in shares or debentures (continued)

- (1) Datuk Jema Khan, who by virtue of his interest of not less than 20.00% of the issued share capital of the immediate and ultimate holding corporation, is deemed to have interests in the shares of the Company and the subsidiary corporation.
- (2) The Executive Chairman and Chief Executive Officer, Datuk Jema Khan, is the father of Non-Independent Non-Executive Director, Ms. Nadja Binti Jema Khan, the cousin of Executive Director, Mr. Rahman Khan and the son of our Substantial Shareholder, Tan Sri Abdul Majid Khan. Jawala Corporation Sdn. Bhd. ("Jawala Corporation") is a company incorporated in Malaysia. The shareholders of Jawala Corporation are Tan Sri Abdul Majid Khan, who holds approximately 35.32% of the total shareholding interest in Jawala Corporation, Datuk Jema Khan, who holds 20.00% of the total shareholding interest in Jawala Corporation, Mr. Chee Ah What who holds approximately 14.68% of the total shareholding interest in Jawala Corporation, and Mr. Muaz bin Jema Anton Khan, Ms. Qamra Binti Jema Khan and Ms. Nadja Binti Jema Khan who each hold 10.00% of the total shareholding interest in Jawala Corporation. Mr. Muaz bin Jema Anton Khan, Ms. Qamra Binti Jema Khan and Ms. Nadja Binti Jema Khan are siblings, and the children of Datuk Jema Khan. Mr. Chee Ah What is not related to any of the Substantial Shareholders, Directors or Executive Officers.

The directors' interests in the ordinary shares of the Company as at 21 August 2019 were the same as those as at 31 July 2019.

Share options

THE JAWALA EMPLOYEE SHARE OPTION SCHEME

In conjunction with the Company's listing on the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Group has adopted the Jawala Employee Share Option Scheme ("ESOS") which was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 26 April 2018. The ESOS is administered by a committee comprising of members of the Nominating Committee and the Remuneration Committee (the "Administration Committee"). The ESOS provides for the grant of share options ("Options") to employees and Directors ("ESOS participants").

The selection of the ESOS participants and number of shares which are subject of each Option to be granted to an ESOS participant in accordance with the ESOS shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the ESOS, the number of shares over which the Administration Committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all Options granted under the ESOS (including the Jawala Performance Share Plan and any other share option scheme of the Company) shall not exceed 8% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the first anniversary of the offer date of that Option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

Options granted with exercise price set at a discount to market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the second anniversary from the offer date of that option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Share options (continued)

THE JAWALA EMPLOYEE SHARE OPTION SCHEME (continued)

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant in the Group and the parent company, the bankruptcy of the participant, the death of the participant, a take-over of the Company, and the winding-up of the Company.

There were no options granted to the ESOS participants from the commencement of the ESOS up to the end of the financial year.

No options have been granted to controlling shareholders of the Company and their associates under the ESOS from the commencement of the ESOS up to the end of the financial year.

None of the ESOS participants received 5% or more of the total number of options available under the ESOS.

There were no options being exercised during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporation.

There were no unissued shares under Options in the Company or its subsidiary corporation as at the end of the financial year.

Performance share plan

THE JAWALA PERFORMANCE SHARE PLAN

In conjunction with the Company's listing on the Catalist of SGX-ST, the Group has adopted the Jawala Performance Share Plan ("PSP") which was approved by its shareholders at the EGM held on 26 April 2018. The PSP is administered by the Administration Committee. The PSP provides for the grant of incentive share awards ("Awards") to employees and Directors ("PSP participants").

The selection of the PSP participants and number of shares which are subject of each Award to be granted to a PSP participant in accordance with the PSP shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, *inter alia*, the rank, job performance and potential for future development and contribution to the success of the Group.

Under the PSP, the total number of shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of shares issued and issuable in respect of (a) all Awards granted under the PSP; and (b) all options granted under any share option, shares incentive, performance share or restricted plans of the Company and for the time being in force, shall not exceed 8% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Performance share plan (continued)

THE JAWALA PERFORMANCE SHARE PLAN (continued)

The PSP allows for the participation by full-time employees of the Group (including the Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders of the Company and their associates will be eligible to participate in the PSP provided they have met the eligibility criteria and that all other conditions for their participation in the PSP as may be required by the Catalyst Rules from time to time, including but not limited to obtaining the necessary approvals of independent Shareholders for such participation, are satisfied.

Notwithstanding that a PSP participant may have met his performance targets, no Awards shall be vested:

- (a) When a PSP participant, being an employee of the Group, ceasing for any reason whatsoever, to be in the employment of a company in the Group or in the event the company by which the PSP participant is employed ceases to be a company in the Group;
- (b) When a PSP participant, being a Non-Executive Director, ceasing to be a director of a company in the Group, for any reason whatsoever;
- (c) Upon the bankruptcy of the PSP participant;
- (d) Upon ill health, injury or death of a PSP participant;
- (e) When a PSP participant committing any breach of any of the terms of his Award;
- (f) Upon misconduct on the part of a PSP participant as determined by the Administration Committee in its discretion;
- (g) When a general offer being made of all or any part of the Shares;
- (h) When a scheme of arrangement or compromise between the Company and the Shareholders being sanctioned by the Court;
- (i) When an order for the compulsory winding-up of the Company being made;
- (j) When a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made; and/or
- (k) Upon any other event unless approved by the Administration Committee.

There were no share awards granted pursuant to the PSP from the commencement of the PSP up to the financial year ended 31 July 2019.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Audit Committee

The Audit Committee comprises the following members, who are all Non-Executive Directors and Independent Directors.

Leow Ming Fong (Chairman)
Lee Yong Soon
Faridah Binti Mohd. Fuad Stephens

The Audit Committee carried out its functions and reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 July 2019 before their submission to the Board of Directors.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the independent auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the independent auditor. There were no non-audit services rendered by the independent auditor for the financial year ended 31 July 2019.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The independent auditor has unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Nexia TS Public Accounting Corporation, for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Directors

Datuk Jema Anton Khan
Director

Abdul Rahman Khan Bin Hakim Khan
Director

30 October 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JAWALA INC.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jawala Inc. (the "Company") and its subsidiary corporation (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 July 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 58 to 99.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards in Singapore (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 July 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JAWALA INC.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
<p>Revenue recognition</p> <p>The Group earns its revenue through sale of timber. Revenue is recognised when the Group has delivered the timber, the customer has acknowledged receipt and the collectability of the related receivables is reasonably assured.</p> <p>This area is considered a key audit matter as there is a presumed fraud risk with regards to revenue recognition as well as an inherent risk that revenue could be misstated or recorded in the incorrect accounting period.</p> <p>The accounting policies for revenue recognition are set out in Note 2.3 to the financial statements.</p>	<p>We performed the following audit procedures to address the relevant risk assertions for revenue recognition:</p> <ul style="list-style-type: none"> • Evaluated management's assessment of the application of SFRS(I) 15; • Verified, on a sample basis, details of invoices raised during the financial year to sales & purchase contract and/or other supporting documents for accuracy of revenue recognised; • Performed substantive tests of details of selected revenue transactions by verifying to sales invoices and hauling slips/sales contracts acknowledged by customers; • Tested revenue transactions taking place within a pre-determined period before and after financial year end to ensure that revenue was recognised in the relevant accounting period; and • Reviewed credit notes, if any, issued subsequent to financial year-end.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

Responsibility of Management and Directors of the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JAWALA INC.

Responsibility of Management and Directors of the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 SSAs, 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, 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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JAWALA INC.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 current year and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

***Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants***

Singapore

30 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Group	
		2019 RM	2018 RM
Revenue	3	39,812,481	39,929,479
Cost of sales		(15,151,593)	(13,404,331)
Gross profit		24,660,888	26,525,148
Interest income from fixed deposits		858,090	240,870
Expenses			
– Distribution		(863,290)	(1,829,521)
– Administrative		(7,782,423)	(9,002,981)
– Finance	6	(26,582)	(24,767)
Profit before income tax		16,846,683	15,908,749
Income tax expense	7	(3,704,831)	(5,002,382)
Total comprehensive income, representing net profit		13,141,852	10,906,367
Total comprehensive income and net profit attributable to:			
Equity holders of the Company		8,876,157	7,534,903
Non-controlling interests	12	4,265,695	3,371,464
		13,141,852	10,906,367
Earnings per share for profit attributable to equity holders of the Company (sen per share)			
Basic and diluted	8	7.5	6.4

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

BALANCE SHEET – GROUP

AS AT 31 JULY 2019

	Note	31 July		1 August
		2019 RM	2018 RM	2017 RM
ASSETS				
Current assets				
Cash and bank balances	9	32,101,058	25,468,271	2,401,727
Trade and other receivables	10	4,821,991	4,217,696	731,710
Inventories	11	1,162,720	501,938	566,394
		38,085,769	30,187,905	3,699,831
Non-current assets				
Other receivables	10	693,306	399,312	124,752
Property, plant and equipment	13	2,336,179	1,790,371	431,660
Biological assets	14	2,662,962	868,123	52,390
Intangible assets	15	480,000	485,000	490,000
		6,172,447	3,542,806	1,098,802
Total assets		44,258,216	33,730,711	4,798,633
LIABILITIES				
Current liabilities				
Trade and other payables	16	3,758,018	3,289,960	1,121,134
Finance lease liabilities	17	74,867	51,479	31,871
Current income tax liabilities		240,756	1,630,000	352,520
		4,073,641	4,971,439	1,505,525
Non-current liabilities				
Finance lease liabilities	17	412,047	343,266	230,542
Deferred income tax liabilities	18	801,559	82,264	2,264
		1,213,606	425,530	232,806
Total liabilities		5,287,247	5,396,969	1,738,331
NET ASSETS		38,970,969	28,333,742	3,060,302
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	19	15,207,073	15,207,073	1,000,000
Retained profits	20			
– Distributable		3,029,438	3,077,051	1,142,211
– Non-distributable (strategic reserve)		13,365,028	5,900,063	–
		16,394,466	8,977,114	1,142,211
		31,601,539	24,184,187	2,142,211
Non-controlling interests	12	7,369,430	4,149,555	918,091
TOTAL EQUITY		38,970,969	28,333,742	3,060,302

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

BALANCE SHEET – COMPANY

AS AT 31 JULY 2019

		31 July	
	Note	2019 RM	2018 RM
ASSETS			
Current assets			
Cash and bank balances	9	9,964,797	9,045,920
Trade and other receivables	10	4,993,310	5,518,436
		<u>14,958,107</u>	<u>14,564,356</u>
Non-current assets			
Investment in subsidiary corporation	12	2,350,000	2,350,000
		<u>2,350,000</u>	<u>2,350,000</u>
Total assets		<u>17,308,107</u>	<u>16,914,356</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	554,638	79,130
NET ASSETS		<u>16,753,469</u>	<u>16,835,226</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	15,207,073	15,207,073
Retained profits	20	1,546,396	1,628,153
TOTAL EQUITY		<u>16,753,469</u>	<u>16,835,226</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Attributable to equity holders of the Company			Non- controlling interests RM	Total equity RM
		Share capital RM	Retained profits RM	Total RM		
2019						
Beginning of financial year		15,207,073	8,977,114	24,184,187	4,149,555	28,333,742
Total comprehensive income for the financial year		–	8,876,157	8,876,157	4,265,695	13,141,852
Dividend declared	21	–	(1,458,805)	(1,458,805)	(1,045,820)	(2,504,625)
End of financial year		15,207,073	16,394,466	31,601,539	7,369,430	38,970,969
2018						
Beginning of financial year		1,000,000	1,142,211	2,142,211	918,091	3,060,302
Total comprehensive income for the financial year		–	7,534,903	7,534,903	3,371,464	10,906,367
Issuance of shares on 8 August 2017 (date of incorporation)		9	–	9	–	9
Issuance of shares on 26 April 2018		4,700,000	–	4,700,000	–	4,700,000
Restructuring exercise		(3,350,000)	300,000	(3,050,000)	700,000	(2,350,000)
Total transactions with owners, recognised directly in equity		1,350,009	300,000	1,650,009	700,000	2,350,009
Issuance of shares pursuant to Initial Public Offering		13,698,471	–	13,698,471	–	13,698,471
Share issue expenses		(841,407)	–	(841,407)	–	(841,407)
Dividend declared		–	–	–	(840,000)	(840,000)
End of financial year		15,207,073	8,977,114	24,184,187	4,149,555	28,333,742

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Group	
		2019 RM	2018 RM
Cash flows from operating activities			
Net profit		13,141,852	10,906,367
– Income tax expense	7	3,704,831	5,002,382
– Depreciation of property, plant and equipment	4	330,289	197,054
– Amortisation of intangible assets	4	5,000	5,000
– Interest income		(858,090)	(240,870)
– Interest expense	6	26,582	24,767
		16,350,464	15,894,700
Changes in working capital:			
– Inventories		(660,782)	64,456
– Trade and other receivables		(820,941)	(3,673,598)
– Trade and other payables		262,238	1,328,826
Cash provided by operations		15,130,979	13,614,384
Income tax paid		(4,416,663)	(3,644,902)
Income tax refunded		41,883	–
Net cash provided by operating activities		10,756,199	9,969,482
Cash flows from investing activities			
Additions to property, plant and equipment		(804,876)	(1,441,175)
Additions to biological assets		(1,706,260)	(748,723)
Net cash used in investing activities		(2,511,136)	(2,189,898)
Cash flows from financing activities			
Issuance of shares, net of issuance cost	19	–	15,207,073
Repayment of finance lease liabilities		(67,631)	(49,268)
Interest received		780,742	153,922
Interest paid		(26,582)	(24,767)
Dividend paid		(2,298,805)	–
Increase in bank deposits restricted in use		–	(1,000,000)
Net cash (used in)/provided by financing activities		(1,612,276)	14,286,960
Net increase in cash and cash equivalents		6,632,787	22,066,544
Cash and cash equivalents			
Beginning of financial year		24,468,271	2,401,727
End of financial year	9	31,101,058	24,468,271

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Reconciliation of liabilities arising from financing activities

	1 August 2018	Principal and interest payments	Non-cash changes		31 July 2019
			Acquisition	Interest expense	
			RM	RM	
Finance lease liabilities	394,745	(94,213)	159,800	26,582	486,914

	1 August 2017	Principal and interest payments	Non-cash changes		31 July 2018
			Acquisition	Interest expense	
			RM	RM	
Finance lease liabilities	262,413	(74,035)	181,600	24,767	394,745

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

1.1 The Company

The Company is listed on Catalist Board of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 1 June 2018 and incorporated in Labuan on 8 August 2017 as a company limited by shares, under the name of “Jawala Inc.”, to act as the holding corporation of the Group.

The address of its registered office is at Lot A020, Level 1, Podium Level, Financial Park, Jalan Merdeka, 87000 Labuan F.T. Malaysia. The principal place of business is located at Lot 17.02, 17th Floor, Menara KH, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiary corporation are disclosed in Note 12.

The Company’s immediate and ultimate holding corporation is Jawala Corporation Sdn. Bhd., a company incorporated in Malaysia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There is no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2.2 Adoption of SFRS(I)

As required by listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 August 2018.

These financial statements for the year ended 31 July 2019 are the first set of the Group’s financial statements prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 July 2018 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 August 2018, the Group has applied the transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I) with 1 August 2018 as the date of transition.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 July 2019. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Except as disclosed below, the application of the mandatory exceptions and optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

The Group's opening balance sheet has been prepared as at 1 August 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) *Short-term exemption on adoption of SFRS(I) 9 Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 August 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 July 2018.

The Group has assessed the business models that are applicable on 1 August 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) 9. As a result of the assessment, there are no significant adjustments to the Group's balance sheet line items.

The following financial assets were subjected to the expected credit loss impairment model under SFRS(I) 9;

- Trade receivables recognised under SFRS(I) 15

Management assessed that there are no significant provision for impairment for the above financial assets arising from the application of the expected credit loss impairment model.

(ii) *Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 August 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 July 2018, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

As a result, the adoption of SFRS(I) 15 does not have significant impact to the Group financial statements at 1 August 2017 and 31 July 2018. The accounting policies are disclosed in Note 2.3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I):

	As at 31 July 2018 reported under SFRS RM	Effects of applying SFRS(I) 1-41 RM	As at 1 August 2018 reported under SFRS(I) RM
Non-current assets			
Plantation development expenditure	868,123	(868,123)	–
Biological assets	–	868,123	868,123
	<u> </u>	<u> </u>	<u> </u>

2.3 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the goods or services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Sale of timber

Revenue from sale of timber is recognised upon the satisfaction of each performance obligation which is usually when the Group has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured. Each delivery comprises of a single performance obligation which is satisfied at a point in time.

2.4 Government grants

Grants from the government are recognised as receivables at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. 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. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statements of comprehensive income, statements of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group, other than those entities which are under common control.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (continued)

(a) *Subsidiary corporations (continued)*

(ii) *Acquisitions (continued)*

Acquisitions of entities under common control have been accounted for using the pooling-of-interests method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statements of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporation is taken to merger reserve.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to "Investment in a subsidiary corporation" for the accounting policy on investment in a subsidiary corporation in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Furniture and fittings	10 years
Office equipment	3 years
Motor vehicles	5 years
Plantation infrastructure	5-10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains or losses – net". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

Acquired timber rights

Right to fell, extract and harvest merchantable timber logs from the concession granted under the forest timber license are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 100 years, which is the period of contractual rights.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.8 Biological assets

Biological assets are stated at cost less accumulated amortisation and impairment losses, if any.

Once fair value of biological assets can be measured reliably, biological assets are stated at fair value less cost to sell, based on market prices of logs. Market prices are obtained from observable market prices (where available), contracted prices or estimated future prices. The costs to sell include the incremental selling costs, including royalty payable to authority, estimated extraction fee and costs of transport to market.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

Biological assets include planting expenditure incurred on land clearing, new planting, enrichment planting, silvicultural treatments, depreciation of fixed assets, employee compensation and upkeep and maintenance of the sustainable forest management concession.

2.9 Investment in a subsidiary corporation

Investment in a subsidiary corporation is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investment, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

2.10 Impairment of non-financial assets

Intangible asset

Property, plant and equipment

Biological assets

Investment in a subsidiary corporation

Intangible asset, property, plant and equipment, biological assets and investment in a subsidiary corporation are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (continued)

Intangible asset

Property, plant and equipment

Biological assets

Investment in a subsidiary corporation (continued)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.11 Financial assets

(a) The accounting for financial assets before 1 August 2018 is as follows:

(i) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

As of 31 July 2018, the Group does not hold any of the financial assets except loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(a) The accounting for financial assets before 1 August 2018 is as follows: (continued)

(i) *Classification (continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those that are expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 10) and "Cash and bank balances" (Note 9) on the balance sheet.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(iii) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(iv) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(v) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(a) The accounting for financial assets before 1 August 2018 is as follows: (continued)

(v) *Impairment (continued)*

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(b) The accounting for financial assets from 1 August 2018 is as follows:

(i) *Classification and measurement*

The Group classifies its financial assets as amortised cost.

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) The accounting for financial assets from 1 August 2018 is as follows: (continued)

(i) *Classification and measurement (continued)*

At subsequent measurement

Debt instruments mainly comprise of cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 – Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has applied the general approach for the other financial assets carried at amortised cost.

(iii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liabilities simultaneously.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

When the Group is the lessee

The Group leases motor vehicles under finance leases from non-related parties, plantation land and office premises under operating leases from non-related parties and related party respectively.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises of direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investment in a subsidiary corporation, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds such as the Employees' Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Currency translation (continued)

(b) *Transactions and balances (continued)*

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other gains or losses – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. REVENUE

	2019 RM	2018 RM
Sale of timber	39,812,481	39,929,479

All the sales are recognised at a point in time.

4. EXPENSES BY NATURE

	2019 RM	2018 RM
Amortisation of intangible assets (Note 15)	5,000	5,000
Barging cost	113,358	255,723
Conservation fees	132,371	141,422
Depreciation of property, plant and equipment (Note 13)	330,289	197,054
Director's remuneration	1,409,097	1,549,375
Donation	102,420	29,091
Employee compensation (Note 5)	3,146,496	2,443,129
Entertainment	40,459	11,913
Extraction costs	9,084,506	7,366,365
Hauling charges	609,281	1,278,711
Hiring charges	212,348	132,520
Listing expenses	-	3,324,776
Loader fees	140,652	295,087
Professional fees	1,708,575	680,548
Rental expenses on operating leases	140,415	110,715
Repair and maintenance	308,372	148,391
Royalty fees	6,086,811	5,602,836
Secondment cost	-	1,374
Travelling and transportation	213,774	231,024
Fuel and oil	265,244	71,332
Change in inventories	(660,782)	64,456
Others	408,620	295,991
	23,797,306	24,236,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. EMPLOYEE COMPENSATION

	2019 RM	2018 RM
Wages and salaries	2,627,952	1,999,722
Employer's contribution to defined contributions plan	355,741	201,813
Other short-term benefits	162,803	241,594
	3,146,496	2,443,129

6. FINANCE EXPENSE

	2019 RM	2018 RM
Interest on finance lease liabilities	26,582	24,767

7. INCOME TAX EXPENSE

	2019 RM	2018 RM
Tax expense attributable to profit is made up of:		
Income tax expense		
– Current year provision	3,907,418	4,880,000
– (Over)/Under-provision in prior financial year	(921,882)	42,382
Deferred income tax (Note 18)		
– Current year provision	521,696	80,000
– Under-provision in prior financial year	197,599	–
	3,704,831	5,002,382

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Malaysia standard rate of income tax is as follows:

	2019 RM	2018 RM
Profit before income tax	16,846,683	15,908,749
Tax calculated at tax rate of 24% (2018: 24%)	4,043,204	3,818,100
Effects of:		
– different tax rate in other region	258,512	79,643
– income not subject to tax	–	(20,868)
– expenses not deductible for tax purposes	136,270	1,083,125
– (over)/under-provision of tax in prior financial year	(921,882)	42,382
– under-provision of deferred income tax in prior financial year	197,599	–
– Others	(8,872)	–
Tax charge	3,704,831	5,002,382

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2019	2018
<u>Numerator</u>		
Net profit attributable to equity holder of the Company (RM)	8,876,157	7,534,903
<u>Denominator</u>		
Weighted average number of ordinary shares ('000)	118,474	118,474
Basic and diluted earnings per share (sen per share) ⁽¹⁾	7.5	6.4

(1) The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 31 July 2019 and 31 July 2018.

9. CASH AND BANK BALANCES

	Group			Company	
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM	31 July 2019 RM	31 July 2018 RM
Cash at bank	4,084,348	5,799,652	2,401,495	2,005,917	1,410,511
Cash on hand	47,339	33,219	232	9	9
Short-term bank deposits	27,969,371	19,635,400	–	7,958,871	7,635,400
	32,101,058	25,468,271	2,401,727	9,964,797	9,045,920

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2019 RM	2018 RM
Cash and bank balances as above	32,101,058	25,468,271
Less: Bank deposits pledged	(1,000,000)	(1,000,000)
Cash and cash equivalents per consolidated statement of cash flows	31,101,058	24,468,271

Bank deposits pledged are in relation to the banker's guarantee required for the license as described in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

10 TRADE AND OTHER RECEIVABLES

	Group			Company	
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM	31 July 2019 RM	31 July 2018 RM
<i>Current</i>					
Trade receivables – non-related parties	4,229,196	3,856,442	450,257	-	-
Other receivables – non-related parties	468,645	113,294	41,764	-	-
– subsidiary corporation	-	-	-	4,724,596	5,284,776
	468,645	113,294	41,764	4,724,596	5,284,776
Deposits	23,300	14,300	13,300	-	-
Prepayments	100,850	233,660	226,389	268,714	233,660
	4,821,991	4,217,696	731,710	4,993,310	5,518,436
<i>Non-current</i>					
Other receivables – non-related party	693,306	399,312	124,752	-	-
Total trade and other receivables	5,515,297	4,617,008	856,462	4,993,310	5,518,436

Other receivables from subsidiary corporation are unsecured, interest-free and receivable on demand.

The fair value of non-current other receivables is computed based on future cash flows discounted at market borrowing rate. The fair value is within Level 2 of the fair value hierarchy. The fair value and the market borrowing rate used are as follows:

	Fair value			Borrowing rate		
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM	31 July 2019 %	31 July 2018 %	1 August 2017 %
Group						
Other receivables – non-related party	501,010	272,338	85,038	4.75	4.90	4.35

11 INVENTORIES

	Group		
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM
Finished goods	1,162,720	501,938	566,394

The cost of inventories recognised as an expense and included in “cost of sales” amounted to RM14,510,535 (2018: RM13,033,657).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

12 INVESTMENT IN SUBSIDIARY CORPORATION

	Company	
	2019 RM	2018 RM
<i>Equity investment at cost</i>		
Beginning of financial year	2,350,000	–
Additions	–	2,350,000
End of financial year	2,350,000	2,350,000

The Group had the following subsidiary corporation as at 31 July 2019 and 2018 and 1 August 2017:

Name of company	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group and the Company			Proportion of ordinary shares held by non-controlling interests		
			31 July 2019	31 July 2018	1 August 2017	31 July 2019	31 July 2018	1 August 2017
			%	%	%	%	%	%
Jawala Plantation Industries Sdn. Bhd. ^{(a)(b)}	Harvesting, distributing, processing and sales of timber	Malaysia	70	70	70	30	30	30

(a) Audited by Leslie Yap & Co, Chartered Accountants, Malaysia for local statutory purpose.

(b) Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purpose.

Carrying value of non-controlling interests

	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM
Jawala Plantation Industries Sdn. Bhd.	7,369,430	4,149,555	918,091

Summarised financial information of subsidiary corporation with material non-controlling interests

Set out below is the summarised financial information for the subsidiary corporation, Jawala Plantation Industries Sdn. Bhd. that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

12 INVESTMENT IN SUBSIDIARY CORPORATION (CONTINUED)

Summarised balance sheet

	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM
Current			
Assets	27,818,048	20,908,325	3,699,831
Liabilities	8,209,389	10,177,085	1,505,525
Total current net assets	19,608,659	10,731,240	2,194,306
Non-current			
Assets	6,172,447	3,542,806	1,098,802
Liabilities	1,213,606	425,530	232,806
Total non-current net assets	4,958,841	3,117,276	865,996
Net assets	24,567,500	13,848,516	3,060,302

Summarised statement of comprehensive income

	2019 RM	2018 RM
Revenue	39,812,481	39,929,479
Profit before income tax	17,923,814	16,240,596
Income tax expense	(3,704,831)	(5,002,382)
Total comprehensive income, representing net profit	14,218,983	11,238,214
Total comprehensive income and net profit allocated to non-controlling interests	4,265,695	3,371,464

Summarised statement of cash flows

	2019 RM	2018 RM
<u>Cash flows from operating activities</u>		
Cash provided by operations	15,764,902	17,426,026
Income tax paid	(4,416,663)	(3,644,903)
Income tax refunded	41,883	-
Net cash provided by operating activities	11,390,122	13,781,123
Net cash used in investing activities	(2,511,135)	(2,189,897)
Net cash (used in)/provided by financing activities	(3,165,077)	1,429,398
Net increase in cash and cash equivalents	5,713,910	13,020,624
Cash and cash equivalents		
Beginning of financial year	15,422,351	2,401,727
End of financial year	21,136,261	15,422,351

Cash and cash equivalents for above has excluded bank deposits of RM1,000,000 pledged in relation to the banker's guarantee required for the license as described in Note 15 (2018: RM1,000,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Plantation infrastructure RM	Total RM
Group					
2019					
<i>Cost</i>					
Beginning of financial year	32,560	73,435	1,056,771	990,012	2,152,778
Additions	57,848	44,302	159,800	702,726	964,676
End of financial year	90,408	117,737	1,216,571	1,692,738	3,117,454
<i>Accumulated depreciation</i>					
Beginning of financial year	2,720	35,555	249,231	74,901	362,407
Depreciation charge (Note 4)	5,137	34,228	189,254	101,670	330,289
Depreciation capitalised	-	-	51,396	37,183	88,579
End of financial year	7,857	69,783	489,881	213,754	781,275
Net book value					
End of financial year	82,551	47,954	726,690	1,478,984	2,336,179
2018					
<i>Cost</i>					
Beginning of financial year	6,667	40,407	359,141	123,788	530,003
Additions	25,893	33,028	697,630	866,224	1,622,775
End of financial year	32,560	73,435	1,056,771	990,012	2,152,778
<i>Accumulated depreciation</i>					
Beginning of financial year	667	13,469	71,828	12,379	98,343
Depreciation charge (Note 4)	2,053	22,086	132,676	40,239	197,054
Depreciation capitalised	-	-	44,727	22,283	67,010
End of financial year	2,720	35,555	249,231	74,901	362,407
Net book value					
End of financial year	29,840	37,880	807,540	915,111	1,790,371

Included within additions to motor vehicles amounting to RM159,800 (31 July 2018: RM697,630, 1 August 2017: RM359,141) are motor vehicles financed by finance leases of RM159,800 (31 July 2018: RM181,600, 1 August 2017: RM270,000).

The carrying amounts of motor vehicles held under finance leases (Note 17) are RM400,684 (31 July 2018: RM394,392, 1 August 2017: RM287,313) at the balance sheet date.

Depreciation charge relating to property, plant and equipment used in plantation (reforestation) development activities during the financial year of RM88,579 (2018: RM67,010) is capitalised and included in biological assets (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

14. BIOLOGICAL ASSETS

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
Beginning of financial year	868,123	52,390	–
Additions	1,794,839	815,733	52,390
End of financial year	2,662,962	868,123	52,390

Biological assets represent the forest planting expenditure incurred and capitalised at cost under the license as described in Note 15 below.

15. INTANGIBLE ASSETS

	31 July 2019 RM	Group 31 July 2018 RM
<u>Acquired timber rights</u>		
<i>Cost</i>		
Beginning and end of financial year	500,000	500,000
<i>Accumulated amortisation</i>		
Beginning of financial year	15,000	10,000
Amortisation charge (Note 4)	5,000	5,000
End of financial year	20,000	15,000
Net book value		
End of financial year	480,000	485,000

On 12 August 2015, the Group was granted a sustainable forest management license (“License”) over an area of 11,043 hectares in the Sapulut Forest Reserve in Sabah for a period of 100 years. In accordance with the License, a banker’s guarantee for the sum of RM1,000,000 was taken up by the Group (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

16. TRADE AND OTHER PAYABLES

	Group			Company	
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM	31 July 2019 RM	31 July 2018 RM
Trade payables – non-related parties	527,543	977,875	607,972	–	–
Other payables					
– non-related parties	648,300	92,883	86,290	533,882	30,265
– Immediate holding corporation	16,785	3,118	–	8,127	–
– related corporation	1,500	–	–	–	–
	666,585	96,001	86,290	542,009	30,265
Dividend payable	1,045,820	840,000	–	–	–
Accruals for operating expenses	1,518,070	1,376,084	426,872	12,629	48,865
	3,758,018	3,289,960	1,121,134	554,638	79,130

Other payables to immediate holding corporation and related corporation are unsecured, interest free and repayable on demand.

Dividend payable pertains to interim dividend by the subsidiary corporation, Jawala Plantation Industries Sdn. Bhd. to non-controlling interests of the Group.

17. FINANCE LEASE LIABILITIES

The Group leases certain motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM
Minimum lease payment due			
– not later than one year	98,892	72,180	47,220
– between one and five years	431,440	288,720	188,880
– later than five years	33,513	108,198	82,575
	563,845	469,098	318,675
Less: Future finance charges	(76,931)	(74,353)	(56,262)
Present value of finance lease liabilities	486,914	394,745	262,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

17. FINANCE LEASE LIABILITIES (CONTINUED)

The present value of finance lease liabilities are analysed as follows:

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
Not later than one year	<u>74,867</u>	<u>51,479</u>	<u>31,871</u>
Later than one year			
– between one and five years	379,245	240,797	151,880
– later than five years	32,802	102,469	78,662
	<u>412,047</u>	<u>343,266</u>	<u>230,542</u>
Total	<u>486,914</u>	<u>394,745</u>	<u>262,413</u>

(a) Security granted

Finance lease liabilities of the Group are secured by personal guarantees provided by a director of the Company. Finance lease liabilities of the Group are also effectively secured over the leased motor vehicle (Note 13) as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
Finance lease liabilities	<u>417,129</u>	<u>353,779</u>	<u>245,863</u>

The fair value above is determined from the cash flow analyses, discounted at market borrowing rate of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	31 July 2019	Group 31 July 2018	1 August 2017
Finance lease liabilities	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>

The fair value is within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

18. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amount is shown on the consolidated balance sheet as follows:

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
Deferred income tax liabilities			
Accelerated tax depreciation			
– to be settled after one year	801,559	82,264	2,264

Movement in deferred income tax account is as follows:

	2019 RM	Group 2018 RM
Beginning of financial year	82,264	2,264
Charged to profit or loss	719,295	80,000
End of financial year	801,559	82,264

19. SHARE CAPITAL

	Group		Company	
	No. of ordinary shares	Amount RM	No. of ordinary shares	Amount RM
2019				
Beginning and end of financial year	118,474,000	15,207,073	118,474,000	15,207,073
2018				
Beginning of financial year	1,000,000	1,000,000	–	–
Issuance of shares at date of incorporation of the Company ^(a)	2	9	2	9
Shares issued ^(b)	4,849,998	4,700,000	2,499,998	2,350,000
Restructuring Exercise ^(c)	(3,350,000)	(3,350,000)	–	–
Sub-division of shares ^(d)	97,500,000	–	97,500,000	–
	100,000,000	2,350,009	100,000,000	2,350,009
Issuance of shares pursuant to Initial Public Offering ^(e)	18,474,000	13,698,471	18,474,000	13,698,471
Share issue expenses	–	(841,407)	–	(841,407)
End of financial year	118,474,000	15,207,073	118,474,000	15,207,073

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

19. SHARE CAPITAL (CONTINUED)

- (a) The Company was incorporated on 8 August 2017 with a paid-up share capital of USD2 (equivalent to RM9) comprising of 2 ordinary shares.
- (b) On 26 April 2018, the Company entered into a subscription agreement with Jawala Corporation Sdn. Bhd. to issue and allot 2,499,998 shares to Jawala Corporation Sdn. Bhd. for a consideration of RM2,350,000.
- On the same day, JPISB issued and allotted 2,350,000 new ordinary shares to the Company, for a cash consideration of RM2,350,000.
- (c) Pursuant to the Restructuring Exercise, 2,350,000 of issued share capital of JPISB, with value of RM2,350,000 was acquired by the Company for RM2,350,000.
- (d) On 18 May 2018, pursuant to the sub-division of each of the shares, 2,500,000 shares in the capital of the Company were split into 100,000,000 shares, resulting in increase of 97,500,000 shares.
- (e) Pursuant to Initial Public Offering exercise on 1 June 2018, the Company issued 18,474,000 ordinary shares at S\$0.25 each by way of placement, resulting in gross proceeds raised of S\$4,618,500 or RM13,698,471.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

20. RETAINED PROFITS

The Group has covenant to set aside its share in 75% of the profit after tax of the subsidiary corporation (Note 12) to be placed as strategic reserves.

Such strategic reserves will not be used for any other purposes save for (i) funding operating expenses during 2022 and 2026 and capital expenditure required to bring the ITP to maturity, including but not limited to infrastructure development and management, land development, planting, planting maintenance, natural forest silviculture and restoration for the period between 2018 and 2026 and corporate and administrative expenses for the period between 2022 and 2026 to bring the ITP to maturity (Note 14); and (ii) acquisition of other ITPs which would generate net cash inflow during the period between 2022 and 2026.

Movement for non-distributable strategic reserves included in retained profits of the Group is as follows:

	Group	
	2019	2018
	RM	RM
Beginning of financial year	5,900,063	–
Addition	7,464,965	5,900,063
End of financial year	13,365,028	5,900,063

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

21. DIVIDENDS

	Group	
	2019 RM	2018 RM
	<u> </u>	<u> </u>
<i>Ordinary dividends</i>		
<u>Jawala Inc.</u>		
Final dividend paid in respect of the previous financial year of SGD0.004 (2018: Nil) per share, total of SGD473,896 (2018: Nil)	1,458,805	–
<u>Jawala Plantation Industries Sdn. Bhd.</u>		
Interim tax exempt dividend of RM1.045 (2018: RM0.836) per share ⁽¹⁾⁽²⁾	1,045,820	840,000
	<u> </u>	<u> </u>

(1) Non-controlling interests' share of interim dividends declared by subsidiary corporation which remain unpaid as at respective balance sheet dates. The dividend per share is calculated based on the number of ordinary shares of the subsidiary corporation in issue as at date of dividend declaration.

(2) Adjusted RM4,180 (2018: Nil) against NCI due to over-deduction from NCI's retained earnings in prior year due to rounding differences when allocating between owners' equity and NCI.

At the Annual General Meeting on 25 November 2019, a final dividend of SGD0.004 per share amounting to a total of SGD473,896 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2020.

22. COMMITMENTS

Operating lease commitments – where the Group is a lessee

The Group leases plantation land from a non-related party and office premises from a related party under non-cancellable operating lease agreements. The leases have varying terms escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases, contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		
	31 July 2019 RM	31 July 2018 RM	1 August 2017 RM
	<u> </u>	<u> </u>	<u> </u>
Not later than one year	140,715	115,215	64,215
Between one and five years	334,860	237,360	220,860
Over five years	5,047,571	5,102,786	5,190,210
	<u> </u>	<u> </u>	<u> </u>
	5,523,146	5,455,361	5,475,285
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performances.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Executive Directors. Regular reports are also submitted to the Board of Directors.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) *Market risk*

(i) *Currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the entities of the Group. The Group's business operations are not exposed to significant foreign currency risk as it has no significant transactions denominated in foreign currencies.

(ii) *Price risk*

The Group and the Company have no significant exposure to price risk as they do not have any equity securities.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk is primarily from short-term deposits that will mature from 1 to 12 months. These short-term deposits are placed on a short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against interest rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are cash and bank balances and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied customers. The Group's top 2 (2018: 2) most significant customers account for 67% (2018: 92%) of the trade receivables as at 31 July 2019. The Group's historical experience in the collection of accounts receivables adjusted with forward-looking information fall materially within the recorded allowances. Due to these factors, management believes no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
<u>By types of customers</u>			
Non-related parties	4,229,196	3,856,442	450,257
<u>By geographical areas</u>			
Malaysia	4,229,196	3,856,442	450,257

(i) Impairment of financial assets

The Group has applied the simplified approach by using the allowance matrix to measure the lifetime expected credit losses ("ECL") for all trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rate, the Group considers current payment patterns for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a customer fails to make contractual payment greater than 1 year past due based on historical collection trend. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) *Credit risk (continued)*

(i) Impairment of financial assets (continued)

The Group assess the credit risk rating of other receivables including loan to related corporations based on qualitative and quantitative (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available and applying expected credit judgement).

As at 31 July 2019, the trade and other receivables are not past due and not subject to any material credit losses.

Previous accounting policy for impairment of trade and other receivables

In 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposure.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Financial assets that are neither past due nor impaired

Cash and bank balances that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	31 July 2018 RM	1 August 2017 RM
Past due < 3 months	2,252,841	131,037

There is no allowance for impairment of trade receivables provided for the financial year ended 31 July 2018 and 1 August 2017 as the Group's management believes that these overdue trade receivables will eventually be fully recovered based on historical payment trends and assessment of the credit worthiness of the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and having an adequate amount of committed credit facilities to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and the ability to close out market positions at a short notice. As at balance sheet date, assets held by the Group for managing liquidity risk included cash and bank balances as disclosed in Note 9.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Within 1 year RM	Between 1 and 5 years RM	Over 5 years RM
Group			
At 31 July 2019			
Trade and other payables	3,758,018	-	-
Finance lease liabilities	98,892	431,440	33,513
	3,856,910	431,440	33,513
At 31 July 2018			
Trade and other payables	3,289,960	-	-
Finance lease liabilities	72,180	288,720	108,198
	3,362,140	288,720	108,198
At 1 August 2017			
Trade and other payables	1,121,134	-	-
Finance lease liabilities	47,220	188,000	82,575
	1,168,354	188,000	82,575
Company			
At 31 July 2019			
Trade and other payables	554,638	-	554,638
At 31 July 2018			
Trade and other payables	79,130	-	79,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group and the Company do not have any externally imposed capital requirements for the financial years ended 31 July 2019, 31 July 2018 and 1 August 2017.

(e) *Fair value measurements*

The carrying amounts less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of current finance lease liabilities approximate their fair values.

(f) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as follows:

	31 July 2019 RM	Group 31 July 2018 RM	1 August 2017 RM
Loans and receivables	-	29,851,619	3,031,800
Financial assets at amortised cost	37,515,505	-	-
Financial liabilities at amortised cost	4,244,932	3,684,705	1,383,547
		Company	
		31 July 2019 RM	31 July 2018 RM
Loans and receivables		-	14,330,696
Financial assets at amortised cost		14,689,393	-
Financial liabilities at amortised cost		554,638	79,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

24. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale and purchases of goods and services

	Group	
	2019	2018
	RM	RM
Acquisition of plant and equipment from immediate holding corporation	-	643,093
Rental expense on operating lease charged by immediate holding corporation	5,000	5,000
Rental expense on operating lease charged by related corporation	18,000	10,500

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2019	2018
	RM	RM
Directors of the Company		
Wages and salaries	1,277,811	1,093,000
Defined contributions plan	84,520	48,045
	1,362,331	1,141,045
Other key management personnel		
Wages and salaries	614,100	610,241
Defined contributions plan	76,742	52,213
	690,842	662,454

25. SEGMENT INFORMATION

The Group operates predominantly in only one business segment, which is the timber segment, namely the extraction and sale of timber. Accordingly, no segment information is presented based on business segment.

No segmental information by geographical location is presented as all the revenue and non-current assets in the financial years ended 31 July 2019 and 2018 were derived and are based in Malaysia respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

26. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the financial year end, the subsidiary corporation has entered into a facility agreement on 30 October 2019 with Forest Plantation Development Sdn. Bhd. ("Lender") for a maximum loan amount of RM10 million to part finance the plantation expenditure of 1,250 hectares of Neolamarckia Cadamba (Kelampayan/Laran) and Paraserianthes Falcataria (Batai).

The Company has provided a Corporate Guarantee and Indemnity in favour of the Lender in proportionate with its equity interest in the subsidiary corporation which is RM7 million. The interest rate chargeable for the loan shall be 3% per annum compounded annually. The tenure of the loan is up to a maximum of 240 months.

In addition to the Corporate Guarantee, the Facility is also secured with the Deed of Assignment of the Sustainable Forest Management License Agreement ("SFMLA") between Kerajaan Negeri Sabah and the subsidiary corporation at SFMLA: 02/2015 Sg., Saburan approximately 11,043 hectares dated 12 August 2015 over the project area only on all parcel(s) of land within SFMLA: 02/2015 Sg. Saburan (SAPULUT FOREST RESERVE), Mukim Tibow, Daerah Nabawan, Sabah measuring approximately 1,250 hectares in favour of the Lender.

27. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 August 2019 or later periods and which the Group has not early adopted:

SFRS(I) 16 – Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, as asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of RM5,523,146 (Note 22). Of these commitments, approximately RM199,500 relate to leases of low value items which will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities of approximately RM1,734,022 on 1 August 2019.

The Group is currently finalising the quantum of the final transition adjustments, which may be different upon finalisation.

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3 – Business Combinations – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of material
- Amendments to References to the Conceptual Framework in SFRS(I) standards
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

27. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015.

28. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 30 October 2019.

SHAREHOLDERS' INFORMATION

AS AT 16 OCTOBER 2019

Number of Issued Shares	:	118,474,000
Issued and Fully Paid Up Capital	:	RM15,207,073 or SGD5,099,280
Class of Shares	:	Ordinary Shares
Treasury Shares	:	Nil
Subsidiary Holdings	:	Nil
Voting Rights	:	1 vote for each Ordinary Share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 16 OCTOBER 2019

SIZE OF SHAREHOLDINGS	NO. OF		NO. OF SHARES	%
	SHAREHOLDERS	%		
1 – 99	0	0.00	0	0.00
100 – 1,000	43	37.39	42,000	0.03
1,001 – 10,000	62	53.91	244,600	0.21
10,001 – 1,000,000	7	6.09	670,000	0.57
1,000,001 AND ABOVE	3	2.61	117,517,400	99.19
TOTAL	115	100.00	118,474,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 16 OCTOBER 2019

NO.	NAME	NO. OF SHARES	%
1	JAWALA CORPORATION SDN. BHD.	100,000,000	84.41
2	UOB KAY HIAN PRIVATE LIMITED	15,517,400	13.10
3	DB NOMINEES (SINGAPORE) PTE LTD	2,000,000	1.69
4	LEONG SOAY YUET	140,000	0.12
5	TAN LAY CHING	140,000	0.12
6	YEO KHEE SENG BENNY	140,000	0.12
7	YUNG LAY KIANG	140,000	0.12
8	TAN PENG KHOON	70,000	0.06
9	CHUA AI KEY	20,000	0.02
10	TAN HUI YIN	20,000	0.02
11	CHEE KENG LOO @ CHEE KUM YOKE	10,000	0.01
12	TAY YEW SENG	10,000	0.01
13	LAI LYE HENG	8,000	0.01
14	DBS NOMINEES (PRIVATE) LIMITED	7,000	0.01
15	OU YANG YAN TE	6,800	0.01
16	CHEE SWEE SENG SEBASTIAN	6,000	0.01
17	HOO LEN YUH	6,000	0.01
18	ANG SIEW HONG	5,000	0.00
19	LEE SENG LUP	5,000	0.00
20	LIEW KUAN WOH	5,000	0.00
	TOTAL	118,256,200	99.85

SHAREHOLDERS' INFORMATION

AS AT 16 OCTOBER 2019

SUBSTANTIAL SHAREHOLDERS AS AT 16 OCTOBER 2019

(as recorded in the Register of Substantial Shareholders)

<u>Name</u>	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>
Jawala Corporation Sdn. Bhd. ⁽¹⁾	100,000,000	84.4	–	–
Tan Sri Abdul Majid Khan ⁽²⁾	–	–	100,000,000	84.4
Datuk Jema Khan ⁽³⁾	–	–	100,000,000	84.4

Notes:

- Jawala Corporation Sdn. Bhd., a company incorporated in Malaysia, is the immediate and ultimate holding corporation of the Company.
- Tan Sri Abdul Majid Khan is deemed interested in all the shares in the Company ("**Shares**") held by Jawala Corporation Sdn. Bhd., through his shareholding in Jawala Corporation Sdn. Bhd.
- Datuk Jema Khan is deemed interested in the Shares held by Jawala Corporation Sdn. Bhd., through his shareholding in Jawala Corporation Sdn. Bhd.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company, and to the best knowledge of the Directors, approximately 15.59% of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company are held in the hands of the public as at 16 October 2019. Therefore, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of Jawala Inc. (“**Company**”) will be held at Rose Room I & II, York Hotel, 21 Mount Elizabeth, Singapore 228516 on Monday, 25 November 2019 at 11.00 a.m., for the following purposes:–

As Ordinary Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 July 2019, together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring by rotation under Article 98 of the Articles of Association of the Company:–
 - (a) Datuk Jema Anton Khan **(Resolution 2)**
 - (b) Abdul Rahman Khan Bin Hakim Khan **(Resolution 3)**

[Explanatory Notes (i) to (ii)]

3. To approve Directors’ fees of RM216,338 (equivalent to SGD71,775) payable by the Company for the financial year ending 31 July 2020, to be paid half yearly in arrears (FY2019: RM216,000 (equivalent to SGD72,430)). **(Resolution 4)**

[Explanatory Note (iii)]

4. To declare a first and final tax-exempt one-tier dividend of SGD0.004 per ordinary share for the financial year ended 31 July 2019. **(Resolution 5)**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as auditors of the Company, and to authorise the directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business that may properly be transacted at an annual general meeting.

As Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, which will be proposed as ordinary resolutions:–

7. **Authority to Allot and Issue Shares** **(Resolution 7)**

That, pursuant to Article 3 of the Articles of Association of the Company and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”), authority be given to the Directors of the Company to:–

 - (a) (i) allot and issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements, or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:-

- (1) the aggregate number of Shares to be issued under this resolution (including Shares to be issued in pursuance of the Instruments, made or granted under this Resolution) shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued (including Shares to be issued in pursuance of Instruments made or granted under this Resolution) other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per cent (50%) of the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted under this Resolution) that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), at the time of the passing of this Resolution, after adjusting for:-
 - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements of the Catalist Rules the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to grant awards and issue shares under the Jawala Performance Share Plan** (Resolution 8)

That the Directors of the Company be and are hereby authorised to offer and grant awards (“**Awards**”) from time to time in accordance with the provisions of the Jawala Performance Share Plan (“**Plan**”), and to allot and issue from time to time such number of fully paid-up Shares as may be required to be issued pursuant to the vesting of Awards granted under the Plan, provided always that the aggregate number of Shares to be issued pursuant to the Plan, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company, if any, shall not exceed eight per cent (8%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company from time to time and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[Explanatory Note (v)]

9. **Authority to grant options and issue shares under the Jawala Employee Share Option Scheme** (Resolution 9)

That the Directors of the Company be and are hereby authorised:–

- (i) to offer and grant options (“**Options**”) from time to time in accordance with the provisions of the Jawala Employee Share Option Scheme (“**Scheme**”); and
- (ii) to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued under the exercise of the Options under the Scheme, provided always that the aggregate number of Shares to be issued under the Scheme shall not exceed 8 per cent (8%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company from time to time, and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[Explanatory Note (v)]

By Order of the Board

Raymond Lam Kuo Wei
Chew Pei Tsing
Company Secretaries

Singapore
8 November 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Resolution 2 – If re-elected, Datuk Jema Anton Khan, an Executive Director, shall remain as the Chairman and Chief Executive Officer of the Company.
- (ii) Resolution 3 – If re-elected, Mr. Abdul Rahman Khan Bin Hakim Khan, shall remain as an Executive Director of the Company.
- (iii) Resolution 4 – The proposed Resolution 4 is to facilitate the payment of Directors' fees during the financial year ending 31 July 2020 in which the fees are incurred. The aggregate amount of Directors' fees provided in the resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 July 2020 ("FY2020"). Should any Director hold office for only part of FY2020 and not the whole of FY2020, the Directors' fees payable to him/her will be appropriately pro-rated.
- (iv) Resolution 7 – The proposed Resolution 7, if passed, will empower the Directors, from the date of the annual general meeting until the date of the next annual general meeting of the Company, or the date which the next annual general meeting of the Company is required by law to be held, to issue Shares and/or Instruments convertible into Shares up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), of which up to 50% may be issued other than on a pro rata basis to existing shareholders of the Company.
- (v) Resolutions 8 and 9 – The proposed Resolutions 8 and 9, if passed, will empower the Directors to allot and issue Shares pursuant to the vesting of Awards and the exercise of Options under the Plan and Scheme, provided that the aggregate number of Shares to be issued pursuant to the Plan and Scheme, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company, shall not exceed 8% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company from time to time.

Notes:

- (1) A member of the Company entitled to attend and vote at the annual general meeting ("AGM") may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (2) Where a member appoints more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.
- (3) The instrument appointing a proxy must be deposited at the registered office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for holding the AGM.

Personal Data Privacy

By submitting an instrument appointing a proxy and/or representative to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives relating to the AGM (including any adjournment thereof); and warrants that where the member discloses the personal data of the member's proxy and/or representative to the Company (or its agents), the member has obtained all necessary consents to do so, and that the Company (or its agents) may collect, use and disclose such personal data for the purposes above.

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JAWALA INC.

Company Registration No. LL13922
(Incorporated in Labuan)

PROXY FORM – ANNUAL GENERAL MEETING

I/We _____ (full name in capital letters)

(NRIC/Passport No./Company No.) _____ of _____

_____ (full address) being a member/members of Jawala Inc. ("**Company**"), hereby appoint:-

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)
And/or (delete as appropriate)			

or failing whom, Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the annual general meeting of the Company ("**AGM**") to be held at Room I & II, York Hotel, 21 Mount Elizabeth, Singapore 228516 on Monday, 25 November 2019 at 11.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the AGM and at any adjournment thereof.

The resolutions put to vote at the AGM shall be decided by poll.

(If you wish to exercise all your votes "For" or "Against", please tick with "✓" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.)

No.	Resolutions	For	Against
Ordinary Business			
1.	To receive and adopt Directors' Statement and Audited Financial Statements for the year ended 31 July 2019, together with the auditors' report thereon.		
2.	To re-elect Datuk Jema Anton Khan as a Director of the Company.		
3.	To re-elect Abdul Rahman Khan Bin Hakim Khan as a Director of the Company.		
4.	To approve Directors' fees for the financial year ending 31 July 2020 to be paid half yearly in arrears.		
5.	To declare a first and final tax-exempt one-tier dividend of SGD0.004 per ordinary share for the financial year ended 31 July 2019.		
6.	To re-appoint Messrs Nexia TS Public Accounting Corporation as auditors of the Company and to authorise the Directors to fix their remuneration.		
Special Business			
7.	To authorise Directors to allot and issue shares.		
8.	To authorise Directors to grant awards and issue shares under the Jawala Performance Share Plan.		
9.	To authorise the Directors to grant options and issue shares under the Jawala Employee Share Option Plan.		

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	
Total	

Signature(s) of member(s)/Common Seal

IMPORTANT – PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If the member has shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited, you insert that number of shares. If you have shares registered in his name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the member must specify the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred percent (100%) of the shareholdings of his/her appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstained as he/she thinks fit.
5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the AGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM.
9. The signature on the instrument appointing a proxy needs not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies.
11. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 November 2019.



JAWALA INC.

**(Company Registration No: LL13922)
(Incorporated in Labuan on 8 August 2017)**