



JAWALA INC.

(Incorporated in Labuan on 8 August 2017)

(Company Registration No. LL13922)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2022**

This announcement has been prepared by Jawala Inc. (the "Company") and its contents have been reviewed by UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

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

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Background

The Company was incorporated in Labuan on 8 August 2017 in Labuan, Malaysia under the Labuan Companies Act as a company limited by shares under the name "Jawala Inc."

The Company is a forest resource company based in Malaysia with a focus on industrial tree plantations situated in Sabah. The Company's main business is the management of forestry resources, and the planting and extraction of timber. The Company with its subsidiary corporation (the "Group") focus on the cultivation of industrial tree plantations through the implementation of sustainable forest management practices.

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Group 6-month Period Ended 31 January 2022 (Unaudited) RM'000 | Group 6-month Period Ended 31 January 2021 (Unaudited) RM'000 | Increase/ (Decrease) % |
|--|-------------|---|---|------------------------------|
| Revenue | 4 | 6,563 | 15,981 | (59) |
| Cost of sales | | (3,487) | (7,540) | (54) |
| Gross Profit | | <hr/> 3,076 | <hr/> 8,441 | (64) |
| Other income | | 238 | 370 | (36) |
| Expenses | | | | |
| - Distribution | | (344) | (283) | 22 |
| - Administrative | | (3,595) | (2,905) | 24 |
| - Finance | | (97) | (79) | 23 |
| (Loss)/ Profit before income tax | 6 | <hr/> (722) | <hr/> 5,544 | NM |
| Income tax expense | 7 | - | (1,391) | NM |
| Total comprehensive (loss)/ income for the period attributable to equity holders of the Company | | <hr/> <hr/> (722) | <hr/> <hr/> 4,153 | NM |
| (Loss)/ Profit attributable to: | | | | |
| Equity holders of the Company | | (584) | 2,839 | NM |
| Non-controlling interests | | (138) | 1,314 | NM |
| | | <hr/> (722) | <hr/> 4,153 | NM |
| (Loss)/ Profit per share attributable to owners of the Company (RM) | | <hr/> (0.01) | <hr/> 0.02 | NM |

Note:
NM – Not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

| | | Group As at 31 Jan 2022 (Unaudited) RM'000 | Group As at 31 Jul 2021 (Audited) RM'000 | Company As at 31 Jan 2022 (Unaudited) RM'000 | Company As at 31 Jul 2021 (Audited) RM'000 |
|---|-------------|---|---|---|---|
| | Note | | | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | 8 | 32,340 | 33,965 | 6,310 | 6,093 |
| Trade and other receivables | 9 | 3,539 | 8,672 | 6,596 | 8,402 |
| Income tax recoverable | | 723 | 685 | - | - |
| Inventories | | 773 | 874 | - | - |
| Total current assets | | 37,375 | 44,196 | 12,906 | 14,495 |
| Non-current assets | | | | | |
| Other receivables | 9 | 1,241 | 1,180 | - | - |
| Investment in subsidiary | | - | - | 2,350 | 2,350 |
| Property, plant and equipment | 10 | 2,700 | 2,515 | - | - |
| Right-of-use assets | | 944 | 1,036 | - | - |
| Biological assets | 11 | 10,991 | 8,656 | - | - |
| Intangible assets | 12 | 467 | 470 | - | - |
| Total non-current assets | | 16,343 | 13,857 | 2,350 | 2,350 |
| Total assets | | 53,718 | 58,053 | 15,256 | 16,845 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 13 | 1,054 | 3,494 | 155 | 371 |
| Borrowings | 14 | 206 | 165 | - | - |
| Total current liabilities | | 1,260 | 3,659 | 155 | 371 |
| Non-current liabilities | | | | | |
| Borrowings | 14 | 4,252 | 4,358 | - | - |
| Deferred income tax liabilities | | 2,253 | 2,253 | - | - |
| Total non-current liabilities | | 6,505 | 6,611 | - | - |
| Total liabilities | | 7,765 | 10,270 | 155 | 371 |
| Net Assets | | 45,953 | 47,783 | 15,101 | 16,474 |
| EQUITY | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | 15 | 15,207 | 15,207 | 15,207 | 15,207 |
| Retained profits / (Accumulated losses) | 16 | 20,777 | 22,469 | (106) | 1,267 |
| | | 35,984 | 37,676 | 15,101 | 16,474 |
| Non-controlling interests | | 9,969 | 10,107 | - | - |
| Total equity | | 45,953 | 47,783 | 15,101 | 16,474 |

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group

| | Note | Share capital RM'000 | Retained profits RM'000 | Total RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
|---|------|-------------------------|----------------------------|-----------------|------------------------------------|------------------------|
| HY2022 (Unaudited) | | | | | | |
| At 1 August 2021 | | 15,207 | 22,469 | 37,676 | 10,107 | 47,783 |
| Total comprehensive loss for the financial period | | - | (584) | (584) | (138) | (722) |
| Dividend paid | | - | (1,108) | (1,108) | - | (1,108) |
| At 31 January 2022 | | 15,207 | 20,777 | 35,984 | 9,969 | 45,953 |
| HY2021 (Unaudited) | | | | | | |
| At 1 August 2020 | | 15,207 | 17,128 | 32,335 | 8,338 | 40,673 |
| Total comprehensive income for the financial period | | - | 2,839 | 2,839 | 1,314 | 4,153 |
| At 31 January 2021 | | 15,207 | 19,967 | 35,174 | 9,652 | 44,826 |

Company

| | Note | Share capital RM'000 | Retained profits RM'000 | Total RM'000 |
|---|------|-------------------------|----------------------------|-----------------|
| HY2022 (Unaudited) | | | | |
| At 1 August 2020 | | 15,207 | 1,267 | 16,474 |
| Total comprehensive loss for the financial period | | - | (265) | (265) |
| Dividend paid | | - | (1,108) | (1,108) |
| At 31 January 2022 | | 15,207 | (106) | 15,101 |
| HY2020 (Unaudited) | | | | |
| At 1 August 2020 | | 15,207 | 42 | 15,249 |
| Total comprehensive loss for the financial period | | - | (229) | (229) |
| At 31 January 2021 | | 15,207 | (187) | 15,020 |

D. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Group 6-month Period Ended 31 January 2022 (Unaudited) RM'000 | Group 6-month Period Ended 31 January 2021 (Unaudited) RM'000 |
|---|-------------|--|--|
| Cash flows from operating activities | | | |
| Net (loss)/ profit | | (722) | 4,153 |
| Adjustments for: | | | |
| - Depreciation of property, plant and equipment | | 251 | 185 |
| - Amortisation of intangible assets | | 3 | 3 |
| - Depreciation of right-of-use assets | | 92 | 93 |
| - Interest income | | (236) | (278) |
| - Interest expense | | 97 | 79 |
| - Income tax expense | | - | 1,391 |
| Operating cash flows before working capital changes | | (515) | 5,626 |
| Changes in working capital: | | | |
| - Inventories | | 101 | (489) |
| - Trade and other receivables | | 5,157 | (562) |
| - Trade and other payables | | (1,634) | 341 |
| Cash provided by operations | | 3,109 | 4,916 |
| Income tax paid | | (38) | (833) |
| Net cash provided by operating activities | | 3,071 | 4,083 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | | (541) | (460) |
| Addition to right-of-use assets | | - | (28) |
| Additions to biological assets | | (2,230) | (1,125) |
| Net cash used in investing activities | | (2,771) | (1,613) |
| Cash flows from financing activities | | | |
| Principal payment of lease liabilities/ finance lease liabilities | | (114) | (100) |
| Proceeds from borrowings | | - | 3,144 |
| Interest received | | 151 | 134 |
| Interest paid | | (48) | (53) |
| Dividend paid | | (1,914) | (313) |
| Net cash (used in)/ provided by financing activities | | (1,925) | 2,812 |
| Net (decrease)/ increase in cash and cash equivalents | | (1,625) | 5,282 |
| Cash and cash equivalents at beginning of the year | | 32,965 | 29,711 |
| Cash and cash equivalents at end of the year | 8 | 31,340 | 34,993 |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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 harvesting, distributing, processing and sales of timber.

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

2 Basis of preparation

The condensed interim financial statements for the financial period ended 31 January 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 July 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Ringgit Malaysia which is the Company's functional currency. All financial information presented in Ringgit Malaysia has been rounded to the nearest thousand (RM'000), unless otherwise indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 July 2021.

2 Basis of preparation (continued)

2.2. Use of judgements and estimates (continued)

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 area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

4. Segment and revenue 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 period ended 31 January 2022 and 2021 were derived and are based in Malaysia respectively.

| | HY2022 (Unaudited) RM'000 | HY2021 (Unaudited) RM'000 |
|----------------|---------------------------------|---------------------------------|
| Sale of timber | 6,563 | 15,981 |

All the sales are recognised at a point in time.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 January 2022 and 31 July 2021:

| | Group | | Company | |
|---|--|---|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| Financial assets at amortised cost: | | | | |
| Cash and bank balances | 32,340 | 33,965 | 6,310 | 6,093 |
| Trade and other receivables | 4,561 | 9,823 | 6,529 | 8,237 |
| Financial liabilities at amortised cost: | | | | |
| Trade and other payables | 1,054 | 3,494 | 155 | 371 |
| Borrowings | 4,458 | 4,523 | - | - |

6. Profit before taxation

6.1 Significant items

| | HY2022 (Unaudited) RM'000 | HY2021 (Unaudited) RM'000 |
|---|---------------------------------|---------------------------------|
| Income | | |
| Interest income | 236 | 278 |
| Expenses | | |
| Finance expenses: | | |
| - Finance lease liabilities | 11 | 12 |
| - Lease liabilities | 37 | 41 |
| Amortisation of intangible asset | 3 | 3 |
| Depreciation of property, plant and equipment | 251 | 185 |
| Depreciation of right-of-use assets | 92 | 93 |
| Employee compensation | 2,016 | 1,591 |

6. Profit before taxation (continued)

6.2 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 | |
|--|--|--|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 January 2021 (Unaudited) RM'000 |
| Rental expense on operating lease charged by immediate holding corporation | 3 | 3 |
| Rental expense on operating lease charged by related corporation | <u>10</u> | <u>10</u> |

(b) Key management personnel compensation

Key management personnel compensation is as follows:

| | Group | |
|---------------------------------------|--|--|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 January 2021 (Unaudited) RM'000 |
| Directors of the Company | | |
| Wages and salaries | 320 | 433 |
| Defined contributions plan | <u>20</u> | <u>40</u> |
| | <u>340</u> | <u>473</u> |
| Other key management personnel | | |
| Wages and salaries | 255 | 242 |
| Defined contributions plan | <u>32</u> | <u>30</u> |
| | <u>287</u> | <u>272</u> |

7. Taxation

The Group calculates the year income tax expense using the tax rate of 24% (2021: 24%) that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

| | HY2022 (Unaudited) RM'000 | HY2021 (Unaudited) RM'000 |
|---|---------------------------------|---------------------------------|
| Current income tax expense | - | 1,056 |
| Deferred income tax expense relating to origination and reversal of temporary differences | <u>-</u> | <u>335</u> |
| | <u>-</u> | <u>1,391</u> |

8. Cash and bank balances

| | Group | | Company | |
|---|--|--|--|--|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| Cash at bank and on hand | 5,268 | 14,427 | 1,170 | 4,989 |
| Short-term bank deposits | 27,072 | 19,538 | 5,140 | 1,104 |
| Cash and cash equivalents per Group statement of financial position | 32,340 | 33,965 | 6,310 | 6,093 |
| Less: Deposits placed with banks as security (Note 12) | 1,000 | 1,000 | - | - |
| Cash and cash equivalents per consolidated cash flow statement | 31,340 | 32,965 | 6,310 | 6,093 |

9 Trade and other receivables

| | Group | | Company | |
|--|--|---|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| <i>Current</i> | | | | |
| Trade receivables – non-related parties | 2,641 | 8,199 | - | - |
| Other receivables - non-related parties | 656 | 421 | - | - |
| - subsidiary corporation | - | - | 6,529 | 8,237 |
| Deposits | 23 | 23 | - | - |
| Prepayments | 219 | 29 | 67 | 165 |
| | 3,539 | 8,672 | 6,596 | 8,402 |
| <i>Non-current</i> | | | | |
| Other receivables – non-related party | 1,241 | 1,180 | - | - |
| Total trade and other receivables | 4,780 | 9,852 | 6,596 | 8,402 |

The non-current other receivables are 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.

10. Property, plant and equipment

During the financial period ended 31 January 2022, the Group acquired assets amounting to RM540,505 (31 January 2021: RM459,649).

Other than the depreciation charged in the condensed interim consolidated statement of profit or loss and other comprehensive income, the depreciation charge relating to property, plant and equipment used in plantation (reforestation) development activities during the financial year of RM104,796 (31 January 2021: RM62,109) is capitalised and included in biological assets (Note 11).

11 Biological assets

| | Group | |
|------------------------------|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| Beginning of financial year | 8,656 | 5,619 |
| Additions | 2,335 | 3,037 |
| End of financial year | 10,991 | 8,656 |

Biological assets represent the forest planting expenditure incurred and capitalised at cost under the license as described in Note 12 below.

12. Intangible asset

| | Group | |
|-------------------------------------|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| <u>Acquired timber rights</u> | | |
| <i>Cost</i> | | |
| Beginning and end of financial year | 500 | 500 |
| <i>Accumulated amortisation</i> | | |
| Beginning of financial year | 30 | 25 |
| Amortisation charge (Note 6) | 3 | 5 |
| End of financial year | 33 | 30 |
| Net book value | | |
| End of financial year | 467 | 470 |

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 RM1.0 million was taken up by the Group (Note 8).

13. Trade and other payables

| | Group | | Company | |
|--------------------------------------|--|--|--|--|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| Trade payables – non-related parties | 60 | 1,067 | - | - |
| Other payables | | | | |
| - non-related parties | 217 | 743 | 89 | 226 |
| - Immediate holding corporation | 4 | 4 | | |
| Dividend payable | - | 806 | - | - |
| Accruals for operating expenses | 773 | 874 | 66 | 145 |
| | <u>1,054</u> | <u>3,494</u> | <u>155</u> | <u>371</u> |

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.

14. Borrowings

| | Group | |
|--------------------|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| <u>Current</u> | | |
| Lease liabilities | 206 | 165 |
| <u>Non-current</u> | | |
| Lease liabilities | 986 | 1,140 |
| Borrowings | 3,266 | 3,218 |
| | <u>4,252</u> | <u>4,358</u> |
| Total borrowings | <u>3,266</u> | <u>3,218</u> |

14. Borrowings (continued)

(a) Lease liabilities

| | Group | |
|--|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| <u>Amount repayable within one year or on demand</u> | | |
| Secured | 99 | 97 |
| Unsecured | 107 | 68 |
| | <u>206</u> | <u>165</u> |
| | | |
| <u>Amount repayable after one year</u> | | |
| Secured | 299 | 350 |
| Unsecured | 687 | 790 |
| | <u>986</u> | <u>1,140</u> |
| | | |
| Total lease liabilities | <u>1,192</u> | <u>1,305</u> |

(b) Borrowings

| | Group | |
|--|--|---|
| | As at 31 January 2022 (Unaudited) RM'000 | As at 31 July 2021 (Audited) RM'000 |
| <u>Amount repayable after one year</u> | | |
| Secured | <u>3,266</u> | <u>3,218</u> |

Details of collateral

The Group's borrowings consist of obligations under finance leases and facility obtained from Forest Plantation Development Sdn Bhd ("FPD") to partly finance the plantation activities in the Group's licensed area of the Sapulut Forest Reserve in Sabah.

The obligations under finance leases are secured and guaranteed by a charge over the respective leased motor vehicles.

The facility obtained from FPD is secured by the corporate guarantee of the immediate and ultimate holding corporation, deed of assignment of the licensed area of approximately 1,250 hectares issued by the State Authority of Sabah in favour of the lender and a power of attorney in favour of the lender.

15. Share capital

| | Group | | Company | |
|---------------------------------------|-----------------------------|---------------|-----------------------------|---------------|
| | No. of ordinary shares '000 | Amount RM,000 | No. of ordinary shares '000 | Amount RM,000 |
| HY2022 | | | | |
| Beginning and end of financial period | 118,474 | 15,207 | 118,474 | 15,207 |
| HY2021 | | | | |
| Beginning and end of financial period | 118,474 | 15,207 | 118,474 | 15,207 |

There was no change in the Company's share capital since 31 July 2021.

The Company did not have any convertible securities, treasury shares and subsidiary holdings as at 31 January 2022, 31 July 2021 and 31 January 2021.

16. Retained profits

Included in retained profits is an amount of RM15.9 million (31 July 2021: RM18.0 million) relating to strategic reserves of the Company's subsidiary corporation, Jawala Plantation Industries Sdn. Bhd ("JPISB"). As part of its internal financial management, JPISB will retain at least 75% of its profits after tax for each financial year as strategic reserves as per the Offer Document dated 24th May 2018.

17. Earnings per share

| | Group | |
|---|--------------------|--------------------|
| | HY2022 (Unaudited) | HY2021 (Unaudited) |
| (Loss)/ Profit attributable to owners of the Company (RM'000) | (584) | 2,839 |
| Weighted average number of ordinary shares ('000) | 118,474 | 118,474 |
| Basic and diluted EPS based on actual number of shares ⁽¹⁾ (Sen) | (0.49) | 2.40 |

Note:

(1) The basic and fully diluted EPS were the same as there were no dilutive ordinary shares in issue as at 31 January 2022 and 31 January 2021.

18. Net asset value

| | Group | | Company | |
|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | As at 31 January 2022 (Unaudited) RM | As at 31 July 2021 (Audited) RM | As at 31 January 2022 (Unaudited) RM | As at 31 July 2021 (Audited) RM |
| Net asset value per ordinary share | 0.39 | 0.40 | 0.13 | 0.14 |

19. Subsequent event

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUESTED BY LISTING RULE APPENDIX 7C

1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

2. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

2A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

3. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review of Group's performance for HY2022 as compared to HY2021

Revenue

Our revenue is derived principally from the sales of timber in Malaysia. Our timber comprises of Seraya, Kapur, Keruing, Selangan Batu, Sedaman and timbers of hard and soft densities.

Revenue decreased by RM9.4 million, or 59% in HY2022 compared to HY2021 mainly due to a decrease in sales volume in HY2022 as compared to HY2021 as a result of frequent rainfall. In addition, the worsening Covid-19 cases in Sabah had caused frequent closures of relevant Government offices resulting in delays in approvals for our logging operations.

Cost of sales and gross profits

The decrease in cost of sales by RM4.1 million, or 54% in HY2022 compared to HY2021 was mainly due to the decrease in sales volume which is slightly offset by the increase in the contractor's extraction fee as compared to HY2021.

The gross profit decreased by RM5.4 million, or 64% in HY2022 compared to HY2021 mainly due to the decrease in revenue. The gross profit margin decreased from 53% in HY2021 to 47% in HY2022 mainly due to the increase in the contractor's extraction fee as compared to HY2021.

Other income

Other income comprised mainly of interest income from fixed deposits. Other income decreased by RM132,000, or 36% in HY2022 compared to HY2021 mainly due to the decrease in the Covid-19 pandemic wage subsidy received from the Malaysia Social Security Organisation (SOCSO).

Distribution expense

Distribution expenses comprised of transportation expenses incurred for transporting our logs to customers in Tawau and Sandakan. Distribution expenses increased by RM61,000 or 22% mainly due to the increase in sales from customer that need transportation of logs during the financial period.

Administrative expenses

Administrative expenses comprised mainly of employee compensation, depreciation, amortisation, listing expenses, rental and travelling expenses. Administrative expenses increased by RM690,000, or 24% in HY2022 compared to HY2021 mainly due to the increase in employee compensation as a result of the increase in headcount in HY2022 as compared to HY2021 due to activities in protecting the high conservation value (HCV) in our plantation in order to comply with additional Sabah Forestry Department requirements as well as the increase in depreciation on property, plant and equipment as a result of the additions to property, plant and equipment.

(Loss)/ Profit after tax

As a result of the foregoing, loss after tax in HY2022 amounted to RM722,000 compared to a profit after tax of RM4.2 million in HY2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Review of the Group's financial position as at 31 January 2022 as compared to 31 July 2021.

Current assets

Cash and bank balances were the most significant component of current assets and amounted to approximately RM32.3 million, or 87% of current assets.

Trade and other receivables amounted to approximately RM3.5 million, or 9% of current assets. Trade receivables amounted to approximately RM2.6 million, or 7% of current assets. Other receivables amounted to approximately RM0.9 million or 2% of current assets. Trade receivables decreased by approximately RM5.5 million as at 31 January 2022 mainly due to the decrease in sales. Other receivables increased by RM0.4 million, or 90% as at 31 January 2022 mainly due to prepayment of expenses as well as the advances given to the contractors.

Non-current assets

Other receivables amounted to approximately RM1.2 million or 8% 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.

Property, plant and equipment amounted to approximately RM2.7 million, or 17% of non-current assets comprising mainly motor vehicles, plantation infrastructure, office equipment, and furniture and fittings. Property, plant and equipment increased by RM0.2 million, or 7% as at 31 January 2022 compared to as at 31 July 2021 mainly due to the additional plantation infrastructure expenditure.

Right-of-use ("ROU") asset amounted to RM0.9 million, or 6% of non-current assets due to the adoption of SFRS(I) 16 for recognition of ROU since 1 August 2019. The decrease in right-of-use asset by RM0.1 million, or 9% as at 31 January 2022 compared to as at 31 July 2021 mainly due to the depreciation of right-of-use asset.

Biological assets amounted to approximately RM11.0 million, or 67% 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, seedlings, fertilizers and all other expenses relating to the nursery and planting and expenses incurred in upkeep and maintenance of immature planted areas. Biological assets increased by approximately RM2.3 million, or 27% mainly due to the cost incurred for the initial stages of replanting and planting activities during the financial period.

Intangible assets amounted to approximately RM0.5 million, or 3% 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.

Current liabilities

Trade and other payables amounted to approximately RM1.0 million, or 84% of current liabilities comprising mainly of trade payables of RM60,000 and other payables amounting to RM994,000. Trade payables decreased by RM1.0 million as at 31 January 2022 compared to FY2021 mainly due to prompt payment made to the contractors as well as lower sales as at 31 January 2022 compared to as at 31 July 2021. Other payables decreased by approximately RM1.4 million, or 59% as at 31 January 2022 compared to as at 31 July 2021 mainly due to the payment of the dividend declared for FY2021.

Non-current liabilities

Lease liabilities amounted to RM1.0 million, or 15% of non-current liabilities. This comprised of the finance lease liabilities as well as the lease principals as a result of the adoption of SFRS(I) 16 Leases, that are due later than one year. The lease liabilities decreased by RM154,000 or 14% as at 31 January 2022 compared to as at 31 July 2021 mainly due to the repayment of lease liabilities.

Borrowings amounted to RM3.3 million, or 50% of non-current liabilities. This borrowing represents a loan facility obtained from Forest Plantation Development Sdn Bhd ("FPD") in order to partly finance the plantation activities in the Group's licensed area of the Sapulut Forest Reserve in Sabah.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

Net cash provided by operating activities has reduced by RM1.0 million in HY2022 mainly due to the net loss reported during the financial period.

Net cash used in investing activities of approximately RM2.8 million in HY2022 is related to the acquisition of motor vehicles, additions to plantation infrastructure and biological assets.

Net cash used in financing activities of approximately RM1.9 million is mainly due to the dividend paid.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company had on 4 March 2022 issued a profit guidance announcement and the results for the HY2022 is consistent with the guidance issued.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Covid-19 pandemic has adversely impacted both the economies of Sabah as well as the economies of major importers of Sabah's timber products. However, the statistics from the Sabah Forestry Department show that exports of timber products from Sabah for the year 2021 recorded an increase of 55% and 33% for value and volume respectively as compared to the year 2020. We expect the Group to benefit as a result of the current market recovery for the current financial year.

6. Dividend

If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for current financial period reported on.

(b) Amount per share (cents) and previous corresponding period (cents).

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

7. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No interim dividend has been declared or recommended for the current financial period as it is the Company's practise to declare/recommend dividend, if any, in the fourth quarter of the financial year.

8. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from shareholders for interested person transactions and there are no disclosable interested person transactions for the financial period.

9. Negative confirmation pursuant to Rule 705(5) of the Catalist Rules

On behalf of the Board of Directors, we, Directors of the Company, Datuk Jema Khan and Mr Abdul Rahman Bin Hakim Khan, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the financial period ended 31 January 2022 to be false or misleading in any material aspect.

10. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company confirms that it has procured the undertakings from all its Directors and executive officers in the required format.

11. Changes in the composition of the Group

Not applicable. The Company did not acquire or dispose shares in any companies in HY2022.

BY ORDER OF THE BOARD

Jema Anton Khan
Chairman
15 March 2022