



JAWALA INC.

(Incorporated in Labuan on 8 August 2017)

(Company Registration No. LL13922)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
FINANCIAL YEAR ENDED 31 JULY 2019**

Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as ascribed to them in the Offer Document of the Company dated 24 May 2018 (the “Offer Document”).

Jawala Inc. (the “**Company**”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 1 June 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the “**Sponsor**”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist.

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.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

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.

Prior to the listing on the Catalist of the SGX-ST on 1 June 2018, the Company undertook a corporate restructuring (the “**Restructuring Exercise**”) to rationalise and streamline the Company corporate structure. Please refer to the Offer Document for further details on the Restructuring Exercise.

For the purpose of this announcement, the results of the Group for the financial year ended 31 July 2019 (“**FY2019**”) and the comparative results of the Group for the financial year ended 31 July 2018 (“**FY2018**”) have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 August 2016.

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

For the financial year ended 31 July 2019 ("FY2019") and financial year ended 31 July 2018 ("FY2018")

| | Group FY2019 (Unaudited) RM'000 | Group FY2018 (Audited) RM'000 | Increase/ (Decrease) % |
|--|---|---|------------------------------|
| Revenue | 39,812 | 39,930 | (0.3) |
| Cost of sales | (15,152) | (13,404) | 13 |
| Gross profit | <hr/> 24,660 | <hr/> 26,526 | (7) |
| Other income | 858 | 241 | 256 |
| Expenses | | | |
| - Distribution | (863) | (1,830) | (53) |
| - Administrative | (7,782) | (9,003) | (14) |
| - Finance | (27) | (25) | 8 |
| Profit before tax | <hr/> 16,846 | <hr/> 15,909 | 6 |
| Income tax expense | (3,705) | (5,002) | (26) |
| Total comprehensive income for the year attributable to equity holders of the Company | <hr/> 13,141 | <hr/> 10,907 | 21 |
| Profit attributable to: | | | |
| Equity holders of the Company | 8,876 | 7,535 | 18 |
| Non-controlling interests | 4,265 | 3,372 | 26 |
| | <hr/> 13,141 | <hr/> 10,907 | 21 |

1(a)(ii) Notes to statement of comprehensive income.

| | Group FY2019 (Unaudited) RM'000 | Group FY2018 (Audited) RM'000 | Increase/ (Decrease) % |
|--|---|---|------------------------------|
| Profit for the year include the following charges/(credits): | | | |
| Finance expenses: | | | |
| - finance lease liabilities | 27 | 25 | 8 |
| Amortisation of intangible assets | 5 | 5 | - |
| Depreciation of property, plant and equipment | 330 | 197 | 68 |
| Employee compensation | 4,555 | 3,994 | 14 |
| Interest income | (858) | (241) | 256 |
| Listing expenses | - | 3,325 | NM |
| Rental expense | 85 | 111 | (23) |
| Income tax expense: | | | |
| - current income tax | 2,986 | 4,922 | (39) |
| - deferred income tax | 719 | 80 | 799 |

Note:

NM – Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group As at 31 Jul 2019 (Unaudited) RM'000 | Group As at 31 Jul 2018 (Audited) RM'000 | Company As at 31 Jul 2019 (Unaudited) RM'000 | Company As at 31 Jul 2018 (Audited) RM'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 32,101 | 25,468 | 9,965 | 9,046 |
| Trade and other receivables | 4,822 | 4,218 | 4,993 | 5,518 |
| Inventories | 1,163 | 502 | - | - |
| Total current assets | 38,086 | 30,188 | 14,958 | 14,564 |
| Non-current assets | | | | |
| Other receivables | 693 | 399 | - | - |
| Investment in subsidiary | - | - | 2,350 | 2,350 |
| Property, plant and equipment | 2,336 | 1,790 | - | - |
| Biological assets | 2,663 | 868 | - | - |
| Intangible assets | 480 | 485 | - | - |
| Total non-current assets | 6,172 | 3,542 | 2,350 | 2,350 |
| Total assets | 44,258 | 33,730 | 17,308 | 16,914 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 3,757 | 3,290 | 555 | 79 |
| Finance lease liabilities | 75 | 51 | - | - |
| Current income tax liabilities | 241 | 1,630 | - | - |
| Total current liabilities | 4,073 | 4,971 | 555 | 79 |
| Non-current liabilities | | | | |
| Finance lease liabilities | 412 | 343 | - | - |
| Deferred income tax liabilities | 802 | 82 | - | - |
| Total non-current liabilities | 1,214 | 425 | - | - |
| Total liabilities | 5,287 | 5,396 | 555 | 79 |
| Net assets | 38,971 | 28,334 | 16,753 | 16,835 |
| EQUITY | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | |
| Share capital | 15,207 | 15,207 | 15,207 | 15,207 |
| Retained profits | 16,394 | 8,977 | 1,546 | 1,628 |
| | 31,601 | 24,184 | 16,753 | 16,835 |
| Non-controlling interests | 7,370 | 4,150 | - | - |
| Total equity | 38,971 | 28,334 | 16,753 | 16,835 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable by the Group in one year or less, or on demand**

| As at 31 July 2019 (RM'000) | | As at 31 July 2018 (RM'000) | |
|-----------------------------|-----------|-----------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 75 | - | 51 | - |

Amount repayable by the Group after one year

| As at 31 July 2019 (RM'000) | | As at 31 July 2018 (RM'000) | |
|-----------------------------|-----------|-----------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 412 | - | 343 | - |

Details of collateral

The Group's borrowings consist of obligations under finance leases only.

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

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group FY2019 (Unaudited) RM'000 | Group FY2018 (Audited) RM'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Net profit | 13,141 | 10,907 |
| Adjustments for: | | |
| - Depreciation of property, plant and equipment | 330 | 197 |
| - Amortisation of intangible assets | 5 | 5 |
| - Interest income | (858) | (241) |
| - Interest expense | 27 | 25 |
| - Income tax expense | 3,705 | 5,002 |
| Operating cash flows before working capital changes | 16,350 | 15,895 |
| Changes in working capital: | | |
| - Inventories | (661) | 64 |
| - Trade and other receivables | (821) | (3,673) |
| - Trade and other payables | (577) | 1,329 |
| Cash provided by operations | 14,291 | 13,615 |
| Income tax paid | (4,417) | (3,644) |
| Income tax refund | 42 | - |
| Net cash provided by operating activities | 9,916 | 9,971 |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (804) | (1,441) |
| Additions to biological assets | (1,706) | (749) |
| Net cash used in investing activities | (2,510) | (2,190) |
| Cash flows from financing activities | | |
| Repayment of finance lease liabilities | (68) | (51) |
| Proceeds from issue of shares | - | 15,207 |
| Interest received | 781 | 154 |
| Interest paid | (27) | (25) |
| Dividend paid | (1,459) | - |
| Increase in bank deposits restricted in use | - | (1,000) |
| Net cash provided by/(used in) financing activities | (773) | 14,285 |
| Net increase in cash and cash equivalents | 6,633 | 22,066 |
| Cash and cash equivalents at beginning of the year | 24,468 | 2,402 |
| Cash and cash equivalents at end of the year (Note A) | 31,101 | 24,468 |

1(c)(ii) Note A:

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

| | Group As at 31 Jul 2019 RM'000 | Group As at 31 Jul 2018 RM'000 |
|---|--|--|
| Cash at bank and on hand | 4,121 | 5,833 |
| Short-term bank deposits | 27,980 | 19,635 |
| Cash and cash equivalents per Group statement of financial position | 32,101 | 25,468 |
| Less: Deposits placed with banks as security | 1,000 ⁽¹⁾ | 1,000 ⁽¹⁾ |
| Cash and cash equivalents per consolidated cash flow statement | 31,101 | 24,468 |

Note:

- (1) The Group is required to provide a performance bond in the sum of RM1.0 million to the Chief Conservator as required by the Sustainable Forest Management Licence Agreement in order to commence work in the forest reserve area.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

| FY2019 (Unaudited) | Share capital RM'000 | Retained Profits RM'000 | Total RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
|---|---------------------------------|------------------------------------|-------------------------|--|--------------------------------|
| At 1 August 2018 | 15,207 | 8,977 | 24,184 | 4,150 | 28,334 |
| Total comprehensive income for the year | - | 8,876 | 8,876 | 4,265 | 13,141 |
| Dividend paid | - | (1,459) | (1,459) | - | (1,459) |
| Dividend payable | - | - | - | (1,045) | (1,045) |
| At 31 July 2019 | 15,207 | 16,394** | 31,601 | 7,370 | 38,971 |
| FY2018 (Audited) | | | | | |
| At 1 August 2017 | 1,000 | 1,142 | 2,142 | 918 | 3,060 |
| Total comprehensive income for the year | - | 7,535 | 7,535 | 3,372 | 10,907 |
| Issuance of shares at date of incorporation, 8 August 2017 | * | - | * | - | * |
| Issuance of shares at 26 April 2018 | 4,700 | - | 4,700 | - | 4,700 |
| Restructuring exercise | (3,350) | 300 | (3,050) | 700 | (2,350) |
| Total transactions with owners, recognised directly in equity | 1,350 | 300 | 1,650 | 700 | 2,350 |
| Issuance of new shares pursuant to IPO | 13,698 | - | 13,698 | - | 13,698 |
| Capitalisation of listing expenses | (841) | - | (841) | - | (841) |
| Dividend payable | - | - | - | (840) | (840) |
| At 31 July 2018 | 15,207 | 8,977 | 24,184 | 4,150 | 28,334 |

Note:

* - less than RM1,000

Company

| | Share capital RM'000 | Retained Profits RM'000 | Total RM'000 |
|---|-------------------------|----------------------------|-----------------|
| FY2019 (Unaudited) | | | |
| At 1 August 2018 | 15,207 | 1,628 | 16,835 |
| Total comprehensive income for the financial year | - | 1,377 | 1,377 |
| Dividend paid | - | (1,459) | (1,459) |
| At 31 July 2019 | 15,207 | 1,546 | 16,753 |

| | Share capital RM'000 | Retained Profits RM'000 | Total RM'000 |
|--|-------------------------|----------------------------|-----------------|
| FY2018 (Audited) | | | |
| Date of incorporation, 8 August 2017 | - | - | - |
| Issuance of shares at date of incorporation, 8 August 2017 | * | - | * |
| Total comprehensive income for the financial year | - | 1,628 | 1,628 |
| Issuance of shares at 26 April 2018 | 2,350 | - | 2,350 |
| Issuance of new shares pursuant to IPO | 13,698 | - | 13,698 |
| Capitalisation of listing expenses | (841) | - | (841) |
| At 31 July 2018 | 15,207 | 1,628 | 16,835 |

Note:

* - less than RM1,000

** Included in retained profits is an amount of RM13.3 million (FY2018: RM5.9 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.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

| | No. of issued shares | Issued and paid-up share capital (RM) |
|--------------------------------------|-----------------------------|--|
| Balance as at 31 January 2019 | 118,474,000 | 15,207,073 |
| Balance as at 31 July 2019 | 118,474,000 | 15,207,073 |

The Company did not have any outstanding convertibles as at 31 July 2019 and 31 July 2018.

The Company did not have any treasury shares and subsidiary holdings as at 31 July 2019 and 31 July 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | As at 31 Jul 2019 | As at 31 Jul 2018 |
|--|------------------------------|------------------------------|
| Total number of issued shares (excluding treasury shares) | 118,474,000 | 118,474,000 |

The Company did not have any treasury shares as at 31 July 2019 and 31 July 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. 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.

3. 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.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with that of the Group's most recently audited financial statements for the financial year ended 31 July 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018.

The Group has adopted SFRS(I) on 1 August 2018 and as a result, the Group's financial statements for the financial year ending 31 July 2019 will be prepared in accordance with SFRS(I).

The adoption of SFRS(I) does not result in any material changes to the Group's accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements as at 31 July 2018.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

| | Group | |
|--|-------------------------|-------------------------|
| | <u>FY2019</u> RM'000 | <u>FY2018</u> RM'000 |
| Profit attributable to owners of the Company | 8,876 | 7,535 |
| Weighted average number of ordinary shares ('000) | 118,474 | 118,474 |
| Basic and diluted EPS based on actual number of shares ⁽¹⁾ (RM) | 0.07 | 0.06 |

Notes:

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and (b) immediately preceding financial year.

| | Group As at 31 Jul 2019 RM'000 | Group As at 31 Jul 2018 RM'000 | Company As at 31 Jul 2019 RM'000 | Company As at 31 Jul 2018 RM'000 |
|---|--|--|--|--|
| Net asset value ("NAV") | 38,971 | 28,334 | 16,753 | 16,835 |
| Number of ordinary shares in issue ('000) | 118,474 | 118,474 | 118,474 | 118,474 |
| NAV per ordinary share based on issued share capital (RM) | 0.33 | 0.24 | 0.14 | 0.14 |

8. 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 FY2019 as compared to FY2018

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 RM118,000, or 0.3% in FY2019 compared to FY2018 mainly due to a decrease in sales volume from 68,887m³ in FY2018 to 65,528m³ in FY2019 as a result of a decrease in demand in 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 RM 1.0 million, repair and maintenance expenses of RM0.1 million, and employee compensation of RM0.6 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%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Review of the Group's financial position as at 31 July 2019 as compared to 31 July 2018.

Current assets

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

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.

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 RM0.3 million, or 10% in FY2019 mainly due to longer credit terms given to customers during the year as compared to FY2018.

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 period.

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 RM2.6 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.

Current liabilities

Trade and other payables amounted to approximately RM3.7 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 RM0.4 million, or 46% in FY2019 compared to FY2018 mainly due to prompt payment made to contractors and other suppliers. Other payables increased by approximately RM1 million, or 42% 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 liability amounted to RM0.8 million or 66% of non-current liabilities. Deferred income tax liability increased by approximately RM0.7 million or 878% in FY2019 compared to FY2018 mainly due to higher 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.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

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 of approximately RM0.8 million is mainly due to the payment of dividends to the shareholders.

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

No forecast or prospect statement has been previously disclosed to shareholders.

10. 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.

Global trade tensions have adversely impacted the economies of Sabah's timber products' major importers. 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% for value and volume respectively as compared to the first half of 2018.

We expect market conditions to be challenging. However, barring any unforeseen circumstances, we expect the Group to remain profitable for FY2020.

11. Dividend

If a decision regarding dividend has been made:-

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

| | |
|------------------------------------|------------------------|
| Name of Dividend (First and Final) | Ordinary |
| Dividend Type | Cash |
| Dividend Amount per Share | 0.004 Singapore dollar |
| Tax Rate | Tax exempt (one-tier) |

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

| | |
|------------------------------------|------------------------|
| Name of Dividend (First and Final) | Ordinary |
| Dividend Type | Cash |
| Dividend Amount per Share | 0.004 Singapore dollar |
| Tax Rate | Tax exempt (one-tier) |

(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).

Please refer to 11 (a).

(d) The date the dividend is payable.

Subject to approval by the Shareholders at the forthcoming annual general meeting, dividend to be paid on 12 December 2019.

(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.

Subject to approval by the Shareholders at the forthcoming annual general meeting, the book closure date will be 3 December 2019.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. 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.

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

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the financial year ended 31 July 2019 to be false or misleading in any material aspect.

15. 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.

16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group operates predominantly in only one business segment, which is the timber segment, namely the extraction and sale of timber.

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by operating segments.

Not applicable.

18. A breakdown of sales as follows:-

| | Group FY2019 RM'000 | Group FY2018 RM'000 | Increase/ (Decrease) % |
|--|---------------------------|---------------------------|------------------------------|
| Sales reported for first half year | 24,164 | 21,556 | 12 |
| Net profit attributable to the Group for the first half year | 8,840 | 8,533 | 4 |
| Sales reported for second half year | 15,648 | 18,374 | (15) |
| Net profit attributable to the Group for second half year | 4,301 | 2,374 | 81 |

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest fully year and its previous full year as follows:-

| | Company FY2019 RM'000 | Company FY2018 RM'000 |
|------------|-----------------------------|-----------------------------|
| Ordinary | 1,431* | 1,459 |
| Preference | -* | - |
| Total | -* | 1,459 |

- * The Company has proposed a final dividend of S\$0.004 per share for FY2019, subject to shareholders' approval at the forthcoming annual general meeting.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

| Name | Age | Family relationship with any directors and/or substantial shareholder | Current position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|----------------------------------|------------|--|--|--|
| Datuk Jema Anton Khan | 54 | Son of Tan Sri Abdul Majid Khan (substantial shareholder of the Company) | Chairman and Chief Executive Officer | None |
| Abdul Rahman Khan Bin Hakim Khan | 46 | Nephew of Tan Sri Abdul Majid Khan and cousin of Datuk Jema Khan | Executive Director | None |

21. Use of IPO Proceeds

Pursuant to the Company's 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 announcement, the Net Proceeds have been utilised as follows:

| <u>Purpose</u> | <u>Amount allocated</u> (S\$'000) | <u>Amount utilised</u> (S\$'000) | <u>Balance</u> (S\$'000) |
|---|---|--|--|
| Development of the plantation site within the Licensed Area | 1,900 | (884) | 1,016 |
| Working capital | 1,250 | (579) ⁽¹⁾ | 671 |
| Listing expenses | 1,350 | (1,350) | - |
| | | | |
| Total | 4,500 | (2,813) | 1,687 |

Note:

(1) The utilisation of proceeds under working capital amounted S\$579,000 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.

BY ORDER OF THE BOARD

Jema Anton Khan
Executive Chairman and Chief Executive Officer
27 September 2019