



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 2023**

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.

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 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 2023 (Unaudited) RM'000	Group 6-month Period Ended 31 January 2022 (Unaudited) RM'000	Increase/ (Decrease) %
Revenue	4	9,399	6,563	43
Cost of sales		(5,177)	(3,487)	48
Gross Profit		<u>4,222</u>	<u>3,076</u>	37
Other income		392	238	65
Expenses				
- Distribution		(673)	(344)	96
- Administrative		(4,212)	(3,595)	17
- Finance		(45)	(97)	(54)
Loss before income tax	6	<u>(316)</u>	<u>(722)</u>	(56)
Income tax credit	7	120	-	NM
Total comprehensive loss for the period attributable to equity holders of the Company		<u><u>(196)</u></u>	<u><u>(722)</u></u>	(73)
Loss attributable to:				
Equity holders of the Company		(213)	(584)	(64)
Non-controlling interests		17	(138)	NM
		<u>(196)</u>	<u>(722)</u>	(73)
Loss per share attributable to owners of the Company (Sen)	17	<u>(0.18)</u>	<u>(0.49)</u>	

Note:
NM – Not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group As at 31 Jan 2023 (Unaudited) RM'000	Group As at 31 Jul 2022 (Audited) RM'000	Company As at 31 Jan 2023 (Unaudited) RM'000	Company As at 31 Jul 2022 (Audited) RM'000
	Note				
ASSETS					
Current assets					
Cash and bank balances	8	27,244	29,022	5,409	5,926
Trade and other receivables	9	8,286	8,756	7,052	6,919
Income tax recoverable		1,702	1,243	-	-
Inventories		1,377	1,149	-	-
Total current assets		38,609	40,170	12,461	12,845
Non-current assets					
Other receivables	9	1,420	1,332	-	-
Investment in subsidiary		-	-	2,350	2,350
Property, plant and equipment	10	3,672	3,099	-	-
Right-of-use assets		909	984	-	-
Biological assets	11	17,073	13,590	-	-
Intangible assets	12	462	465	-	-
Total non-current assets		23,536	19,470	2,350	2,350
Total assets		62,145	59,640	14,811	15,195
LIABILITIES					
Current liabilities					
Trade and other payables	13	2,479	3,809	316	444
Borrowings	14	183	180	-	-
Total current liabilities		2,662	3,989	316	444
Non-current liabilities					
Borrowings	14	8,546	4,398	-	-
Deferred income tax liabilities		3,187	3,307	-	-
Total non-current liabilities		11,733	7,705	-	-
Total liabilities		14,395	11,694	316	444
Net Assets		47,750	47,946	14,495	14,751
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	15	15,207	15,207	15,207	15,207
Retained profits					
- Distributable		8,733	6,539	(712)	(456)
- Non-distributable (strategic reserve)		13,123	15,530	-	-
	16	21,856	22,069	(712)	(456)
		37,063	37,276	14,495	14,751
Non-controlling interests		10,687	10,670	-	-
Total equity		47,750	47,946	14,495	14,751

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
HY2023 (Unaudited)						
At 1 August 2022		15,207	22,069	37,276	10,670	47,946
Total comprehensive loss for the financial period		-	(213)	(213)	17	(196)
At 31 January 2023		15,207	21,856	37,063	10,687	47,750
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

Company

	Note	Share capital RM'000	Retained profits RM'000	Total RM'000
HY2023 (Unaudited)				
At 1 August 2022		15,207	(456)	14,751
Total comprehensive loss for the financial period		-	(256)	(256)
At 31 January 2023		15,207	(712)	14,495
HY2022 (Unaudited)				
At 1 August 2021		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

D. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Group 6-month Period Ended 31 January 2023 (Unaudited) RM'000	Group 6-month Period Ended 31 January 2022 (Unaudited) RM'000
Cash flows from operating activities			
Net loss		(196)	(722)
Adjustments for:			
- Depreciation of property, plant and equipment		226	251
- Amortisation of intangible assets		3	3
- Depreciation of right-of-use assets		34	92
- Interest income		(386)	(236)
- Interest expense		45	97
- Income tax credit		(120)	-
Operating cash flows before working capital changes		(394)	(515)
Changes in working capital:			
- Inventories		(228)	101
- Trade and other receivables		558	5,157
- Trade and other payables		(1,330)	(1,634)
Cash (used in)/provided by operations		(1,394)	3,109
Income tax paid		(459)	(38)
Net cash (used in)/provided by operating activities		(1,853)	3,071
Cash flows from investing activities			
Additions to property, plant and equipment		(884)	(541)
Additions to biological assets		(3,251)	(2,230)
Net cash used in investing activities		(4,135)	(2,771)
Cash flows from financing activities			
Principal payment of lease liabilities/ finance lease liabilities		(116)	(114)
Proceeds from borrowings		4,162	-
Interest received		209	151
Interest paid		(45)	(48)
Dividend paid		-	(1,914)
Net cash provided by/(used in) financing activities		4,210	(1,925)
Net decrease in cash and cash equivalents		(1,778)	(1,625)
Cash and cash equivalents at beginning of the year		28,022	32,965
Cash and cash equivalents at end of the period	8	26,244	31,340

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 logs.

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 2023 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 2022.

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 2022.

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 business is not affected significantly by seasonal or cyclical factors during the financial period.

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 logs. 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 2023 and 2022 were derived and are based in Malaysia respectively.

	HY2023 (Unaudited) RM'000	HY2022 (Unaudited) RM'000
Sale of logs	9,399	6,563

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 2023 and 31 July 2022:

	Group		Company	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
Financial assets at amortised cost:				
Cash and bank balances	27,244	29,022	5,409	5,926
Trade and other receivables	9,651	10,033	6,957	6,743
Financial liabilities at amortised cost:				
Trade and other payables	2,479	3,809	316	444
Borrowings	8,729	4,578	-	-

6. Profit before taxation

6.1 Significant items

	HY2023 (Unaudited) RM'000	HY2022 (Unaudited) RM'000
Income		
Interest income	386	236
Expenses		
Finance expenses:		
- Finance lease liabilities	11	11
- Lease liabilities	34	37
Amortisation of intangible asset	3	3
Depreciation of property, plant and equipment	226	251
Depreciation of right-of-use assets	34	92
Employee compensation	2,177	2,016

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 2023 (Unaudited) RM'000	As at 31 January 2022 (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 2023 (Unaudited) RM'000	As at 31 January 2022 (Unaudited) RM'000
Directors of the Company		
Wages and salaries	321	320
Defined contributions plan	<u>21</u>	<u>20</u>
	<u>342</u>	<u>340</u>
Other key management personnel		
Wages and salaries	255	255
Defined contributions plan	<u>32</u>	<u>32</u>
	<u>287</u>	<u>287</u>

7. Taxation

The Group calculates the year income tax expense using the tax rate of 24% (2022: 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:

	HY2023 (Unaudited) RM'000	HY2022 (Unaudited) RM'000
Current income tax expense	-	-
Deferred income tax expense relating to origination and reversal of temporary differences	<u>(120)</u>	-
	<u>(120)</u>	-

8. Cash and bank balances

	Group		Company	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
Cash at bank and on hand	10,223	5,312	157	738
Short-term bank deposits	17,021	23,710	5,252	5,188
Cash and cash equivalents per Group statement of financial position	27,244	29,022	5,409	5,926
Less: Deposits placed with banks as security (Note 12)	1,000	1,000	-	-
Cash and cash equivalents per consolidated cash flow statement	26,244	28,022	5,409	5,926

9 Trade and other receivables

	Group		Company	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
<i>Current</i>				
Trade receivables – non-related parties	7,070	7,546	-	-
Other receivables - non-related parties	1,055	1,085	-	-
- subsidiary corporation	-	-	6,957	6,743
- related corporation	2	-	-	-
Deposits	104	70	-	-
Prepayments	55	55	95	176
	8,286	8,756	7,052	6,919
<i>Non-current</i>				
Other receivables – non-related party	1,420	1,332	-	-
Total trade and other receivables	9,706	10,088	7,052	6,919

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 2023, the Group acquired assets amounting to RM884,397 (31 January 2022: RM540,505).

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 RM85,712 (31 January 2022: RM104,796) is capitalised and included in biological assets (Note 11).

11 Biological assets

	Group	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
Beginning of financial year	13,590	8,656
Additions	3,483	4,934
End of financial year	<u>17,073</u>	<u>13,590</u>

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 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
<u>Acquired timber rights</u>		
<i>Cost</i>		
Beginning and end of financial year	<u>500</u>	<u>500</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	35	30
Amortisation charge (Note 6)	3	5
End of financial year	<u>38</u>	<u>35</u>
Net book value		
End of financial year	<u>462</u>	<u>465</u>

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 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
Trade payables – non-related parties	397	2,139	-	-
Other payables				
- non-related parties	681	305	210	180
- Subsidiary corporation	-	-	120	120
- Related parties	3	1	-	-
Dividend payable	-	-	-	-
Accruals for operating expenses	1,398	1,364	(14)	144
	<u>2,479</u>	<u>3,809</u>	<u>316</u>	<u>444</u>

Other payables to subsidiary 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 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
<u>Current</u>		
Lease liabilities	<u>183</u>	<u>180</u>
<u>Non-current</u>		
Lease liabilities	966	1,085
Borrowings	<u>7,580</u>	<u>3,313</u>
	<u>8,546</u>	<u>4,398</u>
Total borrowings	<u>8,729</u>	<u>4,578</u>

14. Borrowings (continued)

(a) Lease liabilities

	Group	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
<u>Amount repayable within one year or on demand</u>		
Secured	117	114
Unsecured	66	66
	<u>183</u>	<u>180</u>
<u>Amount repayable after one year</u>		
Secured	301	361
Unsecured	665	724
	<u>966</u>	<u>1,085</u>
Total lease liabilities	<u>1,149</u>	<u>1,265</u>

(b) Borrowings

	Group	
	As at 31 January 2023 (Unaudited) RM'000	As at 31 July 2022 (Audited) RM'000
<u>Amount repayable after one year</u>		
Secured	7,580	3,313

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 amounting to RM45,276,800 in totality is secured by the corporate guarantee of the immediate and ultimate holding corporation, deed of assignment of the licensed area of approximately 6,762 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
HY2023				
Beginning and end of financial period	118,474	15,207	118,474	15,207
HY2022				
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 2022.

The Company did not have any convertible securities, treasury shares and subsidiary holdings as at 31 January 2023, 31 July 2022 and 31 January 2022.

16. Retained profits

Included in retained profits is an amount of RM13 million (31 July 2022: RM16 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	
	HY2023 (Unaudited)	HY2022 (Unaudited)
Loss attributable to owners of the Company (RM'000)	(213)	(584)
Weighted average number of ordinary shares ('000)	118,474	118,474
Basic and diluted EPS based on actual number of shares ⁽¹⁾ (Sen)	(0.18)	(0.49)

Note:

(1) The basic and fully diluted EPS were the same as there were no dilutive ordinary shares in issue as at 31 January 2023 and 31 January 2022.

18. Net asset value

	Group		Company	
	As at 31 January 2023 (Unaudited) RM	As at 31 July 2022 (Audited) RM	As at 31 January 2023 (Unaudited) RM	As at 31 July 2022 (Audited) RM
Net asset value per ordinary share	0.40	0.40	0.12	0.12

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 HY2023 as compared to HY2022

Revenue

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

Revenue increased by RM2.8 million, or 43% in HY2023 compared to HY2022 mainly due to an increase in sales volume in HY2023 as compared to HY2022 following the uplift of Covid-19 restrictions.

Cost of sales and gross profits

The increase in cost of sales by RM1.7 million, or 48% in HY2023 compared to HY2022 was mainly due to an increase in sales volume.

The gross profit increased by RM1.1 million, or 37% in HY2023 compared to HY2022 mainly due to an increase in revenue. The gross profit margin decreased from 47% in HY2022 to 45% in HY2023 mainly due to a decrease in average selling price.

Other income

Other income comprises mainly of interest income from fixed deposits. Other income increased by RM154,000, or 65% in HY2023 compared to HY2022 mainly due to increase in interest rates on our fixed deposits.

Distribution expenses

Distribution expenses comprised of transportation expenses incurred for transporting our logs to customers in Tawau, Sandakan and Keningau. Distribution expenses increased by RM329,000 or 96% mainly due to an increase in sales from customers requiring delivery of logs to their factories 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 RM617,000, or 17% in HY2023 compared to HY2022 mainly due to an increase in employee compensation as a result of the New Minimum Wages Order in HY2023 as compared to HY2022.

Loss after tax

As a result of the foregoing, loss after tax in HY2023 amounted to RM196,000 compared to a loss after tax of RM722,000 in HY2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Review of the Group's financial position as at 31 January 2023 as compared to 31 July 2022.

Current assets

Cash and bank balances were the most significant component of current assets and amounted to approximately RM27.2 million, or 71% of current assets.

Trade and other receivables amounted to approximately RM8.3 million, or 21% of current assets. Trade receivables amounted to approximately RM7.1 million, or 18% of current assets. Other receivables amounted to approximately RM1.2 million or 3% of current assets. Trade receivables decreased by approximately RM0.5 million as at 31 January 2023 mainly due to improved collection.

Non-current assets

Other receivables amounted to approximately RM1.4 million or 6% 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 RM3.7 million, or 16% of non-current assets comprising mainly motor vehicles, plantation infrastructure, office equipment, and furniture and fittings. Property, plant and equipment increased by RM0.6 million, or 18% as at 31 January 2023 compared to as at 31 July 2022 mainly due to additional plantation infrastructure expenditure.

Right-of-use ("ROU") asset amounted to RM0.9 million, or 4% 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 RM75,000, or 8% as at 31 January 2023 compared to as at 31 July 2022 mainly due to the depreciation of right-of-use asset.

Biological assets amounted to approximately RM17.1 million, or 73% 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 RM3.5 million, or 26% 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 2% 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 RM2.5 million, or 93% of current liabilities comprising mainly of trade payables of RM397,000 and other payables amounting to RM2.1 million. Trade payables decreased by RM1.7 million as at 31 January 2023 compared to 31 July 2022 mainly due to prompt payment made to the contractors. Other payables increased by approximately RM0.4 million, or 25% as at 31 January 2023 compared to 31 July 2022 due to accruals for operating expenses.

Non-current liabilities

Lease liabilities amounted to RM1.0 million, or 8% 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 RM119,000 or 11% as at 31 January 2023 compared to as at 31 July 2022 mainly due to the repayment of lease liabilities.

Borrowings amounted to RM7.6 million, or 65% 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 used in operating activities of approximately RM1.9 million in HY2023 mainly due to reduction in trade and other payables.

Net cash used in investing activities of approximately RM4.1 million in HY2023 is related to additions to plantation infrastructure and biological assets.

Net cash provided by financing activities of approximately RM4.2 million is mainly due to drawdown of the loan facility from Forest Plantation Development Sdn Bhd ("FPD").

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

The Group's performance for the period under review is in line with its expectation as disclosed in the announcement of results for the full year ended 31 July 2022 issued on 29 September 2022.

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 statistics from the Department of Statistics, Sabah showed that exports of timber products from Sabah for the year 2022 recorded an increase of 7% and decrease of 9%, for value and volume respectively, as compared to the year 2021. However, the global recession and the on-going war in Ukraine have impacted the economies of Sabah timber importers going into the year 2023. We expect the market conditions to continue to be weak in 2023.

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. No dividend was declared in HY2022.

(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 2023 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 HY2023.

BY ORDER OF THE BOARD

Jema Anton Khan
Chairman
15 March 2023