



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Jawala Inc.

Security: Jawala Inc.

Meeting details:

Date: 26 November 2018

Time: 2.00 p.m.

Venue: Rose Room I & II, York Hotel, 21 Mount Elizabeth, Singapore 228516

Company Description

Jawala Inc., a forest resource company, focuses on industrial tree plantations located in Sabah. The company engages in the management of forestry resources, and the planting and extraction of timber, as well as cultivation of industrial tree plantations. It also sells logs and timber. The company was incorporated in 2017 and is based in Kuala Lumpur, Malaysia. Jawala Inc. is a subsidiary of Jawala Corporation Sdn Bhd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1J7)

1. On 7 November 2018, after the close of trading, the company announced that it was verbally informed by the officers-in-charge at CIMB Bank Berhad and Public Bank Berhad on 5 November 2018 that the main bank accounts of its subsidiary, Jawala Plantation Industries Sdn. Bhd (“JPI”), have been suspended by the Regulators/Authorities with effect from 5 November 2018.

The company then proceeded to request for a trading halt of the shares on 8 November 2018 (before the market opened) and voluntarily suspended the trading of its shares on 12 November 2018 as it needed more time to “engage with and seek clarification from the relevant authorities and regulators in Malaysia in respect of the suspension of the Bank Accounts”.

- (i) Would the company provide better clarity on the identities of the “relevant authorities and regulators in Malaysia” that ordered the suspension of the bank accounts of JPI?**
- (ii) Would management update shareholders on the actions it is taking to resolve this issue?**
- (iii) How is the board (including the independent director) helping the company to resolve this issue?**
- (iv) Has the audit committee taken the opportunity to review the effectiveness and adequacy of the internal controls and procedures (including accounting, financial controls, operational, compliance and informational technology and risk management systems) of the company and its subsidiaries?**

As disclosed in the offer document dated 24 May 2018, the audit committee undertook to “commission an annual internal controls audit until such time that it is satisfied that the internal controls of [the] Group are sufficiently robust and effective in mitigating any key internal control weaknesses [the] Group may have” (page 164).

- (v) Can the audit committee confirm that an annual internal controls audit was carried out in the financial year? If so, can the audit committee share the findings from the internal controls audit?**

2. As noted in the corporate profile (page 1 of the annual report), the group focuses on the cultivation of industrial tree plantations through the implementation of sustainable forest management practices within the Sapulut Forest Reserve, Sabah. The licence covers an area of approximately 11,043 hectares (with an estimated 9,037 hectares suitable for planting) until 31 December 2115.

- (i) Can management confirm that the revenue of RM39.9 million recognised for the financial year was all derived from salvage logging within the licensed area?**

As noted in the offer document, salvage logging started in 2016 and will continue until 2021. In the Chairman and CEO message, it was disclosed that the company has carried out salvage logging at an “expanded pace”.

- (ii) Would management help shareholders understand the reasons for the “expanded pace” of salvage logging? Would the group be able to continue the salvage logging at a “sustainable pace” until 2021?**
- (iii) Can management confirm that the group is on track to complete the planting programme of over 840 hectares in 2018?**
- (iv) Would the company provide shareholders with better visibility of the planting programme from 2018 to 2025 (as disclosed in the offer document) which will cover the 8,000-8,500 hectares within the licensed area which is suitable for the industrial tree plantation initiative?**
- (v) For the benefit of shareholders who might not be familiar with the forestry business, could the company identify the key value drivers of the industry? What are the core competencies of the group and of its senior management team?**
- (vi) What is the capacity of the group’s nursery? Given that a constant supply of seedlings is needed to support the group’s planting programme, does the group have any contingency plan for the nursery?**

3. The expected rotation period of the commercial forest plantation is approximately 8 to 10 years. That is, for seedlings planted in 2018, the projected harvest would occur in 2026. Currently, salvage logging is expected to be completed by 2021. As stated as a key risk in the offer document, there might be a significant reduction of revenue during the period 2022 to 2026.

- (i) Can management help shareholders understand the cost of the planting programme for each hectare? Specifically, what is the projected cost for the planting of over 800 hectares of new trees and saplings before the end of calendar year 2018?**
- (ii) What is the impact on the group’s cash flow once the planting programme is started? Is the group able to generate sufficient cashflow for its working capital and expected capital expenditure to fund the planting programme?**

It was disclosed that the expected capital expenditure required during the “Development Period” of 2018 to 2026 is approximately RM56.5 million. Cash and cash equivalents at the end of the year amounted to RM24.5 million, boosted by the cash flow from operating activities of RM9.97 million and the net proceeds from the IPO of S\$4.5 million.

- (iii) With the group starting on the planting process, has the group made further updates to the expected capital expenditure during the development period?**