Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Jawala Inc.

Stock code: 1J7

Meeting details:
Date: 27 November 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As disclosed in the corporate profile (page 1 of the annual report), the group is committed to "Replanting Sabah's Forests For Future Generations" and balancing its commercial success.

The group had engaged a consultant to assess the High Conservation Value (HCV) areas and provided HCV training to its senior staff in the plantation. In FY2020, the group successfully replanted approximately 348,000 seedlings in a total area of more than 720 hectares.

(i) **When will the HCV report be ready? Will the group be sharing the key findings of the HCV report?**

(ii) **In what ways might the HCV report impact the group's growth prospects and shape the group's growth strategies?**

In the group's Sustainability report (31 July 2019), the group had set targets of 96% for forest silviculture and 984 hectares to be replanted for FY2020. As shown on page 49, the group achieved a forest silviculture rate of 90.2% and replanted 727 hectares. The drop in silviculture rate was due to the Movement Control Order imposed by the Government of Malaysia in March 2020 while the shortfall of 118 hectares in replanting was mainly due to steep and rocky area, water catchment and High Conservation Value area.

(iii) **What is the average cost to replant 1 hectare?**

(iv) **Without considering the unprecedented disruption caused by the pandemic in 2020, how does the board/management ensure that the group is better able to meet its sustainability targets?**

(v) **How significant is the variance (shortfall) of 118 hectares in replanting and the lower silviculture rate on the group's prospects (harvest) in the future?**

Q2. As noted in the chairman and CEO message, the group's revenue is derived principally from the sale of timber. For the financial year under review, total revenue amounted to RM20.7million, a drop of 48% from RM39.8 million achieved in FY2019.

This was due to a decrease in sales volume from 65,528 m^3 to 41,756m^3 as a result of a decrease in the demand of logs and a decrease in average selling price from the local markets.

(i) **Can the board/management help shareholders understand how much discretion and agility does the group have in the timing of felling, extracting and harvesting under the concession?**

It would appear that the average selling price dropped by approximately 18% year on year.

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(ii) **How does the group react to market conditions to maximise the value of its limited resources? For instance, does it have the capacity to store and hold inventory to achieve a better average selling price for its products?**

(iii) **What progress has the group made to increase its base of foreign purchasers?**

(iv) **Can management also clarify if the group processes and value-adds to the logs before selling them to customers? Has the group been able to leverage on technology in forest management, harvesting and processing (if any) to improve its yield?**

Q3. In the offer document dated 24 May 2018, the company has stated that it intends to recommend and distribute dividends of not less than 20% of the group's profit after tax to shareholders for FY2018 and FY2019.

The company declared and paid a dividend of $0.004 per ordinary share in FY2018 and in FY2019.

For FY2020, no dividend has been declared or recommended after taking into consideration the lower profit recorded by the group.

Cash and cash equivalents decreased slightly to RM29.7 million at the end of the year, down from RM31.1 million a year ago. Cash flow from operating activities amounted to RM3.8 million. In Note 22 (page 107 – Retained profits), the group disclosed that it has covenant to set aside its share in 75% of the profit after tax of the subsidiary corporation (Note 13) to be placed as strategic reserves.

(i) **Would the board clarify further on the cash generative ability of the company and on its ability to declare dividends to shareholders, given the covenant place on its main operating subsidiary (Jawala Plantation Industries Sdn. Bhd.)?**

(ii) **Was this covenant disclosed as a risk factor in the offer document? If not, why not?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)