



JAWALA INC.

(Incorporated in Labuan on 8 August 2017)

(Company Registration No. LL13922)

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31
JULY 2020**

The board of directors (the “**Board**”) of Jawala Inc. (the “**Company**”, and together with its subsidiary, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 July 2020 (“**Annual Report 2020**”). The Company wishes to provide its responses to the queries from SIAS below:

SIAS Query 1

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?**

Company’s Response

The Group will share the key findings of the HCV report in the next Sustainability Report.

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

Company’s Response

The HCV report helps the Group in its sustainability efforts. At the same time, it also helps the Group to identify the areas to plant. The HCV report should not have a material impact in the Group’s growth prospects or strategies in the future.

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?**

Company's Response

The Group's biological assets are clearly recorded in its balance sheet, however the Group believes that providing additional granular detail is commercially sensitive.

(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?**

Company's Response

The HCV report helps the Group in identifying and meeting its sustainability targets for the future.

(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?**

Company's Response

Replanting is always an ongoing and continuing process. The Group will make good any shortfall in due course.

SIAS Query 2

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 RM20.7 million, a drop of 48% from RM39.8 million achieved in FY2019.

This was due to a decrease in sales volume from 65,528m³ to 41,756m³ 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?**

Company's Response

The Group is guided by its Annual Working Plan and Coupe Permits as approved by the Sabah Forestry Department as to what may be felled in any particular year. However, if the market and demand are weak, the felling could be slowed down.

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

- (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?**

Company's Response

The Group does not have the capacity to store and hold logs as these are perishable items and have to be shipped out as soon as possible to maintain freshness and quality. Storing and holding for long periods will result in degradation of quality.

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

Company's Response

The Group's logs are only sold domestically.

- (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?**

Company's Response

The Group does not significantly value-add via technology, other than ensuring the freshness and quality of the logs at the time of sale.

SIAS Query 3

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 placed on its main operating subsidiary (Jawala Plantation Industries Sdn. Bhd.)?**

Company's Response

The declaration of dividends will depend on the profitability and cash needs of the Group.

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

Company's Response

The Company had disclosed the covenant and the risk associated with the Company's ability to declare dividends in its Offer Document dated 24 May 2018.

By Order of the Board of Directors

Datuk Jema Khan
Executive Chairman and Chief Executive Officer

25 November 2020

This announcement has been prepared by Jawala Inc. (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("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.