

**Explanatory Notes To The Interim Financial Report for the 1st Quarter Of The Financial Year Ending 30 June 2011**

**1. Basis of preparation**

The interim financial report is prepared in accordance with the requirements outlined in the Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s Annual Audited Financial Report for the Year Ended 30 June 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2010.

**2. Significant Accounting policies**

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 30 June 2010 except for the adoption of the following new/revised standards, amendments and interpretations:

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 117	Leases
Amendment to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to FRSs	Improvements to FRSs (2009)

The adoption of the above new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes in accounting resulting from the adoption of FRS 139 and Amendments to FRS 117 are summarised below:

## FRS 139

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments.

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

## Amendments to FRS 117

Amendments to FRS 117: Leases requires entities with unexpired land leases to reassess the classification of such land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

### **Balance Sheet**

	<b>As previously reported RM'000</b>	<b>Effects of changes in accounting policy RM'000</b>	<b>As restated RM'000</b>
<b>At 30 June 2010</b>			
Property, plant and equipment	76,434	24,530	100,964
Prepaid lease payments	24,530	(24,530)	-

### 3. **Audit report of the preceding annual financial statements**

There was no qualification of the Group's audited annual financial statements for the year ended 30 June 2010.

### 4. **Seasonality or cyclicity of operations**

The business operations of the Group were generally affected by the seasonal changes in weather and buying patterns.

### 5. **Items of unusual nature, size or incidence**

There were no items of unusual nature, size or incidence affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review and financial period to date.

### 6. **Changes in estimates**

There were no changes in estimates that have had material effects in the current quarter and financial period to date.

7. **Issuance and repayment of Debt and Equity Securities**

There were no issuance and repayment of Debt and Equity securities in the current quarter (current financial to date "YTD").

8. **Dividend paid**

There were no dividends paid in the current quarter.

9. **Segmental reporting**

The segmental reporting for the period ended 30 September 2010:

	<b>Timber Products</b> RM'000	<b>Plantation</b> RM'000	<b>Investment Holding</b> RM'000	<b>Eliminations</b> RM'000	<b>Consolidated</b> RM'000
<b>Segment Revenue</b>					
External revenue	14,746	196	-	-	14,942
Intersegment revenue	3,208	-	783	(3,991)	-
Total revenue	17,954	196	783	(3,991)	14,942
<b>Segment Result</b>					
Operating profit/(loss)	(1,527)	(256)	(1,857)	-	(3,640)
Finance costs	(293)	-	(11)	-	(304)
Taxation	64	-	-	-	64
Net profit/(loss) after taxation	(1,756)	(256)	(1,868)	-	(3,880)
Minority interest	-	-	51	-	51
Net profit/(loss) for the period	(1,756)	(256)	(1,817)	-	(3,829)

10. **Property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendments from previous annual financial statements.

11. **Subsequent events**

There were no significant events subsequent to the end of the current financial period to date that have not been reflected in the financial statements.

12. **Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial period to date.

13. **Contingent liabilities / assets**

There were no material changes in the contingent assets or liabilities since the last annual balance sheet date

14. **Related party transactions**

There were no related party transactions during the quarter except for rental of premises amounting to RM115,974 (YTD:RM115,974) paid/payable to Desa Samudra Sdn. Bhd, companies in which a director, Dato' Choo Keng Weng has financial interest. This transaction has been entered into in the normal course of business and has been established in commercial terms.

15. **Review of Performance**

The revenue for the reported quarter of RM14.9 million is lower than RM28.8 million as recorded for the corresponding quarter of last year. The current quarter has reported a loss before taxation of RM3.9 million as compared to a profit before taxation of RM1.1 million recorded for the corresponding quarter of last year.

The decrease in profit is mainly due to the lower sales volume as a result of the shortage of raw materials.

16. **Material Changes in results compared with immediate preceding quarter**

The Group's revenue for the reported quarter of RM14.9 million is lower than the RM29.1 million recorded for the immediate preceding quarter.

The Group registered a loss before taxation of RM3.9 million in the current quarter as compared to the profit of RM1.1 million of the immediate preceding quarter. The decrease in profit is mainly due to the decrease in sales as a result of the shortage of raw materials.

17. **Current year prospects**

The outlook for the timber industry remains challenging for the current year as the market uncertainties still prevail. The Group will continue to implement cost reduction measures and strive to enhance productivity and yield in the manufacturing process so as to remain competitive in the industry.

18. **Profit forecast or profit guarantee**

The disclosure requirements for explanatory notes for the variance of actual profit after tax against profit guarantee/forecast are not applicable as the Group did not issue any profit guarantee/forecast to the public.

19. **Taxation**

The taxation charges of the Group for the period under review are as follows:-

	3 months ended		3 months ended	
	30-Sept-10	30-Sept-09	30-Sept-10	30-Sept-09
	RM'000	RM'000	RM'000	RM'000
<b>Malaysian tax expense</b>				
Income tax				
- Current year	-	-	-	-
- Over / (under) provision in prior years	64	-	64	-
	<hr/>		<hr/>	
	64	-	64	-
Deferred taxation				
- Current year	-	-	-	-
- Over / (under) provision in prior years	-	-	-	-
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	64	-	64	-
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No tax charge has been provided as the Group has no taxable income for the financial quarter under review.

20. **Profits/Losses on sale of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties of the Group during the current quarter under review and financial period to date.

21. **Quoted Shares**

There were neither purchases nor disposals of quoted securities by the Group for the quarter reported.

22. **Corporate Proposals**

There were no corporate proposals announced which was not completed as at 29 October 2010, a date not earlier than seven (7) days from the date of this report.

23. **Group borrowings and debt securities**

The Group's borrowings as at the end of the reporting period are as follows: -

All borrowings are denominated in Ringgit.

	30-Sept-10	30-June-10
	RM'000	RM'000
<b>Short term borrowings</b>		
<b>-Secured</b>		
Hire purchase creditors	630	687
Bankers' acceptance	1,862	4,926
Term loans	5,614	5,614
<b>Long term borrowings</b>		
<b>-Secured</b>		
Hire purchase creditors	751	721
Term loans	4,290	5,694
<b>Total</b>	<hr/>	<hr/>
	13,147	17,642
	<hr/>	<hr/>

24. **Off Balance Sheet Financial Instruments**

The Group has no financial instruments with off balance sheet risk as at the date of this announcement.

25. **Material Litigation**

There is no material litigation as at the date of this announcement.

26. **Dividends Proposed**

The Board of Directors do not recommend any interim dividends for the current quarter under review

27. **Earnings per share ("EPS")**

	3 months ended		3 months ended	
	30-Sept-10	30-Sept-09	30-Sept-10	30-Sept-09
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to ordinary owners of the Company	(3,829)	1,145	(3,829)	1,145
Weighted average number of ordinary shares	173,394	173,394	173,394	173,394
Adjusted weighted average number of ordinary shares	155,065	161,811	155,065	161,811
Basic EPS (Sen)	(2.21)	0.66	(2.21)	0.66
Diluted EPS (Sen)	(2.47)	0.71	(2.47)	0.71

By order of the Board,  
Lim Siew Ting  
Secretary  
4 November 2010  
Kuala Lumpur