

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – 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 June 2011:

	<b>Timber products RM'000</b>	<b>Plantation RM'000</b>	<b>Investment Holding RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Segmental Revenue</b>					
External revenue	52,184	977	-	-	53,161
Intersegment revenue	23,809	-	4,320	(28,129)	-
Total revenue	<u>75,993</u>	<u>977</u>	<u>4,320</u>	<u>(28,129)</u>	<u>53,161</u>
<b>Segmental results</b>					
Operating loss	(9,393)	(1,062)	(1,662)	979	(11,138)
Finance cost	(880)	(9)	(31)	-	(920)
Taxation	157	-	-	-	157
Net loss after taxation	<u>(10,116)</u>	<u>(1,071)</u>	<u>(1,693)</u>	<u>979</u>	<u>(11,901)</u>
Non-controlling interest	-	-	214	-	214
Net loss attributable to owners of the Group for the period	<u>(10,116)</u>	<u>(1,071)</u>	<u>(1,479)</u>	<u>979</u>	<u>(11,687)</u>

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. **Significant related party transactions**

Transactions with related parties	3 months ended		12 months ended	
	30-Jun-11 RM'000	30-Jun-10 RM'000	30-Jun-11 RM'000	30-Jun-10 RM'000
<b><u>Rental expenses paid to a Company in which a substantial shareholder Dato' Choo Keng Weng has interest</u></b>				
- Desa Samudara Sdn. Bhd.	127	116	519	464
<b><u>Purchase of raw materials from a Company in which director Sy Choon Yen has interest and substantial shareholder Dato' Choo Keng Weng has interest</u></b>				
- Ratus Awansari Sdn. Bhd.	2,638	-	3,420	-

The directors are of the opinion that the above transaction has been entered into the normal course of business and the terms are no less favourable than those arranged with third parties.

15. **Review of Performance**

The revenue for the reported quarter of RM13.77 million is lower than RM29.84 million as recorded for the corresponding quarter of last year. This current quarter has reported a loss before taxation of RM2.47 million as compared to a profit before taxation of RM1.07 million recorded for the corresponding quarter of last year.

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

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

The Group's revenue for the reported quarter of RM13.77 million is higher than the RM11.47 million recorded for the immediate preceding quarter.

The Group registered a loss before taxation of RM2.47 million in the current quarter as compared to the loss before taxation of RM1.91 million of the immediate preceding quarter. The decrease in profit is mainly due to the hike in log cost as a result of the shortage of raw materials in the State of Sabah.

17. **Current year prospects**

For the current year, the Group's principal challenge remains the task of securing the round logs as required for its manufacturing operations due to the prolonged adverse weather conditions in the State of Sabah. The outlook for the timber industry appears positive in view of the overall improvement in the selling prices of wood based products and the increased demand from Japan and other timber export markets. The Group will continue to source for plantation logs as an alternative and strive to improve productivity and yield in the manufacturing process, through investment in new machineries and equipment.

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:-

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM'000	RM'000	RM'000	RM'000
<b>Malaysian tax expense</b>				
Income tax				
- Current year	-	(9)	-	(9)
- Over/(under) provision in prior years	57	(32)	150	(32)
	<u>57</u>	<u>(41)</u>	<u>150</u>	<u>(41)</u>
Deferred taxation				
- Current year	-	49	-	49
- Over/(under) provision in prior years	7	(12)	7	(12)
	<u>7</u>	<u>37</u>	<u>7</u>	<u>37</u>
	<u>64</u>	<u>(4)</u>	<u>157</u>	<u>(4)</u>

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 5<sup>th</sup> August 2011, 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.

	<b>30-Jun-11</b>	<b>30-Jun-10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short term borrowings</b>		
<b>-Secured</b>		
Bank overdraft	1,504	-
Hire purchase creditors	574	687
Bankers' acceptance	4,919	4,926
Term loans	5,650	5,614
	<u>12,647</u>	<u>11,227</u>
<b>Long term borrowings</b>		
<b>-Secured</b>		
Hire purchase creditors	767	721
Term loans	42	5,694
	<u>809</u>	<u>6,415</u>
<b>Total</b>	<u>13,456</u>	<u>17,642</u>

24. **Off Balance Sheet Financial Instruments**

The capital commitment of the Group as at the date of this announcement is:

	<b>30-Jun-11</b>	<b>30-Jun-10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital Commitments</b>		
<b>Approved and contracted for:</b>		
Investment properties	4,528	-
Property, plant and equipment	1,866	-
	<u>6,394</u>	<u>-</u>

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”)**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>30-Jun-11</b>	<b>30-Jun-10</b>	<b>30-Jun-11</b>	<b>30-Jun-10</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/profit attributable to owners of the Company	(2,357)	1,126	(11,687)	7,045
Weighted average number of ordinary shares	173,394	173,394	173,394	173,394
Adjusted weighted average number of ordinary shares	173,394	173,394	173,394	173,394
Basic EPS (Sen)	(1.36)	0.65	(6.74)	4.06
Diluted EPS (Sen)	N/A	N/A	N/A	N/A

28. **Disclosure of Realised and Unrealised Profit / Loss:**

	<b>Cumulative Quarter For 12 Months Ended 30 June 2011 RM'000</b>
Total accumulated loss of the Company and its subsidiaries:	
- Realised	(17,605)
- Unrealised	-
Total	(17,605)

In compliance with the Bursa Securities LR, no disclosure of comparative figures in relation to the immediate preceding quarter is necessary; this being the interim financial report effecting this new disclosure requirement.

By order of the Board,  
Lim Siew Ting  
Secretary  
Date: 9<sup>th</sup> August 2011  
Kuala Lumpur