

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2012

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 2011. 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 2011.

The financial statements are expressed in Ringgit Malaysia and all values are rounded to the nearest thousand (‘000) except when otherwise stated.

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 2011 except for the adoption of the following new/revised standards, amendments and interpretations that are effective for financial period from 1 July 2011:

- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards
- Limited Exemption from Comparative FRS 7: Disclosure for First-time Adopters
- Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share Based Payment Transactions
- Amendments to FRS 7: Financial Instruments: Disclosures – improving Disclosures about Financial Instruments
- IC Interpretation 4: Determining whether an Arrangement contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- Improvements to FRSs (2010)
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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 2011.

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 2012:

	Timber products	Plantation	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue					
External revenue	75,259	1,414	-	-	76,673
Intersegment revenue	4,178	-	4,320	(8,498)	-
Total revenue	<u>79,437</u>	<u>1,414</u>	<u>4,320</u>	<u>(8,498)</u>	<u>76,673</u>
Segment results					
Operating profit/(loss)	(49,427)	(1,829)	(2,223)	8,397	(45,082)
Finance cost	(1,726)	-	(38)	-	(1,764)
Taxation	(32)	-	-	-	(32)
Net profit/(loss) after taxation	<u>(51,185)</u>	<u>(1,829)</u>	<u>(2,261)</u>	<u>8,397</u>	<u>(46,878)</u>
Non-controlling interest	-	-	366	-	366
Net profit/(loss) attributable to owners of the Group for the period	<u>(51,185)</u>	<u>(1,829)</u>	<u>(1,895)</u>	<u>8,397</u>	<u>(46,512)</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 except that on 15 August 2012 a fire broke out and substantially destroyed the workers' quarters at our company's integrated timber complex in Keningau. There were no casualties.

The company is in the process of determining the extent of the damage which the management believes are adequately covered by its insurance policies. Our insurance company has been notified and its appointed adjuster is currently looking into our claim.

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	Individual Quarter 3 months ended		Cummulative Quarter 12 months ended	
	30-Jun-12 RM'000	30-Jun-11 RM'000	30-Jun-12 RM'000	30-Jun-11 RM'000
<u>Rental expenses paid to a Company in which a substantial shareholder Dato' Choo Keng Weng has interest</u>				
- Desa Samudra Sdn. Bhd	127	127	519	519
<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>				
- Ratus Awansari Sdn. Bhd.	123	2,638	1,726	3,420
- SHC Technopalm Plantation Services Sdn. Bhd.	159	-	350	-

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**

In the quarter under review, the Group reported higher revenue of RM30.06 million as compared to RM13.77 million recorded in the previous year corresponding quarter. The increase of RM16.29 million was mainly contributed by Timber Products segment. Despite of the higher revenue, the Group reported a higher loss before taxation of RM33.54 million in the current quarter as compared to a loss before taxation of RM2.46 million recorded in the previous year corresponding quarter. This was mainly contributed by RM7.48 million and RM24.18 million of timber concession rights impairment and inventory write down amount respectively from Timber Products segment. The inventory write down was due to the difference of the higher carrying cost of inventory brought forward as compared to the current net realisable value.

On the current financial year to date basis, the Group reported higher revenue of RM76.67 million as compared to RM53.16 million recorded in the previous corresponding financial year to date. The increase was contributed by higher sales from Timber Products segment. However due to the timber concession rights impairment and inventory write down from Timber Products segment, the Group recorded increase in loss before taxation of RM 33.98 million as compared to the previous financial year to date.

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

The Group registered higher loss before taxation of RM33.54 million in the current quarter as compared to the loss before taxation of RM13.00 million in the immediate preceding quarter. The substantial increase was mainly due to the timber concession rights impairment and inventory write down from Timber Products segment.

17. **Prospects**

Moving forward, the Group is of the view that the key segment outlook for Timber Products remains challenging as the key issues such as securing sales orders/new market at better pricing and sourcing quality material at competitive prices remains the key concern. The Plantation segment is expected to contribute better as strategies have been put in place progressively to enhance the yield since the current financial year. However, this contribution remains insignificant.

The Board is of the opinion that the Group's performance for the financial year ending 30 June 2013 is expected to be challenging. Nevertheless the management would take the necessary measures to improve the Group's financial performance.

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 3 months ended		Cumulative Quarter 12 months ended	
	30-Jun-12 RM'000	30-Jun-11 RM'000	30-Jun-12 RM'000	30-Jun-11 RM'000
Malaysian tax expense				
Income tax				
- Current year	33	-	33	-
- Under/(Over) provision in prior years	(1)	(57)	(1)	(150)
	<u>32</u>	<u>(57)</u>	<u>32</u>	<u>(150)</u>
Deferred taxation				
- Current year	-	-	-	-
- Under/(Over) provision in prior years	-	(7)	-	(7)
	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
	<u>32</u>	<u>(64)</u>	<u>32</u>	<u>(157)</u>

No tax charge has been provided as the Group has no taxable income for the financial quarter under review.

20. **Corporate Proposals**

There were no corporate proposals announced which was not completed as at 29 August 2012, a date not earlier than seven (7) days from the date of this report.

21. **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-Jun-12 RM'000	30-Jun-11 RM'000
Short term borrowings		
- Secured		
Bank overdraft	10,575	1,504
Hire purchase creditors	789	574
Bankers' acceptance	23,177	4,919
Term loan	45	5,650
	<u>34,586</u>	<u>12,647</u>
Long term borrowings		
- Secured		
Hire purchase creditors	802	767
Term loan	-	42
	<u>802</u>	<u>809</u>
	<u>35,388</u>	<u>13,456</u>

22. **Material Litigation**

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

23. **Dividends Proposed**

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

24. **Earnings per share (“EPS”)**

	Individual Quarter 3 months ended		Cummulative Quarter 12 months ended	
	30-Jun-12 RM'000	30-Jun-11 RM'000	30-Jun-12 RM'000	30-Jun-11 RM'000
(Loss)/profit attributable to owners of the Company	(33,473)	(2,357)	(46,512)	(11,687)
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)	(19.30)	(1.36)	(26.82)	(6.74)
Diluted EPS (sen)	(19.30)	(1.36)	(26.82)	(6.74)

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

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Current Quarter For 12 Months Ended 30-Jun-12 RM'000	Preceding Financial Year Ended 30-Jun-11 RM'000
Total retained profits of the Group:		
- Realised	(9,534)	54,730
- Unrealised	-	-
Less: Consolidation adjustments	(54,583)	(72,335)
Total group accumulated losses	(64,117)	(17,605)

26. **Notes to the Statement of Comprehensive Income**

	12 months ended 30th June 2012 (RM'000)
Net loss for the period is arrived after charging:	
Amortisation of plantation development expenditure	658
Impairment loss on trade receivables	533
Impairment of Timber Concession Rights	7,480
Depreciation of property, plants and equipment	5,911
Interest expense	1,764
Inventories written-off	33,609
And after crediting:	
Interest income	386

Other than the above as disclosed in the Statement of Comprehensive Income, there were no other income including investment income, provision for and write-off of receivables, provision for and write-off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current and financial period to date.

By order of the Board,
 Lim Siew Ting
 Secretary
 Date: 28 August 2012
 Kuala Lumpur