

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2013**

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 2012. 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 2012.

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, methods of computation and basis of consolidation adopted are consistent with those of the annual financial statements for the year ended 30 June 2012.

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1 January 2014.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* (“*Transitioning Entities*”). The Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2014.

Accordingly, certain subsidiaries in the Group which are Transitioning Entities have chosen to defer the adoption of the MFRSs Framework to financial periods beginning on or after 1 January 2014. The Group and the Company will prepare its first MFRSs financial statements using the MFRSs Framework for the financial year ending 30 June 2015.

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 2012.

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 and financial period to date.

8. **Dividend paid**

There were no dividends paid in the current quarter.

9. **Segmental reporting**

The segmental reporting for the period ended 30 June 2013:

	<b>Timber products</b>	<b>Plantation</b>	<b>Investment Holding</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment revenue</b>					
External revenue	36,781	1,658	-	-	38,439
Intersegment revenue	2,460	-	4,320	(6,780)	-
<b>Total revenue</b>	<b>39,241</b>	<b>1,658</b>	<b>4,320</b>	<b>(6,780)</b>	<b>38,439</b>
<b>Segment results</b>					
Operating profit/(loss)	(36,724)	(1,583)	(10,051)	-	(48,358)
Finance cost	(1,365)	(789)	(30)	-	(2,184)
Taxation	-	-	-	-	-
<b>Net profit/(loss) after taxation</b>	<b>(38,089)</b>	<b>(2,372)</b>	<b>(10,081)</b>	<b>-</b>	<b>(50,542)</b>
Non-controlling interest	-	-	475	-	475
<b>Net profit/(loss) attributable to owners of the Group for the period</b>	<b>(38,089)</b>	<b>(2,372)</b>	<b>(9,606)</b>	<b>-</b>	<b>(50,067)</b>

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.

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-13 RM'000	30-Jun-12 RM'000	30-Jun-13 RM'000	30-Jun-12 RM'000
<b><u>Rental expenses paid to a Company in which a substantial shareholder Dato' Choo Keng Weng has interest</u></b>				
- Desa Samudra Sdn. Bhd	154	77	508	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.	69	1,781	525	3,384
- Anika Desiran Sdn. Bhd.	480	-	1,230	-
- SHC Technopalm Plantation Services Sdn. Bhd.	87	48	317	230

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 current quarter under review, the Group reported lower revenue of RM8.38 million as compared to RM29.84 million recorded in the previous year corresponding quarter. The decrease of RM21.46 million was mainly contributed by Timber Products segment due to lower log supply.

Group reported a loss before tax of RM17.61 million in the current quarter as compared to RM33.53 million loss before tax in the previous year corresponding quarter. Most of the losses were contributed by Timber Products segment which was mainly due to lower turnover, higher production cost and inventory valuation.

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

The Group registered lower loss before taxation of RM17.6 million in the current quarter as compared to the loss before taxation of RM19.9 million in the immediate preceding quarter. The improvement was due to lower production costs in the current quarter.

17. **Prospects**

Moving forward, the performance of the Timber Products segment would greatly influence the future prospect of the Group while the performance of the Plantation segment is expected to improve via better yield. However the Plantation segment's contribution is still minimal.

Securing sales orders/new market at better pricing and better sourcing of quality material would always remain the key concern for Timber Products segment. Meanwhile several cost cutting measures are being implemented to improve the bottom line of the Group.

The Board is of the opinion that the Group's performance for the next financial year ending 30 June 2014 would remain challenging.

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		Cummulative Quarter 12 months ended	
	30-Jun-13 RM'000	30-Jun-12 RM'000	30-Jun-13 RM'000	30-Jun-12 RM'000
<b>Malaysian tax expense</b>				
Income tax				
- Current year	-	(33)	-	(33)
- Under/(Over) provision in prior years	-	1	-	1
	-	(32)	-	(32)
Deferred taxation				
- Current year	-	-	-	-
- Under/(Over) provision in prior years	-	-	-	-
	-	-	-	-
	-	(32)	-	(32)

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 27<sup>th</sup> Aug 2013, 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: -

	30-Jun-13 RM'000	30-Jun-12 RM'000
<b>Short term borrowings</b>		
<b>- Secured</b>		
Bank overdraft	12,153	10,575
Hire purchase creditors	415	433
Bankers' acceptance	19,953	23,177
Term loan	895	24
	<u>33,416</u>	<u>34,209</u>
<b>Long term borrowings</b>		
<b>- Secured</b>		
Hire purchase creditors	742	1,170
Term loan	8,750	17
	<u>9,492</u>	<u>1,187</u>
	<u>42,908</u>	<u>35,396</u>

All borrowings are denominated in Ringgit Malaysia.

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		Cumulative Quarter 12 months ended	
	30-Jun-13 RM'000	30-Jun-12 RM'000	30-Jun-13 RM'000	30-Jun-12 RM'000
Loss attributable to owners of the Company	(17,476)	(33,472)	(50,067)	(46,511)
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)	(10.08)	(19.30)	(28.87)	(26.82)
Diluted EPS (sen)	(10.08)	(19.30)	(28.87)	(26.82)

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-13 RM'000	Preceding Financial Year Ended 30-Jun-12 RM'000
Total retained profits of the Group:		
- Realised	(50,542)	(9,449)
- Unrealised	-	-
Less: Consolidation adjustments	(63,619)	(54,645)
Total group accumulated losses	(114,161)	(64,094)

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

	<b>12 months ended 30<sup>th</sup> June 2013 (RM'000)</b>
<b>Net loss for the period is arrived after charging:</b>	
Amortisation of plantation development expenditure	658
Depreciation of property, plants and equipment	5,877
Property, plant and equipment written off	2,284
Impairment loss on trade receivables & other receivables	9,706
Interest expense	2,184
<b>And after crediting:</b>	
Interest income	1

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: 27<sup>th</sup> Aug 2013  
 Kuala Lumpur