

NOTES TO THE INTERIM FINANCIAL REPORT – 31 DECEMBER 2013
(The figures have not been audited)

1. **Basis of preparation**

The interim financial report is prepared in accordance with the requirements of 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 2013. 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 2013.

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 2013.

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 2014.

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 2013.

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**

No dividends were paid during the current financial period.

9. **Segmental information**

The Group is focused in 3 areas of activity, timber products, plantation and investment holding.

The segmental reporting for the period ended 31 December 2013:

	Timber products	Plantation	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue					
External revenue	12,799	700	-	-	13,499
Intersegment revenue	2,236	-	2,160	(4,396)	-
Total revenue	<u>15,035</u>	<u>700</u>	<u>2,160</u>	<u>(4,396)</u>	<u>13,499</u>
Segment results					
Operating profit/(loss)	(1,597)	(1,145)	(220)	(101)	(3,063)
Finance cost	(975)	(486)	(9)	-	(1,470)
Taxation	33	-	-	-	33
Net profit/(loss) after taxation	<u>(2,539)</u>	<u>(1,631)</u>	<u>(229)</u>	<u>(101)</u>	<u>(4,500)</u>
Non-controlling interest	-	-	326	-	326
Net profit/(loss) attributable to owners of the Group for the period	<u>(2,539)</u>	<u>(1,631)</u>	<u>97</u>	<u>(101)</u>	<u>(4,174)</u>

10. **Property, plant and equipment**

The valuation of property, plant and equipments have been brought forward without amendments from the previous audited financial statements.

11. **Subsequent events**

There were no significant events subsequent to the end of the current financial quarter.

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	
	31-Dec-13 RM'000	31-Dec-12 RM'000	31-Dec-13 RM'000	31-Dec-12 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	124	103	249	231
<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.	-	-	216	205
- Anika Desiran Sdn. Bhd.	2,723	-	4,518	-
- SHC Technopalm Plantation Services Sdn. Bhd.	88	52	181	107

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.

Additional disclosure pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

15. **Performance Review**

	Current Quarter Ended 31-Dec-13		Previous Year Quarter Ended 31-Dec-12	
	Revenue RM'000	Operating Profit RM'000	Revenue RM'000	Operating Loss RM'000
Timber Products	7,007	1,810	10,164	(5,124)
Plantation	257	(683)	301	(349)
Others	-	29		(282)
	7,264	1,156	10,465	(5,755)

The Group recorded lower revenue of RM 7.26 million and operating profit of RM 1.16 million in the current quarter ended 31 December 2013 as compared to revenue of RM10.46 million and operating loss of 5.75 million recorded in the previous year corresponding quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 December 2013 is as follows:

Timber Products

The Group recorded lower revenue of 7.01 million and operating profit of RM 1.81 million in the current quarter ended 31 December 2013 as compared to revenue of RM 10.16 million and operating loss of RM 5.12 million in the previous year corresponding quarter, the operating profit in this quarter was due to the insurance compensation received on the staff quarters destroyed by the fire, whereas the decrease in revenue was mainly due to scarcity of log supply.

Plantation

In respect of plantation segment, period to date revenue dropped to RM 0.26 million as compared to RM 0.3 million in the preceding year corresponding quarter; which is a decrease of 17%. The decrease was mainly due to lower harvest yield and lower sales volume.

Others

Other segment consists of investment holding company which remains inactive in term of revenue; the operating profit in this quarter was due to the reversal of the administration cost over provided in previous quarter.

16. **Variation of result against immediate preceding quarter**

	Current Quarter Ended 31-Dec-13		Preceding Quarter Ended 30-Sep-13	
	Revenue RM'000	Operating Profit RM'000	Revenue RM'000	Operating Loss RM'000
Timber Products	7,007	1,810	5,792	(3,508)
Plantation	257	(683)	443	(462)
Others	-	29		(249)
	7,264	1,156	6,235	(4,219)

Timber Products

The Group reported operating profit before taxation of RM 1.16 million in the current quarter as compared to the loss before taxation of RM 4.22 million in the immediate preceding quarter. As mentioned earlier, the operating profit in this quarter was due to the insurance compensation received on the staff quarters destroyed by the fire.

Plantation

In respect of plantation segment, the Group recorded higher loss before taxation of RM 0.68 million in the current quarter as compared to the loss before taxation of RM 0.46 million in the immediate preceding quarter. As mentioned earlier, most of the losses were due to low sales volume as the harvest yield of the fresh fruit bunch was generally affected by the seasonal changes in weather.

17. **Coming Quarter Prospects**

Timber Products

The Group will focus on the performance of the Timber Products segment as it would greatly influence the future prospect of the Group and will continue to secure more sales orders at better pricing and continual improvements in the timber production processes.

Plantation

As for the plantation segment, despite the contribution is insignificant, this segment is expected to perform well and continue contribute to the Group.

The board is of the opinion that the Group's performance for the coming quarter would remain challenging.

18. **Profit forecast or profit guarantee**

No profit forecast or profit guarantee has been issued by the Group.

19. **Taxation**

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

	Individual Quarter		Cummulative Quarter	
	3 months ended		6 months ended	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
Income tax				
- Current year	-	-	-	-
- Over provision in prior years	-	-	33	-
	-	-	-	-
	-	-	33	-
Deferred taxation				
- Current year	-	-	-	-
- Over provision in prior years	-	-	-	-
	-	-	-	-
	-	-	33	-

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 21st Feb 2014, a date not earlier than seven (7) days from the date of this report.

21. **Group borrowings**

The Group's borrowings as at 31 Dec 2013 comprises the following: -

	31-Dec-13	30-Jun-13
	RM'000	RM'000
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Short term borrowings		
- Secured		
Bank overdraft	2,741	12,153
Hire purchase creditors	427	416
Bankers' acceptance	26,229	19,953
Term loan	1,073	895
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	30,470	33,417
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Long term borrowings		
- Secured		
Hire purchase creditors	437	741
Term loan	8,250	8,750
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	8,687	9,491
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	39,157	42,908
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All borrowings are denominated in Ringgit Malaysia.

22. **Material Litigation**

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

23. **Dividends**

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

24. **Earnings per share (“EPS”)**

	Individual Quarter		Cummulative Quarter	
	3 months ended		6 month ended	
	31-Dec-13	31-Dec-13	31-Dec-13	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Loss attributable to owners of the Company	(658)	(6,175)	(4,174)	(12,856)
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)	(0.38)	(3.56)	(2.41)	(7.41)
Diluted EPS (sen)	(0.38)	(3.56)	(2.41)	(7.41)

25. **Realised and Unrealised Profit And 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.

	Period To date Ended 31-Dec-13 RM'000	Preceding Financial Year Ended 30-Jun-13 RM'000
Total retained profits of the Group:		
- Realised	(326)	(50,542)
- Unrealised	-	-
Less: Consolidation adjustments	(100,107)	(45,717)
Total group accumulated losses	<u>(100,433)</u>	<u>(96,259)</u>

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

	6 months ended 31st Dec 2013 (RM'000)
Net loss for the period is arrived after charging:	
Amortisation of plantation development expenditure	329
Depreciation of property, plants and equipment	2,873
Interest expense	1,470
Loss on disposal of property, plants and equipment	17

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: 21th Feb 2014
 Kuala Lumpur