

**EXPLANATORY NOTES FOR QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

FRS 134 – Paragraph 16

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted are consistent with those of the most recent audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for the financial period beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 124 does not result in significant changes in accounting policies of the Group. The principal change in accounting policy and its effects resulting from the adoption of the revised FRS 117 are discussed below:

FRS 117: Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating and finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and buildings elements of the lease at the inception of the lease. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES (Contd.)

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. The reclassification of the leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated as disclosed in Note 3. The financial impact to the Group arising from this change in accounting policy is as follow:

	As at 01.01.2007 RM'000
Decrease in retained earnings	1,627
Decrease in prepaid land lease payments	<u>1,627</u>

	Quarter ended		Year-to-date ended	
	30.09.2007 RM'000	30.09.2006 RM'000	30.09.2007 RM'000	30.09.2006 RM'000
Increase/(Decrease) in profit for the period	<u>(37)</u>	<u>(37)</u>	<u>(112)</u>	<u>(112)</u>

The effects on the consolidation balance sheet as at 30 September 2007 are disclosed below:

Effect on the consolidated balance sheets as at 30 September 2007

The following table provides estimates of the extent to which each of the line items in the balance sheets for the quarter ended 30 September 2007 is higher or lower than it would have been had the previous policy been applied in the current quarter.

	Increase/ (Decrease) RM'000
Property, plant and equipment	(8,977)
Prepaid land lease payments	7,238
Retained earnings	<u>(1,739)</u>

3. COMPARATIVES

The following comparative amounts have been restated due to the adoption of FRS 117:

	Previously stated RM'000	Adjustments FRS 117 (Note 2(i)) RM'000	Restated RM'000
AS AT 31 DECEMBER 2006			
Property, plant and equipment	55,919	(8,977)	46,942
Prepaid lease payments	-	7,350	7,350
Retained earnings	59,514	(1,627)	57,887

4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the Group's financial statements for the year ended 31 December 2006 was not qualified.

5. SEASONAL OR CYCLICAL FACTORS

The effects of seasonal or cyclical fluctuations, if any, are explained under Paragraphs 1 & 2 of Appendix 9B Part A of the Bursa Malaysia Listing Requirements below.

6. UNUSUAL ITEMS

There were no unusual items during the quarter affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 September 2007, except as disclosed in Note 2.

7. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material impact in the current reporting quarter.

8. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 September 2007.

9. DIVIDENDS PAID

Dividends paid on 28 August 2007 were declared on 27 February 2007, in respect of the financial year ended 31 December 2006 being the first and final tax exempt dividend of RM 0.025 per share, on 168,000,000 ordinary shares of RM0.50, amounting to RM4.2 million.

10. SEGMENTAL REPORTING

a) Geographical segments

	Malaysia RM'000	Europe RM'000	United States of America RM'000	Elimination RM'000	Consolidated RM'000
9 MONTHS PERIOD ENDED 30 SEPTEMBER 2007					
REVENUE					
External sales	69,338	32,747	10,763	-	112,848
Inter-segment sales	39,631	-	-	(39,631)	-
Total revenue	<u>108,969</u>	<u>32,747</u>	<u>10,763</u>	<u>(39,631)</u>	<u>112,848</u>
RESULT					
Segment result	19,049	(1,550)	(661)	(1,170)	15,668
Finance costs					(607)
Taxation					(602)
Profit after taxation					<u>14,459</u>
Minority interest					21
Profit for the period					<u>14,480</u>

	Malaysia RM'000	Europe RM'000	United States of America RM'000	Elimination RM'000	Consolidated RM'000
9 MONTHS PERIOD ENDED 30 SEPTEMBER 2006					
REVENUE					
External sales	62,344	37,398	12,342	-	112,084
Inter-segment sales	39,699	-	-	(39,699)	-
Total revenue	<u>102,043</u>	<u>37,398</u>	<u>12,342</u>	<u>(39,699)</u>	<u>112,084</u>
RESULT					
Segment result	19,985	(961)	(172)	(3,116)	15,736
Finance costs					(586)
Taxation					(2,966)
Profit after taxation					<u>12,184</u>
Minority interest					(34)
Profit for the period					<u>12,150</u>

10. SEGMENTAL REPORTING (Contd.)

a) Geographical segments (Contd.)

Revenue by geographical location of customers

	Quarter ended		Year-to-date ended	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	RM'000	RM'000	RM'000	RM'000
Asia	696	1,408	1,612	2,321
Europe	21,306	23,340	65,325	66,366
Malaysia	5,028	7,704	16,194	19,414
United States of America	3,273	3,699	12,024	18,481
South-West Pacific	5,130	712	15,411	3,478
Others	531	60	2,282	2,024
	<u>35,964</u>	<u>36,923</u>	<u>112,848</u>	<u>112,084</u>

b) Business segments

The Group operates in a single industry and accordingly, the financial information by business segments is not presented.

11. VALUATIONS

There were no valuations of property, plant and equipment brought forward from the previous annual financial statements. The property, plant and equipment are stated at their historical cost less accumulated depreciation and impairment losses as at 30 September 2007.

12. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no material events subsequent to the end of the reporting period.

13. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter ended 30 September 2007, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

14. CAPITAL COMMITMENTS

	As at	
	30.09.2007	31.12.2006
	RM'000	RM'000
Commitments in respect of capital expenditure:		
Approved and contracted for	4,650	1,621
Approved but not contracted for	1,215	13,735
	<u>5,865</u>	<u>15,356</u>

15. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2006.

**BURSA MALAYSIA LISTING REQUIREMENTS
APPENDIX 9B PART A**

16. REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

The Group's turnover for the nine months ended 30 September 2007 was RM112.848 million compared to RM112.084 million for the preceding year's corresponding period. The Group's profit before tax for the nine months ended 30 September 2007 was RM15.061 million which is broadly in line with the preceding year's corresponding period of RM15.150 million (restated).

Turnover of the Group for the quarter under review was RM35.964 million which is marginally lower than the preceding year's corresponding quarter of RM36.923 million, while profit before taxation for the quarter of RM4.710 million is 2% lower compared to the preceding year's corresponding quarter of RM4.796 million (restated).

There were no significant fluctuation in the turnover and profit before tax for the quarter under review against preceding year's corresponding quarter.

17. MATERIAL CHANGES IN PROFIT BEFORE TAXATION FOR THE QUARTER REPORTED ON AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

Profit before taxation of the Group decreased by 10% to RM4.710 million for the quarter ended 30 September 2007 from RM5.216 million in the preceding quarter ended 30 June 2007. The decrease was mainly due to lower sales volume for the quarter.

18. COMMENTARY ON PROSPECTS

It is envisaged that the global demand for hardwood timber flooring will continue to be strong fuelled by increase in market share of timber flooring in the total flooring market. The Group will continue to pursue operational efficiency as part of its corporate strategies objective. In addition, the Group will continue to focus on brand building and product development to enhance global competitiveness and penetrate into new markets. The group is also undertaking expansion plans to boost production and sales and to capture a bigger slice of the global wood flooring market.

Barring unforeseen circumstances, the Group's performance for the financial year ending 31 December 2007 is expected to be satisfactory.

19. PROFIT FORECAST OR PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast after tax and minority interest and for the shortfall in profit guarantee are not applicable.

20. TAXATION

	Quarter ended		Year-to-date ended	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	364,643	831,398	1,315,756	2,949,727
Foreign income tax	-	-	-	-
	<u>364,643</u>	<u>831,398</u>	<u>1,315,756</u>	<u>2,949,727</u>
Under/(over) provision in prior years:				
Malaysian income tax	-	57,421	-	63,021
Foreign income tax	-	-	-	-
	<u>-</u>	<u>57,421</u>	<u>-</u>	<u>63,021</u>
Deferred tax:				
Current year	314,034	147,670	42,257	(36,339)
Under/(Over) provision in prior year	77,550	-	(756,309)	(9,960)
	<u>391,584</u>	<u>147,670</u>	<u>(714,052)</u>	<u>(46,299)</u>
	<u>756,227</u>	<u>1,036,489</u>	<u>601,704</u>	<u>2,966,449</u>

21. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the reporting period.

22. CORPORATE PROPOSALS

There was no corporate proposal announced at the date of this quarterly report.

23. GROUP BORROWINGS AND DEBT SECURITIES

	As at	
	30.09.2007	31.12.2006
	RM	RM
Short term borrowings		
Unsecured	24,421,824	19,168,726

All borrowings are denominated in Ringgit Malaysia.

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group had entered into the following foreign currency derivatives maturing within 1 year to hedge trade receivables.

	Notional amounts as at	
	30.09.2007	31.12.2006
	RM	RM
Forward foreign exchange contracts	5,118,493	14,075,010
Ratio forward agreements	3,026,625	1,098,300
	<u>8,145,118</u>	<u>15,173,310</u>

25. CHANGES IN MATERIAL LITIGATION

Save as disclosed below, neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or defendant as at the date of this report and the Directors do not have any knowledge of any proceeding pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position of the Company and its subsidiaries.

- a) Ekowood International Berhad had on 19 September 1997 filed a suit via suit No. 22-118-1997 in Ipoh High Court against Gopeng Land & Properties Sdn Bhd (“Gopeng”), Villa Technobuild Sdn. Bhd. (“Villa”) and Chuah Cheng Hoe (“CCH”) (practicing as CH Chuah Associates) for loss and damages arising from breach of contract and/or negligence on the part of the defendants as follows:
- (i) breach of contract and/or negligence by Gopeng in carrying out the infilling works on a piece of land in the Gopeng Industrial Park in accordance with the Sale and Purchase Agreement dated 18 January 1995 between the Company and Gopeng resulting in severe damage to the factory buildings and associated external works (“Works”) located within and/or nearby the aforesaid land;
 - (ii) breach of contract by Villa of the construction contract dated 15 March 1995 in failing to construct the Works in a good or workmanlike manner or with good or proper materials and therefore the Works are not fit for its purpose and cannot be properly used as a wood product factory; and
 - (iii) breach by CCH of his contract of employment with the Company as consultant engineer and/or negligence in failing to exercise due professional skill and care in the performance of his services resulting in the Works containing serious and substantial defects which prevent the Works from being properly and efficiently used as a wood product factory.

In the abovementioned suit, the Company claimed against Gopeng and Villa, inter alia, for damages of RM45,160,104 and general damages for loss of goodwill to be assessed by the Court and against CCH, inter alia, for the sum of RM16,284,873 being the amount paid to Villa under the construction contract, or alternatively, for damages to the sum of RM45,160,360 and general damages for loss of goodwill to be assessed by the Court.

25. CHANGES IN MATERIAL LITIGATION (Contd.)

- b) Gopeng had on 8 November 2001 filed a suit against the Company via Suit No. 22-219-01 in Ipoh High Court in relation to the abovementioned Sale and Purchase Agreement dated 18 January 1995 made between Gopeng and the Company whereby Gopeng had agreed to sell and the Company had agreed to purchase the land in Gopeng Industrial Park.

In the abovementioned suit, Gopeng claimed against the Company, inter alia, for specific performance of the Sale and Purchase Agreement in that the Company be ordered to pay to Gopeng the sum of RM3,434,457, interests thereon from 1 July 1997 or such other date deemed appropriate, or alternatively for vacant possession of the aforesaid land and damages pursuant to the Sale and Purchase Agreement, and general damages for breach of contract, and costs.

Payment of the principal sum has been provided for in the accounts of the Company.

The Company has filed its defense and counter-claim to the above suit. The Company counter-claimed against Gopeng for general damages, for special damages of RM45,160,104 being the cost of, inter alia, rectification of works damaged by the subsidence of the land and loss of profits, and also claimed for interest from date of judgment and costs. Gopeng has thereafter filed its reply and defense to the counter-claim.

The two (2) suits mentioned in paragraph (a) and (b) above are inter-related.

As per announcement made on 9th October 2007, Ekowood International Berhad ("Ekowood") has accepted the settlement terms proposed by the Gopeng Land & Properties Sdn Bhd ("Gopeng Land") and Villa Technobuild Sdn Bhd ("Villa Technobuild") premised upon commercial expediency. However, the Suit have been postponed by the parties to 7 January 2008 pending application to be submitted by Gopeng Land to the state authority for consent to transfer ("Consent") 19 pieces of land located at Mukim Sungai Raia, Daerah Kinta, Negeri Perak ("Land") to Ekowood. Upon obtaining the Consent, Ekowood's solicitors have been instructed to record a consent judgment as advised.

According to the proposed settlement, Ekowood shall pay RM2,575,842.78 (i.e. 75% out of the balance of purchase price) and RM84,865.80 (i.e. refund of quit rent) to the solicitors of Gopeng Land as stakeholder in exchange for the original land titles of the Land, quit rent receipts and valid Memorandum of Transfer in favour of Ekowood to transfer the Land purchased by Ekowood pursuant to the Sale and Purchase Agreement dated 18 January 1995. The total sum of RM2,660,690.58 is to be released to Gopeng Land after completion of registration of transfer of the Land to Ekowood. Ekowood shall also pay RM680,000 to Villa Technobuild as full and final settlement of their counter-claim of RM1.7 million for construction works. A total sum of RM4,434,457.04 had been provided for in the accounts of Ekowood. Based on the proposed settlement, Ekowood and Gopeng Land shall withdraw the Suit from the High Court. Villa Technobuild and CH Chua Associates have agreed to the withdrawals with no order as to cost.

There were a few proposals between the parties and the settlement sum was finally reached after negotiations by all parties. The settlement will result in future savings on interest, legal expenses and also allow Ekowood to become the registered owner of the Land measuring approximately 1.75 million square feet at a reduced purchase price.

The Board of Directors is of the opinion that the aforesaid out of court settlement reflects a fair, reasonable and final conclusion to the matter as the civil suits have been on-going for a period of 10 years.

26. DIVIDENDS PAYABLE

The Company has not declared any interim dividend for the current quarter ended 30 September 2007 (30 September 2006 : Nil).

27 EARNINGS PER SHARE

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.09.2007	30.09.2006 (restated)	30.09.2007	30.09.2006 (restated)
Net profit for the period (RM)	3,953,627	3,765,423	14,480,373	12,149,022
Weighted average number of ordinary shares in issue	168,000,000	168,000,000	168,000,000	168,000,000
Basic earnings per ordinary share (sen)	2.35	2.24	8.62	7.23

b) Diluted earnings per ordinary share

This is not applicable to the Group.