

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2013

**PART A -
 EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM
 FINANCIAL REPORTING**

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2013, have been prepared in accordance with MFRS134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). These condensed consolidated interim financial statements also comply with IAS34: Interim Financial Reporting issued by the International Accounting Standards Board.

The explanatory notes attached to the unaudited interim financial report provide an explanation of the event and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2012. They do not include all the information required for full annual financial statements and should be read in conjunction with the Group’s financial statements for the financial year ended 31 December 2012.

A2. Significant Accounting Policies

The significant accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2012 except for the adoption of the following which are effective for financial period beginning on or after 1 January 2013:

(i) Adoption of standards and interpretations

MFRS 101	Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investment in Associate and Joint Ventures
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB In December 2003)
Amendment to IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

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A2. Significant Accounting Policies (cont'd)

IC Interpretation 20	Stripping costs in the Production Phase of a Surface Mine
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of MFRS - Government Loans
Amendments to MFRS 1	First-time Adoption of MFRS (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosures of Interest in Other Entities: Transition Guidance

(ii) Standards and interpretation issued but not yet effective and have not been applied by the Group

		Effective for annual periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
MFRS 9	Financial Instruments	1 January 2015

The adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

A3. Auditors' Report

There was no qualification to the audited financial statements of the Company and its subsidiary for the financial year ended 31 December 2012.

A4. Seasonal or Cyclical Factors

The Group's business operation and performance are not affected materially by any seasonal or cyclical factors for the financial quarter under review.

A5. Items of Unusual Nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow in the quarterly financial statements.

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A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in either the prior interim period of the current financial period or prior financial years that have had a material effect on the results during the current quarter and financial period-to-date.

A7. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A8. Dividend Paid

An interim tax exempt (single-tier) dividend of 6 sen per ordinary share of RM0.50 each amounting to RM6.192 million was paid on 4 February 2013 in respect of the financial year ended 31 December 2012.

A9. Segment Reporting

The Group is organised into business units based on their products and services, and has two reportable operating segments as follows:-

- i. Manufacturing segment - manufacturing and sale of plywood, veneer and laminated veneer lumber (LVL).
- ii. Electricity segment - generation, transmission, distribution and sale of electricity.

The segment revenue and results for the financial period ended 31 March 2013:

	Manufacturing	Electricity	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
<u>3 months ended 31 March 2013</u>				
Revenue				
External sales	31,294	21		31,315
Inter-segment sales	-	1,182	(1,182)	-
Results				
Profit from operations	5,708	493	15	6,216
Other operating income				877
Selling and distribution expenses				(3,652)
Administrative expenses				(1,129)
Other expenses				-
Profit before tax				2,312
Income tax expense				(100)
Profit for the period				2,212

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A9. Segment Reporting (cont'd)

	Manufacturing	Electricity	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
<u>3 months ended 31 March 2012</u>				
Revenue				
External sales	35,578	21		35,599
Inter-segment sales	-	1,055	(1,055)	-
Results				
Profit from operations	7,194	(24)	16	7,186
Other operating income				69
Selling and distribution expenses				(4,407)
Administrative expenses				(1,448)
Other expenses				(461)
Profit before tax				939
Income tax expense				-
Profit for the period				939

A10. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Current quarter		Year-to-date	
	31-Mar 2013	31-Mar 2012	31-Mar 2013	31-Mar 2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(61)	(43)	(61)	(43)
Rental income	(60)	(30)	(60)	(30)
Rental of premises	39	-	39	-
Depreciation and amortisation	1,223	1,212	1,223	1,212
Fair value gain of derivative financial instruments	(205)	-	(205)	-
Foreign exchange (gain)/loss	(540)	461	(540)	461

A11. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter.

A12. Change in contingent liabilities or contingent assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

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A13. Capital Commitments

There were no material capital commitments subsequent to the end of the current financial quarter.

A14. Material Events Subsequent to the reporting period

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

A15. Changes in composition of the Group

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this quarterly report as at the date of this report.

A16. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the year ended 31 December 2012 and 31 December 2011 as well as the balances with the related parties as at 31 December 2012 and 31 December 2011:

	Transactions value for 3 months ended		Balance outstanding as at	
	31-Mar 2013	31-Mar 2012	31-Mar 2013	31-Dec 2012
	RM'000	RM'000	RM'000	RM'000
<u>Nature of transactions</u>				
Purchases from a company related to a director*	-	142	-	-
Rental of premises payable to a director	39	-	-	-

* Ceased/resigned as director w.e.f. 24 September 2012

All outstanding balances with these related parties are unsecured and are to be settled in cash within three months from the reporting date.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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**PART B -
ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD
(PART A OF APPENDIX 9B)**

B1. Review of performance of the Group

The Group recorded revenue of RM31.32 million (which consists of RM31.30 million from the manufacturing segment and RM0.02 million from the electricity segment respectively) during the current quarter under review, a decrease of RM4.28 million as compared to a revenue of RM35.60 million (which consist of RM35.58 million from the manufacturing segment and RM0.02 million from the electricity segment respectively) recorded in the corresponding quarter last year. This was mainly due to lower average selling price and decreased sales volume in current quarter under review.

However, the Group's profit before tax for the current quarter under review was RM2.31 million, an increase of RM1.37 million as compared to RM0.94 million in the preceding year quarter ended 31 March 2012 mainly due to the increase in other income which included gain on foreign exchange, rental income and deposit income; and decrease in administrative, selling and distribution costs and other expenses in the current quarter under review as compared to the preceding year quarter of which the production cost was higher due to lower production affected by the planned shutdown for annual inspection in the month of January 2012, lower recovery rate and higher unit cost brought forward from financial year ended 2011.

B2. Comparison with immediate preceding quarter's results

The Group's revenue has decreased by RM3.13 million to RM31.32 million in the current quarter under review as compared to RM34.45 million in the immediate preceding quarter mainly due to lower sales volume in the current quarter under review.

The profit before tax has decreased by RM0.20 million to RM2.31 million in the current quarter under review as compared to RM2.51 million in the immediate preceding quarter mainly due to lower sales volume offset by higher foreign exchange gain and fair value gain of derivatives financial instruments in the current quarter under review.

B3. Prospects for the remaining period of the current financial year

The implementation of minimum wage system in Malaysia which commenced since January this year and the impact of higher inflation rate, as a result of a moderate increase in the Group's production cost. The Board expects that the Group will be in a tough and challenging operating environment in order to remain profitable in the remaining period of the current financial year.

However, the Group will continue to undertake various initiatives to remain the competitiveness of our products which yield better margin while continuing to work on operational efficiency and productivity of its workforce and its equipment fleet as a way to minimize the adverse impact from the inflationary costing.

B4. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

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B5. Income Tax Expense

	Current quarter		Year-to-date	
	31-Mar 2013	31-Mar 2012	31-Mar 2013	31-Mar 2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	20	-	20	-
Deferred income tax:				
- Origination and reversal of temporary differences	80	-	80	-
Income tax expense	100	-	100	-

B6. Status of corporate proposals

There were no corporate proposals announced or not completed by the Group as at the date of this report.

B7. Borrowings

The Group has no borrowings as at 31 March 2013.

B8. Material litigations

There were no material litigations since the last financial year ended 31 December 2012 and up to the date of this report.

B9. Dividends

No interim dividend has been declared during the quarter under review.

B10. Derivative financial instruments

As at 31 March 2013, the Group has the following outstanding derivative financial instruments:

	Principal or	Fair value	
	Notional Amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Foreign currency forward contract:			
- Less than 1 year	36,049	205	-

The purpose of entering foreign currency forward contracts is to minimize the impact of unfavourable movement in exchange rate on the trade receivables and bank balances denominated in United States Dollar.

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B10. Derivative financial instruments (cont'd)

The market risk posed by the Group's foreign currency forward contracts depends on the economic changes that may impact market prices. As the exchange rate is pre-determined under such contracts, the market risk in these instruments is not significant. The foreign currency forward contracts are transacted with the Group's bankers and the credit risk for non-performance by the counterparty in these instruments is minimal.

The fair value of derivative assets amounting to RM205,000 has been recognised in the financial statements.

B11. Earnings per share

Basic earnings per share are calculated by dividing the profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. There is no dilutive effect.

	Current quarter		Year-to-date	
	31-Mar 2013	31-Mar 2012	31-Mar 2013	31-Mar 2012
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	2,212	939	2,212	939
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	2.14	0.91	2.14	0.91

B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 31 March 2013 and 31 December 2012 into realised and unrealised profits or losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, 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 Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31-Mar 2013 RM'000	As at 31-Dec 2012 RM'000
Retained earnings of the Group:		
- Realised	64,640	63,092
- Unrealised	986	322
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	65,606	63,394

The disclosure of realised and unrealised profits/(losses) above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.