

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 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 of the audited financial statements for the financial year ended 31 December 2012 of the Group, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations effective for financial period beginning on or after 1 January 2013:

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)
IC Interpretation 20	Stripping costs in the Production Phase of a Surface Mine

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A2. Significant Accounting Policies (cont'd)

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

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
IC Interpretation 21	Levies

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

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 following tables provide information on segment revenue and results for the financial period ended 30 September 2013 and 30 September 2012:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>9 months ended 30 September 2013</u>				
Revenue				
External sales	107,840	72	-	107,912
Inter-segment sales	-	3,551	(3,551)	-
Results				
Profit from operations	23,845	782	45	24,672
Other operating income				2,514
Selling and distribution expenses				(13,193)
Administrative expenses				(2,266)
Other expenses				(1,104)
Profit before tax				10,623
Income tax expense				123
Profit for the period				10,746

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A9. Segment Reporting (cont'd)

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>9 months ended 30 September 2012</u>				
Revenue				
External sales	98,276	73	-	98,349
Inter-segment sales	-	3,425	(3,425)	-
Results				
Profit from operations	21,220	1,010	45	22,275
Other operating income				528
Selling and distribution expenses				(12,435)
Administrative expenses				(4,192)
Other expenses				(298)
Profit before tax				5,878
Income tax expense				2,830
Profit for the period				8,708

A10. Profit before tax

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

	Current quarter		Year-to-date	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(150)	(105)	(289)	(282)
Rental income	(57)	(35)	(174)	(99)
Rental of premises	39	65	117	65
Depreciation and amortisation	1,242	1,229	3,698	3,665
Net loss from financial assets designated at fair value through profit or loss	953	-	1,104	-
Foreign exchange (gain)/loss	(1,180)	716	(2,036)	298
Gain on disposal of property, plant and equipment	-	(66)	-	(66)

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 period ended 30 September 2013 and 30 September 2012 as well as the balances with the related parties as at 30 September 2013 and 31 December 2012:

	Transactions value for 9 months ended		Balance outstanding as at	
	30 September 2013	30 September 2012	30 September 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
<u>Nature of transactions</u>				
Purchases from a company related to a				
Director *	-	357	-	-
Rental paid to a director	117	65	-	-

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

* Ceased/resigned as director wef. 24 September 2012

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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 RM37.36 million (which consists of RM37.33 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) during the current quarter under review, an increase of approximately RM6.03 million as compared to a revenue of RM31.33 million (which consist of RM31.30 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) recorded in the corresponding quarter last year. This was mainly due to higher sales volume, and higher average selling price as a result of strengthening of US dollar in current quarter under review.

The profit before tax of the Group for the current quarter under review was RM5.68 million, an increase of approximately RM3.61 million as compared to the preceding year quarter ended 30 September 2012. Increase in profit before tax was mainly due to higher sales volume, better gross profit margin resulted from strengthening of US dollar and one-time gain on recognition of advance payment of levy on behalf of foreign labours. Profit of the Group for 3-months ended 30 September 2013 amounted to RM5.09 million.

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current quarter under review decreased by RM1.88 million as compared to the revenue of RM39.24 million in the immediate preceding quarter, which was mainly due to lower sales volume offset by higher average selling price in the current quarter under review.

The profit before tax for the current quarter under review of RM5.68 million is higher by RM3.05 million as compared to the immediate preceding quarter of RM2.63 million. This was mainly due to higher gross profit margin as a result of higher average selling price and recognition of one-time gain in relation to advance payment of levy on behalf of foreign labours.

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

The Group's higher production cost per unit during the financial period had been offset by the favourable movement of US dollar exchange rate and the result from management's plan of focusing on production of plywood products which provide better margin based on specification. The Board expects that the operating environment in the remaining period of the current financial year will remain tough and challenging especially US dollar exchange rate has come off from its peak steadily.

Management will continue their effort on allocating more resources in the production of plywood products which provide better margin based on certain specifications. Besides, management will strive maintaining the production volume at a targeted level in order to keep the production cost per unit at a minimum level. The Board will continue to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet.

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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.

B5. Income Tax Expense

	Current quarter		Year-to-date	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	45	-	92	-
- Over provision in respect of prior years	(97)	(172)	(97)	(2,664)
	(52)	(172)	(5)	(2,664)
Deferred income tax:				
- Origination and reversal of temporary temporary differences	637	(40)	609	(166)
- Over provision in respect of prior years	-	-	(727)	-
	637	(40)	(118)	(166)
Income tax expense	585	(212)	(123)	(2,830)

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 30 September 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.

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10. Derivative financial instruments

As at 30 September 2013, the Group has the following outstanding derivatives financial instruments:

	Principal or	Fair value	
	Notional Amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Foreign currency forward contract:			
- Less than 1 year	26,198	107	65

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

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 banker and the credit risk for non-performance by the counterparty in these instruments is minimal.

The fair value of derivative assets and liabilities amounting to RM107,000 and RM65,000 respectively have 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	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	5,092	2,284	10,746	8,708
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	4.93	2.21	10.41	8.44

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B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 30 September 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 30 September 2013 RM'000	As at 31 December 2012 RM'000
Retained earnings of the Group:		
- Realised	73,340	63,092
- Unrealised	820	322
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>74,140</u>	<u>63,394</u>

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.