

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 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 31 December 2013 and 31 December 2012:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Year ended 31 December 2013</u>				
Revenue				
External sales	147,104	104	-	147,208
Inter-segment sales	-	4,844	(4,844)	-
Results				
Profit from operations	33,910	1,413	60	35,383
Other operating income				3,762
Selling and distribution expenses				(18,577)
Administrative expenses				(3,867)
Other expenses				(1,352)
Profit before tax				15,349
Income tax expense				(213)
Profit for the year				15,136

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A9. Segment Reporting (cont'd)

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Year ended 31 December 2012</u>				
Revenue				
External sales	132,703	100	-	132,803
Inter-segment sales	-	4,645	(4,645)	-
Results				
Profit from operations	28,897	1,629	60	30,586
Other operating income				752
Selling and distribution expenses				(17,246)
Administrative expenses				(5,475)
Other expenses				(233)
Profit before tax				8,384
Income tax expense				3,216
Profit for the year				11,600

A10. Profit before tax

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

	Current quarter		Year-to-date	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(230)	(105)	(519)	(387)
Rental income	(63)	(31)	(237)	(130)
Rental of premises	39	39	156	104
Depreciation and amortisation	1,247	1,225	4,945	4,890
Net loss from financial assets designated at fair value through profit or loss	248	-	1,352	-
Foreign exchange (gain)/loss	(305)	(115)	(2,341)	186
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 year ended 31 December 2013 and 31 December 2012 as well as the balances with the related parties as at 31 December 2013 and 31 December 2012:

	Transactions value for year ended		Balance outstanding as at	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
<u>Nature of transactions</u>				
Rental paid to a director	156	104	-	-

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

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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 RM39.30 million (which consists of RM39.27 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) during the current quarter under review, an increase of approximately RM4.85 million as compared to a revenue of RM34.45 million (which consist of RM34.42 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 as compared to the corresponding quarter of previous year.

The profit before tax of the Group for the current quarter under review was RM4.73 million, an increase of approximately RM2.22 million as compared to the preceding year quarter ended 31 December 2012. Increase in profit before tax was mainly due to higher sales volume, and higher gross profit margin resulted from strengthening of US dollar. Profit of the Group for 3-months ended 31 December 2013 amounted to RM4.39 million.

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current quarter under review increased by RM1.94 million as compared to the revenue of RM37.36 million in the immediate preceding quarter, which was mainly due to higher sales volume in the current quarter under review.

The profit before tax for the current quarter under review of RM4.73 million had decreased by RM0.95 million as compared to the immediate preceding quarter of RM5.68 million. This was mainly due to lower gross profit margin as a result of weakening of US dollar against Ringgit Malaysia in current quarter as compared to immediate preceding quarter. In addition, the profit for the immediate preceding quarter also includes a one-time gain in relation to advance payment of levy on behalf of foreign workers.

B3. Prospects for next financial year

The Board expects that the operating environment in next financial year will remain tough and challenging as prices of logs will increase moderately due to the revision of royalty rate effective from 1 January 2014.

Nevertheless, the Board will continue and enhance its strategies to ensure that such challenges would be mitigated by focusing on production and sale of plywood products that carry better margin. In addition, it is also intended to increase production volume in next financial year in order to minimise the negative impact of increase in prices of logs. 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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	65	97	157	97
- Over provision in respect of prior years	-	(458)	(97)	(3,122)
	65	(361)	60	(3,025)
Deferred income tax:				
- Origination and reversal of temporary temporary differences	307	310	916	144
- Effect of reduction in tax rate	(36)	-	(36)	-
- Over provision in respect of prior years	-	(336)	(727)	(335)
	271	(26)	153	(191)
Income tax expense	336	(387)	213	(3,216)

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 December 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

The Group had paid the First Interim tax-exempt (single tier) dividend amounting to RM8.256 million which was declared on 16 December 2013 for the financial year ended 31 December 2013 on 16 January 2014.

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B10. Derivative financial instruments

As at 31 December 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	38,656	-	783

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 liabilities amounting to RM783,000 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 December 2013	31 December 2012	31 December 2013	31 December 2012
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	4,390	2,892	15,136	11,600
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	4.25	2.80	14.67	11.24

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B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 31 December 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 December 2013 RM'000	As at 31 December 2012 RM'000
Retained earnings of the Group:		
- Realised	69,851	63,092
- Unrealised	443	322
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>70,274</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.