

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2014

**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 2014, 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 2013. 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 2013.

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 2013 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 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

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 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle	
Annual Improvements to MFRSs 2011-2013 Cycle	

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A2. Significant Accounting Policies (Cont'd)

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

MFRS, Interpretations and amendments of which effective date is to be announced by MASB

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application, other than for MFRS 9 *Financial Instruments*. The Group will assess the financial implications of MFRS 9 *Financial Instruments* when the full standard is issued.

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 2013.

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.

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.

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A8. Dividend Paid

An interim tax exempt (single-tier) dividend of 8 sen per ordinary share of RM0.50 each amounting to RM8.256 million was paid on 16 January 2014 in respect of the financial year ended 31 December 2013.

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 and sale of electricity.

The following tables provide information on segment revenue and results for the financial period ended 31 March 2014 and 31 March 2013:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 31 March 2014</u>				
Revenue				
External sales	37,787	29	-	37,816
Inter-segment sales	-	1,079	(1,079)	-
	<u>37,787</u>	<u>1,108</u>	<u>(1,079)</u>	<u>37,816</u>
Results				
Profit before tax	4,395	246	-	4,641
Income tax expense	(488)	(62)	-	(550)
Profit for the year	<u>3,907</u>	<u>184</u>	<u>-</u>	<u>4,091</u>
<u>Period ended 31 March 2013</u>				
Revenue				
External sales	31,294	21	-	31,315
Inter-segment sales	-	1,182	(1,182)	-
	<u>31,294</u>	<u>1,203</u>	<u>(1,182)</u>	<u>31,315</u>
Results				
Profit before tax	4,850	462	(3,000)	2,312
Income tax credit/ (expense)	17	(117)	-	(100)
Profit for the year	<u>4,867</u>	<u>345</u>	<u>(3,000)</u>	<u>2,212</u>

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A10. Profit before tax

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

	Current quarter		Year-to-date	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(250)	(61)	(250)	(61)
Rental income	(59)	(60)	(59)	(60)
Rental of premises	39	39	39	39
Depreciation and amortisation	1,209	1,223	1,209	1,223
Net gain of derivative financial instruments	(205)	(205)	(205)	(205)
Net gain of foreign exchange	(12)	(540)	(12)	(540)

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.

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.

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A16. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the period ended 31 March 2014 and 31 March 2013 as well as the balances with the related parties as at 31 March 2014 and 31 December 2013:

Nature of transactions	Transactions value for year ended		Balance outstanding as at	
	31 March 2014	31 March 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Rental paid to a director	39	39	-	-

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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 RM37.82 million (which consists of RM37.79 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) during the current quarter under review, an increase of approximately RM6.50 million as compared to a revenue of RM31.32 million (which consist of RM31.30 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 higher sales volume, and higher average selling price as a result of strong US dollar conversion rate. Average US dollar exchange rate in current quarter under review is higher by approximately 6.5% as compared to the corresponding quarter of previous year.

The profit before tax of the Group for the current quarter under review was RM4.64 million, an increase of approximately RM2.33 million as compared to the preceding year quarter ended 31 March 2013. Increase in profit before tax was mainly due to higher sales, and higher gross profit margin resulted from strengthening of US dollar. Profit of the Group for 3-months ended 31 March 2014 amounted to RM4.09 million.

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current quarter under review decreased by RM1.48 million as compared to the revenue of RM39.30 million in the immediate preceding quarter, which was mainly due to lower sales volume as well as lower average selling price in the current quarter under review. The average selling price in the current quarter is lower as a consequence of the lower sales volume to the US, which has historically been the higher priced region compared to the other geographical area.

The profit before tax for the current quarter under review of RM4.64 million had no significant variance in comparison to the immediate preceding quarter of RM4.73 million. Lower sales and profit margin in current quarter had been offset by the positive impact of lower freight charges.

B3. Prospects for the remaining period of current financial year

Despite concerns on the continued challenges from the escalating production costs especially the price of logs and the uncertainties in the global economy in current financial year, the Board remains cautiously optimistic about its 2014 prospects.

Recent addition and improvement to the machineries and equipments will enhance the productivity in the remaining period of current financial year. This will translate into higher production volume and reducing production cost per unit. Besides, the Board will continue and improve its previous strategies of focusing on production and sale of plywood products that carry better margin in order to maintain its profitability in the remaining period of current financial year.

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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 March 2014	31 March 2013	31 March 2014	31 March 2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	68	20	68	20
Deferred income tax:				
- Origination and reversal of temporary temporary differences	482	80	482	80
Income tax expense	550	100	550	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 2014.

B8. Material litigations

There were no material litigations since the last financial year ended 31 December 2013 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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B10. Derivative financial instruments

As at 31 March 2014 and 31 March 2013, the Group has the following outstanding derivatives financial instruments:

	Principal or	Fair value	
	Notional Amount	Assets	Liabilities
	RM'000	RM'000	RM'000
31 March 2014			
Foreign currency forward contract:			
- Less than 1 year	26,552	323	-
31 December 2013			
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 US 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 as at 31 March 2014 amounting to RM323,000 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 March 2014	31 March 2013	31 March 2014	31 March 2013
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	4,091	2,212	4,091	2,212
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	3.96	2.14	3.96	2.14

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B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 31 March 2014 and 31 December 2013 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 March 2014 RM'000	As at 31 December 2013 RM'000
Retained earnings of the Group:		
- Realised	74,358	69,851
- Unrealised	27	443
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>74,365</u>	<u>70,274</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.