

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 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 effective for annual periods beginning on or after 1 January 2016

MFRS14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

MFRS15	Revenue from Contracts with Customers
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MFRS, Interpretations and amendments effective for a date yet to be confirmed

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
Amendments to MFRS 9 (IFRS Issued by IASB in November 2009 and October 2010) and MFRS7	Mandatory Effective Date of MFRS 9 and Transition Disclosures

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.

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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.

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 30 September 2014 and 30 September 2013:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 30 September 2014</u>				
Revenue				
External sales	108,906	115	-	109,021
Inter-segment sales	-	3,971	(3,971)	-
	108,906	4,086	(3,971)	109,021
Results				
Profit before tax	14,052	1,629	(4,000)	11,681
Taxation	(295)	(427)	-	(722)
Profit for the period	13,757	1,202	(4,000)	10,959

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A9. Segment Reporting (Cont'd)

The following tables provide information on segment revenue and results for the financial period ended 30 September 2014 and 30 September 2013: (Cont'd)

Period ended 30 September 2013

Revenue

External sales	107,840	72	-	107,912
Inter-segment sales	-	3,551	(3,551)	-
	107,840	3,623	(3,551)	107,912

Results

Profit before tax	12,935	688	(3,000)	10,623
Taxation	299	(176)	-	123
Profit for the period	13,234	512	(3,000)	10,746

A10. Profit before tax

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

	Current quarter		Year-to-date	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(292)	(150)	(846)	(289)
Rental income	(60)	(57)	(177)	(174)
Rental of premises	39	39	117	117
Depreciation and amortisation	1,196	1,242	3,593	3,698
Net loss/(gain) of derivative financial instruments	796	953	(38)	1,104
Net gain of foreign exchange	(829)	(1,180)	(271)	(2,036)

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.

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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 2014 and 30 September 2013 as well as the balances with the related parties as at 30 September 2014 and 31 December 2013:

Nature of transactions	Transactions value for year ended		Balance outstanding as at	
	30 September 2014	30 September 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Rental paid to a director	117	117	-	-

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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 RM33.93 million (which consists of RM33.89 million from the manufacturing segment and RM0.04 million from the electricity segment respectively) during the current quarter under review, a decrease of approximately RM3.43 million as compared to a revenue of RM37.36 million (which consist of RM37.33 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) recorded in the corresponding quarter last year. Decrease in sales was mainly due to lower sales volume as well as lower average selling price recorded in current quarter under review.

Profit before tax of the Group in current quarter was RM3.26 million, a decrease of approximately RM2.42 million as compared to the preceding year's corresponding quarter. This was mainly due to lower sales volume and decreasing gross profit margin in current quarter under review. In addition, there was also a one-time gain in relation to the advance payment of levy which was included in the results of corresponding quarter of the previous financial year of RM0.54 million, which is no longer recurring in the current quarter. Lower average selling price and higher production cost per cubic metre has affected the profit margin of our products in current quarter under review. Lower average selling price is mainly arises from lower USD exchange rate in current quarter as compared to exchange rate in corresponding quarter of preceding year. On the other hand, production cost per cubic metre had increased moderately due to lower production volume as a result of shortage in manpower. Profit of the Group for 3-month ended 30 September 2014 amounted to RM3.32 million.

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current quarter under review decreased by RM3.35 million as compared to the revenue of RM37.28 million in the immediate preceding quarter, which was mainly due to lower sales volume.

The profit before tax for the current quarter under review of RM3.26 million has decreased by RM0.52 million in comparison to the immediate preceding quarter of RM3.78 million. This was mainly due to lower sales volume in current quarter under review as well.

B3. Prospects for the remaining period of current financial year

Increasing production costs per cubic metre due to lower production volume had reduced the profit margin of our products. The Board expects that the operating environment in the remaining period of the current financial year will remain tough and challenging. The Board will continue to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet.

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	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	81	45	232	92
- Over provision in respect of prior years	-	(97)	-	(97)
	81	(52)	232	(5)
Deferred income tax:				
- Origination and reversal of temporary temporary differences	118	637	697	609
- Over provision in respect of prior years	(253)	-	(207)	(727)
	(135)	637	490	(118)
Income tax expense	(54)	585	722	(123)

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 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 30 September 2014 and 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
30 September 2014			
Foreign currency forward contract:			
- Less than 1 year	52,221	-	796
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 liabilities as at 30 September 2014 amounting to RM796,000 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	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	3,316	5,092	10,959	10,746
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	3.21	4.93	10.62	10.41

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B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 30 September 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 30 September 2014 RM'000	As at 31 December 2013 RM'000
Retained earnings of the Group:		
- Realised	81,197	69,851
- Unrealised	56	443
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>81,233</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.