

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**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 10 and MFRS 128	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture
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
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012-2014 Cycle	

**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 annual periods beginning on or after 1 January 2018**

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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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.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**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**

The following dividend payments were made during the year ended 31 December 2014:

	<b>RM'000</b>
In respect of financial year ended 31 December 2013:	
- interim tax exempt (single-tier) dividend of 8 sen per ordinary share of RM0.50 each, paid on 16 January 2014	8,256
 In respect of financial year ended 31 December 2014:	
- interim tax exempt (single-tier) dividend of 8 sen per ordinary share of RM0.50 each, paid on 31 December 2014	8,256
	16,512

**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.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**A9. Segment Reporting (Cont'd)**

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

	<b>Manufacturing</b> RM'000	<b>Electricity</b> RM'000	<b>Elimination</b> RM'000	<b>Consolidated</b> RM'000
<b><u>Year ended 31 December 2014</u></b>				
<b>Revenue</b>				
External sales	150,266	153	-	150,419
Inter-segment sales	-	5,106	(5,106)	-
	<u>150,266</u>	<u>5,259</u>	<u>(5,106)</u>	<u>150,419</u>
<b>Results</b>				
Profit before tax	19,463	1,832	(4,000)	17,295
Taxation	(791)	(472)	-	(1,263)
Profit for the year	<u>18,672</u>	<u>1,360</u>	<u>(4,000)</u>	<u>16,032</u>
<b><u>Year ended 31 December 2013</u></b>				
<b>Revenue</b>				
External sales	147,104	104	-	147,208
Inter-segment sales	-	4,844	(4,844)	-
	<u>147,104</u>	<u>4,948</u>	<u>(4,844)</u>	<u>147,208</u>
<b>Results</b>				
Profit before tax	17,057	1,292	(3,000)	15,349
Taxation	187	(400)	-	(213)
Profit for the year	<u>17,244</u>	<u>892</u>	<u>(3,000)</u>	<u>15,136</u>

**A10. Profit before tax**

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

	<b>Current quarter</b>		<b>Year-to-date</b>	
	<b>31 December</b> <b>2014</b> RM'000	<b>31 December</b> <b>2013</b> RM'000	<b>31 December</b> <b>2014</b> RM'000	<b>31 December</b> <b>2013</b> RM'000
Interest income	(292)	(230)	(1,138)	(519)
Rental income	(57)	(63)	(234)	(237)
Rental of premises	39	39	156	156
Depreciation and amortisation	1,195	1,247	4,788	4,945
Net loss of derivative financial instruments	1,487	248	1,449	1,352
Net gain of foreign exchange	(1,983)	(305)	(2,254)	(2,341)

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**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.

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

	Transactions value for year ended		Balance outstanding as at	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<u>Nature of transactions</u>				
Rental paid to a director	156	156	-	-

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**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 RM41.40 million (which consists of RM41.36 million from the manufacturing segment and RM0.04 million from the electricity segment respectively) during the current quarter under review, an increase of approximately RM2.10 million as compared to a revenue of RM39.30 million (which consist of RM39.27 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) recorded in the corresponding quarter last year. Sales were higher despite a slightly lower sales volume because of higher average selling price recorded in current quarter under review as a result of strengthening of US dollar.

Profit before tax of the Group in current quarter was RM5.61 million, an increase of approximately RM0.88 million as compared to the preceding year's corresponding quarter. This was mainly due to better gross profit margin and higher exchange gain recorded in current quarter under review. Profit of the Group for 3-month ended 31 December 2014 amounted to RM5.07 million.

**B2. Comparison with immediate preceding quarter's results**

The Group's revenue for the current quarter under review increased by RM7.47 million as compared to the revenue of RM33.93 million in the immediate preceding quarter. This was due to higher sales volume and higher average selling price in current quarter.

The profit before tax for the current quarter under review of RM5.61 million has increased by approximately RM2.35 million in comparison to the immediate preceding quarter of RM3.26 million. This was mainly due to higher sales volume and better gross profit margin recorded in current quarter under review. Moreover, the Group had recorded higher net foreign exchange gain as compared to immediate preceding quarter.

**B3. Prospects for next financial year**

The Board of Directors assessed that the implementation of GST scheme which starts on 1<sup>st</sup> April 2015 has no significant impact to the Group's business. Although recent strengthening of US dollar has increased the profit margin of our products, management will continue to work on improving the quality, recovery rate and operational efficiency. Barring unforeseen circumstances, the Board remains confident in the prospects for next financial year.

**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.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**B5. Income Tax Expense**

	Current quarter		Year-to-date	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	80	65	312	157
- Over provision in respect of prior years	-	-	-	(97)
	80	65	312	60
Deferred income tax:				
- Origination and reversal of temporary temporary differences	469	307	1,166	916
- Effect of reduction in tax rate	-	(36)	-	(36)
- Over provision in respect of prior years	(8)	-	(215)	(727)
	461	271	951	153
Income tax expense	541	336	1,263	213

**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 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**

The Group had paid the First Interim tax-exempt (single tier) dividend amounting to RM8.256 million which was declared on 5 December 2014 for the financial year ended 31 December 2014 on 31 December 2014.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**B10. Derivative financial instruments**

As at 31 December 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
<b>31 December 2014</b>			
Foreign currency forward contract:			
- Less than 1 year	28,686	6	571
<b>31 December 2013</b>			
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 and derivative liabilities as at 31 December 2014 amounting to approximately RM6,000 and RM571,000 respectively 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 2014	31 December 2013	31 December 2014	31 December 2013
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	5,073	4,390	16,032	15,136
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	4.92	4.25	15.53	14.67



(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

**B12. Realised and unrealised profits/(losses) disclosure**

The breakdown of the retained profits of the Group as at 31 December 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.

	<b>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
Retained earnings of the Group:		
- Realised	78,697	69,851
- Unrealised	(627)	443
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>78,050</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.