

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

**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 2015, 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 2014. 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 2014.

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 2014 of the Group, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretation effective for financial period beginning on or after 1 January 2015:

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

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 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
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 101	Disclosure Initiatives
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	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2017

MFRS15 Revenue from Contracts with Customers

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)

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.

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 2014.

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.

A8. Dividend Paid

No dividend payment was made during the period ended 31 March 2015.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2015 and 31 March 2014:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 31 March 2015</u>				
Revenue				
External sales	29,995	37	-	30,032
Inter-segment sales	-	1,394	(1,394)	-
	<u>29,995</u>	<u>1,431</u>	<u>(1,394)</u>	<u>30,032</u>
Results				
Profit before tax	3,293	546	-	3,839
Income tax expense	(379)	(137)	-	(516)
Profit for the period	<u>2,914</u>	<u>409</u>	<u>-</u>	<u>3,323</u>
<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 period	<u>3,907</u>	<u>184</u>	<u>-</u>	<u>4,091</u>

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

A10. Profit before tax

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

	Current quarter		Year-to-date	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(417)	(250)	(417)	(250)
Rental income	(58)	(59)	(58)	(59)
Rental of office premises	39	39	39	39
Depreciation and amortisation	1,182	1,209	1,182	1,209
Net loss/(gain) on derivatives	1,343	(205)	1,343	(205)
Net gain of foreign exchange	(1,731)	(12)	(1,731)	(12)

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.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2015 and 31 March 2014 as well as the balances with the related parties as at 31 March 2015 and 31 December 2014:

Nature of transactions	Transactions value for period ended		Balance outstanding as at	
	31 March 2015	31 March 2014	31 March 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Rental paid to a director	39	39	-	-

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

**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 RM30.03 million (which consists of RM29.99 million from the manufacturing segment and RM0.04 million from the electricity segment respectively) during the current quarter under review, a decrease of approximately RM7.79 million as compared to a revenue of RM37.82 million (which consist of RM37.79 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) recorded in the corresponding quarter last year. Decrease in revenue in current quarter was mainly due to quantity sold to USA was lower, as a result of delay in arrival of vessel departing to USA.

Profit before tax of the Group in current quarter was RM3.84 million, a decrease of approximately RM0.80 million as compared to the preceding year's corresponding quarter. This was mainly due to lower sales volume in current quarter. Profit of the Group for period ended 31 March 2015 amounted to RM3.32 million.

B2. Comparison with immediate preceding quarter's results

The Group's revenue in current quarter under review decreased by RM11.37 million as compared to the revenue of RM41.40 million in the immediate preceding quarter. This was due to lower sales volume in current quarter.

Profit before tax in current quarter was RM3.84 million, a decrease of approximately RM1.77 million in comparison to the immediate preceding quarter's profit before tax of RM5.61 million. This was mainly due to lower sales volume recorded in current quarter under review.

B3. Prospects for the remaining period of current financial year

Strengthening of US Dollar since the end of last financial year had moderately improved the profit margin of the Group's sales of wood products. On the other hand, management will continue to work on improving the quality and operational efficiency of the production team through the investment in new machineries, especially those with automation function in order to reduce the reliance on labour force. Barring unforeseen circumstances, the Board remains confident in the prospects for this 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 FIRST QUARTER ENDED 31 MARCH 2015

B5. Income Tax Expense

	Current quarter		Year-to-date	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	194	68	194	68
	194	68	194	68
Deferred income tax:				
- Origination and reversal of temporary temporary differences	322	482	322	482
	322	482	322	482
Income tax expense	516	550	516	550

The effective tax rate for current quarter and corresponding quarter last year was lower than the statutory tax rate principally due to the double tax deduction benefit granted for freight charges incurred for export sales of plywood and laminated lumber veneer.

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 2015.

B8. Material litigations

There were no material litigations since the last financial year ended 31 December 2014 and up to the date of this report.

B9. Dividends

No interim dividend has been declared during the quarter under review.

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B10. Derivative financial instruments

As at 31 March 2015 and 31 December 2014, 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 2015			
Foreign currency forward contract:			
- Less than 1 year	12,119	3	226
31 December 2014			
Foreign currency forward contract:			
- Less than 1 year	28,686	6	571

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 March 2015 amounting to approximately RM3,000 and RM226,000 respectively had 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 2015	31 March 2014	31 March 2015	31 March 2014
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	3,323	4,091	3,323	4,091
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	3.22	3.96	3.22	3.96

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 31 March 2015 and 31 December 2014 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 2015 RM'000	As at 31 December 2014 RM'000
Retained earnings of the Group:		
- Realised	81,969	78,697
- Unrealised	(576)	(627)
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	<u>81,373</u>	<u>78,050</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.