

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 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 Interpretations 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	

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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 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.

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A8. Dividend Paid

No dividend payment was made during the period ended 30 June 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 30 June 2015 and 30 June 2014:

	Manufacturing RM'000	Electricity RM'000	Elimination RM'000	Consolidated RM'000
<u>Period ended 30 June 2015</u>				
Revenue				
External sales	80,092	72	-	80,164
Inter-segment sales	-	2,929	(2,929)	-
	80,092	3,001	(2,929)	80,164
Results				
Profit before tax	11,396	1,321	-	12,717
Income tax expense	(1,018)	(331)	-	(1,349)
Profit for the period	10,378	990	-	11,368
<u>Period ended 30 June 2014</u>				
Revenue				
External sales	75,015	77	-	75,092
Inter-segment sales	-	2,502	(2,502)	-
	75,015	2,579	(2,502)	75,092
Results				
Profit before tax	7,474	945	-	8,419
Income tax expense	(520)	(256)	-	(776)
Profit for the period	6,954	689	-	7,643

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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	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(441)	(304)	(858)	(554)
Rental income	(59)	(58)	(117)	(117)
Rental of premises	39	39	78	78
Depreciation and amortisation	1,191	1,188	2,373	2,397
Net (gain)/loss on derivatives	(141)	(629)	1,202	(834)
Net (gain)/loss of foreign exchange	(1,014)	570	(2,745)	558

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 30 June 2015 and 30 June 2014 as well as the balances with the related parties as at 30 June 2015 and 31 December 2014:

Nature of transactions	Transactions value for year ended		Balance outstanding as at	
	30 June 2015	30 June 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Rental paid to a director	78	78	-	-

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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 RM50.13 million (which consists of RM50.10 million from the manufacturing segment and RM0.03 million from the electricity segment respectively) during the current quarter under review, an increase of approximately RM12.85 million as compared to a revenue of RM37.28 million (which consist of RM37.23 million from the manufacturing segment and RM0.05 million from the electricity segment respectively) recorded in the corresponding quarter last year. Significant increase in sales was mainly due to higher sales volume and higher average selling price in current quarter under review. Current quarter revenue included sales for shipment to USA which was not recognised in previous quarter due to delay in arrival of vessel to USA. On the other hand, strong US dollar has increased the average selling price in Ringgit Malaysia as well as total revenue.

The profit before tax of the Group for the current quarter under review has increased by RM5.10 million as compared to RM3.78 million in the immediate preceding quarter. Higher average selling price due to strengthening of US dollar has improved the profit margin and profit before tax in current quarter. As compared to corresponding quarter of previous year, US dollar has appreciated by approximately 13%. Profit of the Group for 3-month ended 30 June 2015 amounted to RM8.05 million, an increase of RM4.5 million as compared to corresponding quarter of last year.

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current quarter under review increased by approximately 67% as compared to the revenue of RM30.03 million in the immediate preceding quarter, which was mainly due to higher sales volume.

Increase in revenue has significant effect on the profit before tax for the current quarter, an increase of RM5.04 million from RM3.84 million in the immediate preceding quarter to RM8.88 million in the current quarter. The main factors which have affected the current quarter's profit before tax have been discussed above. Other contributing factor are higher recovery rate and lower production cost per cubic metre in current quarter as compared to immediate preceding quarter. Recovery rate has increased by 5.24% to 46.48% in current quarter under review.

B3. Prospects for the remaining period of current financial year

Despite the increase in production cost especially logs' price, profit margin of our products has improved steadily due to the strengthening of US dollar. US dollar is expected to remain strong based on the possibility of rate increase in US before end of this financial year. With our production and business strategies in place, we are confident in the prospects for the remaining period of current 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.

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B5. Income Tax Expense

	Current quarter		Year-to-date	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	511	83	705	151
Deferred income tax:				
- Origination and reversal of temporary temporary differences	648	97	970	579
- (Over)/Under provision in respect of prior years	(326)	46	(326)	46
	322	143	644	625
Income tax expense	833	226	1,349	776

The effective tax rate for current quarter was lower than the statutory tax rate mainly due to the utilisation of reinvestment allowance on which deferred tax assets were not previously recognised, and the double tax deduction benefit granted for freight charges incurred for export sales of plywood and laminated lumber veneer.

The effective rate for the 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 30 June 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.

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B9. Dividends

The Board of Directors has, on 30 July 2015, declared an interim single-tier-tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 December 2015, to be paid on 28 August 2015. The entitlement date for the dividend payment is 17 August 2015. A depositor shall qualify for entitlement to the dividend only in respect of: (i) shares transferred to the depositors' securities account on 17 August 2015 in respect of transfers; and (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends declared to date for the current financial year ending 31 December 2015 is 5.0 sen per ordinary share.

B10. Derivative financial instruments

As at 30 June 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
<u>30 June 2015</u>			
Foreign currency forward contract:			
- Less than 1 year	10,748	3	81
<u>31 December 2014</u>			
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 30 June 2015 amounting to approximately RM3,000 and RM81,000 respectively had been recognised in the financial statements.

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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 June 2015	30 June 2014	30 June 2015	30 June 2014
Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000)	8,045	3,552	11,368	7,643
Weighted average number of ordinary shares in issue ('000)	103,200	103,200	103,200	103,200
Basic earnings per share (sen per share)	7.80	3.44	11.02	7.41

B12. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained profits of the Group as at 30 June 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 30 June 2015	As at 31 December 2014
	RM'000	RM'000
Retained earnings of the Group:		
- Realised	89,381	78,697
- Unrealised	57	(627)
Less: Consolidation adjustments	(20)	(20)
Total retained earnings of the Group	89,418	78,050

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.