

(Incorporated In Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

| | Current year quarter 30/09/2019 RM'000 | Preceding year corresponding quarter 30/09/2018 RM'000 | Current year to-date 30/09/2019 RM'000 | Preceding year corresponding period 30/09/2018 RM'000 |
|--|---|---|---|--|
| Revenue from contracts with customers | 37,845 | 63,053 | 104,301 | 148,784 |
| Cost of sales | <u>(39,191)</u> | <u>(46,820)</u> | <u>(104,060)</u> | <u>(117,945)</u> |
| Gross (loss)/profit | (1,346) | 16,233 | 241 | 30,839 |
| Other items of income | | | | |
| Interest income | 154 | 141 | 502 | 349 |
| Other income | 963 | 1,933 | 1,861 | 3,070 |
| Other items of expense | | | | |
| Administrative expenses | (1,980) | (2,305) | (6,278) | (5,594) |
| Other expenses | <u>(1,761)</u> | <u>(981)</u> | <u>(2,388)</u> | <u>(1,141)</u> |
| (Loss)/ Profit before tax | (3,970) | 15,021 | (6,062) | 27,523 |
| Income tax expense | <u>1,940</u> | <u>(3,807)</u> | <u>2,119</u> | <u>(6,510)</u> |
| Profit net of tax, representing total comprehensive (loss)/ income for the period | <u>(2,030)</u> | <u>11,214</u> | <u>(3,943)</u> | <u>21,013</u> |
| (Loss)/ Profit net of tax attributable to: | | | | |
| Owners of the Company | <u>(2,030)</u> | <u>11,214</u> | <u>(3,943)</u> | <u>21,013</u> |
| Earnings per share attributable to owners of the Company: | | | | |
| Basic (sen) | <u>(1.99)</u> | <u>10.86</u> | <u>(3.86)</u> | <u>20.36</u> |
| Diluted (sen) | <u>(1.99)</u> | <u>10.74</u> | <u>(3.77)</u> | <u>20.27</u> |

This Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

| | As at 30/09/2019 RM'000 | As at 31/12/2018 RM'000 |
|---|-------------------------------|-------------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 29,905 | 28,887 |
| Investment properties | 2,317 | 2,379 |
| Intangible asset | 149 | 149 |
| Deferred tax assets | 7 | 139 |
| | <u>32,378</u> | <u>31,554</u> |
| Current assets | | |
| Inventories | 44,089 | 42,294 |
| Trade and other receivables | 5,573 | 12,130 |
| Other current assets | 6,070 | 10,952 |
| Income tax refundable | 2,266 | - |
| Other current financial assets | 47,983 | 48,380 |
| Cash and bank balances | 43,306 | 51,803 |
| | <u>149,287</u> | <u>165,559</u> |
| Total assets | <u>181,665</u> | <u>197,113</u> |
| Equity and liabilities | | |
| Current liabilities | | |
| Trade and other payables | 5,059 | 9,287 |
| Contract liabilities | 144 | 1,046 |
| Other current financial liabilities | 66 | - |
| Income tax payable | - | 900 |
| | <u>5,269</u> | <u>11,233</u> |
| Net current assets | <u>144,018</u> | <u>154,326</u> |
| Non-current liability | | |
| Deferred tax liabilities | 1,755 | 3,070 |
| Total liabilities | <u>7,024</u> | <u>14,303</u> |
| Net assets | <u>174,641</u> | <u>182,810</u> |
| Equity attributable to owners of the Company | | |
| Share capital | 57,502 | 55,759 |
| Treasury shares | (6,740) | (4,787) |
| Employee share option reserve | 2,214 | 1,097 |
| Retained earnings | 121,665 | 130,741 |
| Total equity | <u>174,641</u> | <u>182,810</u> |
| Total equity and liabilities | <u>181,665</u> | <u>197,113</u> |
| Net assets per share (RM) | <u>1.71</u> | <u>1.78</u> |

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to these interim financial statements.

(Incorporated In Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | Current year to-date 30/09/2019 RM'000 | Preceding year corresponding period 30/09/2018 RM'000 |
|--|---|--|
| Operating activities | | |
| (Loss)/ Profit before tax | (6,062) | 27,523 |
| <u>Adjustments for:</u> | | |
| Depreciation of investment properties | 62 | 62 |
| Depreciation of property, plant and equipment | 4,016 | 3,777 |
| Distribution income from equity instruments | (886) | (1,301) |
| Allowance for doubtful debts | 2,297 | - |
| Grant of equity-settled share options | 1,552 | 887 |
| Inventory written off | 2,587 | - |
| Interest income | (502) | (349) |
| Net fair value gain on equity instruments | (422) | (638) |
| Net fair value loss on derivatives - unrealised | 371 | 737 |
| Foreign exchange gain - unrealised | (23) | (206) |
| Operating cash flows before changes in working capital | <u>2,990</u> | <u>30,492</u> |
| Increase in inventories | (4,382) | (15,611) |
| Decrease/ (Increase) in trade and other receivables | 6,568 | (8,205) |
| Decrease/ (Increase) in other current assets | 2,585 | (3,206) |
| (Decrease)/ Increase in trade and other payables | (4,228) | 1,007 |
| Decrease in contract liabilities | (902) | (636) |
| Cash flows from operations | <u>2,631</u> | <u>3,841</u> |
| Interest received | 491 | 339 |
| Income tax received | 1,659 | - |
| Income tax paid | (3,889) | (1,867) |
| Net cash flows generated from operating activities | <u>892</u> | <u>2,313</u> |
| Investing activities | | |
| Interest received | - | 13 |
| Distribution income from equity instruments | 886 | 1,301 |
| Purchase of equity instruments | (5,886) | (22,987) |
| Proceeds from disposal of equity instruments | 6,400 | 53,833 |
| Purchase of property, plant and equipment | (5,034) | (3,599) |
| Net cash flows (used in)/ generated from investing activities | <u>(3,634)</u> | <u>28,561</u> |
| Financing activities | | |
| Dividend paid | (5,133) | (8,256) |
| Purchase of treasury shares | (1,953) | - |
| Proceeds from exercise of employee share options | 1,308 | 336 |
| Net cash flows used in financing activities | <u>(5,778)</u> | <u>(7,920)</u> |

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
 FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | Current year to-date 30/06/2019 RM'000 | Preceding year corresponding period 30/06/2018 RM'000 |
|--|---|--|
| Net (decrease)/ increase in cash and cash equivalents | (8,520) | 22,954 |
| Effect of exchange rate changes on cash and cash equivalents | 23 | 206 |
| Cash and cash equivalents at 1 January | <u>51,417</u> | <u>33,924</u> |
| Cash and cash equivalents at 30 September | <u>42,920</u> | <u>57,084</u> |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 43,306 | 57,470 |
| Less: Deposits with maturity of more than three months | <u>(386)</u> | <u>(386)</u> |
| Cash and cash equivalents | <u>42,920</u> | <u>57,084</u> |

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | Equity, total RM'000 | Equity attributable to owners of the Company, total RM'000 | Share capital RM'000 | Treasury shares RM'000 | Employee share option reserve RM'000 | Retained earnings RM'000 |
|---------------------------------------|-------------------------|--|-------------------------|------------------------------|--|--------------------------------|
| Opening balance at 1 January 2018 | 171,485 | 171,485 | 52,483 | - | - | 119,002 |
| Total comprehensive income | 21,013 | 21,013 | - | - | - | 21,013 |
| Grant of equity-settled share options | 887 | 887 | - | - | 887 | - |
| Exercise of employee share options | 336 | 336 | 448 | - | (112) | - |
| Dividends on ordinary shares | (8,256) | (8,256) | - | - | - | (8,256) |
| Closing balance at 30 September 2018 | 185,465 | 185,465 | 52,931 | - | 775 | 131,759 |
| Opening balance at 1 January 2019 | 182,810 | 182,810 | 55,759 | (4,787) | 1,097 | 130,741 |
| Total comprehensive loss | (3,943) | (3,943) | - | - | - | (3,943) |
| Purchase of treasury shares | (1,953) | (1,953) | - | (1,953) | - | - |
| Grant of equity-settled share options | 1,552 | 1,552 | - | - | 1,552 | - |
| Exercise of employee share options | 1,308 | 1,308 | 1,743 | - | (435) | - |
| Dividends on ordinary shares | (5,133) | (5,133) | - | - | - | (5,133) |
| Closing balance at 30 September 2019 | 174,641 | 174,641 | 57,502 | (6,740) | 2,214 | 121,665 |

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

**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 2019, 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 2018. 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 2018.

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 2018 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 2019:

| | |
|--|--|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensations |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to MFRSs 2015-2017 Cycle | |

The adoption of the above MFRSs, Amendments to MFRSs and Interpretations did not have any material financial impact on these condensed consolidated financial statements.

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

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2020

| | |
|---------------------------------|--------------------------------|
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 101 and 108 | Definition of Material |
| Amendments to MFRS 7, 9 and 139 | Interest Rate Benchmark Reform |

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A2. Significant accounting policies (continued)

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

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

MFRSs, Interpretations and Amendments which effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between Investors and its Associate or Joint Venture

The directors anticipate that the abovementioned MFRSs, Interpretations and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these MFRSs, Interpretations and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

A3. 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.

A4. 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.

A5. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

A6. Changes in debt and equity securities

During the financial period ended 30 September 2019, the Company issued 1,220,000 units of ordinary shares for cash pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise prices ranged from RM1.01 to RM1.19 per ordinary share. Details of the issued and paid-up capital of the Company as at 30 September 2019 are as follows:

| | No. of shares | RM'000 |
|---|--------------------|---------------|
| As at 1 January 2019 | 105,524,000 | 55,759 |
| Ordinary shares issued pursuant to ESOS | 1,220,000 | 1,743 |
| As at 30 September 2019 | <u>106,744,000</u> | <u>57,502</u> |

Purchase of shares pursuant to Section 127 of the Companies Act 2016

During the period ended 30 September 2019, the Company had acquired 1,424,500 units of ordinary shares from the open market for a cash consideration of RM1.95 million. The share buy-back was made pursuant to the approval obtained from the Company's shareholders at the Company's Annual General Meeting and amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements arising from the implementation of the Companies Act 2016. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127(4) of the Companies Act 2016.

Other than the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7. Dividend paid

The following dividend payments were made during the financial year ending 31 December 2019:

| | RM'000 |
|---|---------------------|
| In respect of financial year ending 31 December 2019: | |
| - first interim single-tier tax exempt dividend of 4.0 sen per ordinary share, paid on 16 April 2019 | 4,111 |
| - second interim single-tier tax exempt dividend of 1.0 sen per ordinary share, paid on 19 August 2019 | <u>1,022</u> |
| | <u><u>5,133</u></u> |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

A8. 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 table provides an analysis of the Group's revenue, results, assets and liabilities by business segment:

| | Manufacturing RM'000 | Electricity RM'000 | Adjustment/ Elimination RM'000 | Total RM'000 |
|--|-------------------------|-----------------------|--------------------------------------|-----------------|
| <u>Period ended 30 September 2019</u> | | | | |
| Revenue | | | | |
| External sales | 103,969 | 332 | - | 104,301 |
| Inter-segment sales | - | 3,308 | (3,308) | - |
| | <u>103,969</u> | <u>3,640</u> | <u>(3,308)</u> | <u>104,301</u> |
| Results | | | | |
| Segment (loss)/ profit | <u>(5,704)</u> | <u>396</u> | <u>1,365</u> | <u>(3,943)</u> |
| Segment assets as at 30 September 2019 | | | | |
| | <u>124,599</u> | <u>6,788</u> | <u>50,278</u> | <u>181,665</u> |
| Segment liabilities as at 30 September 2019 | | | | |
| | <u>5,171</u> | <u>98</u> | <u>1,755</u> | <u>7,024</u> |
| <u>Period ended 30 September 2018</u> | | | | |
| Revenue | | | | |
| External sales | 148,381 | 403 | - | 148,784 |
| Inter-segment sales | - | 4,422 | (4,422) | - |
| | <u>148,381</u> | <u>4,825</u> | <u>(4,422)</u> | <u>148,784</u> |
| Results | | | | |
| Segment profit | <u>23,089</u> | <u>2,446</u> | <u>1,988</u> | <u>27,523</u> |
| Segment assets as at 31 December 2018 | | | | |
| | <u>140,317</u> | <u>6,232</u> | <u>50,564</u> | <u>197,113</u> |
| Segment liabilities as at 31 December 2018 | | | | |
| | <u>11,122</u> | <u>111</u> | <u>3,070</u> | <u>14,303</u> |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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A8. Segment reporting (continued)

The following items are added to segment loss/ profit to arrive at total loss/ profit before tax reported in the unaudited condensed consolidated statement of comprehensive income:

| | Current year to-date 30/09/2019 | Preceding year corresponding period 30/09/2018 |
|--|--|---|
| | RM'000 | RM'000 |
| Interest income from fixed deposit | 11 | 10 |
| Distribution income from equity instruments | 886 | 1,301 |
| Net fair value gain on equity instruments | 422 | 638 |
| Rental income from investment properties | 198 | 189 |
| Depreciation of investment properties | (62) | (62) |
| Direct operating expenses arising from investment properties | (90) | (88) |
| | <u>1,365</u> | <u>1,988</u> |

The following items are added to segment assets to arrive at total assets reported in the unaudited condensed consolidated statement of financial position:

| | As at 30/09/2019 | As at 31/12/2018 |
|-----------------------|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Equity instruments | 47,954 | 48,046 |
| Deferred tax assets | 7 | 139 |
| Investment properties | 2,317 | 2,379 |
| | <u>50,278</u> | <u>50,564</u> |

The following items are added to segment liabilities to arrive at total liabilities reported in the unaudited condensed consolidated statement of financial position:

| | As at 30/09/2019 | As at 31/12/2018 |
|--------------------------|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Deferred tax liabilities | 1,755 | 3,070 |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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A9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter.

A10. 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.

A11. Capital commitments

The following table provides information on the capital commitments subsequent to the end of the current financial quarter:

| | As at 30/09/2019 | As at 31/12/2018 |
|---|---------------------|---------------------|
| | RM'000 | RM'000 |
| Approved but not contracted for property, plant and equipment | - | 2,237 |

A12. Material events subsequent to the reporting period

Subsequent to the third quarter ended 30 September 2019, the Company issued 140,000 units of ordinary shares for cash pursuant to the Company's Employee Share Option Scheme ("ESOS") at exercise price of RM1.01 per ordinary share.

Other than the above, there were no material events subsequent to the end of the current financial quarter that have not been reflected in the interim financial statements under review.

A13. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter under review, except for:

Incorporation of a New Subsidiary Company, Focus Layo Flooring Sdn. Bhd.

The Company had on 25 September 2019, incorporated a wholly-owned subsidiary known as Focus Layo Flooring Sdn. Bhd. ("FLFSB") under the Companies Act 2016. The intended principal activities of FLFSB are manufacturing and sale of laminated flooring.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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A14. 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 2019 and 30 September 2018 as well as the balances with the related parties as at 30 September 2019 and 31 December 2018:

| Nature of transactions | Transactions value for period ended | | Balance outstanding as at | |
|---|--|------------|------------------------------|------------|
| | 30/09/2019 | 30/09/2018 | 30/09/2019 | 31/12/2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of electricity to a related party ^ | 332 | 403 | 192 | 70 |
| Rental paid to a director | 142 | 138 | - | - |

^ Related party is a company in which a director, Lin Hao Yu has interest.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

**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

(a) Comparison of the current quarter against the corresponding quarter

| | Current year quarter 30/09/2019 RM'000 | Preceding year corresponding quarter 30/09/2018 RM'000 | Changes % |
|---|---|--|--------------|
| Revenue | 37,845 | 63,053 | -40.0 |
| Operating (loss)/ profit | (4,406) | 14,236 | -130.9 |
| Non-operating income | 436 | 785 | -44.5 |
| (Loss)/ Profit before tax | (3,970) | 15,021 | -126.4 |
| (Loss)/ Profit after tax | (2,030) | 11,214 | -118.1 |
| (Loss)/ Profit attributable to owners of the parent | (2,030) | 11,214 | -118.1 |

The Group recorded revenue of RM37.85 million (which consist of RM37.72 million from the manufacturing segment and RM0.13 million from the electricity segment respectively) in current quarter under review, a decrease of RM25.21 million as compared to previous year's corresponding quarter. Lower revenue in current quarter was mainly due to lower sales volume as well as decrease in average selling price. Weak demand for plywood continues affecting our sales volume and average selling price in current quarter.

The Group had recorded an operating loss of RM4.41 million in current quarter as compared to profit of RM14.24 million in corresponding quarter of previous year. This was mainly due to the weak plywood demand in global market which caused our average selling price tumbled by approximately 20%. High production unit cost due to low monthly production volume was another reason the Group recorded gross loss in current quarter under review. Approximately RM0.45 million of finished goods was further written down in current quarter. Besides, the management had also provided allowance for doubtful debts of approximately RM1.50 million on the advances to log suppliers.

Non-operating income decreased by 45% as a result of lower fair value gain and distribution income from money market fund, particularly fair value gain from money market fund denominated in US dollar which was fully withdrawn in September last year.

As a result, the Group recorded loss before tax of approximately RM3.97 million as compared to RM15.02 million profits recorded in the corresponding quarter of previous year. Loss after tax had reduced to RM2.03 million due to the recognition of deferred taxation on temporary differences as well as over provision of taxation in prior year amounting to RM0.94 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B1. Review of performance of the Group (continued)

(b) Comparison of current year to-date against the corresponding period

| | Current year to-date 30/09/2019 | Preceding year corresponding period 30/09/2018 | Changes |
|---|---------------------------------------|---|---------|
| | RM'000 | RM'000 | % |
| Revenue | 104,301 | 148,784 | -29.9 |
| Operating (loss)/profit | (7,427) | 25,535 | -129.1 |
| Non-operating income | 1,365 | 1,988 | -31.3 |
| (Loss)/ Profit before tax | (6,062) | 27,523 | -122.0 |
| (Loss)/ Profit after tax | (3,943) | 21,013 | -118.8 |
| (Loss)/ Profit attributable to owners of the parent | (3,943) | 21,013 | -118.8 |

The Group recorded revenue of RM104.30 million (which consist of RM103.97 million from the manufacturing segment and RM0.33 million from the electricity segment respectively) in current year to-date, a decrease of 30% as compared to RM148.78 million recorded in preceding year corresponding period. The decrease was mainly due to lower sales volume and lower average selling price in current year to-date.

Apart from lower average selling price, the Group's performance in current year to-date was affected by the higher production unit cost as well. Revision of minimum wages, higher logs price, poor production recovery rate and low production volume had caused the unit cost to remain high. Management had written off its inventory by RM2.59 million and made allowance for doubtful debts of RM2.30 million on the advances to log suppliers in current year to-date. As a result, the Group recorded operating loss of RM7.43 million in current year to-date as compared to operating profit of RM25.54 million in preceding year corresponding period. On the other hand, non-operating income had decreased by approximately 31% in current period which was mainly due to lower income recognised from money market fund.

As a result of the aforementioned, the Group recorded loss before tax of RM6.06 million as compared to profit before tax of RM27.52 million in preceding year corresponding period. Loss after tax of the Group in current year to-date amounted to RM3.94 million as compared to profit after tax of RM21.01 million in the same period of previous year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B2. Comparison with immediate preceding quarter's results

| | Current year quarter 30/09/2019 RM'000 | Immediate preceding quarter 30/06/2019 RM'000 | Changes % |
|---|---|--|--------------|
| Revenue | 37,845 | 28,601 | 32.3 |
| Operating loss | (4,406) | (5,068) | -13.1 |
| Non-operating income | 436 | 456 | -4.4 |
| Loss before tax | (3,970) | (4,612) | -13.9 |
| Loss after tax | (2,030) | (3,669) | -44.7 |
| Loss attributable to owners of the parent | (2,030) | (3,669) | -44.7 |

Revenue in current quarter had increased by 32% as compared to revenue of RM28.60 million recorded in the immediate preceding quarter. Higher revenue was mainly due to higher sales volume in current quarter under review. Despite the increase in revenue, the Group was still recording operating loss of approximately RM4.41 million, a slight decrease of RM0.66 million as compared to immediate preceding quarter. The slight improvement in performance was mainly due to lower production unit cost in current quarter, particularly the decrease in log purchase price. Besides, inventory written down to net realisable value had decreased by approximately RM1.69 million in current quarter. However, management had further provided allowance for doubtful debts of approximately RM1.50 million on the remaining advances paid to the two suppliers who fail to deliver logs and refunding us after numerous promises. This amount is RM1.0 million higher than that in immediate preceding quarter.

Due to the slight improvement in third quarter, the Group recorded a lower loss before tax as compared to immediate preceding quarter. Loss after tax of current quarter amounted to RM2.03 million, a decrease of approximately 45% as compared to loss after tax of RM3.70 million in immediate preceding quarter. This was mainly due to the recognition of over provision of taxation in prior year amounted to RM0.94 million in current quarter under review.

B3. Prospects for the remaining period of current financial year

Buyers at United States remained reticent and cautious even as their already-low inventories ran down further. However, we did see some sign that demand has start picking up recently but not the selling price. On the other hand, price of logs remains unchanged but it may start going up as the raining season is approaching. Due to the sign of demand coming back, we will slowly increasing our production volume in order to achieve a better economy of scale. Although the operating environment has improved slightly, management remains cautious in the prospect of the Group 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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 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B5. Income tax expense

| | Current year quarter 30/09/2019 | Preceding year corresponding quarter 30/09/2018 | Current year to-date 30/09/2019 | Preceding year corresponding period 30/09/2018 |
|---|---------------------------------------|---|---------------------------------------|--|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax: | | | | |
| - Malaysian income tax | (96) | 4,065 | 1 | 6,500 |
| - Over provision in respect of prior years | (937) | (186) | (937) | (186) |
| | <u>(1,033)</u> | <u>3,879</u> | <u>(936)</u> | <u>6,314</u> |
| Deferred income tax: | | | | |
| - Origination and reversal of temporary differences | (917) | (294) | (1,193) | 77 |
| - Under provision in respect of prior years | 10 | 222 | 10 | 119 |
| | <u>(907)</u> | <u>(72)</u> | <u>(1,183)</u> | <u>196</u> |
| Income tax expense | <u>(1,940)</u> | <u>3,807</u> | <u>(2,119)</u> | <u>6,510</u> |

The effective tax rate for current quarter was higher than the statutory tax rate principally due to the Company's eligibility for a reduced income tax rate on the incremental portion of its chargeable income in YA2018 as compared to YA2017. As a result, an over provision in prior years was recognised in current quarter under review upon the finalisation of corporate taxation for YA2018. The effective tax rate for corresponding quarter in previous financial year was higher than the statutory tax rate, principally due to certain expenses were disallowed for income tax purposes.

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 2019.

B8. Material litigations

There were no material litigations since the last financial year ended 31 December 2018 and up to the date of this report.

B9. Dividends

No interim dividend has been declared during the current quarter under review. The total dividends declared to date for the current financial year ending 31 December 2019 is 5.0 sen per ordinary share.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B10. Auditors' report

There was no qualification to the audited financial statements of the Company and its subsidiary for the financial year ended 31 December 2018.

B11. Earnings per share

Basic earnings per share are calculated by dividing the loss/ 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. For diluted earnings per share calculation, the weighted average number of ordinary shares in issue was adjusted to assume that the maximum number of new ordinary shares have been issued pursuant to the share options granted under the Employees' Share Option Scheme ("ESOS"). The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average market price of ordinary shares of the Company during the period exceeds the exercise price of options granted.

| | Current year quarter 30/09/2019 | Preceding year corresponding quarter 30/09/2018 | Current year to-date 30/09/2019 | Preceding year corresponding period 30/09/2018 |
|--|---------------------------------------|---|---------------------------------------|--|
| <u>Basic earnings per share</u> | | | | |
| (Loss)/ Profit net of tax, attributable to owners of the parent used in the computation of earnings per share (RM'000) | (2,030) | 11,214 | (3,943) | 21,013 |
| Weighted average number of ordinary shares in issue ('000) | 102,055 | 103,258 | 102,234 | 103,220 |
| Effects of dilution: | | | | |
| - Employee share options | - | 1,174 | 2,300 | 420 |
| Weighted average number of ordinary shares for diluted earnings per share computation ('000) | 102,055 | 104,432 | 104,534 | 103,640 |
| Basic earnings per share (sen per share) | (1.99) | 10.86 | (3.86) | 20.36 |
| Diluted earnings per share (sen per share) | (1.99) | 10.74 | (3.77) | 20.27 |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Derivative financial instruments

As at 30 September 2019 and 31 December 2018, the Group has the following outstanding derivatives financial instruments:

| | Principal or Notional Amount RM'000 | Fair value | |
|------------------------------------|---|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| <u>30 September 2019</u> | | | |
| Foreign currency forward contract: | | | |
| - Less than 1 year | 19,903 | 29 | 66 |
| <u>31 December 2018</u> | | | |
| Foreign currency forward contract: | | | |
| - Less than 1 year | 28,166 | 334 | - |

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

The fair value changes are attributable to changes in foreign exchange spot and forward rate. Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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B13. Loss/ Profit before tax

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

| | Current year quarter 30/09/2019 | Preceding year corresponding quarter 30/09/2018 | Current year to-date 30/09/2019 | Preceding year corresponding period 30/09/2018 |
|--|---------------------------------------|---|---------------------------------------|--|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | (154) | (141) | (502) | (349) |
| Distribution income from equity instruments | (305) | (350) | (886) | (1,301) |
| Net fair value gain on equity instruments | (107) | (414) | (422) | (638) |
| Rental income | (72) | (69) | (215) | (206) |
| Rental of office premises | 48 | 47 | 142 | 138 |
| Inventory written off | 451 | - | 2,587 | - |
| Allowance for doubtful debts | 1,497 | - | 2,297 | - |
| Depreciation of property, plant and equipment | 1,363 | 1,272 | 4,016 | 3,777 |
| Depreciation of investment properties | 21 | 21 | 62 | 62 |
| Direct operating expenses arising from investment properties: | | | | |
| - rental generating properties | 25 | 24 | 90 | 88 |
| Net fair value loss/ (gain) on derivatives: | | | | |
| - realised | 94 | 798 | (280) | 404 |
| - unrealised | 170 | 183 | 371 | 737 |
| Net gain on foreign exchange: | | | | |
| - realised | (270) | (961) | (107) | (433) |
| - unrealised | (144) | (16) | (23) | (206) |