



MINHO (M) BERHAD
(200930-H)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
31 MARCH 2018**

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**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Current</u>	<u>Preceding Year</u>	<u>Current</u>	<u>Preceding</u>
	<u>Year</u>	<u>Corresponding</u>	<u>Year to</u>	<u>Period</u>
	<u>Quarter</u>	<u>Quarter</u>	<u>date</u>	<u>Ended</u>
	<u>31/03/2018</u>	<u>31/3/2017</u>	<u>31/03/2018</u>	<u>31/3/2017</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Continuing Operations:				
Revenue	72,866	78,075	72,866	78,075
Cost of sales	(69,428)	(73,055)	(69,428)	(73,055)
Gross profit	3,438	5,020	3,438	5,020
Other operating income	1,672	2,136	1,672	2,136
Finance cost	(580)	(694)	(580)	(694)
Gain/(loss) on financial assets measured at fair value	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-
Profit before tax	4,530	6,462	4,530	6,462
Income tax expense	(1,591)	(1,748)	(1,591)	(1,748)
Profit for the period from continuing operations	2,939	4,714	2,939	4,714
Loss from discontinued operation	-	-	-	-
Profit for the period	2,939	4,714	2,939	4,714
Other Comprehensive Income:				
Other Comprehensive Income net of tax	-	-	-	-
Total Comprehensive Income for the period	2,939	4,714	2,939	4,714
Net Profit/(loss) attributable to:				
Owners of the Parent				
- income from continuing operations	2,468	3,337	2,468	3,337
- loss from discontinued operations				
Non-Controlling Interest	471	1,378	471	1,378
Profit for the period	2,939	4,715	2,939	4,715
Total comprehensive income attributable to:				
Owners of the Parent	2,468	3,337	2,468	3,337
Non-Controlling Interest	471	1,378	471	1,378
	2,939	4,715	2,939	4,715
Earnings/(Loss) per share (in sen)				
Basic EPS (in sen)	1.12	1.52	1.12	1.52
Fully diluted EPS (in sen)	N/A	N/A	N/A	N/A

*Note:-N/A – Not applicable**(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)*

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/03/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	190,149	187,565
Investment properties	79,214	79,294
Investment in associated company	-	-
Other Investment	725	725
	270,088	267,584
Current Assets		
Inventories	109,943	117,119
Property Development Cost	8,455	8,444
Trade receivables	43,737	39,279
Other receivables	6,386	7,154
Tax recoverable	1,299	166
Short-term investments	3,216	3,034
Derivative financial assets	125	1,127
Deposit with licensed banks	22,535	17,073
Cash and bank balances	13,929	16,182
	209,625	209,578
TOTAL ASSETS	479,713	477,162
EQUITY AND LIABILITIES		
Equity attributable to owner of the parents		
Share Capital	201,188	201,188
Share Capital-Excess from resale of treasury shares	-	-
Share premium	-	-
Treasury Shares	-	-
Reserves attributable to revenue	-	-
Other reserves	122,041	122,041
Retained earnings-profit/(loss)	39,639	37,171
	362,868	360,400
Non-Controlling Interest	35,626	35,939
Total Equity	398,494	396,339
Non-current liabilities		
Deferred Taxation	11,042	11,042
Hire Purchase obligations	2,436	2,732
Bank borrowings	3,695	3,040
	17,173	16,814
Current Liabilities		
Trade payables	10,791	12,271
Other payables	11,576	16,200
Provision for liabilities	2,073	2,073
Hire purchase obligations	2,406	1,324
Bank borrowings	35,864	32,141
Derivative financial liabilities	-	-
Tax Payable	1,336	-
	64,046	64,009
Total Liabilities	81,219	80,823
TOTAL EQUITY AND LIABILITIES	479,713	477,162
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.65	1.64

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)



MINHO (M) BERHAD (200930 – H)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the company →										
	Share Capital	Share Capital- Excess from resale of treasury shares	← Non-distributable →					Distributable			Total Equity
			Share Premium	Treasury Shares	Reserve on consolidation	Asset revaluation reserves	Equity component from the replacement warrants	Retained Earnings/(Los ses)	Total	Non- Controlling Interest	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Period ended 31 March 2018											
Balance as at 01.01.2018	201,188		-	-	13,464	108,577		37,171	360,400	35,939	396,339
Total comprehensive income for the period						-		2,468	2,468	471	2,939
Excess from resale of treasury shares								-	-	-	-
Distribution of Special Share Dividend									-		
Dividend distributed to Non-Controlling Interest									-	(784)	(784)
Balance as at 31.03.2018	201,188	-	-	-	13,464	108,577	-	39,639	362,868	35,626	398,494
Period ended 31 March 2017											
Balance as at 01.01.2017	109,851		91,337	-	13,464	108,577		27,006	350,235	33,361	383,596
Total comprehensive income for the period								3,337	3,337	1,378	4,715
Excess from resale of treasury shares									-	-	-
Distribution of Special Share Dividend									-	-	-
Dividend distributed to Non-Controlling Interest									-	(784)	(784)
Balance as at 31.03.2017	109,851	91,337	-	-	13,464	108,577	-	30,343	353,572	33,955	387,527

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Cumulative Period	
	Current Year to date	Preceding Period Ended
	31/03/2018 <u>RM'000</u>	31/03/2017 <u>RM'000</u>
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	4,530	6,462
Adjustments for :		
Depreciation, amortisation and impairment losses	1,838	1,824
Interest income	(189)	(167)
Interest expenses	580	728
Share of profit in associates	-	-
Fair value gain of financial instruments measured at fair	-	-
Provision:		
Provision for doubtful debts	-	5
Write back of provision for doubtful debts	-	-
Write down of inventories	-	-
Write back of stock value	-	-
Other non-cash items		
(Gain)/loss on disposal of property, plant & equipment	-	(111)
Asset written off	1	1
Operating profit before changes in working capital	6,760	8,742
Net change in current assets	3,475	11,090
Net change in current liabilities	(6,104)	(3,844)
Cash flow from operation	4,131	15,988
Taxes paid	(1,407)	(1,515)
Taxes refunded	-	351
Net Cash Flows From Operating Activities	2,724	14,824
Cash Flows From Investing Activities:		
Purchase of PPE and investment property	(4,340)	(2,942)
Purchase of freehold land	-	-
Purchased freehold land for property development	-	-
Purchase of financial assets	-	-
Acquisition of additional investment in a subsidiary	-	-
Proceeds from sale of non-current assets	-	-
Increase/(Decrease) in deposit with licensed bank & short term investments	5,644	134
Reclassified deposit with licensed bank to other investment	-	-
Dividend received	-	24
Net Cash Used in Investing Activities	1,304	(2,784)
Cash Flows From Financing Activities:		
Issue of ordinary shares	-	-
Acquisition of treasury shares	-	-
Distribution of Treasury Shares as Special Dividend	-	-
Special Share Dividend distributed	-	-
Bank borrowings and other liabilities (Net)	1,446	(10,161)
Repayment of hire purchase obligations	(350)	(613)
Dividends paid to non-controlling interest in subsidiary company	(784)	(980)
Net Cash Flows From Financing Activities	312	(11,754)
Net Increase in Cash and Cash Equivalents	4,340	286
Cash and Cash Equivalents at the beginning of the year	36,289	35,525
Effects of changes in foreign exchange rates	(949)	794
Cash and Cash Equivalents at end of the period	39,680	36,605
Cash and cash equivalent comprise the following:-		
Bank and cash balances	13,929	13,979
Short-term investments and Deposit with license bank	25,751	22,626
	39,680	36,605

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL STATEMENT.**1. Basis of preparation and Accounting Policies.**

The interim financial statements are unaudited and has been prepared in accordance with the reporting requirements outlined in Financial Reporting Standards ("FRS") 134: "Interim Financial Reporting" and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa) Main Market Listing Requirements.

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017. It contains unaudited condensed consolidated financial statements and selected explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

1.1. Significant Accounting Policies

The significant accounting policies and method of computation adopted by the Group are consistent with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Interpretations by the Group. The significant accounting policies adopted in the preparation of this interim financial report are consistent with those in the audited financial statements for the year ended 31 December 2017.

The following new and amended FRSs and IC Interpretations mandatory for annual financial periods:-

(i) Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)
- MFRS 15, Revenue from Contracts with Customers
- MFRS 15, Clarification to MFRS 15
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First time Adoption of Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

(ii) Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
 - Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures
 - IC Interpretation 23, Uncertainty over Income Tax Treatments
- (iii) Effective for annual periods beginning on or after 1 January 2021**
- MFRS 17, Insurance Contracts
- (iv) Effective date yet to be determined**
- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). The Group and the Company fall within the scope of IC Interpretation 15, Agreements for the Construction of Real Estate. Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity".

The subsequent adoption of the MFRS Framework would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2017, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This may result in a restatement of the financial statements for the financial year ended 31 December 2017 in accordance with MFRS, which would form the MFRS comparatives for the financial statements for the financial year ending 31 December 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 9 - Financial Instruments

MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss.

For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The application of MFRS 9 will not have a significant impact for the Group and Company on classification, measurement and recognition of financial assets and financial liabilities compared to current rules. It is expected that the Group's investments in unquoted debenture that are currently classified as available-for-sale and stated at cost less accumulated impairment losses will be measured at amortised cost (with option to measure at FVTPL) upon the adoption of MFRS 9. MFRS 9 also introduces the expected credit loss model (ECL) instead of the current incurred loss model to be applied to current and non-current receivables. The Group and Company are continuing to assess the impact of these and other accounting changes that will arise under MFRS 9 and cannot reasonably estimate the impact as at the date of this report. The Group expects to be in a position to estimate the impact of MFRS 9 when finalising reporting for first quarter of the year commencing 1 January 2018.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's and Company's disclosures about its financial instruments particularly in the year of adoption of the new Standard. The Group and the Company will adopt the standard using the cumulative catch-up transition method and will therefore not restate comparative periods. Hence, the cumulative effect of initially applying the Standard will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 and comparatives will not be restated.

2. Auditors' Report On Preceding Annual Financial Statements

The auditors' report of the audited financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The business operations of the Group are generally affected negatively by the monsoon seasons and the major festive seasons namely Hari Raya Aidilfitri and Chinese New Year holidays. Such occasions not only undoubtedly limit our ability to undertake certain operational activities at our end; they do also, by and large, curtail demand from our customers, who are themselves also negatively impacted by these factors.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows.

5. Changes In Estimates of Amounts Reported Previously

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years which may have a material effect on the current interim period.

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

6. Issuances and Repayments of Debt and Equity Securities

There were no issuances or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares by the Company for the financial period ended 31 March 2018.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 31 March 2018.

8. Segment Information

The Group's segment information for the financial period ended 31 March 2018 is as follows:-

	Timber Extraction <u>RM'000</u>	Timber Trading <u>RM'000</u>	Manufacturing <u>RM'000</u>	Services & Treatment <u>RM'000</u>	Property Development <u>RM'000</u>	Others <u>RM'000</u>	Elimination <u>RM'000</u>	Total <u>RM'000</u>
2018								
Revenue								
<i>External Sales</i>	-	37,250	27,051	8,528	-	37		72,866
<i>Inter segmental sales</i>	-	788	1,144	2,353	-	-		4,285
Total Revenue	-	38,038	28,195	10,881	-	37		77,151
Segments Profits/(Loss) Before Tax	(209)	416	1,445	2,575	(1)	(32)	336	4,530
Depreciation	21	434	829	550	1	3		1,838
Rental income of land and buildings	-	11	899	325	-	-	(129)	1,106
Net foreign exchange	-	(667)	(282)	-	-	-		(949)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-		-
Finance cost	-	121	406	53	-	-		580
Interest Income	-	4	142	1	28	14		189
Tax Expenses	-	213	659	697	-	22		1,591
Segments Assets	3,711	76,933	217,279	156,089	12,732	13,385	(1,141)	478,988
Other Investment						725		725
Total Segments Assets								479,713
Segment Liabilities	3,674	22,298	39,354	13,273	2,123	497		81,219

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

	Timber Extraction RM'000	Timber Trading RM'000	Manufacturing RM'000	Services & Treatment RM'000	Property Development RM'000	Others RM'000	Elimination RM'000	Total RM'000
2017								
Revenue								
<i>External Sales</i>	-	43,894	26,783	7,365	-	33		78,075
<i>Inter segmental sales</i>	-	2,177	1,133	2,341	-	-		5,651
Total Revenue	-	46,071	27,916	9,706	-	33		83,726
Segments Profits	(586)	1,938	2,804	1,918	13	28	347	6,462
Depreciation	14	421	805	580	1	3		1,824
Rental income of land and buildings	-	8	957	301	36	-	(116)	1,186
Net foreign exchange	-	806	(12)	-	-	-		794
Gain/(loss) on disposal of property, plant and equipment	-	111	-	-	-	-		111
Finance cost	-	289	288	116	-	-	-	693
Interest Income	-	1	113	1	16	36		167
Tax Expenses	-	306	865	546	-	31		1,748
Segments Assets	3,307	85,998	213,508	152,282	14,346	5,581		475,022
Other Investment						725		725
Total Segments Assets								475,747
Segment Liabilities	3,527	29,551	37,576	15,373	3,709	400		90,136

9. Property, Plant, and Equipment.

Carrying Amount of Revalued Assets

The valuations of property, plant, and equipment have been brought forward without amendment from the financial statements for year ended 31 December 2017.

10. Material events Subsequent to the End of the Interim Reporting Period

There are no material events subsequent to the financial period ended 31 March 2017 that have not been reflected in the related financial statements.

11. Changes in the Composition of the Group

There were no material changes in the composition of the Group during the financial period ended 31 March 2018.

12. Contingent Liabilities – Unsecured

As at 31 March 2018, the Company had contingent liabilities in the form of corporate guarantees given to financial institutions in respect of facilities granted to subsidiary companies amounting to RM104,150,000.00, of which an amount of RM25,650,714.00 were utilized.

13. Capital Commitments

There are no material capital commitments as at the date of this announcement.


INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

(The figures have not been audited)

14. Related Party Transactions.

The summary of related party transactions for current quarter and cumulative period to date is as follows:-

Related Party	Nature of Recurrent Transaction(s)	Recurrent Transaction with Minho or Subsidiary Company	Frequency of Transaction	Total Value (Transaction) 01/01/2018 to 31/3/2018 (RM ' 000) Q1 2018		Approved Value 09/06/2017 to 08/06/2018 (RM ' 000)		Balance due to / from the companies 31/03/2018 (RM ' 000)	
				Receivables	Payables	Receivables	Payables	Receivables	Payables
D M Timber Sdn Bhd ("DM")	Purchase of timber.	Lionvest Timber Industries Sdn Bhd ("LT")	Monthly		-		15,000		-
Minho Kilning (Klang) Sdn Bhd ("MKK")	⁽ⁱ⁾ Rental & Storage Charges	Syarikat Minho Kilning Sdn Bhd ("SMK") ⁽ⁱⁱ⁾	Monthly		716		4,500		716
Oak Three Sdn Bhd ("OT") (formerly known as QR Printing Sdn Bhd)	Insurance brokerage fee.	Syarikat Minho Kilning Sdn Bhd ("SMK")	Yearly		11		800		20
Mahawangsa Timber Industries Sdn Bhd ("MTI")	Sales of sawn timber and its related products.	LT I	Monthly	204		3,500		148	
	Purchase of logs.	LT I	Monthly		813		5,000		
Pembinaan Infra E&J Sdn Bhd ("EJ")	Construction cost for infrastructure & building works	MySquares Development Sdn Bhd ("MS")	Monthly		-		20,000		-
MTI	^(a) Purchase of timber.	Costraco Sdn Bhd ("CSB")	Monthly		150		19,000		-
MTI	^(b) Purchase of timber.	Indah Wood Products Sdn Bhd ("IWPSB")	Monthly		-		2,000		-
MTI	^(c) Purchase of timber.	Euro-CGA Sdn Bhd ("ECSB")	Monthly		108		4,000		-
MTI	^(d) Purchase of timber.	Victory Enterprise Sdn Bhd ("VESB")	Monthly		1,431		800		660
Lucky Star Diversified Sdn Bhd ("LSDSB")	Sales of sawn timber	Lionvest Corporation (Pahang) Sdn Bhd ("LCPSB")	Monthly	-		8,000		217	
DMT Resources & Development Sdn. Bhd. ("DMT")	Purchase of logs	LT I	Monthly		944		6,000		66
Total				204	3,229	11,500	71,100	365	1,396

**INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(The figures have not been audited)

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**15. Review of Performance of the Company and its Principal Subsidiaries**

	3 MONTHS ENDED	
	YEAR-TO-DATE ENDED	
	Q1 2018	Q1 2017
	31/03/2018	31/03/2017
	RM'000	RM'000
Revenue		
Timber Extraction	-	-
Timber Trading	37,250	43,894
Manufacturing	27,051	26,783
Services & Treatment	8,528	7,365
Property Development	-	-
Others	37	33
	<u>72,866</u>	<u>78,075</u>
Segment Profit		
Timber Extraction	(209)	(586)
Timber Trading	416	1,938
Manufacturing	1,445	2,804
Services & Treatment	2,575	1,918
Property Development	(1)	13
Others	(32)	28
	<u>4,194</u>	<u>6,115</u>
Elimination	336	347
Profit before taxation	<u>4,530</u>	<u>6,462</u>
Taxation	(1,591)	(1,748)
Profit after taxation	<u>2,939</u>	<u>4,714</u>
Non-controlling interest	(471)	(1,378)
Net profit for the year	<u>2,468</u>	<u>3,336</u>

(a). Three months period and Year to date.

The Group disclosed total revenue of RM72.87 million for the three-months period of 2018, RM5.21 million or 7% less than the RM78.08 million recorded in 2017. This drop was mainly attributed to the RM6.64 million decline in Timber Trading. This was partially offset by the total combined increase of RM1.43 million in the turnover for Manufacturing, Services & Treatment and Others segments.

In line with the lower turnover, the group's pre-tax profit slid by RM1.93 million mainly due to the decline in pre-tax profit of RM1.52 million for Timber Trading segment, RM1.35 million for the Manufacturing segment, RM14 thousand for Property Development segment and RM60 thousand for the Others segment.

Timber Extraction

No logging was carried out in the current quarter of 2018 and previous corresponding quarter. As such, no revenue was recorded for this segment, i.e. incurred a pre-tax loss of RM209 thousand.

Timber Trading

The turnover for this segment decreased by RM6.64 million due to lower demand and average selling price for rough sawn timber. Hence, the pre-tax profit for this segment reduced by RM1.52 million from a pre-tax profit of RM1.94 million in the previous corresponding quarter to RM416 thousand for the current quarter. This was mainly due to the lower other income and loss in foreign exchange.

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(The figures have not been audited)

Manufacturing

Total turnover for this segment improved by RM268 thousand mainly attributed to the improvement in the turnover for the manufacturing of timber and wood based products which increased by RM1.23 million, while the turnover for manufacturing of industrial paper bags weakened by RM966 thousand. Pre-tax profit for this market segment decreased by RM1.35 million or 48%; from RM2.80 million in the previous corresponding quarter to RM1.45 million for the current quarter. The drop in pre-tax profit was mainly attributed to lower profit registered by the manufacturing of industrial paper bags which decreased by RM985 thousand as the result of lower turnover. As for the manufacturing timber and wood based products, the profit declined slightly as the operating cost increased and loss in foreign exchange.

Services & Treatment

The volume of timber for kiln drying decreased slightly following the 18% increase in service charges that resulted in a improvement of RM1.16 million in the gross turnover for this market segment. Hence, the pre-tax profit for this segment increased by RM657 thousand.

Property Development

There were no revenue registered for the current quarter similar to the previous corresponding quarter. It reported a pre-tax loss of RM1 thousand due to lower rental and other income received, compared to a pre-tax profit of RM13 thousand previously.

16. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

Market Segments	Revenue		Segment Profit	
	Q1 2018	Q4 2017	Q1 2018	Q4 2017
	RM'000	RM'000	RM'000	RM'000
Timber Extraction	-	866	(209)	267
Timber Trading	37,250	29,155	416	627
Manufacturing	27,051	27,220	1,445	796
Services & Treatment	8,528	9,473	2,575	2,384
Property Development	-	-	(1)	(3)
Others	37	42	(32)	(95)
	<u>72,866</u>	<u>66,756</u>	<u>4,194</u>	<u>3,976</u>
Elimination			336	135
Profit before taxation			4,530	4,111
Taxation			(1,591)	(1,031)
Profit after taxation			2,939	3,080
Non-controlling interest			(471)	(796)
Net profit for the year			2,468	2,284

The Group's turnover for the current quarter under review was RM72.87 million, which was RM6.11 million or 9% more than the RM66.76 million registered in the preceding quarter. All of the group's market segments recorded lower growth in their turnover except for the Timber Trading segments. The Timber Trading segments recorded combined growth of RM8.10 million in their turnover but were partially offset by the combined decline of RM1.99 million recorded by the Manufacturing, Services & Treatment and Others segments.

In tandem with the higher turnover, the Group posted a higher pre-tax profit of RM419 thousand for the current quarter against the preceding quarter figure of RM4.11 million. The major contributor to the

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improvement in pre-tax profit for the current quarter was the Manufacturing and Services & Treatment segment which registered a total combined increase of RM840 thousand.

17. Prospects for Current Financial Year

The International Monetary Fund (“IMF”) in their latest publication of World Economic Outlook April 2018 projected that world growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should allow conditions in commodity exporters to gradually improve.

In view of the above, the Group will continue the efforts to strengthen the cost control strategies and will also enhance its operation and marketing strategies in order to achieve higher production efficiency and maximize profit margins.

18. Variance of Actual Profit from Forecast Profit

The disclosure requirements for explanatory notes on the variation of actual profit after tax and profit forecast and shortfall in profit guarantee are not applicable.

19. Taxation

Taxation comprises:-

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Current taxation	1,591	1,748	1,591	1,748
(Over)/Under provision in respect of prior years	-	-	-	-
Foreign Taxation	-	-	-	-
Deferred Taxation	-	-	-	-
	<u>1,591</u>	<u>1,748</u>	<u>1,591</u>	<u>1,748</u>
Our share of results of associated companies	-	-	-	-
	<u>1,591</u>	<u>1,748</u>	<u>1,591</u>	<u>1,748</u>

The effective tax rates for the periods presented above are higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and also to certain expenses which are not deductible for tax purposes.

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(The figures have not been audited)

20. Trade Receivables

	As at 31.3.2018 RM'000
Trade receivables	44,048
Less: Allowance for impairment loss	(311)
	43,737

The ageing analysis of the Group's trade receivables is as follows:

	As at 31.3.2018 RM'000
Neither past due nor impaired	22,892
Past due not impaired:	
< 30 days	9,631
31 - 60 days	4,544
> 60 days	7,138
Impaired	(157)
Gross trade receivables	44,048
Less: Allowance for impairment loss	(311)
	43,737

Trade receivables that are past due not impaired are creditworthy debtors. The Group has no significant concentration of credit risk that may arise from exposures to a single clearing participant or counterparty.

21. Disposal of Unquoted Investments and Properties

There were no disposals of investments and/or properties for the financial period under review.

22. Quoted Securities

There were no purchases and/or disposals of quoted securities of the Group for the financial period ended 31 March 2018.

23. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 23 May 2018.

24. Group Borrowings

Total Group borrowings as at 31 March 2018 were as follows:-

	As at 1st. Quarter ended 31 March 2018		
	Long Term	Short Term	Total borrowings
	RM	RM	RM
Secured			
Property Loan	3,694		3,694
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		35,864	35,864
Unsecured	-	-	-
	As at 1st. Quarter ended 31 March 2017		
Secured			
Property Loan	4,011		4,011
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		43,034	43,034
Unsecured	-	-	-

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(The figures have not been audited)

25. Off Balance Sheet Financial Instruments

There are no material financial instruments with off balance sheet risk as at the date of this report.

26. Material Litigation

As at 23 May 2018, the latest practicable date that is not earlier than 7 days from the issue of this quarterly report, the Group is not engaged in any material litigation.

27. Dividend

No dividend has been recommended by the Board for the period ended 31 March 2018 (2017: Nil).

28. Profit/(Loss) From Operations

The following items have been charged/ (credited) in arriving at profit/ (loss) from operations:

	Individual Quarter		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
(a). Interest income	189	167	189	167
(b). Investment income	-	24	-	24
(c). Rental Income	1,106	1,186	1,106	1,186
(d). Interest expenses	(580)	(728)	(580)	(728)
(e). Depreciation & Amortisation	(1,838)	(1,824)	(1,838)	(1,824)
(f). Gain/(loss) on disposal of property, plant & equipment	-	(111)	-	(111)
(g). Property, plant & equipment written off	1	1	1	1
(h). Inventories write-down	-	-	-	-
(i). Provision for and write-off of receivables	-	-	-	-
(j). Provision for receivables write-back.	-	-	-	-
(k). Net foreign exchange gain/(loss)	(949)	794	(949)	794

29. Earning/ (Loss) Per Share

(a) Basic earnings/ (loss) per share

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to date	Preceding Period Ended
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net earnings/(loss) attributable to the ordinary equity holders of the Company	2,468	3,337	2,468	3,337
Weighted average number of ordinary shares ('000)	219,702	219,702	219,702	219,702
Basic earnings/(loss) per share (sen)	1.12	1.52	1.12	1.52

(b) Diluted earnings per share
Not applicable



INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

(The figures have not been audited)

30. Authorisation for issue

This interim financial information has been approved for issue in accordance with a resolution of the Board of Directors dated 30 May 2018.

By order of the Board

Klang, Selangor Darul Ehsan.

Dated: 30 May 2018.