



MINHO (M) BERHAD
(200930-H)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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>30/06/2018</u>	<u>30/6/2017</u>	<u>30/06/2018</u>	<u>30/6/2017</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Continuing Operations:				
Revenue	71,334	70,927	144,200	149,002
Cost of sales	(65,436)	(66,888)	(134,864)	(139,943)
Gross profit	5,898	4,039	9,336	9,059
Other operating income	1,733	1,605	3,405	3,741
Finance cost	(485)	(650)	(1,065)	(1,344)
Gain/(loss) on financial assets measured at fair value	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-
Profit before tax	7,146	4,994	11,676	11,456
Income tax expense	(1,796)	(1,310)	(3,387)	(3,058)
Profit for the period from continuing operations	5,350	3,684	8,289	8,398
Loss from discontinued operation	-	-	-	-
Profit for the period	5,350	3,684	8,289	8,398
Other Comprehensive Income:				
Other Comprehensive Income net of tax	-	-	-	-
Total Comprehensive Income for the period	5,350	3,684	8,289	8,398
Net Profit/(loss) attributable to:				
Owners of the Parent				
- income from continuing operations	4,319	3,087	6,787	6,424
- loss from discontinued operations				
Non-Controlling Interest	1,031	597	1,502	1,974
Profit for the period	5,350	3,684	8,289	8,398
Total comprehensive income attributable to:				
Owners of the Parent	4,319	3,087	6,787	6,424
Non-Controlling Interest	1,031	597	1,502	1,974
	5,350	3,684	8,289	8,398
Earnings/(Loss) per share (in sen)				
Basic EPS (in sen)	1.97	2.82	3.09	5.87
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 SECOND QUARTER ENDED 30 JUNE 2018**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/06/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	191,448	187,565
Investment properties	79,634	79,294
Investment in associated company	-	-
Other Investment	725	725
	271,807	267,584
Current Assets		
Inventories	105,882	117,119
Property Development Cost	8,469	8,444
Trade receivables	39,789	39,279
Other receivables	6,445	7,154
Tax recoverable	1,382	166
Short-term investments	3,043	3,034
Derivative financial assets	125	1,127
Deposit with licensed banks	26,691	17,073
Cash and bank balances	16,632	16,182
	208,458	209,578
TOTAL ASSETS	480,265	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)	43,958	37,171
	367,187	360,400
Non-Controlling Interest	36,657	35,939
Total Equity	403,844	396,339
Non-current liabilities		
Deferred Taxation	11,042	11,042
Hire Purchase obligations	2,190	2,732
Bank borrowings	2,975	3,040
	16,207	16,814
Current Liabilities		
Trade payables	9,576	12,271
Other payables	10,660	16,200
Provision for liabilities	2,073	2,073
Hire purchase obligations	2,610	1,324
Bank borrowings	33,484	32,141
Derivative financial liabilities	-	-
Tax Payable	1,811	-
	60,214	64,009
Total Liabilities	76,421	80,823
TOTAL EQUITY AND LIABILITIES	480,265	477,162
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.67	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 SECOND QUARTER ENDED 30 JUNE 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the company →										
	← Non-distributable →						Distributable				
	Share Capital	Share Capital- Excess from resale of treasury shares	Share Premium	Treasury Shares	Reserve on consolidation	Asset revaluation reserves	Equity component from the replacement warrants	Retained Earnings/(Losses)	Total	Non-Controlling Interest	Total Equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Period ended 30 June 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								6,787	6,787	1,502	8,289
Excess from resale of treasury shares								-	-	-	-
Distribution of Special Share Dividend								-	-	-	-
Dividend distributed to Non-Controlling Interest								-	-	(784)	(784)
Balance as at 30.06.2018	201,188	-	-	-	13,464	108,577	-	43,958	367,187	36,657	403,844
Period ended 30 June 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								6,424	6,424	1,974	8,398
Reclassification pursuant to S618(2) of CA2016(Note 1)*	91,337		(91,337)					-	-	-	-
Distribution of Special Share Dividend								-	-	-	-
Dividend distributed to Non-Controlling Interest								-	-	(784)	(784)
Balance as at 30.06.2017	201,188	-	-	-	13,464	108,577	-	33,430	356,659	34,551	391,210

(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 SECOND QUARTER ENDED 30 JUNE 2018**

(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Cumulative Period	
	Current Year to date	Preceding Period Ended
	30/06/2018 <u>RM'000</u>	30/06/2017 <u>RM'000</u>
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	11,676	11,456
Adjustments for :		
Depreciation, amortisation and impairment losses	3,664	3,670
Interest income	(400)	(350)
Interest expenses	1,065	1,521
Share of profit in associates	-	-
Fair value gain of financial instruments measured at fair	-	-
Provision:		
Provision for doubtful debts	-	-
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	(16)	(111)
Asset written off	1	1
Operating profit before changes in working capital	15,990	16,187
Net change in current assets	11,411	18,247
Net change in current liabilities	(8,235)	(3,888)
Cash flow from operation	19,166	30,546
Taxes paid	(2,806)	(3,031)
Taxes refunded	18	351
Net Cash Flows From Operating Activities	16,378	27,866
Cash Flows From Investing Activities:		
Purchase of PPE and investment property	(7,393)	(4,147)
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	9,627	6,036
Reclassified deposit with licensed bank to other investment	-	-
Dividend received	-	72
Net Cash Used in Investing Activities	2,234	1,961
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)	(6,169)	(22,934)
Repayment of hire purchase obligations	(729)	(896)
Dividends paid to non-controlling interest in subsidiary company	(784)	(980)
Net Cash Flows From Financing Activities	(7,682)	(24,810)
Net Increase in Cash and Cash Equivalents	10,930	5,017
Cash and Cash Equivalents at the beginning of the year	36,289	35,525
Effects of changes in foreign exchange rates	(853)	745
Cash and Cash Equivalents at end of the period	46,366	41,287
Cash and cash equivalent comprise the following:-		
Bank and cash balances	16,632	12,759
Short-term investments and Deposit with license bank	29,734	28,528
	46,366	41,287

(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 SECOND QUARTER ENDED 30 JUNE 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 SECOND QUARTER ENDED 30 JUNE 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 SECOND QUARTER ENDED 30 JUNE 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 SECOND QUARTER ENDED 30 JUNE 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 30 June 2018.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 30 June 2018.

8. Segment Information

The Group's segment information for the financial period ended 30 June 2018 is as follows:-

	Timber Extraction	Timber Trading	Manufacturing	Services & Treatment	Property Development	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018								
Revenue								
<i>External Sales</i>	843	71,967	53,731	17,553	-	106		144,200
<i>Inter segmental sales</i>	-	2,702	2,719	4,562	-	-		9,983
Total Revenue	843	74,669	56,450	22,115	-	106		154,183
Segments Profits/(Loss)								
Before Tax	532	1,514	3,910	5,507	(11)	2,317	(2,093)	11,676
Depreciation	58	822	1,666	1,110	1	7		3,664
Rental income of land and buildings	-	21	1,807	638	-	-	(258)	2,208
Net foreign exchange	-	(667)	(186)	-	-	-		(853)
Gain/(loss) on disposal of property, plant and equipment	-	-	16	-	-	-		16
Finance cost	-	160	808	97	-	-	-	1,065
Interest Income	-	9	312	1	57	21		400
Tax Expenses	-	456	1,402	1,478	-	51		3,387
Segments Assets	3,406	75,056	219,409	157,143	12,593	12,983	(1,050)	479,540
Other Investment						725		725
Total Segments Assets								480,265
Segment Liabilities	3,418	17,909	40,236	12,442	1,995	421		76,421

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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>	788	80,703	53,123	14,322	-	66		149,002
<i>Inter segmental sales</i>	-	4,011	2,033	4,988	-	-		11,032
Total Revenue	788	84,714	55,156	19,310	-	66	-	160,034
Segments Profits/(Loss)								
<i>Before Tax</i>	110	3,165	4,689	3,382	(50)	(66)	226	11,456
<i>Depreciation</i>	28	865	1,615	1,155	1	7		3,670
<i>Rental income of land and buildings</i>	-	17	1,919	602	74	-	(231)	2,612
<i>Net foreign exchange</i>	-	858	(112)	-	-	-		746
<i>Gain/(loss) on disposal of property, plant and equipment</i>	-	111	-	-	-	-		111
<i>Finance cost</i>	-	357	688	226	73	-	-	1,344
<i>Interest Income</i>	-	6	241	1	26	76		350
<i>Tax Expenses</i>	-	568	1,439	980	-	71		3,058
Segments Assets	3,539	80,201	216,353	152,611	14,126	9,194		476,024
<i>Other Investment</i>						725		725
Total Segments Assets								476,749
Segment Liabilities	3,529	21,507	39,670	15,110	3,550	384		83,750

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 30 June 2018 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 30 June 2018.

12. Contingent Liabilities – Unsecured

As at 30 June 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 RM79,050,000.00, of which an amount of RM23,429,699.00 were utilized.

13. Capital Commitments

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


INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 For The Year) 01/01/2018 to 30/6/2018 (RM ' 000)		Approved Value 09/06/2017 to 08/06/2018 (RM ' 000)		Balance due to / from the companies 30/06/2018 (RM ' 000)	
				Receivables	Payables	Receivables	Payables	Receivables	Payables
D M Timber Sdn Bhd ("DM")	Purchase of timber.	Lionvest Timber Industries Sdn Bhd ("LTI")	Monthly		-		15,000		-
Minho Kilning (Klang) Sdn Bhd ("MKK")	⁽ⁱ⁾ Rental & Storage Charges	Syarikat Minho Kilning Sdn Bhd ("SMK") ⁽ⁱⁱ⁾	Monthly		1,417		4,500		463
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.	LTI	Monthly	204		3,500			
	Purchase of logs.	LTI	Monthly		1,853		5,000		613
Pembinaan Infra E&J Sdn Bhd ("EJ")	Construction cost for infrastructure & building works	My Squares Development Sdn Bhd ("MS")	Monthly		-		20,000		-
MTI	^(a) Purchase of timber.	Costraco Sdn Bhd ("CSB")	Monthly		2,520		19,000		163
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		426		4,000		-
MTI	^(d) Purchase of timber.	Victory Enterprise Sdn Bhd ("VESB")	Monthly		2,011		800		106
Lucky Star Diversified Sdn Bhd ("LSDSB")	Sales of sawn timber	Lionvest Corporation (Pahang) Sdn Bhd ("LCPSB")	Monthly	-		8,000		17	
DMT Resources & Development Sdn. Bhd. ("DMT")	Purchase of logs	LTI	Monthly		2,292		6,000		146
Total				204	10,530	11,500	77,100	17	1,511

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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		6 MONTHS ENDED	
	Q2 2018	Q2 2017	YEAR-TO-DATE ENDED	
	30/06/2018	30/06/2017	Q2 2018	Q2 2017
	RM'000	RM'000	30/06/2018	30/06/2017
		RM'000	RM'000	
Revenue				
Timber Extraction	843	788	843	788
Timber Trading	34,717	36,809	71,967	80,703
Manufacturing	26,680	26,340	53,731	53,123
Services & Treatment	9,025	6,957	17,553	14,322
Property Development	-	-	-	-
Others	69	33	106	66
	<u>71,334</u>	<u>70,927</u>	<u>144,200</u>	<u>149,002</u>
Segment Profit				
Timber Extraction	741	696	532	110
Timber Trading	1,098	1,227	1,514	3,165
Manufacturing	2,465	1,885	3,910	4,689
Services & Treatment	2,932	1,464	5,507	3,382
Property Development	(10)	(63)	(11)	(50)
Others	2,349	(94)	2,317	(66)
	<u>9,575</u>	<u>5,115</u>	<u>13,769</u>	<u>11,230</u>
Elimination	(2,429)	(121)	(2,093)	226
Profit before taxation	<u>7,146</u>	<u>4,994</u>	<u>11,676</u>	<u>11,456</u>
Taxation	(1,796)	(1,310)	(3,387)	(3,058)
Profit after taxation	<u>5,350</u>	<u>3,684</u>	<u>8,289</u>	<u>8,398</u>
Non-controlling interest	(1,031)	(597)	(1,502)	(1,974)
Net profit for the year	<u>4,319</u>	<u>3,087</u>	<u>6,787</u>	<u>6,424</u>

(a). Three months period-Q2 2018.

For the current quarter, the Group registered revenue of RM71.33 million, slightly higher than RM70.93 million for Q2 2017. This improvement was mainly attributed to the RM2.49 million total combined increases in turnover for the Timber Extraction, Manufacturing, Services & Treatment and Others market segments. This was partially offset by the decrease of RM2.09 million in the turnover for Timber Trading market segment.

The group's pre-tax profit increased by RM2.16 million, i.e. from RM4.99 million to RM7.15 million. Most of the Group's market segments recorded higher pre-tax profit. The Timber Extraction, Manufacturing, Services & Treatment, Property Development and Others segments combined increase of RM4.59 million in the pre-tax profit was reduced by Timber Trading segment which recorded total decrease of RM129 thousand in pre-tax profit.

(b). Year to date.

The Group disclosed total revenue of RM144.20 million for the six-months period of 2018, RM4.8 million or 3% less than the RM149.00 million recorded in 2017. This drop was mainly attributed to the

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(The figures have not been audited)

RM8.73 million decline in Timber Trading. This was partially offset by the total combined increase of RM3.93 million in the turnover for Timber Extraction, Manufacturing, Services & Treatment and Others segments.

The group's pre-tax profit increased by RM220 thousand mainly due to the increase in pre-tax profit of RM422 thousand for Timber Extraction segment, RM2.12 million for the Services & Treatment segment and RM2.38 million for the Others segment.

Timber Extraction

A bigger area of 225 acres logged was carried out in the current quarter of 2018 compared to 210 acres logged in the previous corresponding quarter. In line with bigger area logged, the revenue segment increased by RM55 thousand and similarly, the pre-tax profit also increased by RM422 thousand.

Timber Trading

The turnover for this segment decreased by RM8.73 million due to lower demand and lower average selling price for rough sawn timber. Hence, the pre-tax profit for this segment reduced by RM1.65 million from a pre-tax profit of RM3.16 million in the previous corresponding quarter to RM1.51 million for the current quarter. Lower other income and loss in foreign exchange also contributed to this decline.

Manufacturing

Total turnover for this segment improved by RM608 thousand mainly attributed to the improvement in the turnover for the manufacturing of timber and wood based products which increased by RM1.98 million, while the turnover for manufacturing of industrial paper bags weakened by RM1.37 million due to lower demand for cement packaging. Pre-tax profit for this market segment decreased by RM779 thousand or 17%; from RM4.69 million in the previous corresponding quarter to RM3.91 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 RM882 thousand as the result of lower gross profit. As for the manufacturing of timber and wood based products, the profit increased slightly.

Services & Treatment

The volume of timber for kiln drying increased slightly and service charges rates increased by 14% that resulted in an improvement of RM3.23 million in the gross turnover for this market segment. During this period, the management also focused on controlling cost. Hence, the pre-tax profit for this segment increased by RM2.12 million.

Property Development

There were no revenue registered for the current quarter similar to the previous corresponding quarter. It reported a pre-tax loss of RM11 thousand due to lower other income received, compared to a pre-tax loss of RM50 thousand previously.

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

Market Segments	Revenue		Segment Profit	
	Q2 2018	Q1 2018	Q2 2018	Q1 2018
	RM'000	RM'000	RM'000	RM'000
Timber Extraction	843	-	741	(209)
Timber Trading	34,717	37,250	1,098	416
Manufacturing	26,680	27,051	2,465	1,445
Services & Treatment	9,025	8,528	2,932	2,575
Property Development	-	-	(10)	(1)
Others	69	37	2,349	(32)
	<u>71,334</u>	<u>72,866</u>	<u>9,575</u>	<u>4,194</u>
Elimination			(2,429)	336
Profit before taxation			7,146	4,530
Taxation			(1,796)	(1,591)
Profit after taxation			5,350	2,939
Non-controlling interest			(1,031)	(471)
Net profit for the year			4,319	2,468

The Group's turnover for the current quarter under review was RM71.33 million, which was RM1.53 million or 2% less than the RM72.86 million registered in the preceding quarter. All of the group's market segments recorded lower growth in their turnover except for the Timber Extraction, Services & Treatment and Others segments. The Timber Extraction, Services & Treatment, and Others segments recorded combined growth of RM1.37 million in their turnover but were offset by the combined decline of RM2.90 million recorded by the Timber Trading and Manufacturing segments.

The Group posted a higher pre-tax profit of RM7.15 million for the current quarter against the preceding quarter figure of RM4.53 million. The major contributor to the RM2.62 million improvement in pre-tax profit for the current quarter was the Timber Extraction, Timber Trading, Manufacturing, Services & Treatment segment which registered a total combined increase of RM3.01 million.

17. Prospects for Current Financial Year

The International Monetary Fund ("IMF") in their latest publication of World Economic Outlook Update July 2018 projected that global growth is projected to reach 3.9 percent in 2018 and 2019, in line with the forecast of the April 2018 World Economic Outlook (WEO), but the expansion is becoming less even, and risks to the outlook are mounting. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening in line with the April WEO forecast, and the US dollar has appreciated by around 5 percent in recent weeks. Growth projections have been revised down for the euro zone, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Among emerging markets and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Growth projections have been revised down for Argentina, Brazil, and India, while the outlook for some oil exporters has strengthened.

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

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(The figures have not been audited)

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
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Current taxation	1,796	1,310	3,387	3,058
(Over)/Under provision in respect of prior years	-	-	-	-
Foreign Taxation	-	-	-	-
Deferred Taxation	-	-	-	-
	<u>1,796</u>	<u>1,310</u>	<u>3,387</u>	<u>3,058</u>
Our share of results of associated companies	-	-	-	-
	<u>1,796</u>	<u>1,310</u>	<u>3,387</u>	<u>3,058</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.

20. Trade Receivables

	As at 30.6.2018 RM'000
Trade receivables	39,956
Less: Allowance for impairment loss	(167)
	<u>39,789</u>

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

	As at 30.6.2018 RM'000
Neither past due nor impaired	17,311
Past due not impaired:	
< 30 days	10,080
31 - 60 days	4,417
> 60 days	8,305
Impaired	(157)
Gross trade receivables	39,956
Less: Allowance for impairment loss	(167)
	<u>39,789</u>

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.

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(The figures have not been audited)

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 30 June 2018.

23. Status of Corporate Proposals

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

24. Group Borrowings

Total Group borrowings as at 30 June 2018 were as follows:-

	As at 2nd. Quarter ended 30 June 2018		
	Long Term	Short Term	Total borrowings
	RM	RM	RM
Secured			
Property Loan	2,975		2,975
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		33,484	33,484
Unsecured	-	-	-
	As at 2nd. Quarter ended 30 June 2017		
Secured			
Property Loan	3,473		3,473
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		37,022	37,022
Unsecured	-	-	-

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 August 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 30 June 2018 (2017: Nil).

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(The figures have not been audited)

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
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
(a). Interest income	211	183	400	350
(b). Investment income	-	48	-	72
(c). Rental Income	1,103	1,195	2,209	2,381
(d). Interest expenses	(485)	(793)	(1,065)	(1,521)
(e). Depreciation & Amortisation	(1,826)	(1,846)	(3,664)	(3,670)
(f). Gain/(loss) on disposal of property, plant & equipment	16	-	16	(111)
(g). Property, plant & equipment written off	-	-	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)	96	(49)	(853)	745

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
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net earnings/(loss) attributable to the ordinary equity holders of the Company	4,319	3,087	6,787	6,424
Weighted average number of ordinary shares ('000)	219,702	219,702	219,702	219,702
Basic earnings/(loss) per share (sen)	1.97	1.41	3.09	2.92

(b) Diluted earnings per share
Not applicable**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 August 2018.

By order of the Board

Klang, Selangor Darul Ehsan.

Dated: 30 August 2018.