



MINHO (M) BERHAD
(200930-H)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2019**

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**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Current</u> <u>Year</u> <u>Quarter</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u>	<u>Current</u> <u>Year to</u> <u>date</u>	<u>Preceding</u> <u>Period</u> <u>Ended</u>
	<u>30/09/2019</u>	<u>30/9/2018</u>	<u>30/09/2019</u>	<u>30/9/2018</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Continuing Operations:				
Revenue	63,291	62,938	200,014	207,138
Cost of sales	(61,401)	(59,533)	(192,338)	(194,397)
Gross profit	1,890	3,405	7,676	12,741
Other operating income	1,708	1,888	5,775	5,293
Finance cost	(838)	(575)	(2,587)	(1,640)
Gain/(loss) on financial assets measured at fair value	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-
Profit before tax	2,760	4,718	10,864	16,394
Income tax expense	(753)	(1,250)	(3,604)	(4,637)
Profit for the period from continuing operations	2,007	3,468	7,260	11,757
Loss from discontinued operation	-	-	-	-
Profit for the period	2,007	3,468	7,260	11,757
Other Comprehensive Income:				
Other Comprehensive Income net of tax	-	-	-	-
Total Comprehensive Income for the period	2,007	3,468	7,260	11,757
Net Profit/(loss) attributable to:				
Owners of the Parent				
- income from continuing operations	1,718	2,975	5,629	9,762
- loss from discontinued operations				
Non-Controlling Interest	289	493	1,631	1,995
Profit for the period	2,007	3,468	7,260	11,757
Total comprehensive income attributable to:				
Owners of the Parent	1,718	2,975	5,629	9,762
Non-Controlling Interest	289	493	1,631	1,995
	2,007	3,468	7,260	11,757
Earnings/(Loss) per share (in sen)				
Basic EPS (in sen)	0.50	1.35	1.65	4.44
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 2018)

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/09/2019 RM'000	Audited As at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	155,267	145,866
Investment properties	142,399	141,739
Investment in associated company	-	-
Other Investment	-	-
	297,666	287,605
Current Assets		
Inventories	120,275	127,564
Property Development Cost	8,558	8,512
Trade receivables	45,141	35,489
Other receivables	4,636	12,121
Tax recoverable	2,158	1,427
Short-term investments	2,482	3,540
Derivative financial assets	21	54
Deposit with licensed banks	17,258	19,795
Cash and bank balances	20,695	18,667
	221,224	227,169
TOTAL ASSETS	518,890	514,774
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	13,464	13,464
Retained earnings-profit/(loss)	164,244	158,615
	378,896	373,267
Non-Controlling Interest	39,553	38,412
Total Equity	418,449	411,679
Non-current liabilities		
Deferred Taxation	10,823	10,824
Hire Purchase obligations	1,852	3,370
Bank borrowings	11,081	14,918
	23,756	29,112
Current Liabilities		
Trade payables	16,855	10,660
Other payables	9,510	11,930
Provision for liabilities	2,073	2,073
Hire purchase obligations	12,846	1,799
Bank borrowings	35,113	47,511
Derivative financial liabilities	-	10
Tax Payable	288	-
	76,685	73,983
Total Liabilities	100,441	103,095
TOTAL EQUITY AND LIABILITIES	518,890	514,774
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.11	1.10

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018)



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

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

(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			Non- Controlling Interest	Total Equity
			Share Premium	Treasury Shares	Reserve on consolidation	Asset revaluation reserves	Equity component from the replacement warrants	Retained Earnings/(Los ses)	Total			
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 September 2019												
Balance as at 01.01.2019	201,188		-	-	13,464	-		158,615	373,267	38,412	411,679	
Total comprehensive income for the period						-		5,629	5,629	1,631	7,260	
Excess from resale of treasury shares								-	-	-	-	
Distribution of Special Share Dividend									-			
Dividend distributed to Non-Controlling Interest									-	(490)	(490)	
Balance as at 30.09.2019	201,188	-	-	-	13,464	-	-	164,244	378,896	39,553	418,449	
Period ended 30 September 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								9,762	9,762	1,995	11,757	
Excess from resale of treasury shares									-	-	-	
Distribution of Special Share Dividend									-	-	-	
Dividend distributed to Non-Controlling Interest									-	(1,084)	(1,084)	
Balance as at 30.09.2018	201,188	-	-	-	13,464	108,577	-	46,933	370,162	36,850	407,012	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018)

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Cumulative Period	
	Current Year to date 30/09/2019 RM'000	Preceding Period Ended 30/09/2018 RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	10,864	16,394
Adjustments for :		
Depreciation, amortisation and impairment losses	5,940	5,421
Interest income	(542)	(608)
Interest expenses	2,587	1,640
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	-	(17)
Asset written off	-	1
Operating profit before changes in working capital	18,849	22,831
Net change in current assets	5,076	186
Net change in current liabilities	3,775	(6,283)
Cash flow from operation	27,700	16,734
Taxes paid	(5,306)	(4,868)
Taxes refunded	1,130	18
Net Cash Flows From Operating Activities	23,524	11,884
Cash Flows From Investing Activities:		
Purchase of PPE and investment property	(16,002)	(7,249)
Purchase of freehold land	-	(20,364)
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	-	5,195
Reclassified deposit with licensed bank to other investment	-	-
Dividend received	-	-
Net Cash Used in Investing Activities	(16,002)	(22,418)
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)	(19,638)	20,319
Repayment of hire purchase obligations	11,132	(1,153)
Dividends paid to non-controlling interest in subsidiary company	(490)	(1,084)
Net Cash Flows From Financing Activities	(8,996)	18,082
Net Increase in Cash and Cash Equivalents	(1,474)	7,548
Cash and Cash Equivalents at the beginning of the year	42,002	36,289
Effects of changes in foreign exchange rates	(93)	(853)
Cash and Cash Equivalents at end of the period	40,435	42,984
Cash and cash equivalent comprise the following:-		
Bank and cash balances	20,695	17,682
Short-term investments and Deposit with license bank	19,740	25,302
	40,435	42,984

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018)

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(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 2018. 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 2018. 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 2018, 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 2018.

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 2019

- Amendments to MFRS 128, Long-term Interests in Associates And Joint Ventures
- Amendments to MFRS 119, Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs Eligible for Capitalisation
- Amendments to MFRS 112, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 9, Prepayment Features with Negative Compensation
- Amendments to MFRS 3 and MFRS 11, Previously Held Interest in a Joint Operation
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- MFRS 16, Leases

(ii) Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 134, Interim Financial Reporting
- Amendments to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendments to MFRS 2, Share-Based Payments
- Amendments to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for Evaluation of Mineral Resources
- Amendments to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates
- Amendments to MFRS 138, Intangible Assets
- Amendments to IC Interpretation 12, Service Concession Arrangements

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

- Amendments to IC Interpretation 19, Extinguishing Financial Liabilities with Equity
 - Amendments to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
 - Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs
- (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 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 16 Leases

MFRS 16 replaces the guidance in MFRS 117, 'Leases', IC Interpretation 4, 'Determining Whether an Arrangement Contains a Lease', IC Interpretation 115, 'Operating Leases – Incentives' and IC Interpretation 127, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases of 12 months or less and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Directors of the Company acknowledge that the application of MFRS 16 will affect how leases are being reported and disclosed in the financial statements of the Group and of the Company. The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS 16 on the required effective date.

2. Auditors' Report On Preceding Annual Financial Statements

The auditors' report of the audited financial statements for the financial year ended 31 December 2018 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.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

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.

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 September 2019.

7. Dividends Paid

There were dividends declared and paid by the Company for the financial period ended 30 September 2019. Single-tier dividend of RM0.0115 per ordinary share were declared on 20 September 2019 and paid on 30 October 2019.

8. Segment Information

The Group's segment information for the financial period ended 30 September 2019 is as follows:-

	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
2019								
Revenue								
<i>External Sales</i>	-	90,546	83,520	25,791	-	157		200,014
<i>Inter segmental sales</i>	-	3,330	4,468	7,001	-	-		14,799
Total Revenue	-	93,876	87,988	32,792	-	157		214,813
Segments Profits/(Loss)								
Before Tax	58	2,485	2,667	6,217	(47)	(165)	(351)	10,864
Depreciation	182	865	3,168	1,723	-	2		5,940
Rental income of land and buildings	-	39	3,171	929	-	-	(390)	3,749
Net foreign exchange	-	(55)	(25)	-	-	-		(80)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-		-
Finance cost	-	479	2,006	99	3	-		2,587
Interest Income	-	22	339	58	6	117		542
Tax Expenses	-	727	1,104	1,735	-	38		3,604
Segments Assets	2,696	73,730	255,722	160,908	10,769	16,820	(1,755)	518,890
Other Investment								-
Total Segments Assets								518,890
Segment Liabilities	3,799	14,176	70,230	10,882	306	338	710	100,441

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(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
2018								
Revenue								
<i>External Sales</i>	1,647	98,684	80,675	25,986	-	146		207,138
<i>Inter segmental sales</i>	-	3,734	3,868	6,661	-	-		14,263
Total Revenue	1,647	102,418	84,543	32,647	-	146	-	221,401
Segments Profits/(Loss) Before Tax	789	2,473	5,370	7,671	(35)	2,332	(2,206)	16,394
Depreciation	108	1,114	2,513	1,675	1	10		5,421
Rental income of land and buildings	-	29	2,787	954	-	-	(387)	3,383
Net foreign exchange	-	(667)	(186)	-	-	-		(853)
Gain/(loss) on disposal of property, plant and equipment	-	-	16	-	-	1		17
Finance cost	-	268	1,196	135	41	-	-	1,640
Interest Income	-	13	456	1	108	30		608
Tax Expenses	-	632	1,900	2,035	-	70		4,637
Segments Assets	4,088	80,531	237,498	158,978	12,509	13,067	(1,163)	505,508
Other Investment						725		725
Total Segments Assets								506,233
Segment Liabilities	3,148	23,426	57,956	12,304	1,934	453		99,221

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 2018.

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

There are no material events subsequent to the financial period ended 30 September 2019 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 September 2019.

12. Contingent Liabilities – Unsecured

As at 30 September 2019, 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 RM95,200,000.00, of which an amount of RM34,393,968.00 were utilized.

13. Capital Commitments

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


INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

(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) 01/01/2019 to 30/9/2019 (RM ' 000)		Approved Value 13/06/2019 to 11/06/2020 (RM ' 000)		Balance due to / from the companies 30/09/2019 (RM ' 000)	
				Receivables	Payables	Receivables	Payables	Receivables	Payables
D M Timber Sdn Bhd ("DM")	Purchase of timber.	Lionvest Timber Industries Sdn Bhd ("LTI")	Monthly		3,143		15,000		323
Minho Kilning (Klang) Sdn Bhd ("MKK")	⁽ⁱ⁾ Rental & Storage Charges	Syarikat Minho Kilning Sdn Bhd ("SMK") ⁽ⁱⁱ⁾	Monthly		2,254		4,500		1
Oak Three Sdn Bhd ("OT") (formerly known as QR Printing Sdn Bhd)	Insurance brokerage fee.	Syarikat Minho Kilning Sdn Bhd ("SMK")	Yearly		20		800		46
Mahawangsa Timber Industries Sdn Bhd ("MTI")	Sales of sawn timber and its related products.	LTI	Monthly	413		4,000			
	Purchase of logs.	LTI	Monthly		7,788		10,000		2,045
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		2,785		19,000		-
MTI	^(b) Purchase of timber.	Indah Wood Products Sdn Bhd ("IWPSB")	Monthly		521		3,500		-
MTI	^(c) Purchase of timber.	Euro-CGA Sdn Bhd ("ECSB")	Monthly		125		5,500		-
MTI	^(d) Purchase of timber.	Victory Enterprise Sdn Bhd ("VESB")	Monthly		-		1,000		-
Lucky Star Diversified Sdn Bhd ("LSDSB")	Sales of sawn timber	Lionvest Corporation (Pahang) Sdn Bhd ("LCPSB")	Monthly	-		9,500		-	
DMT Resources & Development Sdn. Bhd. ("DMT")	Purchase of logs	LTI	Monthly		437		-		-
Total				413	17,073	13,500	79,300	-	2,415

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(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		9 MONTHS ENDED	
			YEAR-TO-DATE ENDED	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Timber Extraction	-	804	-	1,647
Timber Trading	27,421	26,717	90,546	98,684
Manufacturing	27,116	26,944	83,520	80,675
Services & Treatment	8,712	8,433	25,791	25,986
Property Development	-	-	-	-
Others	42	40	157	146
	<u>63,291</u>	<u>62,938</u>	<u>200,014</u>	<u>207,138</u>
Segment Profit				
Timber Extraction	306	257	58	789
Timber Trading	682	959	2,485	2,473
Manufacturing	133	1,460	2,667	5,370
Services & Treatment	1,597	2,164	6,217	7,671
Property Development	(15)	(24)	(47)	(35)
Others	14	15	(165)	2,332
	<u>2,717</u>	<u>4,831</u>	<u>11,215</u>	<u>18,600</u>
Elimination	43	(113)	(351)	(2,206)
Profit before taxation	<u>2,760</u>	<u>4,718</u>	<u>10,864</u>	<u>16,394</u>
Taxation	(753)	(1,250)	(3,604)	(4,637)
Profit after taxation	<u>2,007</u>	<u>3,468</u>	<u>7,260</u>	<u>11,757</u>
Non-controlling interest	(289)	(493)	(1,631)	(1,995)
Net profit for the year	<u>1,718</u>	<u>2,975</u>	<u>5,629</u>	<u>9,762</u>

(a). Three months period-Q3 2019.

For the current quarter, the Group registered revenue of RM63.29 million, slightly higher than RM62.94 million for Q3 2018. This increase was mainly attributed to the RM1.16 million total combined increases in turnover for the Timber Trading, Manufacturing, Services & Treatment and Others market segments. This was partially offset by the decrease of RM804 thousand in the turnover for Timber Extraction market segment.

The group's pre-tax profit decreased by RM1.96 million, i.e. from RM4.72 million to RM2.76 million. All of the Group's market segments recorded lower pre-tax profit except for Timber Extraction segment which recorded total increase of RM49 thousand in pre-tax profit.

(b). Year to date.

The Group disclosed total revenue of RM200.01 million for the current 9 months period ended 30 September 2019, RM7.13 million or 3.4% less than the RM207.14 million recorded in the corresponding 9 months period ended 30 September 2018. This drop was mainly attributed to the combined RM9.98 million decrease in Timber Extraction, Timber Trading and Services & Treatment

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

segments. This was partially offset by the total increase of RM2.86 million in the turnover for Manufacturing and Others segments.

The group's pre-tax profit decreased by RM5.53 million mainly due to the decrease in pre-tax profit of RM731 thousand for the Timber Extraction segment, RM2.70 million for the Manufacturing segment and RM1.45 million for the Services & Treatment segment.

Timber Extraction

No logging was carried out in the current 9 months period ended 30 September 2019 compared to 439 acres logged in the corresponding 9 months period ended 30 September 2018. As such, no revenue was recorded for this segment. It incurred a pre-tax profit RM58 thousand due to other income.

Timber Trading

The turnover for this segment decreased by RM8.14 million. However, the pre-tax profit for this segment increased by RM12 thousand from a pre-tax profit of RM2.47 million in the corresponding 9 months period ended 30 September 2018 to RM2.48 million for the current 9 months period ended 30 September 2019 due to gain in foreign exchange.

Manufacturing

Total turnover for this segment increased by RM2.85 million mainly attributed to the increase in the turnover for the manufacturing of industrial paper bags which increased by RM6.63 million due to higher demand from food and chemical related industries, while the turnover for manufacturing of timber and wood based products decreased by RM3.79 million. Pre-tax profit for this market segment decreased by RM2.7 million or 50%; from RM5.37 million in the corresponding 9 months period ended 30 September 2018 to RM2.67 million for the current 9 months period ended 30 September 2019. The drop in pre-tax profit was mainly attributed to lower profit registered by the manufacturing of industrial paper bags which decreased by RM945 thousand as a result of higher cost of sales, depreciation and finance cost. As for the manufacturing of timber and wood based products, profit decreased by RM1.76 million due to higher cost of sales.

Services & Treatment

The volume of timber for kiln drying increased by 15% but service charges rates decreased by 12% that resulted in a decrease of RM195 thousand in the gross turnover for this market segment. In line with the drop in turnover, the pre-tax profit for this segment decreased slightly, i.e. by RM1.45 million due to the increase in operation cost mainly relating to other factory overhead, repair and maintenance of machinery.

Property Development

There were no revenue registered for the current 9 months period ended 30 September 2019 similar to the corresponding 9 months period ended 30 September 2018. It reported a pre-tax loss of RM47 thousand due to lower other income received, compared to a pre-tax loss of RM35 thousand previously.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

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

Market Segments	Revenue		Segment Profit	
	Q3 2019	Q2 2019	Q3 2019	Q2 2019
	RM'000	RM'000	RM'000	RM'000
Timber Extraction	-	-	306	(130)
Timber Trading	27,421	26,053	682	602
Manufacturing	27,116	27,148	133	602
Services & Treatment	8,712	8,355	1,597	1,852
Property Development	-	-	(15)	(22)
Others	42	64	14	(122)
	<u>63,291</u>	<u>61,620</u>	<u>2,717</u>	<u>2,782</u>
Elimination			43	(420)
Profit before taxation			2,760	2,362
Taxation			(753)	(1,099)
Profit after taxation			2,007	1,263
Non-controlling interest			(289)	(463)
Net profit for the year			1,718	800

The Group's turnover for the current quarter under review was RM63.29 million, which was RM1.67 million or 2.7% more than the RM61.62 million registered in the preceding quarter. The Timber Trading and Services & Treatment segments recorded higher growth in their turnover except for the Manufacturing and Others segment. The Timber Trading and Manufacturing recorded combined increase of RM1.73 million in their turnover. This was offset by the combined decrease of RM54 thousand recorded by the Manufacturing and Others segments.

The Group posted a higher pre-tax profit of RM2.76 million for the current quarter against the preceding quarter figure of RM2.36 million. This RM400 thousand difference was the major contributors to the RM516 thousand increase in pre-tax profit for the current quarter was the Timber Extraction and Timber Trading segments.

17. Prospects for Current Financial Year

The International Monetary Fund ("IMF") in their latest publication of World Economic Outlook(WEO) Update October 2019 projected that global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and a 0.3 percentage point downgrade from the April 2019 World Economic Outlook. Growth is projected to pick up to 3.4 percent in 2020 (a 0.2 percentage point downward revision compared with April), reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic strain. Yet, with uncertainty about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialize.

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.

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.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(The figures have not been audited)

19. Taxation

Taxation comprises:-

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Current year	Preceding year
	quarter	corresponding	to date	corresponding
	30/09/2019	quarter	30/09/2019	period
	RM'000	30/09/2018	30/09/2018	RM'000
	RM'000	RM'000	RM'000	RM'000
Current taxation	753	1,250	3,604	4,637
(Over)/Under provision in respect of prior years	-	-	-	-
Foreign Taxation	-	-	-	-
Deferred Taxation	-	-	-	-
	753	1,250	3,604	4,637
Our share of results of associated companies	-	-	-	-
	753	1,250	3,604	4,637

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 30.9.2019	As at 30.9.2018
	RM'000	RM'000
Trade receivables	45,645	38,497
Less: Allowance for impairment loss	(504)	(141)
	45,141	38,356

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

	As at 30.9.2019	As at 30.9.2018
	RM'000	RM'000
Neither past due nor impaired	19,906	17,693
Past due not impaired:		
< 30 days	11,119	8,430
31 - 60 days	4,657	4,895
> 60 days	9,963	7,636
Impaired	-	(157)
Gross trade receivables	45,645	38,497
Less: Allowance for impairment loss	(504)	(141)
	45,141	38,356

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.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(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 September 2019.

23. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 November 2019.

24. Group Borrowings

Total Group borrowings as at 30 September 2019 were as follows:-

	As at 3rd. Quarter ended 30 September 2019		
	Long Term	Short Term	Total borrowings
	RM	RM	RM
Secured			
Property Loan	11,081		11,081
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		35,113	35,113
Unsecured	-	-	-
	As at 3rd. Quarter ended 30 September 2018		
Secured			
Property Loan	13,258		13,258
Trading Facilities (Overdraft, Bankers Acceptance, Trust Receipts and Letter of Credits)		44,426	44,426
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 22 November 2019, 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 September 2019 (2018: Nil).

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(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
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
(a). Interest income	163	208	542	608
(b). Investment income	-	27	-	27
(c). Rental Income	1,252	1,174	3,749	3,383
(d). Interest expenses	(838)	(575)	(2,587)	(1,640)
(e). Depreciation & Amortisation	(2,152)	(1,757)	(5,940)	(5,421)
(f). Gain/(loss) on disposal of property, plant & equipment	-	1	-	17
(g). Property, plant & equipment written off	-	-	-	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)	-	-	(93)	(853)

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
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net earnings/(loss) attributable to the ordinary equity holders of the Company	1,718	2,975	5,629	9,762
Weighted average number of ordinary shares ('000)	340,538	219,702	340,538	219,702
Basic earnings/(loss) per share (sen)	0.50	1.35	1.65	4.44

(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 29 November 2019.

By order of the Board

Klang, Selangor Darul Ehsan.

Dated: 29 November 2019.