



**NOTES :**

**Note 1 Basis of Preparation**

The quarterly report is unaudited and has been prepared in accordance with revised FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The quarterly report should be read in conjunction with the Group’s audited financial statements for the year ended 31 July 2009. These explanatory notes attached to the quarterly report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 July 2009.

**Note 2 Changes in Accounting Policies**

The significant accounting policies adopted in the quarterly report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 July 2009.

The Group has not early adopted the following new and revised FRS, Amendments to FRS and Interpretations which have effective dates as follows:

		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements (revised 2009)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRSs	Contained in the document entitled “Improvements to FRSs (2009)”	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting & Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010



**Note 2 Changes in Accounting Policies (cont'd)**

		Effective for financial periods beginning on or after
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation -Classification of Right Issues	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12	Service Concession Agreements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of Net Investment in Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

**Note 3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 July 2009 was not qualified.

**Note 4 Seasonal or Cyclical factors**

Timber operations are, to a certain extent, affected by weather condition especially for logging operations. In addition, the four seasons also had some impact on the buying patterns of traditional buyers of timber products.

**Note 5 Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date.



**Note 6 Changes in Estimates**

There were no changes in estimates of amounts reported in prior quarters that have a material effect in the current quarter and financial year-to-date.

**Note 7 Debt and Equity Securities**

During the current quarter and financial year-to-date, a total of 6,000 shares and 219,700 shares of RM 1.00 each were respectively purchased and retained as treasury shares. The monthly breakdown of shares bought back for the financial year-to-date were as follows:-

Month	No. of shares	Purchase price per share		Average cost per share (RM)	Total cost (RM)
		Lowest (RM)	Highest (RM)		
September 2009	114,100	1.85	2.07	1.95	222,780
October 2009	9,900	1.96	2.09	2.01	19,874
November 2009	42,800	1.94	2.01	1.98	84,939
December 2009	34,000	2.00	2.02	2.03	68,984
January 2010	11,900	1.90	1.98	1.93	23,016
April 2010	1,000	2.20	2.20	2.24	2,244
May 2010	6,000	1.90	2.00	1.95	11,700
<b>TOTAL</b>	<b>219,700</b>			<b>1.97</b>	<b>433,537</b>

All the shares purchased to-date were held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. There has been no resale or cancellation of treasury shares during the period under review.

Apart from the above, there were no issuances and repayments of debt and equity securities for the current quarter and financial year-to-date.

**Note 8 Dividends Paid**

A first and final dividend of 4% per share, less 25% income tax in respect of the financial year ended 31 July 2009, amounting to RM5,646,215 was paid on 24 March 2010 to the depositors whose names appear in the Record of Depositors on 25 February 2010.

**Note 9 Segmental Information**

Segmental revenue and profit before taxation for the current financial year-to-date by the respective operating divisions are as follows:-

	<b>Logging &amp; Reforestation</b>	<b>Manufacturing</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>					
External revenue	312,758	358,444	8,651	-	679,853
Intersegment revenue	183,609	1,068	17,879	(202,556)	-
Total revenue	<u>496,367</u>	<u>359,512</u>	<u>26,530</u>	<u>(202,556)</u>	<u>679,853</u>



**Note 9 Segmental Information (cont'd)**

	<b>Logging &amp; Reforestation</b>	<b>Manufacturing</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Results</b>					
Operating profit	26,418	22,852	1,256	-	50,526
Finance costs					(4,082)
Profit before tax					46,444
Tax					(16,359)
Net profit for the period					30,085

**Note 10 Valuations of Property, Plant and Equipment**

There has been no valuation undertaken for the Group's property, plant and equipment since the last annual financial statements.

**Note 11 Subsequent Events**

There were no material events subsequent to the end of the current quarter that has not been reflected in the financial statement.

**Note 12 Changes in the Composition of the Group**

On 2 February 2010, the Company acquired 500,000 ordinary shares of RM1 each, which represented 100% of the total issued and paid-up share capital of Saraju Holding Sdn. Bhd., for a total cash consideration of RM17,500,000.

**Note 13 Changes in Contingent Liabilities and Contingent Assets**

The contingent liabilities represent corporate guarantees in respect of banking facilities granted to subsidiary companies.

The amount of banking facilities utilised which were secured by corporate guarantees increased by RM18,158,874 from RM85,431,475 as at 31 July 2009 (last annual balance sheet) to RM103,590,349 as at 31 July 2010.

**Note 14 Capital Commitments**

	<b>As at 31.07.2010 RM'000</b>	<b>As at 31.7.2009 RM'000</b>
Authorised and contracted for	220	15,108
Authorised but not contracted for	-	4,543
	220	19,651
Analysed as follows:		
Property, plant and equipment	220	19,651
	220	19,651



**Note 15 Review of Performance**

In the current quarter under review, the Group recorded lower revenue of RM169.06 million, a decrease of 11% as compared to RM189.37 million in the preceding year corresponding quarter. Nevertheless, the Group achieved outstanding results by attaining higher profit before tax of RM15.62 million, an increase of 44% as compared to RM10.88 million in the preceding year corresponding quarter.

For the current financial year-to-date, the Group achieved improved revenue of RM679.85 million, an increase of 14% when compared to RM598.39 million in the preceding year corresponding year-to-date. The Group registered tremendous improvement in the profit before tax and after tax in the current financial year-to-date by achieving profit before tax of RM46.44 million and profit after tax of RM30.09 million respectively as compared to RM25.32 million and RM17.83 million registered in the preceding year corresponding year-to-date.

The decrease in revenue in the current quarter, as compared to corresponding quarter, was mainly due to lower export sales volume for plywood and particleboard whereas the increase in revenue in the current financial year-to-date, as compared to the corresponding period, was attributable to the increase in export sales volume for logs. The increase in profit before tax in the current quarter and financial year-to-date as compared to preceding year corresponding period was mainly due to higher profit derived from the forest and plywood operations as a result of increase in export sales volume for logs and average selling price for plywood respectively.

**Note 16 Variation in the Quarterly Results Compared to the Results of the Immediate Preceding Quarter**

For the quarter under review, the Group recorded higher profit before tax amounting to RM15.62 million, an increase of 26% or RM3.26 million as compared to RM12.36 million attained in the preceding quarter. The increase in profit before tax in the current quarter was mainly due to higher profit derived from the forest and plywood operations resulting from higher average selling prices.

**Note 17 Commentary on Prospects**

The market outlook for timber industry is expected to be positive especially with the firm demand for timber and timber products in the coming quarters. The Group will continue to implement appropriate measures and plans to improve efficiencies and effectiveness of its business operations, concurrent with strengthened marketing and cost controlling strategies.

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the coming quarters in the new financial year.

**Note 18 Profit Forecast or Profit Guarantee**

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



#### **Note 19 Taxation**

The Group's taxation for the current quarter and financial year-to-date were as follows:

	<b>Current Quarter RM'000</b>	<b>Current Financial Year-To-Date RM'000</b>
Income tax:		
Current period provision	1,214	9,521
Overprovision in prior years	(69)	(69)
Deferred tax:		
Current period provision	8,230	6,905
	<u>9,375</u>	<u>16,359</u>

The Group's effective tax rate for the current quarter and financial year-to-date was higher than the statutory rate mainly due to certain expenses not allowable for tax deduction.

#### **Note 20 Sale of Unquoted Investments and/or Properties**

There were no sales of unquoted investment and/or properties for the current quarter and financial year-to-date.

#### **Note 21 Purchase or Disposal of Quoted Securities**

- (a) Purchases and disposals of quoted securities
- (b) Investments in quoted securities

There were no purchase or disposal of quoted securities for the current quarter and financial year-to-date. There were no investments in quoted securities as at 31 July 2010.

#### **Note 22 Status of Corporate Proposals**

There were no outstanding corporate proposals that have been announced but not completed as at the date of this announcement.

#### **Note 23 Borrowings and Debt Securities**

	<b>As at 31.07.2010 RM'000</b>	<b>As at 31.7.2009 RM'000</b>
<b>Short term borrowings:</b>		
Unsecured - Revolving credit	15,500	30,500
- Term loans	5,009	5,009
- Bankers' acceptance	15,558	-
Secured - Term loans	5,626	3,759
Secured - Hire purchase payable	14,556	27,345
	<u>56,249</u>	<u>66,613</u>



**Note 23 Borrowings and Debt Securities (cont'd)**

	As at 31.07.2010 RM'000	As at 31.7.2009 RM'000
<b>Long term borrowings:</b>		
Unsecured - Term loans	5,009	10,018
Secured - Term loans	66,906	66,171
- Hire purchase payable	6,782	19,955
	78,697	96,144
<b>Total borrowings</b>	134,946	162,757

There were no borrowings denominated in foreign currency.

**Note 24 Off Balance Sheet Financial Instruments**

The Group has entered into forward foreign exchange contracts to limit its exposure on foreign currency receipts and payments, when it is deemed necessary.

As at 31 July 2010, the notional value and maturity analysis of the outstanding foreign exchange contracts of the Group were as follows:

Type of Derivatives	Contract/ Notional Value (RM'000)
<b>Forward foreign exchange contract</b> USD - less than 1 year	98

There was no significant change for the financial derivatives in respect of the followings since the last financial year ended 31 July 2009:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the derivatives;
- (c) the policies in place for mitigating or controlling the risks associated with these financial derivative; and
- (d) the related accounting policies.

**Note 25 Changes in Material Litigation**

There was no pending material litigation as at the date of this announcement.

**Note 26 Dividend Payable**

The Board of Directors did not declare any dividend for the quarter ended 31 July 2010 (previous corresponding period: Nil).



**Note 27 Earnings Per Share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company over the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	<b>Current Quarter</b>	<b>Current Financial Year- To-Date</b>
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	6,249	30,085
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	188,202	188,253
Basic earnings per share (Sen)	3.32	15.98

(b) Diluted earnings per share

N/A

N/A

**Note 28 Authorisation for Issue**

The quarterly report was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 September 2010.