



**NOTES :**

**Note 1 Basis of Preparation**

The quarterly report is unaudited and has been prepared in accordance with 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 2013. 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 2013.

**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 2013, except for the adoption of the following standards and amendments and interpretations which are relevant to the Group for the financial year beginning 1 August 2013 :

**FRS effective for financial periods beginning on or after 1 January 2013**

- Amendments to FRS 1: First-Time Adoption of Financial Reporting Standards - Government Loans
- Amendments to FRS 7: Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- FRS 10: Consolidated Financial Statements
- FRS 11: Joint Arrangements
- FRS 12: Disclosure of Interests in Other Entities
- Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- FRS 13: Fair Value Measurement
- FRS 119: Employee Benefits
- FRS 127: Separate Financial Statements
- FRS 128: Investments in Associates and Joint Ventures
- Amendments to FRS 1, FRS 101, FRS 116, FRS 132 and FRS 134: (Improvements to FRSs (2012))
- Amendment to IC Interpretation 2: Members’ Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))
- IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

Adoption of the above standards and interpretations did not have any material impact on the financial performance and position of the Group and of the Company.

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

The auditors’ report on the financial statements for the year ended 31 July 2013 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 for the period under review.

**Note 6 Changes in Estimates**

There were no changes in estimates that have had a material effect on the results of the Group for the period under review.

**Note 7 Debt and Equity Securities**

During the quarter, 100 shares of RM 1.00 each were purchased and retained as treasury shares. The monthly breakdown of shares bought back were as follows:

Month	No. of shares	Purchase price per share		Average price per share RM	Total cost RM
		Lowest RM	Highest RM		
October 2013	100	1.99	1.99	1.99	240
<b>TOTAL</b>	100	1.99	1.99	1.99	240

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 period under review.

**Note 8 Dividends Paid**

There were no dividends paid during the period under review.



**Note 9 Segmental Information**

Segmental revenue and profit before taxation for the current quarter and preceding year corresponding period by the respective operating segments as follows:

	Quarter ended			
	31.10.2013		31.10.2012	
	Revenue	Profit Before Tax	Revenue	Profit Before Tax
	RM'000	RM'000	RM'000	RM'000
Logging	100,866	3,906	96,277	2,236
Manufacturing	101,668	5,901	122,967	22
Plantation	11,875	2,899	10,286	2,173
Others	26	303	7	151
	<u>214,435</u>	<u>13,009</u>	<u>229,537</u>	<u>4,582</u>

**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 20 September 2013, the Company acquired 100% equity interest in Merri Sdn. Bhd. ("MSB"), a company incorporated in Malaysia, for a total cash consideration of RM2. MSB is currently a dormant company and its intended principal activity is to engage in food industry.

**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 decreased by RM18,755,552 from RM129,448,728 as at 31 July 2013 (last annual balance sheet) to RM110,693,176 as at 31 October 2013.



**Note 14 Capital Commitments**

	<b>As at 31.10.2013 RM'000</b>	<b>As at 31.07.2013 RM'000</b>
Approved and contracted for	38,774	67,644
Approved but not contracted for	<u>3,279</u>	<u>1,659</u>
	<u>42,053</u>	<u>69,303</u>
Analysed as follows:		
Property, plant and equipment	37,182	63,903
Investment properties	<u>4,871</u>	<u>5,400</u>
	<u>42,053</u>	<u>69,303</u>

**Note 15 Review of Performance**

For the current quarter under review, the Group recorded revenue of RM214.44 million as compared to RM229.54 million reported in the preceding year corresponding quarter. Despite lower revenue which was due to lower sales volume, profit before tax and profit after tax improved tremendously by 184% to RM13.01 million and RM9.14 million from RM4.58 million and RM3.22 million respectively in the preceding year corresponding quarter. The improved results was mainly contributed by better profit from the logging and manufacturing segments driven by increase in average selling prices of logs and timber products coupled with effective cost management.

For the reporting quarter, the profit before tax of logging and reforestation segment surged by 75% to RM3.91 million compared to preceding year corresponding quarter. The better performance was mainly attributed to improved average export selling price by 19% while local market continued to show recovery.

Manufacturing segment emerged as the key contributor to the Group's earnings by turning in a solid performance of RM5.90 million profit before tax for the current quarter under review compared to preceding year corresponding quarter of RM0.02 million. The significant improvement was backed by recovery in average export selling price for plywood and sawn timber by 17% and 9% respectively.

Profit before tax for plantation segment was 33% higher at RM2.90 million in the reporting quarter when compared to RM2.17 million in the preceding year corresponding quarter. The better profit was attributed to 31% increase in harvested volume of fresh fruit bunch (FFB) which was in line with progressive increase in planted areas and maturity profile of the crops. The higher FFB volume concurrent with stringent cost controlling measures have contributed to withstand the 12% decrease in FFB average selling price.



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

The Group's revenue increased by 14% to RM214.44 million in the current quarter from RM185.22 million while profit before tax improved by 30% to RM13.01 million from RM10.02 million in the immediate preceding quarter. The uptrend was primarily backed by higher sales volume across the key segments and improvement in gross margin of logs and major timber products.

**Note 17 Commentary on Prospects**

The timber segment is expected to be main profit contributor with firm demand for logs and timber products despite the challenge on rising operational cost. Timber and timber product prices are expected to sustain in view of prevailing tight log supply in the market and in anticipation of the increased demand from the timber consuming countries.

With our palm trees entering prime age profile and the recent rise in crude palm oil price, we expect to see positive contribution from our oil palm segment. The profit contribution would largely be dependent on the stabilization of recent improvement in crude palm oil price.

In view of this, the Group will continue to be resilient and is committed to streamlining its operations strategically and sustainably, maximizing the utilization of resources, branding its competitive edge while stretching and going beyond the normal growth spectrum.

**Note 18 Profit Forecast or Profit Guarantee**

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.

**Note 19 Profit Before Taxation**

Profit before taxation was derived after taking into consideration of the following:

	Quarter ended	
	31.10.2013	31.10.2012
	RM'000	RM'000
Amortisation and depreciation	22,345	17,826
Property, plant and equipment written off	4	2
Inventory written down	964	-
Interest expenses	2,338	1,294
Interest income	(421)	(337)
Gain on disposal of property, plant and equipment	(470)	(83)
Rental income	(205)	(1,523)
Fair value of gain on derivative financial instrument	(4,935)	-
(Gain)/ loss on foreign exchange		
- realised	(3,527)	(516)
- unrealised	918	524



## Note 20 Taxation

The Group's taxation for the period under review was as follows:

	Quarter ended	
	31.10.2013 RM'000	31.10.2012 RM'000
Income tax:		
Current period provision	4,554	2,231
Deferred tax:		
Current period provision	(684)	(868)
	<u>3,870</u>	<u>1,363</u>

The Group's effective tax rate in the current quarter under review was higher than the statutory tax rate mainly due to certain expenses not allowable for tax deduction.

## Note 21 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 22 Borrowings and Debt Securities

		As at	As at
		31.10.2013 RM'000	31.07.2013 RM'000
<b>Short term borrowings:</b>			
Unsecured	- Banker acceptance	-	5,000
	- Term loans	-	2,800
Secured	- Term loans	27,093	14,758
	- Hire purchase payable	43,801	32,120
		<u>70,894</u>	<u>54,678</u>
<b>Long term borrowings:</b>			
Secured	- Term loans	81,331	94,869
	- Hire purchase payable	98,865	71,355
		<u>180,196</u>	<u>166,224</u>
<b>Total borrowings</b>		<u>251,090</u>	<u>220,902</u>

There were no borrowings denominated in foreign currency.



**Note 23 Fair Value of Financial Liabilities**

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

As at 31 October 2013, the notional value and maturity analysis of the outstanding foreign exchange contracts of the Group is as follows:

Type of Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
<b>Forward foreign exchange contract</b> USD - less than 1 year	26,400	1,113

There was no significant change for the financial derivatives in respect of the followings since the last financial year ended 31 July 2013:

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

**Note 24 Profit/Loss Arising from Fair Value Changes of Financial Liabilities**

The Group recognised gain of RM 4,935,000 for the current quarter under review, arising from fair value changes of derivative liabilities, namely, forward foreign exchange contracts. The fair value changes are attributable to changes in foreign exchange spot and forward rate. Forward foreign exchange contracts are valued using a valuation technique with market observable inputs, by the bankers. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including the foreign exchange spot and forward rates.

**Note 25 Realised and Unrealised Profits/Losses Disclosure**

	As at 31.10.2013 RM'000	As at 31.07.2013 RM'000
Total retained profits of Subur Tiasa Holdings Berhad and its subsidiaries:		
- Realised	455,385	456,458
- Unrealised	(2,858)	(13,719)
	<u>452,527</u>	<u>442,739</u>
Less: Consolidation adjustments	7,820	8,469
Total Group retained profits as per consolidated accounts	<u>460,347</u>	<u>451,208</u>



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**Note 26 Changes in Material Litigation**

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

**Note 27 Dividend Payable**

The Board of Directors did not declare any dividend for the quarter ended 31 October 2013 (previous corresponding period: Nil).

**Note 28 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>Quarter and financial year-to-date ended 31.10.2013</b>
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	9,139
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	188,129
Basic earnings per share (Sen)	4.86

(b) Diluted earnings per share

N/A

**Note 29 Authorisation for Issue**

The quarterly report was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 December 2013.