**A. EXPLANATION NOTES**

#### A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared under the same accounting policies and methods of computation as those used in the preparation of the most recent audited financial statements and comply with MFRS 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ( “Bursa Securities” ).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015. The explanatory notes attached to the interim financial statements 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 July 2015.

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2015.

#### A2. Qualified Audit Report

The auditors’ report of the preceding annual financial statements was not qualified.

#### A3. Seasonal or Cyclical Factors

The principal business of the Group was not significantly affected by any significant seasonal or cyclical factors in the current quarter.

#### A4. Unusual Items

There were no unusual items affecting the Group for the financial period ended 31 January 2016.

#### A5. Change in Estimates

There are no changes in the estimates of amounts reported in prior interim periods that have a material effect on the results for the current quarter under review.

#### A6. Debts and Equity Securities

During the current period under review, the Company repurchased 5,000 ordinary shares of RM0.50 each at an average price of RM1.13 per ordinary share. Total number of ordinary shares purchased and held as treasury shares as at 31 January 2016 was 487,900.

#### A7. Dividend Paid

During the current period under review, the Company paid a first and final single tier dividend of 4.0 sen per ordinary share totaling RM5,470,684 in respect of the financial year ended 31 July 2015 on 22 December 2015.

#### A8. Segment Reporting

Segment reporting for the current year to date 31 January 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Investment  Holding | Furniture | Carton Boxes | Kiln-Drying | Renewable Energy | Others | Inter-Co  Elimination | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 |
| Revenue |  |  |  |  |  |  |  |  |
| External sales | - | 124,639 | 11,837 | 11,446 | 4,109 | 136 | - | 152,167 |
| Inter-Co sales | 6,750 | 1,251 | 3,809 | 7,773 | - | 1,184 | (20,767) | - |
| Total revenue | 6,750 | 125,890 | 15,646 | 19,219 | 4,109 | 1,320 | (20,767) | 152,167 |
| Results Segment result | 6,006 | 16,900 | 1,320 | (361) | 35 | (47) | (8,090) | 15,763 |
| Interest income | 44 | 215 | 53 | 19 | - | 6 | (40) | 297 |
| Finance costs | (2) | (412) | (1) | (392) | (228) | (5) | 40 | (1,000) |
| Profit/(Loss) before tax | 6,048 | 16,703 | 1,372 | (734) | (193) | (46) | (8,090) | 15,060 |

*Geographical segment*

Malaysia Indonesia Total

RM’000 RM’000 RM’000

Revenue

Total 163,346 9,588 172,934

Internal (19,480) (1,287) (20,767)

External 143,866 8,301 152,167

Profit before tax 15,715 (655) 15,060

The Group operates primarily in Malaysia, except for one subsidiary whose principal activities includes pressure treatment and kiln drying of rubberwood, and manufacturing of furniture parts which operates in Medan, Indonesia.

#### A9. Property, Plant and Equipment

There were no significant acquisitions or disposals of property, plant and equipment for the period ended 31 January 2016.

There were no commitments for the purchase of property, plant and equipment for the period ended 31 January 2016.

#### A10. Subsequent Events

The Group does not have any material events subsequent to the end of the period.

#### A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the period ended 31 January 2016.

#### A12. Changes in Contingent Liabilities or Contingent Assets

1. Contingent Liabilities

|  |  |  |
| --- | --- | --- |
|  |  | Company  As of 31 January 2016 |
| Unsecured |  | RM’000 |
| Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries |  | 130,252 |

1. Contingent Assets

There were no contingent assets since the last annual balance sheet date.

#### A13 Significant Related Party Transactions

The related party transactions are taken under normal course of business and on terms that are not more favourable than those available to other third parties.

|  |  |  |
| --- | --- | --- |
| Companies in which certain directors have interests:- | Current Quarter  RM’000 | Financial  year-to-date  RM’000 |
| – Commission payment  – Purchases of biomass feeds stocks  – Rental payment  – Sales of carton box  – Purchases of machinery and machinery parts | -  15  23  -  26  64 | -  41  46  -  36  123 |

SELECTED EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES:

#### B1. Review of Performance

The Group registered a turnover of RM75.5 million for the quarter ended 31 January 2016 (“current quarter”) as compared to the turnover of RM54.7 million in the previous year corresponding period. Profit before tax for the current quarter was at RM8.8 million as compared to profit before tax of RM1.3 million for the previous year corresponding period.

The furniture segment continued to contribute majority of the Group’s revenue. The furniture segment contributed RM62.4 million and RM10.0 million in turnover and profit before tax respectively for the current quarter. Comparatively, the turnover and profit before tax for previous year corresponding period were RM44.1 million and RM2.9 million respectively. The turnover and profit before tax for the current quarter were higher than the previous year corresponding period mainly due to improved operational efficiency, improved market sentiment in the North American and Asian market and strengthening of United States Dollar (USD) compared with Malaysian Ringgit (MYR).

The kiln-drying segment registered RM9.4 million in turnover and profit before tax of RM0.04 million for the current quarter compared with turnover of RM7.5 million and loss before tax of RM0.9 million in the previous year corresponding period. The turnover and profit before tax for the current quarter as compared to loss before tax in the previous year corresponding period was due to higher turnover and improved operational efficiency.

The carton boxes segment contributed RM8.0 million in turnover and profit before tax of RM0.7 million for the current quarter compared with turnover of RM6.8 million and profit before tax of RM0.6 million in the previous year corresponding period. The turnover and profitability in this segment were higher than the previous year corresponding period due to higher demand in the furniture industry.

The renewable energy segment contributed RM2.1 million in turnover but incurred a loss before tax of RM0.2 million for the current quarter compared with turnover of RM1.4 million and loss before tax of RM0.7 million in the previous year corresponding period. The reduced loss in this business segment was mainly due to increase in production output and improvement in production efficiency.

#### B2. Quarterly Analysis

The Group recorded turnover of RM75.5 million and profit before tax of RM8.8 million for the current quarter as compared to last quarter’s turnover and profit before tax of RM76.7 million and RM6.3 million respectively. The turnover and profitability for the current quarter had increased compared to the last quarter due to the explanation as set out in Note B1 above and improved operational efficiency from the furniture segment.

#### B3. Current Year Prospects

The furniture industry remains the Group’s core business. The Group will continue to focus on controlling its cost structure and exploring new markets for its products in order to achieve better profits and business growth.

#### B4. Profit Forecast

There is no profit forecast issued for the current financial period under review.

#### B5. Taxation

The tax charges comprise: -

|  |  |  |
| --- | --- | --- |
|  | Current Quarter  RM’000 | Financial  year-to-date  RM’000 |
| * Company and Subsidiary Companies   – Income Tax  – Deferred Tax | 2,350  -  2,350 | 3,194  -  3,194 |

The Group’s effective tax rate in the current quarter is lower than the statutory tax rate due to utilisation of tax losses brought forward.

#### B6. Corporate Proposals

There were no corporate proposals as at the date of this announcement.

#### B7. Group Borrowings and Debt Securities

The Group borrowings as at 31 January 2016 are shown as below:-

|  |  |  |  |
| --- | --- | --- | --- |
|  | Secured  RM’000 | Unsecured  RM’000 | Total RM’000 |
| Short Term Borrowings  Long Term Borrowings | 15,652  7,708  # 23,360 | -  -  - | 15,652  7,708  # 23,360 |

# Out of RM23.4 million, RM7.1 million borrowings were denominated in USD currency.

#### B8. Material Litigation

There were no material litigations pending as at the date of this announcement.

#### B9. Other Disclosures Items to the Statement of Comprehensive Income

Profit for the period is arrived at after crediting/(charging):-

|  |  |  |
| --- | --- | --- |
|  | Current Quarter  RM’000 | Financial  year-to-date  RM’000 |
| - Interest income  - Other income including investment income  - Interest expense  - Depreciation on property, plant and equipment and  investment properties  - Loss on disposal on property, plant and equipment  - Foreign exchange gain  - Loss on derivatives  - Reversal of write down of inventories | 186  1,441  (504)  (1,963)  34  (474)  784  - | 297  2,200  (1,000)  (3,924)  33  861  (1,989)  662 |

#### B9. Other Disclosures Items to the Statement of Comprehensive Income (continued)

Save as disclosed above, the following items are not applicable to the Group for the first financial quarter ended 31 January 2016:-

* provision for and write off of receivables
* impairment of assets
* exceptional items

#### B10. Retained Profits

The breakdown of the retained earnings of the Group as of 31 January 2016 into realised and unrealised profits or losses are as follows:-

|  |  |  |
| --- | --- | --- |
| Total Retained Earnings / (Accumulated Losses) of the Group | 31 January 2016  RM’000 | 31 October 2015  RM’000 |
| - Realised  - Unrealised  Total | 68,440  (2,393)  66,047 | 68,078  (2,666)  65,412 |

#### B11. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 31 January 2016.

#### B12. Basic Earnings Per Share (EPS)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current  Quarter | Preceding Year Corresponding Quarter | Current  Year To Date | Preceding Year Corresponding Year To Date |
| Profit after tax and minority interest (RM’000) | 6,107 | 1,023 | 11,562 | 2,179 |
| Weighted average number of ordinary shares in issue (‘000) | 136,764 | 136,779 | 136,764 | 136,779 |
| Basic EPS (sen) | 4.47 | 0.75 | 8.45 | 1.59 |

#### B13. Authorisation for Issue

The interim financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Board of Directors.