

## **A. EXPLANATORY 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 FRS 134 : Interim Financial Reporting and paragraph 9.22 of the 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 year ended 31 December 2005. 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 December 2005.

### **A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards "FRS") effective for the financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instrument: Disclosure & Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

In addition to the above, the Group has also taken the option of early adoption of the following new/revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The new / revised FRSs which have major impacts on the financial statements of the Group are as follows:

**(a) FRS 3: Business Combinations**

Previously, negative goodwill is retained in the consolidated balance sheet. With the adoption of FRS 3, negative goodwill is now recognized in the income statement immediately.

The Group has adopted the transitional provision of FRS 3 whereby the negative goodwill as at 1 January 2006 of RM4,010,827 was derecognized with a corresponding adjustment to opening retained profits. The change in this accounting policy has not effect on the profit after tax for the current quarter.

**(b) FRS 117: Leases**

Before 1 January 2006, leasehold land and building were classified as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses if any.

The Group has adopted of the revised FRS 117 and this has resulted in a retrospective change in the accounting policy with respect to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

As allowed by the transitional provisions of FRS 117, the unamortized amount of leasehold land as at 1 January 2006 has been retained as the surrogate carrying amount of prepaid lease payments. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively accordingly as disclosed in Note A3 and the comparative amounts as at 31 December 2005 have been restated.

**A3. Comparatives**

The following comparative amounts have been restated as a result of the adoption of the revised FRS:

	Previously stated RM '000	FRS 117 (Note A2(b)) RM '000	Restated RM '000
<b>Balance sheet (extracts)</b>			
<b>At 31 December 2005</b>			
Property, plant and equipment (At net book value)	32,268	(5,177)	27,091
Prepaid lease payments	-	5,177	5,177

**A4. Auditors' Report on the Most Recent Audited Financial Statements**

The auditors' report on the most recent audited financial statements was not subject to any qualification.

**A5. Seasonality or Cyclical Factors**

The performance of the Group is generally not affected by any seasonal or cyclical factors.

**A6. Unusual Items**

Other than those disclosed in Notes A2 and A3, there were no unusual items affecting assets, liabilities, equity, net income or cashflows during the financial period under review.

**A7. Changes in Estimates**

Not applicable.

**A8. Issuance, Cancellations, Repurchase, Resale and Repayment of Debt and Equity Securities**

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellations and sale of treasury for the financial period under review.

**A9. Dividend**

During the year, the following dividends were paid:

- 1) A final tax exempt dividend of 2.5 sen per share totaling RM3,000,000.00 in respect of the financial year ended 31 December 2005, was paid on 15 June 2006.
- 2) An interim tax exempt dividend of 1.25 sen per share totaling RM1,500,000.00 in respect of the financial year ending 31 December 2006, was paid on 11 October 2006.

## A10. Segmental & Geographical Reporting

Segmental reporting for the period ended 31 December 2006.

	Investment Holding RM '000	Furniture RM '000	Kiln-Drying & Lamination RM '000	Inter-Co Elimination RM '000	Total RM '000
Revenue					
- External	-	88,099	47,828	-	135,927
- Inter-Segmental Sales	-	11,960	11,951	(23,911)	-
Total Revenue	-	100,059	59,779	(23,911)	135,927
Results					
Profit Before Tax	6	3,087	4,519	-	7,612
Income Tax Expenses	(101)	(261)	(1,563)	-	(1,925)
Net (Loss)/Profit After Tax	(95)	2,826	2,956	-	5,687

Geographical segment has not been presented as the Group operates wholly in Malaysia.

## A11. Valuation of Property, Plant and Equipment Brought Forward

Not applicable as the Group did not revalue its property, plant and equipment.

## A12. Material Subsequent Events

There are no material events subsequent to the financial period under review.

## A13. Changes in the Composition of the Group

There were no changes in the composition of the Group in the financial period under review.

## A14. Contingent Liabilities and Capital Commitments

There were no contingent liabilities and capital commitment since the last annual balance sheet at 31 December 2005 except the following:

- 1) The corporate guarantees given to financial institutions for facilities granted to subsidiaries amounting to RM11,551,694.00.
- 2) On 18 March 2006, a subsidiary, S.K, Furniture Sdn. Bhd. entered into a sale and purchase agreement with Multi Astra Sdn. Bhd. for the acquisition of freehold land for a cash consideration of RM1,253,000.00.

**B. SELECTED EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS**

**B1. Review of Performance**

For the financial quarter under review, the Group has achieved a revenue and profit before tax of RM32.5 million and RM3.1 million respectively for the current quarter compared to RM29.4 million and RM1.9 million respectively registered in the preceding corresponding quarter. The higher profit before taxation of RM3.1 million, increased of 68%, is achieved as a result of increase in revenue from the preceding quarter. The overall increase in revenue is the direct result of the Group's intense marketing effort and introduction of new models.

**B2. Comparison with Preceding Quarter's Result**

The Group's revenue for the current quarter registered at RM32.5 million compared to the revenue of RM36.5 million in the preceding quarter. Profit before tax has increased from RM1.3 million to RM3.1 million. Turnover has reduced by RM4 million, however profit before tax has increased by RM1.8 million. This is mainly due to the introduction of new products with higher profit margin.

**B3. Current Year Prospects**

The directors are of the opinion that the furniture industry is expected to remain competitive. To maintain the Group's profitability, the Group would undertake better internal controls, improve cost cutting measures, introduction of new products with higher profit margin and to enhance market efforts.

**B4. Profit Forecast**

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

**B5. Taxation**

Taxation for the quarter and year to date comprises:

	Current Quarter RM '000	Current Year to Date RM '000
Current Taxation	1,415	2,449
Deferred Taxation	(447)	(608)
Underprovision in the previous financial year	-	84
	<u>968</u>	<u>1,925</u>

The effective tax rate of the current quarter is higher than the statutory tax rate mainly due to underprovision in the previous quarter.

**B6. Sale of Unquoted Investment / Properties**

There was no sale of unquoted investments and properties for the financial period under review.

**B7. Investment of Quoted Investment**

There was no purchase or disposal of quoted securities for the financial period under review.

**B8. Status of Corporate Proposals**

There were no corporate proposals announced for the financial period under review.

**B9. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 December 2006 are as follows:

	Secured RM '000	Unsecured RM '000	Total RM '000
<b>Short Term Borrowings</b>			
Bankers Acceptances	7,124	-	7,124
Bank Overdraft	2,380	-	2,380
Hire Purchase Creditors	1,758	-	1,758
Term Loan	957	-	957
	<u>12,219</u>	<u>-</u>	<u>12,219</u>
<b>Long Term Borrowings</b>			
Hire Purchase Creditors	1,209	-	1,209
Term Loan	3,471	-	3,471
	<u>4,680</u>	<u>-</u>	<u>4,680</u>
Total	<u>16,899</u>	<u>-</u>	<u>16,899</u>

**B10. Off Balance Sheet Financial Instruments**

During the financial period to date, the Group did not enter into any contract involving off balance sheet financial instruments.

**B11. Material Litigation**

The Group was not engaged in any material litigation for the current financial period to date.

**B12. Dividend proposed**

The directors recommended a final tax exempt dividend of 1.25 sen per share for the financial year ended 31 December 2006, to be payable at a date to be determined, subject to shareholders' approval at the forthcoming Annual General Meeting.

**B13. Earnings per Share**

The basic earnings per share (“EPS”) for the current quarter are calculated based on the profit after tax (“PAT”) and number of ordinary shares outstanding during the period as follows:

	Current Quarter	Current Year To Date
PAT (RM '000)	2,180	5,687
Number of ordinary shares ( '000)	120,000	120,000
EPS (Sen)	1.82	4.74

**B14. Related Party Transactions**

During the financial period under review, there were no related party transactions.

**B15. Authorization for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 14 February 2007.

**By Order of the Board**

Mah Li Chen (MAICSA 7022751)  
Lim Siew Ting (MAICSA 7029466)  
Company Secretaries  
Muar  
14 February 2007