

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 in compliance with Malaysia Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (IFRSs), the provision of the Companies Act, 1965 Malaysia 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 period ended 30 June 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 period ended 30 June 2015.

A2. Accounting Policies

The audited financial statements of the Group for the year ended 30 June 2014 were prepared in accordance with Malaysia Financial Reporting Standards (“MFRS”), the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2014.

A3. 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.

A4. Seasonality or Cyclicity Factors

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

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A6. Changes in Estimates

Not applicable.

A7. 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.

A8. Dividend

There was no dividend paid for the financial period under review.

A9. Segmental & Geographical Reporting

Business Segment	Others RM'000	Furniture RM'000	Kiln Drying RM'000	Processing and Trading RM'000	Inter-Company Elimination RM'000	Total RM'000
<u>31.12.2015</u>						
Revenue						
External sales	-	20,894	25,437	2,041	-	48,372
Inter-segment sales	-	-	1,438	5,364	(6,802)	-
	-	20,894	26,875	7,405	(6,802)	48,372
Results						
Profit/ (Loss) before taxation	(116)	2,886	730	(35)	-	3,465
Income tax expense	(15)	(687)	(30)	-	-	(732)
Profit/ (Loss) after taxation	(131)	2,199	700	(35)	-	2,733

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

A10. Valuation of Property, Plant and Equipment Brought Forward

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

A11. Material Subsequent Events

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

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities and Capital Commitments

Since the last annual statement of financial position as at 30 June 2015, there were no material changes in contingent liabilities for the Group as at the date of this report. The changes in contingent liabilities of the Company are as follows:

Contingent Liabilities	Company	
	As at 31.12.2015 RM'000	As at 30.06.2015 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>24,821</u>	<u>30,337</u>
	Group	
	As at 31.12.2015 RM'000	As at 30.06.2015 RM'000
Capital Commitment	<u>Nil</u>	<u>Nil</u>

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

B1. Performance Analysis

	Year to Date		Individual Quarter	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue				
Manufacturing	20,894	19,818	9,260	9,090
Kiln Drying	25,437	23,644	14,311	12,631
Processing and trading	2,041	9,184	692	3,591
Group	48,372	52,646	24,263	25,313
Profit/ (Loss) before tax				
Manufacturing	2,886	247	1,062	(115)
Kiln Drying	730	(349)	598	(484)
Processing and trading	(35)	810	(48)	773
Others	(116)	2	(88)	(23)
Group	3,465	710	1,524	151

For the quarter under review, the Group's revenue was recorded at RM24 million compared with previous year's corresponding quarter ended 31 December 2014 which recorded at RM25 million. The Group registered profit before tax of RM1.5 million compared with previous year's corresponding quarter ended 31 December 2014 which registered profit before tax of RM 151,000.

Manufacturing

Manufacturing segment's sales maintained at RM 9 million as compared with previous year corresponding quarter. The segment's has registered profit before tax of RM1 million compared with loss before tax of RM115,000 recorded at the quarter ended 31.12.2014. The performance of the segment was mainly due to reduction in operating cost coupled with strengthening of US Dollar against Ringgit Malaysia.

Kiln Drying

The segment's sales for the quarter increased 13% or RM 1.7 million which registered at RM14 million. For the quarter under review, the segment has turn its operating results from loss before tax of RM484,000 (2014) to profit before tax of RM598,000. The segment's performance was mainly due to increase of its revenue from rubber wood.

Processing and Trading

The segment's sales for the quarter has decreased from RM3.6million (2014) to RM692,000. The segment has registered loss before tax of RM48,000 compared with profit before tax of RM773,000 recorded at previous year corresponding quarter. The operating result was mainly due to slow down in its wood extraction activities for the period.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter	
	31.12.2015 RM'000	30.09.2015 RM'000
Revenue		
Manufacturing	9,260	11,634
Kiln Drying	14,311	11,127
Processing and Trading	692	1,349
Group	24,263	24,109
Profit/ (Loss) before tax		
Manufacturing	1,062	1,824
Kiln Drying	598	132
Processing and Trading	(48)	12
Others	(88)	(27)
Group	1,524	1,941

The Group's revenue for the quarter maintained at RM24 million. For the quarter under review, the Group has recorded profit before tax of RM1.5 million compared with profit before tax of RM1.9 million in preceding quarter. The quarter result mainly contributed by Furniture segment and Kiln Drying segments which recorded profit before tax of RM1 million and RM598,000 respectively.

B3. Prospects

The Group acknowledges the uncertainty of market condition of the furniture industry and the economic impact towards the industry. Management has implemented strategic plans and risk control action to minimize the impact. The management will continue its effort to strive for better performance for the remaining quarters.

B4. Profit Forecast

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

B5. Taxation

	Current Quarter RM '000	Current Year to Date RM '000
Current tax expense	318	732

B6. Status of Corporate Proposals

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

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2015 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	15,455
Bank Overdraft	1,004
Hire Purchase Creditors	314
Term Loan	5,256
	<u>22,029</u>
Long Term Borrowings	
Hire Purchase Creditors	386
Term Loan	3,106
	<u>3,492</u>
	<u>25,521</u>

B8. Material Litigation

The Group did not engage in any material litigation for the current financial period to date.

B9. Dividend payable

There is no dividend proposed for the financial period under review.

B10. Profit per Share

The basic profit per share ("PPS") 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)	1,206	2,733
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	1.01	2.28

B11. Notes to Comprehensive Income Statement

The following items have been included in the Statement of Comprehensive Income:-

	Individual Quarter Ended 31.12.2015 RM'000	Year to date Ended 31.12.2015 RM'000
After Charging:-		
Interest Expenses	357	762
Depreciation	575	1,159
After Crediting:-		
Interest income	(5)	(5)
Gain on disposal of property, plant and equipment	(7)	(7)
Rental income	(118)	(236)
Foreign exchange gain – Realised	(150)	(1,441)

B12. Significant Related Party Transactions

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

B13. Realised And Unrealised Profits

The breakdown of the retained profits of the Group as at the reporting period into realised and unrealised profit as follows:-

	As at 31.12.2015 RM'000	As at 30.6.2015 RM'000
Total retained profits:		
-Realised profits	6,485	969
-Unrealised gain	-	629
At 31 December/30 June 2015	2,284	1,598

B14. Authorisation for Issue

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