

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 2015 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 2015.

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>30.6.2016</u>						
Revenue						
External sales	-	39,831	57,068	8,266	-	105,165
Inter-segment sales	2,310	100	1,339	13,553	(17,302)	-
	2,310	39,931	58,407	21,819	(17,302)	105,165
Results						
Profit/ (Loss) before taxation	1,405	244	1,625	494	(1,500)	2,268
Income tax expense	(201)	(540)	(190)	(2)	-	(933)
Profit/ (Loss) after taxation	1,204	(296)	1,435	492	(1,500)	1,335

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:

	Company	
	As at 30.6.2016 RM'000	As at 30.06.2015 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>30,878</u>	<u>30,337</u>
	Group	
	As at 30.6.2016 RM'000	As at 30.06.2015 RM'000
<u>Capital Commitment</u>		
The Group has entered into sales and purchase agreement for land and building, plant and machinery resulting in future commitments	<u>20,460</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	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue				
Manufacturing	39,831	36,802	9,366	8,896
Kiln Drying	57,068	50,045	18,759	11,992
Processing and trading	8,266	22,626	1,076	1,515
Group	105,165	109,473	29,201	22,403
Profit/ (Loss) before tax				
Manufacturing	244	1,521	(2,741)	1,175
Kiln Drying	1,625	206	455	93
Processing and trading	494	1,026	125	(184)
Others	(95)	(81)	30	27
Group	2,268	2,672	(2,131)	1,111

For the quarter under review, the Group's revenue was recorded at RM29 million compared with previous year's corresponding quarter ended 30 June 2015 which recorded at RM22 million. However, the Group recorded loss before tax of RM2.1 million compared with previous year's corresponding quarter ended 30 June 2015 which registered profit before tax of RM 1.1 million. The Group's result was mainly affected by the results of Manufacturing segment.

On the other hand, the Group has registered profit before tax of RM2.3 million for the financial year ended 30 June 2016. Where the profit mainly contributed by Kiln Drying and Processing and trading segment which recorded profit before tax of RM1.6 million and RM494,000 respectively for the financial year ended 30 Jun 2016.

Manufacturing

Manufacturing segment's sales increase of 5% or RM470,000 which registered at RM9.3 million for the quarter under review. The segment has registered loss before tax of RM2.7 million compared with profit before tax of RM1.1 million recorded at the quarter ended 30.6.2015. The segment's operating result was resulted from the bad debts written off amounting to RM1.7 million coupled with increase in operating cost for the period under review.

Kiln Drying

For the quarter under review, the Kiln Drying segment registered its sales of RM19 million and profit before tax of RM455,000 compared with previous year's corresponding quarter ended 30 June 2015 which registered its sales at RM12 million and profit before tax of RM93,000. The operating results revealed that the favorable demand on the kiln drying wood.

Processing and Trading

The segment's sales for the quarter has decreased from RM1.5 million (2015) to RM1 million. The segment has registered profit before tax of RM125,000 compared with loss before tax of RM184,000 recorded at previous year corresponding quarter.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter	
	30.6.2016 RM'000	31.3.2016 RM'000
Revenue		
Manufacturing	9,366	9,571
Kiln Drying	18,759	12,871
Processing and Trading	1,076	5,149
Group	29,201	27,591
Profit/ (Loss) before tax		
Manufacturing	(2,741)	97
Kiln Drying	455	441
Processing and Trading	125	404
Others	30	(8)
	(2,131)	934

The Group's revenue for the current quarter has registered at RM29 million compared with RM28 million in preceding quarter. For the quarter under review, the Group has recorded loss before tax of RM2.1 million compared with profit before tax of RM934,000 in preceding quarter. The current quarter result mainly affected by Manufacturing segment with the bad debts written off amounting to RM1.7 million. On the other hand, Kiln Drying and Processing and trading segments had recorded profit before tax of RM455,000 and RM125,000 respectively for the quarter ended 30 June 2016.

B3. Prospects

The Board is mindful of continuing challenges in operating environment in the coming financial period. In view of global market, the Group view that the demand from the oversea market is expected to remain strong, as well as local demand on kiln dried wood.

The directors are of the opinion that the operation cost and labour cost, especially issues on shortage of workforce will continue be the key factor affecting the Group's performance. Nevertheless, the board and management will continue with the measures implemented to reduce cost and expand to new markets to improve the Group's performance.

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 taxation	138	933

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 30 June 2016 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	18,054
Bank Overdraft	308
Hire Purchase Creditors	280
Term Loan	9,593
	<u>28,235</u>
Long Term Borrowings	
Hire Purchase Creditors	262
Term Loan	2,923
	<u>3,185</u>
	<u>31,420</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 final dividend proposed for the financial period under review.

B10. Profit per Share

The basic profit/(loss) per share ("PPS/(LPS)") for the current quarter are calculated based on the profit/(loss) after tax ("PAT/(LAT)") and number of ordinary shares outstanding during the period as follows:

	Current Quarter	Current Year To Date
(LAT)/PAT (RM '000)	(2,269)	1,335
Number of ordinary shares ('000)	120,000	120,000
(LPS)/PPS (Sen)	(1.89)	1.11

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 30.06.2016 RM'000	Year to date Ended 30.06.2016 RM'000
After Charging:-		
Interest Expenses	449	1,592
Depreciation	553	2,281
Bad debts written off	1,695	1,695
Foreign exchange loss – Realised	595	-
After Crediting:-		
Interest income	-	(5)
Gain on disposal of property, plant and equipment	(40)	(47)
Rental income	(324)	(678)
Other income	(164)	(177)
Bad debt recovery	(16)	(16)
Fair value adjustment on derivative financial instrument	(50)	(50)
Foreign exchange gain – Realised	-	(608)

B12. Significant Related Party Transactions

During the financial year 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 30.6.2016 RM'000	As at 30.6.2015 RM'000
Total retained profits:		
-Realised profits	4,744	3,943
-Unrealised gain/(loss)	343	(191)
At 30 June 2016/ 2015	<u>5,087</u>	<u>3,752</u>

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.