

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 the directive 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 2016. 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 2016.

A2. Accounting Policies

The audited financial statements of the Group for the year ended 30 June 2016 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 2016.

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	Manufacturing RM'000	Kiln Drying RM'000	Processing and trading RM'000	Inter- Company Elimination RM'000	Total RM'000
<u>30.9.2016</u>						
Revenue						
External sales	-	10,167	19,658	654	-	30,479
Inter-segment sales	-	105	500	3,477	(4,082)	-
	-	10,272	20,158	4,131	(4,082)	30,479
Results						
Profit before taxation	29	(299)	419	19	-	168
Income tax expense	(12)	-	(25)	-	-	(37)
Profit after taxation	17	(299)	394	19	-	131

Geographical segment has not been presented as the Group operates wholly in Malaysia. The reportable segments are summarised as follows:-

- (i) Manufacturing – Manufacturing of wooden furniture
- (ii) Kiln Drying – Manufacturing and processing of all kinds of timber.
- (iii) Processing and trading – Processing and trading of rubberwood and timber logs.

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 2016, 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 30.9.2016	As at 30.9.2015
	RM'000	RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>35,171</u>	<u>24,935</u>
<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>14,250</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	
	30.9.2016 RM'000	30.9.2015 RM'000
Revenue		
Manufacturing	10,167	11,634
Kiln Drying	19,658	11,127
Processing and trading	654	1,349
Group	30,479	24,109
Profit/ (Loss) before tax		
Manufacturing	(299)	1,824
Kiln Drying	419	132
Processing and trading	19	12
Others	29	(27)
Group	168	1,941

For the current quarter under review, the Group's revenue was recorded at RM30 million compared with previous year's corresponding quarter ended 30 September 2015 which recorded at RM24 million. The Group registered profit before tax of RM168,000 compared with previous year's corresponding quarter ended 30 September 2015 which registered profit before tax of RM 1.9 million. The reduction of Group's profit before tax was resulted from loss registered by Manufacturing segment.

Manufacturing

The segment's sales registered at RM10 million for the quarter under review compared with previous year corresponding quarter which recorded its sales at RM12 million. The segment has reported loss before tax of RM299,000 compared with profit before tax of RM 1.8 million registered in the previous year corresponding quarter. The segment continues operate under pressure of high operating cost. Management has taken implementations of cost reduction strategy on its operating cost in order to achieve better profit margin.

Kiln Drying

The segment's sales has increased from RM11 million to 20 million for the quarter under review compared with previous year corresponding quarter. For the quarter under review, the segment registered profit before tax of RM419,000 compared with RM132,000 profit before tax recorded at preceding corresponding quarter. The improvement in the segment's performance was mainly contributed by the effort of expanding its sales for the quarter under review.

Processing and trading

The segment's sales was recorded at RM654,000 for the current quarter under review, compared with previous year corresponding quarter which recorded its sales at RM1.3 million. However, the segment has registered profit before tax of RM19,000 compare with profit before tax of RM12,000 recorded at preceding corresponding quarter.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter Ended	
	30.9.2016 RM'000	30.6.2015 RM'000
Revenue		
Manufacturing	10,167	9,366
Kiln Drying	19,658	18,759
Processing and trading	654	1,076
Group	30,479	29,201
Profit before tax		
Manufacturing	(299)	(2,741)
Kiln Drying	419	455
Processing and trading	19	125
Others	29	30
Group	168	(2,131)

The Group's revenue for the current quarter registered at RM30 million compared to the revenue of RM29 million in the preceding quarter. The Group has recorded profit before tax of RM 168,000 compared with loss before tax of RM 2.1 million in preceding quarter, the main reason is due to loss before tax from Manufacturing segment has reduced to RM299,000 for the current quarter under review.

B3. Prospects

The Group acknowledges the uncertainty of future market conditions and anticipates the potential impact to the Group's result in the coming quarters. However, the Group anticipates the operating result in the coming financial periods will be favorable.

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	37	37

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 September 2016 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	18,813
Bank Overdraft	918
Hire Purchase Creditors	274
Term Loan	8,099
	<u>28,104</u>
Long Term Borrowings	
Hire Purchase Creditors	268
Term Loan	7,341
	<u>7,609</u>
	<u>35,713</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)	131	131
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	0.11	0.11

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 30.9.2016 RM'000	Year to date Ended 30.9.2016 RM'000
After Charging:-		
Interest Expenses	403	403
Depreciation	529	529
Fair value adjustment on derivative financial instrument	53	53
After Crediting:-		
Rental income	163	163
Gain in foreign exchange (Realised)	(32)	(32)
Gain in foreign exchange (Unrealised)	(126)	(126)

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 30.9.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits:		
-Realised (losses)/profits	5,272	4,745
-Unrealised losses	(53)	343
At 30 September/ 30 June 2016	<u>5,219</u>	<u>5,088</u>