

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 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.

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

B1. Performance Analysis

	Year to Date		Individual Quarter	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue				
Manufacturing	21,915	20,894	11,748	9,260
Kiln Drying	39,197	25,437	19,539	14,311
Processing and trading	3,048	2,041	2,394	692
Group	64,160	48,372	33,681	24,263
Profit/ (Loss) before tax				
Manufacturing	513	2,886	812	1,062
Kiln Drying	744	730	325	598
Processing and trading	(45)	(35)	(64)	(48)
Others	(137)	(116)	(166)	(88)
Group	1,075	3,465	907	1,524

For the quarter under review, the Group's revenue was recorded at RM33 million compared with previous year's corresponding quarter ended 31 December 2015 which recorded at RM24 million. The Group registered profit before tax of RM907 million compared with previous year's corresponding quarter ended 31 December 2015 which registered profit before tax of RM 1.5million.

Manufacturing

Manufacturing segment's sales slightly increased from RM 9 million in previous year corresponding quarter to RM12 million. The segment's has registered profit before tax of RM812 compared with profit before tax of RM1 million recorded at the quarter ended 31.12.2015. The performance of the segment was mainly affected by increase in operating cost.

Kiln Drying

The segment's sales for the quarter increased 37% or RM 5 million which registered at RM20 million. However, the segment's profit before tax has reduced from RM598,000 to RM325,000. The segment's performance was mainly due to increase of its operating cost.

Processing and Trading

The segment's sales for the quarter has increased from RM692,000 (2015) to RM2 million. The segment has registered loss before tax of RM64,000 compared with loss before tax of RM48,000 recorded at previous year corresponding quarter.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter	
	31.12.2016 RM'000	30.09.2016 RM'000
Revenue		
Manufacturing	11,748	10,167
Kiln Drying	19,539	19,658
Processing and Trading	2,394	654
Group	33,681	30,479
Profit/ (Loss) before tax		
Manufacturing	812	(299)
Kiln Drying	325	419
Processing and Trading	(64)	19
Others	(166)	29
Group	907	168

The Group's revenue for the quarter increased RM4 million or 11% to RM34 million. For the quarter under review, the Group has recorded profit before tax of RM907,000 compared with profit before tax of RM168,000 in preceding quarter. The quarter result mainly contributed by Furniture segment and Kiln Drying segments which recorded profit before tax of RM812,000 and RM325,000 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	288	325

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 2016 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	19,047
Bank Overdraft	898
Hire Purchase Creditors	243
Term Loan	7,874
	<u>28,062</u>
Long Term Borrowings	
Hire Purchase Creditors	217
Term Loan	7,843
	<u>8,060</u>
	<u>36,122</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)	907	1,075
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	0.76	0.90

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 31.12.2016 RM'000	Year to date Ended 31.12.2016 RM'000
After Charging:-		
Interest Expenses	463	866
Depreciation	503	1,032
Fair Value adjustment on derivative financial instrument	228	281
After Crediting:-		
Interest income	(2)	(2)
Rental income	(489)	(326)
Gain in foreign exchange (Realised)	(624)	(592)
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 31.12.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits:		
-Realised profits	6,183	4,745
-Unrealised (loss)/gain	(281)	343
At 31 December/30 June 2016	5,902	5,088