

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, 2016 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.

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>31.3.2017</u>						
Revenue						
External sales	-	32,692	59,226	5,567	-	97,485
Inter-segment sales	-	315	1,191	7,733	(9,239)	-
	-	33,007	60,417	13,300	(9,239)	97,485
Results						
Profit/ (Loss) before taxation	(231)	2,172	316	18	-	2,275
Income tax expense	(75)	(625)	(80)	-	-	(780)
Profit/ (Loss) after taxation	(306)	1,547	236	18	-	1,495

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

The changes in contingent liabilities of the Company are as follows:

	Company	
	As at 31.3.2017 RM'000	As at 31.3.2016 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>41,046</u>	<u>33,209</u>
	Group	
	As at 31.3.2017 RM'000	As at 31.3.2016 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>14,250</u>	<u>15,000</u>

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

B1. Performance Analysis

	Year to Date		Individual Quarter	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue				
Manufacturing	32,692	30,465	10,777	9,571
Kiln Drying	59,226	38,309	20,029	12,871
Processing and trading	5,567	7,189	2,519	5,149
Group	97,485	75,963	33,325	27,591
Profit/ (Loss) before tax				
Manufacturing	2,172	2,984	1,658	97
Kiln Drying	316	1,171	(427)	441
Processing and trading	18	368	63	404
Others	(231)	(124)	(93)	(8)
Group	2,275	4,399	1,201	934

For the quarter under review, the Group's revenue was recorded at RM33 million compared with previous year's corresponding quarter ended 31 March 2016 which recorded at RM28 million. The increase of revenue was mainly contributed by Kiln Drying segment as a result of expansion its existing operations.

The Group registered profit before tax of RM1.2 million compared with previous year's corresponding quarter ended 31 March 2016 which registered profit before tax of RM 934,000. The operating profit mainly contributed by Manufacturing segment as a result of strengthening of US Dollar against Ringgit Malaysia.

The Processing and Trading segment's revenue for the quarter has decreased from RM5 million (2016) to RM3 million. The segment has registered profit before tax of RM63,000 compared with profit before tax of RM404,000 recorded at previous year corresponding quarter.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter	
	31.3.2017 RM'000	31.12.2016 RM'000
Revenue		
Manufacturing	10,777	11,748
Kiln Drying	20,029	19,539
Processing and Trading	2,519	2,394
Group	33,325	33,681
Profit/ (Loss) before tax		
Manufacturing	1,658	812
Kiln Drying	(427)	325
Processing and Trading	63	(64)
Others	(93)	(166)
	1,201	907

The Group's revenue for the current quarter maintained at RM33 million compared with RM34 million reported in the preceding quarter. For the quarter under review, the Group has registered profit before tax of RM1.2 million compared with profit before tax of RM 907,000 recorded in preceding quarter. The current quarter result mainly contributed by Manufacturing segment which the profit before tax has doubled from preceding quarter. On the other hand, Kiln Drying segments has recorded loss before tax of RM427,000 during the quarter under review compared with profit before tax of RM325,000 in preceding quarter. Processing and Trading segment's sales remain at same level with improvement of its operating result from loss before tax of RM64,000 recorded in preceding quarter to profit before tax of RM63,000 registered in the current quarter.

B3. Prospects

Despite the current challenging economy environment, the management are of the opinion that the performance of the Group for the remaining quarter is expected to 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	455	780

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 March 2017 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	18,822
Bank Overdraft	5,947
Hire Purchase Creditors	1,505
Term Loan	5,268
	<u>31,542</u>
Long Term Borrowings	
Hire Purchase Creditors	2,836
Term Loan	7,093
	<u>9,929</u>
	<u>41,471</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)	746	1,496
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	0.62	1.25

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 31.03.2017 RM'000	Year to date Ended 31.03.2017 RM'000
After Charging:-		
Interest Expenses	523	1,389
Depreciation	519	1,551
Foreign exchange loss – Realised	98	-
After Crediting:-		
Interest income	(13)	(15)
Rental income	(163)	(489)
Foreign exchange gain – Realised	-	(494)

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 31.3.2017 RM'000	As at 30.6.2016 RM'000
Total retained profits:		
-Realised profits	6,885	4,745
-Unrealised (gain)/loss	(177)	343
At 31 March 2017/30 June 2016	<u>6,708</u>	<u>5,088</u>