

**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**

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

<b>Business Segment</b>	<b>Processing and Trading</b>					<b>Inter-Company Elimination</b>	<b>Total</b>
	<b>Others</b>	<b>Furniture</b>	<b>Kiln Drying</b>	<b>Plywood</b>	<b>and Trading</b>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30.6.2017</u>							
<b>Revenue</b>							
External sales	-	41,904	80,136	7,703	600		130,343
Inter-segment sales	930	-	1,615	10,668	-	(13,213)	-
	<u>930</u>	<u>41,904</u>	<u>81,751</u>	<u>18,371</u>	<u>600</u>	<u>(13,213)</u>	<u>130,343</u>
<b>Results</b>							
Profit/(Loss) before taxon	59	2,225	482	3	(986)	-	1,783
Income tax expense	(42)	(418)	(272)	(70)	-	-	(802)
Profit/(Loss) after taxation	<u>17</u>	<u>1,807</u>	<u>210</u>	<u>(67)</u>	<u>(986)</u>	<u>-</u>	<u>981</u>

**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:

<b>Contingent Liabilities</b>	<b>Company</b>	
	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>36,872</u>	<u>30,878</u>

	<b>Group</b>	
	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000

**Capital Commitment**

The Group has entered into sales and purchase agreement for land and building, plant and machinery resulting in future commitments

= 20,460

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

**B1. Performance Analysis**

	Year to Date		Individual Quarter	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
<b>Revenue</b>				
Manufacturing	41,904	39,831	9,212	9,366
Kiln Drying	80,136	57,068	20,910	18,759
Processing and trading	7,703	8,266	2,136	1,076
Plywood	600	-	600	-
<b>Group</b>	<b>130,343</b>	<b>105,165</b>	<b>32,858</b>	<b>29,201</b>
<b>Profit/ (Loss) before tax</b>				
Manufacturing	2,225	244	53	(2,741)
Kiln Drying	482	1,625	165	455
Processing and trading	3	494	(15)	125
Plywood	(986)	(3)	(735)	(3)
Others	59	(92)	39	33
<b>Group</b>	<b>1,783</b>	<b>2,268</b>	<b>(493)</b>	<b>(2,131)</b>

For the quarter under review, the Group's revenue was recorded at RM33 million compared with previous year's corresponding quarter ended 30 June 2016 which recorded at RM29 million. The Group recorded loss before tax of RM493,000 compared with previous year's corresponding quarter ended 30 June 2016 which recorded loss before tax of RM 2.1 million. The Group's performance was mainly resulted from operating loss from its new Plywood segment which commences its operation since April 2017.

On the other hand, the Group has registered profit before tax of RM1.8 million for the financial year ended 30 June 2017. Where the profit mainly contributed by Furniture Manufacturing segment and Kiln Drying segment which recorded profit before tax of RM2.2 million and RM482,000 respectively for the financial year ended 30 Jun 2017.

Manufacturing

Manufacturing segment's sales registered at RM9.2 million for the quarter under review. The segment has registered profit before tax of RM53,000 compared with loss before tax of RM2.7 million recorded at the quarter ended 30.6.2016. The segment is operating under the pressure of high operating cost for the quarter under review. However, the segment has contributed RM2.2 million of profit before tax for the group coupled with sales growth of 5% or RM2 million for the financial year.

Kiln Drying

For the quarter under review, the Kiln Drying segment registered its sales of RM21 million and profit before tax of RM165,000 compared with previous year's corresponding quarter ended 30 June 2016 which registered its sales at RM19 million and profit before tax of RM455,000. The segment's sales increase 11% or RM2 million which revealed the favorable demand on the kiln drying wood. However, the reduction in profit before tax was mainly due to increase in operating cost for the period under review.

Processing and Trading

The segment's sales for the quarter has increased from RM1 million (2016) to RM2 million. However, the segment recorded loss before tax for the quarter under review amounting to RM15,000 compared with profit before tax of RM125,000 recorded at previous year corresponding quarter. The performance of the segment mainly due to high operating cost for the periods under review.

**B2. Comparison with Preceding Quarter's Result**

	<b>Individual Quarter</b>	
	30.06.2017 RM'000	31.03.2017 RM'000
<b>Revenue</b>		
Manufacturing	9,212	10,777
Kiln Drying	20,910	20,029
Processing and Trading	2,136	2,519
Plywood	600	-
<b>Group</b>	<b>32,858</b>	<b>33,325</b>
<b>Profit/ (Loss) before tax</b>		
Manufacturing	53	1,658
Kiln Drying	165	(427)
Processing and Trading	(15)	63
Plywood	(735)	(119)
Others	39	26
	<b>(493)</b>	<b>1,201</b>

The Group's revenue for the current quarter remained at RM33 million compared with preceding quarter. For the quarter under review, the Group has recorded loss before tax of RM493,000 compared with profit before tax of RM1.2 million in preceding quarter. The current quarter's result was mainly affected by losses incurred from its newly set up Plywood segment which commence its operation on April 2017.

**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	22	802

**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 2017 are as follows:

	Secured RM'000
<b>Short Term Borrowings</b>	
Banker Acceptances	17,255
Bank Overdraft	5,253
Hire Purchase Creditors	1,489
Term Loan	4,544
	<u>28,541</u>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	2,598
Term Loan	9,820
	<u>12,418</u>
	<u>40,959</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. (Loss)/Profit per Share**

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

	Current Quarter	Current Year To Date
(LAT)/PAT (RM '000)	(515)	981
Number of ordinary shares ( '000)	120,000	120,000
(LPS)/PPS (Sen)	(0.43)	0.82

**B11. Notes to Comprehensive Income Statement**

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

	<b>Individual Quarter Ended</b> 30.06.2017 RM'000	<b>Year to date Ended</b> 30.06.2017 RM'000
<b>After Charging:-</b>		
Interest Expenses	423	1,812
Depreciation	631	2,182
Fair value adjustment on derivative financial instrument	50	50
<b>After Crediting:-</b>		
Interest income	(12)	(27)
Rental income	(397)	(886)
Other income	10	(7)
Bad debt recovery	(34)	(51)
Foreign exchange gain – Realised	(80)	(574)
Foreign exchange loss/(gain) – Unrealised	102	(25)

**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 30.06.2017 RM'000	As at 30.06.2016 RM'000
Total retained profits:		
-Realised profits	7,347	4,744
-Unrealised (loss)/gain	(795)	344
At 30 June 2017/ 2016	<u>6,552</u>	<u>5,088</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.