

A. EXPLANATORY NOTES

A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting 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 year ended 30 June 2017. 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 year ended 30 June 2017.

A2. Accounting Policies

The significant accounting policies applied are consistent with those adopted for the audited financial statements for the year ended 30 June 2017 except for the adoption of the following amendments to published standards issued by MASB that are effective for the Group's financial year beginning on or after 1 July 2017 and applicable to the Group as follows:

- Amendments to MFRS 107 "Statement of Cash Flows" - "Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes" - "Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual improvements to MFRSs 2014 - 2016 Cycle, which include Amendments to MFRS 12 "Disclosure of Interests in Other Entities"

The amendments to published standards do not result in any significant change to the accounting policies and do not have a material impact on the interim financial information of the Group.

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 Cyclical 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

There were no major changes in estimates that had a material effect in the current quarter.

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.

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>30.9.2017</u>						
Revenue						
External sales	-	11,178	21,491	4,246	-	36,915
Inter-segment sales	240	-	919	3,280	(4,439)	-
	240	11,178	22,410	7,526	(4,439)	36,915
Results						
Profit before taxation	35	265	522	1,557	(285)	2,094
Income tax expense	(23)	(230)	(110)	(5)	-	(368)
Profit after taxation	12	35	412	1,552	(285)	1,726

A10. Valuation of Property, Plant and Equipment Brought Forward

There was no revaluation of property, plant and equipment for the current quarter.

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 2017, 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 30.09.2017 RM'000	As at 30.09.2016 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>35,750</u>	<u>35,171</u>

	Group	
	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000

Capital Commitment

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

= 14,250

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

B1. Financial review for current quarter and financial year to date

	Individual quarter		Changes (Amount/ %)	Cumulative period		Changes (Amount /%)
	Current year Quarter	Preceding Year Quarter		Current Year To- date	Preceding Year Period	
	30.09.2017	30.09.2016		30.09.2017	30.09.2016	
	RM'000	RM'000		RM'000	RM'000	
Revenue	36,915	30,479	6,436/ 21%	36,915	30,479	6,436/ 21%
Operating Profit	4,786	3,031	1,755/ 58%	4,786	3,031	1,755/ 58%
Profit Before Interest and Tax	2,774	621	2,153/ 347%	2,774	621	2,153/ 347%
Profit Before Tax	2,094	168	1,926/ 1,146%	2,094	168	1,926/ 1,146%
Profit After Tax	1,726	131	1,595/ 1,218%	1,726	131	1,595/ 1,218%
Profit attributable to Ordinary Equity Holders of the Company	1,719	131	1,588/ 1,212%	1,719	131	1,588/ 1,212%

In the first quarter of the financial period ended 30 September 2017, the Group recorded revenue and profit before tax of RM37 million and RM2.1 million respectively compared to RM30 million and RM168,000 respectively recorded in the preceding corresponding period ended 30 September 2016. The 21% higher revenue is mainly derived from processing and trading of woods as well as increase in sales of Plywood.

The profit before tax rose by RM1.9 million from prior corresponding period to RM2.1 million. This was mainly attributable to higher profit arising from processing and trading of woods.

Segmental Breakdown of Revenue & Profit/(Loss)

	Year to Date		Individual Quarter	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue				
Manufacturing	11,178	10,167	11,178	10,167
Kiln Drying	21,491	19,658	21,491	19,658
Processing and trading	4,246	654	4,246	654
Group	36,915	30,479	36,915	30,479
Profit/ (Loss) before tax				
Manufacturing	238	(299)	238	(299)
Kiln Drying	264	419	264	419
Processing and trading	1,557	19	1,557	19
Others	35	29	35	29
Group	2,094	168	2,094	168

B1. Financial review for current quarter and financial year to date (continued)

Segmental Breakdown of Revenue & Profit/(Loss) (Continued)

In the first quarter of the financial period ended 30 September 2017, the Group recorded revenue and profit before tax of RM37 million and RM2.1 million respectively compared to RM30 million and RM168,000 respectively recorded in the preceding corresponding period ended 30 September 2016. The 21% higher revenue is mainly derived from processing and trading of woods as well as increase in sales of Plywood.

The profit before tax rose by RM1.9 million from prior corresponding period to RM2.1 million. This was mainly contributed by Processing and Trading of woods segment amounting to RM1.6 million for the financial period ended 30 September 2017.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood registered sales of RM11 million for the quarter under review. The segment recorded a profit before tax of RM238,000 as compared to loss before tax of RM299,000 recorded at the quarter ended 30 September 2016. The segment is constantly under the pressure of high operating costs, particularly on raw material costs and labour costs.

Kiln Drying

For the quarter under review, the Kiln Drying segment recorded sales of RM21 million and profit before tax of RM264,000 as compared to prior corresponding quarter ended 30 September 2016 which registered its sales at RM20 million and profit before tax of RM419,000. The reduction in profit before tax was mainly attributable to higher operating cost.

Processing and Trading

The segment's sales for the quarter has increased from RM654,000 to RM4.2 million as compared to preceding corresponding period ended 30 September 2016. The segment also recorded a higher profit before tax of RM1.6 million compared to profit before tax of RM19,000 in prior corresponding quarter. The improved performance was mainly due to increase in sales from the segment .

B2. Financial review for current quarter compared with immediate preceding quarter

	Current quarter	Immediate Preceding Quarter	Changes (Amount/%)
	30.09.2017 RM'000	30.06.2017 RM'000	RM'000/%
Revenue	36,915	32,858	4,057/ 12%
Operating profit	4,786	1,582	3,204/ 203%
Profit before interest and tax	2,774	54	2,720/ 5,037%
Profit/(Loss) before tax	2,094	(493)	2,587/ 525%
Profit/(Loss) after tax	1,726	(515)	2,241/ 435%
Profit/(Loss) attributable to Ordinary Equity Holders of the Company	1,719	(156)	1,875/ 1,202%

	Individual Quarter	
	30.09.2017 RM'000	30.06.2017 RM'000
Revenue		
Manufacturing	11,178	9,812
Kiln Drying	21,491	20,910
Processing and Trading	4,246	2,136
Group	36,915	32,858
Profit/ (Loss) before tax		
Manufacturing	238	(682)
Kiln Drying	264	165
Processing and Trading	1,557	(15)
Others	35	39
	2,094	(493)

The Group recorded revenue and profit before tax of RM37 million and RM2.1million for the financial quarter ended 30 September 2017, compared to revenue of RM33 million and loss before tax of RM493,000 recorded in the immediate preceding quarter ended 30 June 2017. The turnaround is mainly attributable to increase in sales of Plywood as well as increase in profit from processing and trading of woods.

B3. Prospects

The Board is mindful of continuing challenges in operating environment in the coming financial periods. 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 factors affecting the Group's performance. Nevertheless, the Board and management will continue with the measures implemented to reduce costs 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	368	368

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 2017 are as follows:

As at 30.9.2017	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	20,979	20,979
Bank Overdrafts	-	2,007	2,007
Hire Purchases	2,598	1,111	3,709
Term Loans	9,710	3,054	12,764

As at 30.9.2016	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	18,813	18,813
Bank Overdrafts	-	918	918
Hire Purchases	268	274	542
Term Loans	7,341	8,099	15,440

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 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)	1,726	1,726
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	1.44	1.44

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 30.09.2017 RM'000	Year to date Ended 30.09.2017 RM'000
After Charging:-		
Interest Expenses	680	680
Depreciation	737	737
After Crediting:-		
Interest income	20	20
Rental income	225	225
Other income	35	35
Foreign exchange gain – Realised	7	7
Gain on disposal of property, plant and equipment	69	69

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 30.09.2017 RM'000	As at 30.06.2017 RM'000
Total retained profits:		
-Realised profits	8,639	7,347
-Unrealised loss	(368)	(795)
At 30 June 2018/ 2017	<u>8,271</u>	<u>6,552</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.