

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 and Saw Mill RM'000	Processing and Trading RM'000	Inter- Company Elimination RM'000	Total RM'000
<u>31.12.2017</u>						
Revenue						
External sales	-	26,030	44,052	6,021	-	76,103
Inter-segment sales	480	-	1,558	6,204	(8,242)	-
	480	26,030	45,610	12,225	(8,242)	76,103
Results						
Profit before taxation	23	696	3,189	2,929	(285)	6,552
Income tax expense	(44)	(230)	(300)	(10)	-	(584)
Profit after taxation	(21)	466	2,889	2,919	(285)	5,968

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:

Contingent Liabilities	Company	
	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>42,924</u>	<u>35,054</u>

	Group	
	As at 31.12.2017 RM'000	As at 31.12.2016 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. Financial review for current quarter and financial year to date

	Individual quarter		Changes (Amount/ %)	Cummulative		Changes (Amount/ %)
	Current year Quarter	Preceding year Quarter		Current Year To- date	Preceding Year To- date	
	31.12.2017	31.12.2016		31.12.2017	31.12.2016	
	RM'000	RM'000		RM'000	RM'000	
Revenue	39,188	33,681	5,507 16%	76,103	64,160	11,943 19%
Operating Profit	7,213	3,594	3,619 101%	11,999	6,625	5,374 81%
Profit Before Interest and Tax	5,185	1,442	3,743 260%	7,959	2,063	5,896 286%
Profit Before Tax	4,458	907	3,551 392%	6,552	1,075	5,477 509%
Profit After Tax	4,242	619	3,623 585%	5,968	750	5,218 696%
Profit attributable to Ordinary Equity Holders of the Company	4,250	619	3,631 587%	5,969	814	5,155 633%

In the second quarter of the financial period ended 31 December 2017, the Group recorded revenue and profit before tax of RM39 million and RM4.5 million respectively compared to RM34 million and RM907,000 respectively recorded in the preceding corresponding period ended 31 December 2016. The 16% higher revenue is mainly derived from Manufacturing and Kiln Drying and Saw Mill segment.

The profit before tax rose by RM3.6 million from prior corresponding period to RM4.5 million. This was mainly attributable to higher profit arising from Kiln Drying and Saw Mill, Processing and Trading of woods.

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

Segmental Breakdown of Revenue & Profit/(Loss)

	Year to Date		Individual Quarter	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	26,030	21,915	14,853	11,748
Kiln Drying and Saw Mill	44,052	39,197	22,560	19,539
Processing and Trading	6,021	3,048	1,775	2,394
Group	76,103	64,160	39,188	33,681
Profit/ (Loss) before tax				
Manufacturing	411	513	431	812
Kiln Drying and Saw Mill	3,189	744	2,667	325
Processing and Trading	2,929	(45)	1,372	(64)
Others	23	29	(12)	(166)
Group	6,552	1,241	4,458	907

In the second quarter of the financial period ended 31 December 2017, the Group recorded revenue and profit before tax of RM39 million and RM4.5 million respectively compared to RM34 million and RM907,000 respectively recorded in the preceding corresponding period ended 31 December 2016. The 14% higher revenue is mainly derived from Manufacturing and Kiln Drying and Saw Mill segment.

The profit before tax rose by RM3.6 million from prior corresponding period to RM4.5 million. This was mainly contributed by Kiln Drying and Saw Mill, Processing and Trading of woods segment amounting to RM4 million for the financial period ended 31 December 2017.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood registered sales of RM15 million for the quarter under review. The segment recorded a profit before tax of RM431,000 as compared to profit before tax of RM812,000 recorded at the quarter ended 31 December 2016. The segment is constantly under the pressure of high operating costs, particularly on raw material costs and labour costs.

Kiln Drying and Saw Mill

For the quarter under review, the segment recorded sales of RM23 million and profit before tax of RM2.7 million as compared to prior corresponding quarter ended 31 December 2016 which registered its sales at RM20 million and profit before tax of RM325,000. The increase of profit before tax was mainly contributed from rise in selling price and improve in production efficiency.

Processing and Trading

The segment's sales for the quarter has reduced from RM2.4 million to RM1.8 million as compared to preceding corresponding period ended 31 December 2016. The segment also recorded a higher profit before tax of RM1.4 million compared to loss before tax of RM64,000 in prior corresponding quarter. The increase of profit before tax mainly contributed from rise in selling price and improve in production efficiency.

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

	Current quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.12.2017 RM'000	30.09.2017 RM'000	RM'000/%
Revenue	39,188	36,915	2,273 6%
Operating profit	7,213	4,786	2,427 51%
Profit before interest and tax	5,185	2,774	2,411 87%
Profit/ (Loss) before tax	4,458	2,094	2,364 113%
Profit/ (Loss) after tax	4,242	1,726	2,516 146%
Profit/ (Loss) attributable to Ordinary Equity Holders of the Company	4,250	1,726	2,524 146%

Individual Quarter

31.12.2017 30.09.2017
 RM'000 RM'000

Revenue

Manufacturing	14,853	11,178
Kiln Drying and Saw Mill	22,560	21,491
Processing and Trading	1,775	4,246
Group	39,188	36,915

Profit/ (Loss) before tax

Manufacturing	431	238
Kiln Drying and Saw Mill	2,667	264
Processing and Trading	1,372	1,557
Others	(12)	35
Group	4,458	2,094

The Group recorded revenue and profit before tax of RM39 million and RM4.5million for the financial quarter ended 31 December 2017, compared to revenue of RM37 million and profit before tax of RM2.1 million recorded in the immediate preceding quarter ended 30 September 2017. The operating results was mainly attributable to increase in profit from Kiln Drying and Saw Mill segment.

B3. Prospects

The Group acknowledges the uncertainty of market conditions 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 taxation	216	584

B6. Status of Corporate Proposals

- a) On 17 January 2018, the Company proposes to undertake the following:
- (i) proposed share split involving the subdivision of every 1 ordinary share in SKRB (“**Existing Share**”) held on an entitlement date to be determined later (“**Entitlement Date**”), into 2 new ordinary shares in SKRB (“**Subdivided Shares**” or “**SKRB Shares**”) (“**Proposed Share Split**”); and
 - (ii) proposed issue of 120,000,000 free warrants (“**Warrants**”) on the basis of 1 Warrant for 1 Existing Share held on the Entitlement Date (“**Proposed Free Warrants Issue**”)
- b) On 18 January 2018, the listing application in relation to the Proposals has been submitted to Bursa Securities.
- c) On 2 February 2018, Bursa Securities has, vide its letter dated 30 January 2018, resolved to approve the following:
- (i) Proposed Share Split;
 - (ii) admission to the Official List and listing and quotation of 120,000,000 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
 - (iii) listing and quotation of 120,000,000 new SKRB Shares arising from the exercise of Warrants.

The Proposals is subject to the approval of the shareholders on the Company at an Extraordinary General Meeting to be convened on 5 March 2018.

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2017 are as follows:

As at 31.12.2017	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	16,388	16,388
Bank Overdrafts	-	6,699	6,699
Hire Purchases	2,600	1,137	3,737
Term Loans	17,414	2,423	19,837
Total	20,014	26,647	46,661

As at 31.12.2016	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	19,047	19,047
Bank Overdrafts	-	898	898
Hire Purchases	217	1,137	1,354
Term Loans	7,843	243	8,086
Total	8,060	7,874	29,385

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)	4,242	5,968
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	3.54	4.97

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 31.12.2017 RM'000	Year to date Ended 31.12.2017 RM'000
After Charging:-		
Interest Expenses	185	865
Depreciation	734	1,471
After Crediting:-		
Interest income	-	20
Rental income	225	450
Other income	34	69
Foreign exchange gain – Realised	(5)	2
Gain on disposal of property, plant and equipment	(2)	67

B12. Significant Related Party Transactions

During the financial year under review, there were no significant related party transactions.

B13. 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.