

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>31.3.2018</u>						
Revenue						
External sales	-	42,059	69,293	13,150	-	124,502
Inter-segment sales	720	-	1,907	9,017	(11,644)	-
	720	42,059	71,200	22,167	(11,644)	124,502
Results						
Profit before taxation	(187)	599	4,420	5,529	-	10,361
Income tax expense	(65)	(205)	(550)	(450)	-	(1,270)
Profit after taxation	(252)	394	3,870	5,079	-	9,091

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 31.3.2018 RM'000	As at 31.3.2017 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>49,759,750</u>	<u>41,046</u>

	Group	
	As at 31.3.2018 RM'000	As at 31.3.2017 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>

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		Changes (Amount/ %)
	Current year Quarter	Preceding year Quarter		Current Year To- date	Preceding Year To- date	
	31.3.2018	31.3.2017		31.3.2018	31.3.2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	48,399	33,325	15,074 45%	124,502	97,485	27,017 28%
Operating Profit	7,165	3,770	3,395 90%	19,164	10,395	8,769 84%
Profit Before Interest and Tax	4,962	1,724	3,238 188%	12,379	3,665	8,714 238%
Profit Before Tax	3,809	1,201	2,608 217%	10,361	2,276	8,085 355%
Profit After Tax	3,123	746	2,377 319%	9,091	1,496	7,595 508%
Profit attributable to Ordinary Equity Holders of the Company	3,119	746	2,373 318%	9,088	1,496	7,592 507%

In the third quarter of the financial period ended 31 March 2018, the Group recorded revenue and profit before tax of RM48 million and RM3.8 million respectively compared to RM33 million and RM1.2 million respectively recorded in the preceding corresponding period ended 31 March 2017. The revenue has increased by 45% as a result of higher demands from all segments.

The profit before tax rose by RM2.6 million or 217% from RM1.2 million recorded in 31 March 2017 to RM3.8 million recorded in 31 March 2018. The operating result was mainly attributable to higher profit arising from the segments of 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	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	42,059	32,692	16,030	10,777
Kiln Drying and Saw Mill	69,293	59,226	25,240	20,029
Processing and Trading	13,150	5,567	7,129	2,519
Group	124,502	97,485	48,399	33,325
Profit/ (Loss) before tax				
Manufacturing	599	2,172	188	1,658
Kiln Drying and Saw Mill	4,420	316	1,232	(427)
Processing and Trading	5,529	18	2,600	63
Others	(187)	(230)	(211)	(93)
Group	10,361	2,276	3,809	1,201

In the third quarter of the financial period ended 31 March 2018, the Group recorded revenue and profit before tax of RM48 million and RM3.8 million respectively compared to RM33 million and RM1.2 million respectively recorded in the preceding corresponding period ended 31 March 2017.

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 RM16 million for the quarter under review. The segment recorded a profit before tax of RM188,000 as compared to profit before tax of RM1.6 million recorded at the quarter ended 31 March 2017. The result mainly affected by weaken of US Dollar versus Ringgit Malaysia and 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 RM25 million and profit before tax of RM1.2 million as compared to prior corresponding quarter ended 31 March 2017 which registered its sales at RM20 million and loss before tax of RM427,000. The increase of profit before tax was mainly due to increase in sales demand and improve in production efficiency.

Processing and Trading

The segment's sales for the quarter has increased from RM2.5 million to RM7 million as compared to preceding corresponding period ended 31 March 2017. The segment also recorded a higher profit before tax of RM2.6 million compared to profit before tax of RM63,000 in prior corresponding quarter. The increase of profit before tax mainly contributed from rise in sales during the quarter under review.

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

	Current quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.3.2018 RM'000	31.12.2017 RM'000	RM'000/%
Revenue	48,399	39,188	9,211 24%
Operating profit	7,213	7,213	- 0%
Profit before interest and tax	4,962	5,185	(223) -4%
Profit before tax	3,809	4,458	(649) -15%
Profit after tax	3,123	4,242	(1,119) -26%
Profit attributable to Ordinary Equity Holders of the Company	3,119	4,250	(1,131) -27%

Individual Quarter

31.3.2018 31.12.2017
RM'000 RM'000

Revenue

Manufacturing	16,030	14,853
Kiln Drying and Saw Mill	25,240	22,560
Processing and Trading	7,129	1,775
Group	48,399	39,188

Profit/ (Loss) before tax

Manufacturing	188	431
Kiln Drying and Saw Mill	1,232	2,667
Processing and Trading	2,600	1,372
Others	(211)	(12)
Group	3,809	4,458

The Group recorded revenue and profit before tax of RM48 million and RM3.8million for the financial quarter ended 31 March 2018, compared to revenue of RM39 million and profit before tax of RM4.4 million recorded in the immediate preceding quarter ended 31 December 2017. The operating results were mainly attributable to increase in profit from Processing and Trading due to increased in sales. On the other hand, profit before tax for Kiln Drying and Saw Mill segment had decreased from RM2.6 million to RM1.2 million due to increase in operating cost for the current quarter .

B3. Prospects

Barring any unforeseen circumstances, the Group is cautiously optimistic that its future performance is 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 taxation	686	<u>1,270</u>

B6. Status of Corporate Proposals

Pursuant to the following corporate proposal:-

(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**")

The Proposals was approved by the shareholders of the Company at an Extraordinary General Meeting held on 5 March 2018.

On 19 March 2018, the 240,000,000 Subdivided Shares will be listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on Tuesday, 20 March 2018.

On 20 March 2018, the Share Split has been completed following the listing of and quotation for the 240,000,000 Subdivided Shares on the Main Market of Bursa Securities.

On 28 March 2018, the Free Warrants Issue has been completed following the listing of and quotation for the 120,000,000 Warrants on the Main Market of Bursa Securities.

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2018 are as follows:

As at 31.3.2018	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	20,285	20,285
Bank Overdrafts	-	6,094	6,094
Hire Purchases	2,206	2,120	4,326
Term Loans	19,577	3,803	23,380
Total	21,783	32,302	54,085

As at 31.3.2017	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	18,822	18,822
Bank Overdrafts	-	5,947	5,947
Hire Purchases	2,836	1,505	4,341
Term Loans	7,093	5,268	12,361
Total	9,929	7,874	41,471

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. Earnings per Share

The earnings per share for the current quarter and financial period ended 31 March 2018 are as follows:-

	Current Quarter	Current Year To Date
(a) Basic		
Profit attributable to owners of the Company (RM '000)	3,123	9,091
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Basic Earnings per ordinary share (Sen)	1.30	3.79
(b) Diluted		
Profit attributable to owners of the Company (RM '000)	3,123	9,091
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Effect of conversion of warrants ('000)	29,605	14,040
Adjusted weighted average number of ordinary shares in issue ('000)	269,605	254,040
Diluted Earnings per ordinary share (Sen)	1.16	3.63

In the event that the potential exercise of the Warrants gives rise to an anti dilutive effect on loss per share, the potential exercise of the Warrants is not taken into account in calculating diluted loss per share.

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 31.3.2018 RM'000	Year to date Ended 31.3.2018 RM'000
After Charging:-		
Interest Expenses	1,153	2,018
Depreciation	748	2,219
After Crediting:-		
Interest income	3	23
Rental income	243	693
Other income	17	86
Foreign exchange gain – Realised	(2)	-
Gain on disposal of property, plant and equipment	33	100

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.