

A. EXPLANATORY NOTES

A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in 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 year ended 30 June 2018. 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 2018.

A2. Accounting Policies

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended year ended 30 June 2018 except for the newly-issued Malaysian Accounting Standards Board approved accounting framework – MFRS and IC Interpretations to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2018. The adoption of the abovementioned MFRS, Amendments to MFRS and Interpretations will have no material impact on the financial statements of the Group upon their initial application.

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

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.

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	
	31.12.2018	31.12.2017		31.12.2018	31.12.2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	49,955	39,188	10,767 27%	107,764	76,103	31,661 42%
Operating Profit	8,348	7,213	1,135 16%	13,818	11,999	1,819 15%
Profit Before Interest and Tax	5,236	5,185	51 1%	8,231	7,959	272 3%
Profit Before Tax	4,417	4,458	(41) -1%	6,401	6,552	(151) -2%
Profit After Tax	4,311	4,242	69 2%	6,098	5,968	130 2%
Profit attributable to Ordinary Equity Holders of the Company	4,197	4,250	(53) -1%	5,981	5,969	12 0%

In the second quarter of the financial period ended 31 December 2018, the Group recorded revenue of RM50 million as compared to RM39 million recorded in the preceding corresponding period ended 31 December 2017. The profit before tax however, remains the same at RM4.4 million for both the current year and preceding year quarter.

The 27% higher revenue is mainly derived from kiln drying segment.

The profit before tax remains the same for both the current year and preceding corresponding period is mainly due to higher operating costs.

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

Segmental Breakdown of Revenue & Profit/(Loss)

	Year to Date		Individual Quarter	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	33,459	26,030	16,186	14,853
Kiln Drying and Saw Mill	63,398	44,052	29,462	22,560
Processing and Trading	10,907	6,021	4,307	1,775
Group	107,764	76,103	49,955	39,188
Profit/ (Loss) before tax				
Manufacturing	244	411	386	431
Kiln Drying and Saw Mill	4,526	3,189	3,309	2,667
Processing and Trading	1,591	2,929	734	1,372
Others	40	23	(12)	(12)
Group	6,401	6,552	4,417	4,458

In the second quarter of the financial period ended 31 December 2018, the Group recorded revenue of RM50 million as compared to RM39 million recorded in the preceding corresponding period ended 31 December 2017. The profit before tax however, remains the same at RM4.4 million for both the current year and preceding year quarter. The 27% higher revenue is mainly derived from kiln drying segment.

The profit before tax remains the same for both the current year and preceding corresponding period is mainly due to the higher operating costs.

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 RM386,000 as compared to profit before tax of RM431,000 recorded at the quarter ended 31 December 2017. The segment is constantly under the pressure of high operating costs.

Kiln Drying and Saw Mill

For the quarter under review, the segment recorded sales of RM29 million and profit before tax of RM3.3 million as compared to prior corresponding quarter ended 31 December 2017 which registered its sales at RM23 million and profit before tax of RM2.7 million. The increase of profit before tax was mainly contributed from the improve in production efficiency.

Processing and Trading

The segment's sales for the quarter has increased from RM1.8 million to RM4.3 million as compared to preceding corresponding period ended 31 December 2017. The segment however, recorded a lower profit before tax of RM 734,000 as compared to profit before tax of RM1.4 million in prior corresponding quarter. The decrease in profit before tax mainly contributed from the rise of operating cost and higher borrowing cost.

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

	Current quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.12.2018 RM'000	30.09.2018 RM'000	RM'000/%
Revenue	49,955	57,809	(7,854) -14%
Operating profit	8,348	5,470	2,878 53%
Profit before interest and tax	5,236	2,995	2,241 75%
Profit before tax	4,417	1,984	2,433 123%
Profit after tax	4,311	1,787	2,524 141%
Profit attributable to Ordinary Equity Holders of the Company	4,197	1,784	2,413 135%

	Individual Quarter	
	31.12.2018 RM'000	30.09.2018 RM'000
Revenue		
Manufacturing	16,186	17,273
Kiln Drying and Saw Mill	29,462	33,936
Processing and Trading	4,307	6,600
Group	<u>49,955</u>	<u>57,809</u>
Profit/ (Loss) before tax		
Manufacturing	386	(141)
Kiln Drying and Saw Mill	3,309	1,218
Processing and Trading	734	857
Others	(12)	50
Group	<u>4,417</u>	<u>1,984</u>

The Group recorded revenue and profit before tax of RM50 million and RM4.4 million for the financial quarter ended 31 December 2018, compared to revenue of RM58 million and profit before tax of RM2 million recorded in the immediate preceding quarter ended 30 September 2018. 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 future market conditions and anticipates the potential impact to the Group's result in the coming quarters. However, the Group anticipates the operating result in the coming financial periods will 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 taxation	106	303

B6. Status of Corporate Proposals

There were no corporate proposals announced for the current quarter.

B7. Group Borrowings and Debt Securities

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

As at 31.12.2018	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	24,338	24,338
Bank Overdrafts	-	6,194	6,194
Hire Purchases	2,134	2,636	4,770
Term Loans	18,390	9,516	27,906
Total	20,524	42,684	63,208

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

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 December 2018 are as follows:-

	Current Quarter	Current Year To Date
(a) Basic		
Profit attributable to owners of the Company (RM '000)	4,197	5,981
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Basic Earnings per ordinary share (Sen)	1.75	2.49
(b) Diluted		
Profit attributable to owners of the Company (RM '000)	4,197	5,981
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Effect of conversion of warrants ('000)	31,439	37,667
Adjusted weighted average number of ordinary shares in issue ('000)	271,439	277,667
Diluted Earnings per ordinary share (Sen)	1.55	2.15

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 31.12.2018 RM'000	Year to date Ended 31.12.2018 RM'000
After Charging:-		
Interest expenses	819	1,830
Depreciation	857	1,665
Foreign exchange loss – Realised	8	8
Foreign exchange loss – Unrealised	-	96
After Crediting:-		
Interest income	2	2
Rental income	303	600
Foreign exchange gain – Realised	-	133

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.