

**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 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.

**A9. Segmental & Geographical Reporting**

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

<b>Business Segment</b>	<b>Others</b> RM'000	<b>Manufacturing</b> RM'000	<b>Kiln Drying and Saw Mill</b> RM'000	<b>Processing and Trading</b> RM'000	<b>Inter- Company Elimination</b> RM'000	<b>Total</b> RM'000
<u>31.3.2019</u>						
<b>Revenue</b>						
External sales	-	48,382	97,135	19,065	-	164,582
Inter-segment sales	774	107	799	5,583	(7,263)	-
	<u>774</u>	<u>48,489</u>	<u>97,934</u>	<u>24,648</u>	<u>(7,263)</u>	<u>164,582</u>
<b>Results</b>						
Profit before taxation	54	(384)	7,631	3,574	-	10,875
Income tax expense	(56)	(119)	(420)	(703)	-	(1,298)
Profit after taxation	<u>(2)</u>	<u>(503)</u>	<u>7,211</u>	<u>2,871</u>	<u>-</u>	<u>9,577</u>

**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**

During the financial period, on 24 January 2019, the Company disposed of its entire equity interest in a subsidiary, My Smartlife Sdn. Bhd. for a cash consideration of RM 510.

The gain on disposal of a subsidiary during the financial period was as follows:

	<b>Group</b>
	RM
Cash in hand	1,000
Payables	<u>(3,500)</u>
Net liabilities	(2,500)
Less: Non-controlling interest	<u>1,225</u>
	(1,275)
Net proceeds from disposal	<u>510</u>
Gain on disposal	<u>1,785</u>

The cash outflows arising from the disposal of My Smartlife Sdn. Bhd.were:-

	<b>Group</b>
	RM
Proceeds from disposal	510
Less: Cash and cash equivalents of subsidiary disposed	<u>(1,000)</u>
Net cash outflows on disposal	<u>490</u>

**A13. Contingent Liabilities**

Since the last annual statement of financial position as at 30 June 2018, 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:

<u>Contingent Liabilities</u>	<b>Company</b>	
	As at 31.3.2019	As at 31.3.2018
	RM'000	RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>68,458</u>	<u>49,759</u>

**A14. Capital Commitments**

There was no material capital commitment for the purchase of property, plant and equipment as at the end of the financial period ended 31 March 2019.

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

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

	<b>Individual quarter</b>		<b>Changes (Amount/ %)</b>	<b>Cummulative</b>		<b>Changes (Amount/ %)</b>
	<b>Current year Quarter</b>	<b>Preceding year Quarter</b>		<b>Current Year To- date</b>	<b>Preceding Year To- date</b>	
	31.3.2019	31.3.2018		31.3.2019	31.3.2018	
	RM'000	RM'000	RM'000/%	RM'000	RM'000	RM'000/%
Revenue	56,818	48,399	8,419 17%	164,582	124,502	40,080 32%
Operating Profit	8,525	7,165	1,360 19%	22,343	19,164	3,179 17%
Profit Before Interest and Tax	5,490	4,962	528 11%	13,722	12,379	1,343 11%
Profit Before Tax	4,474	3,809	665 17%	10,875	10,361	514 5%
Profit After Tax	3,479	3,123	356 11%	9,577	9,091	486 5%
Profit attributable to Ordinary Equity Holders of the Company	3,399	3,119	280 9%	9,380	9,088	292 3%

In the third quarter of the financial period ended 31 March 2019, the Group recorded revenue and profit before tax of RM57 million and RM4.4 million respectively compared to RM48 million and RM3.8 million respectively recorded in the preceding corresponding period ended 31 March 2018. The revenue increased by 17% as a result of increased in demand for tropical wood in the kiln drying and saw mill segment.

The profit before tax rose by RM700,000 or 17% from RM3.8 million recorded in 31 March 2018 to RM4.4 million recorded in 31 March 2019. The operating result was mainly attributable by the increase in capacity and efficiency in the kiln drying and saw mill segment.

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

Segmental Breakdown of Revenue & Profit/(Loss)

	Year to Date		Individual Quarter	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Manufacturing	48,382	42,059	14,925	16,030
Kiln Drying and Saw Mill	97,135	69,293	33,736	25,240
Processing and Trading	19,065	13,150	8,157	7,129
<b>Group</b>	<b>164,582</b>	<b>124,502</b>	<b>56,818</b>	<b>48,399</b>
<b>Profit/ (Loss) before tax</b>				
Manufacturing	(384)	599	(629)	188
Kiln Drying and Saw Mill	7,631	4,420	3,106	1,232
Processing and Trading	3,574	5,529	1,984	2,600
Others	54	(187)	13	(211)
<b>Group</b>	<b>10,875</b>	<b>10,361</b>	<b>4,474</b>	<b>3,809</b>

In the third quarter of the financial period ended 31 March 2019, the Group recorded revenue and profit before tax of RM57 million and RM4.4 million respectively compared to RM48 million and RM3.8 million respectively recorded in the preceding corresponding period ended 31 March 2018.

The rise in profit before tax of RM600,000 from the preceding corresponding period to RM4.4 million was mainly contributed by Kiln Drying and Saw Mill segment where the profit for the segment alone has increased by RM1.9 million to RM3.1 million.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood registered sales of RM15 million for the quarter under review, which is RM1 million lower as compared to the same preceding corresponding period ended 31 March 2018. The segment recorded a loss before tax of RM629,000 as compared to profit before tax of RM188,000 recorded at the quarter ended 31 March 2018. The result mainly affected by the decrease in demand for furniture and continuous increased in raw materials prices and labour costs.

Kiln Drying and Saw Mill

For the quarter under review, the segment recorded sales of RM34 million and profit before tax of RM3.1 million as compared to the same preceding corresponding quarter ended 31 March 2018 which registered its sales at RM25 million and profit before tax of RM1.2 million. Both the increase in sales and profit before tax are mainly due to the increase in demand for tropical woods and the increase in production capacity and efficiency.

Processing and Trading

The segment's sales for the quarter has increased by RM1 million from RM7 million to RM8 million. Profit before tax was recorded at RM2 million, which is RM600,000 lower as compared to RM2.6 million recorded in the same preceding corresponding quarter ended 31 March 2018. The lower profit before tax recorded was mainly due to higher factory overhead as the production is produced under its capacity.

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

	Current quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.3.2019 RM'000	31.12.2018 RM'000	RM'000/%
Revenue	56,818	49,955	6,863 14%
Operating profit	8,525	8,348	177 2%
Profit before interest and tax	5,490	5,236	254 5%
Profit before tax	4,474	4,417	57 1%
Profit after tax	3,479	4,311	(832) -19%
Profit attributable to Ordinary Equity Holders of the Company	3,399	4,197	(798) -19%

	Individual Quarter	
	31.3.2019 RM'000	31.12.2018 RM'000
<b>Revenue</b>		
Manufacturing	14,925	16,186
Kiln Drying and Saw Mill	33,736	29,462
Processing and Trading	8,157	4,307
<b>Group</b>	<u>56,818</u>	<u>49,955</u>
<b>Profit/ (Loss) before tax</b>		
Manufacturing	(629)	386
Kiln Drying and Saw Mill	3,106	3,309
Processing and Trading	1,984	734
Others	13	(12)
<b>Group</b>	<u>4,474</u>	<u>4,417</u>

The Group recorded revenue of RM57 million for the financial quarter ended 31 March 2019, compared to revenue of RM50 million recorded in the immediate preceding quarter ended 31 December 2018. Increased in revenue of 15% from the kiln drying and saw mill segment is the major contribution to the increase in revenue of the Group for the current quarter under review. The profit before tax however, remained the same at RM 4.4 million for both the current quarter and the immediate preceding quarter ended 31 December 2018. This is mainly due to the loss of RM600,000 recorded in the manufacturing segment. The losses from the manufacturing segment is due to the decrease in the demand for furniture and continuous increased in raw materials prices and labour costs.

**B3. Prospects**

The management is confident that the financial performance for the kiln dry segment will continue to improve with the increase in both the capacity and efficiency from the operation at Gua Musang and Kuala Krai, Kelantan.

And the management is constantly monitoring the performance of the furniture segment by adjusting the products offerings to cater for the changes in demographics and market trends. The

management will also continue to achieve better manufacturing efficiency in order to mitigate the increase in both the raw material prices and labour costs.

The management is cautiously optimistic that the future performance for the Group is favorable.

**B4. Profit Forecast**

There is no profit forecast for the current financial period under review.

**B5. Taxation**

	<b>Individual Quarter Ended</b>	<b>Year to date Ended</b>
	31.3.2019	31.3.2019
	RM'000	RM'000
Current taxation	995	1,298

**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 March 2019 are as follows:

<b>As at 31.3.2019</b>	<b>Long term</b>	<b>Short term</b>	<b>Total borrowing</b>
<b>RM'000</b>	<b>RM denomination</b>	<b>RM denomination</b>	<b>RM denomination</b>
<b>Secured</b>			
Banker Acceptances	-	32,018	32,018
Bank Overdrafts	-	10,138	10,138
Hire Purchases	1,454	2,636	4,090
Term Loans	16,786	9,516	26,302
<b>Total</b>	<b>18,240</b>	<b>54,308</b>	<b>72,548</b>

<b>As at 31.3.2018</b>	<b>Long term</b>	<b>Short term</b>	<b>Total borrowing</b>
<b>RM'000</b>	<b>RM denomination</b>	<b>RM denomination</b>	<b>RM denomination</b>
<b>Secured</b>			
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
<b>Total</b>	<b>21,783</b>	<b>32,302</b>	<b>54,085</b>

**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 2019 are as follows:-

	Current Quarter	Current Year To Date
<b>(a) Basic</b>		
Profit attributable to owners of the Company (RM '000)	3,399	9,380
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Basic Earnings per ordinary share (Sen)	1.42	3.91
<b>(b) Diluted</b>		
Profit attributable to owners of the Company (RM '000)	3,399	9,380
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Effect of conversion of warrants ('000)	31,602	35,789
Adjusted weighted average number of ordinary shares in issue ('000)	271,602	275,789
Diluted Earnings per ordinary share (Sen)	1.25	3.40

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:-

	<b>Individual Quarter Ended</b> 31.3.2019 RM'000	<b>Year to date Ended</b> 31.3.2019 RM'000
<b>After Charging:-</b>		
Interest expenses	1,016	2,847
Depreciation	853	2,518
Foreign exchange loss – Realised	200	228
<b>After Crediting:-</b>		
Interest income	2	4
Rental income	333	933
Gain on disposal of a subsidiary	2	2
Gain on derivative financial instruments	-	59

**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.