

A. EXPLANATORY NOTES

A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared under the same accounting policies and methods of computation as those used in the preparation of the most recent audited financial statements and comply with MFRS 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market 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 financial 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 accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 June 2018 except for the changes in accounting policies and presentation resulting from the adoption of the following MFRSs that are effective for the financial periods beginning on 1 July 2018:

a. Adoption of MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards. The Group has concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group.

b. Adoption of MFRS 9 *Financial Instruments*

MFRS 9 requires for a financial asset to be measured at amortised cost if the financial assets is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income “FVTOCI” if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets will be measured at fair value through profit or loss “FVTPL” if the assets that are held for trading or such financial assets are not qualify for neither held at amortised costs nor at FVTOCI. Equity instruments that were not elected for FVTOCI will be measured at FVTPL.

Classification and measurement of financial liabilities will remain largely unchanged.

Overall, there is no significant impact to the financial statements on the classification and measurement for financial assets and financial liabilities for the Group.

Impairment

MFRS 9 impairment requirements are based on an Expected Credit Loss “ECL” model that replaces the Incurred Loss model under MFRS 139. The ECL model applies to financial assets that are measured at amortised cost or at FVTOCI and issued financial guarantee contracts.

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 Sawmill RM'000	Processing and Trading RM'000	Inter- Company Elimination RM'000	Total RM'000
<u>30.6.2019</u>						
Revenue						
External sales	-	67,220	146,558	23,345	-	237,123
Inter-segment sales	1,032	119	1,146	7,490	(9,787)	-
	<u>1,032</u>	<u>67,339</u>	<u>147,704</u>	<u>30,835</u>	<u>(9,787)</u>	<u>237,123</u>
Results						
Profit /(Loss) before taxation	65	(1,460)	13,418	4,441	-	16,464
Income tax expense	(73)	435	(3,521)	(1,425)	-	(4,584)
Profit /(Loss) after taxation	<u>(8)</u>	<u>(1,025)</u>	<u>9,897</u>	<u>3,016</u>	<u>-</u>	<u>11,880</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.

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			Cumulative		
	Current Year Quarter	Preceding Year Quarter	Changes (Amount/ %)	Current Year To-date	Preceding Year To-date	Changes (Amount/ %)
	30.6.2019 RM'000	30.6.2018 RM'000	RM'000/%	30.6.2019 RM'000	30.6.2018 RM'000	RM'000/%
Revenue	72,541	48,493	24,048 50%	237,123	172,995	64,128 37%
Operating Profit	9,453	4,665	4,788 103%	31,796	25,355	6,441 25%
Profit Before Interest and Tax	6,623	2,232	4,391 197%	20,624	14,611	6,013 41%
Profit Before Tax	5,589	1,463	4,126 282%	16,464	11,824	4,640 39%
Profit After Tax	2,303	28	2,275 8125%	11,880	9,119	2,761 30%
Profit / (Loss) attributable to Ordinary Equity Holders of the Company	2,181	(144)	2,325 1615%	11,561	9,084	2,477 27%

In the fourth quarter of the financial year ended 30 June 2019, the Group recorded revenue of RM73 million compared to revenue of RM48 million recorded in the preceding corresponding quarter ended 30 June 2018. The revenue increased by 50% as a result of increased in demand for tropical wood in the kiln drying and sawmill segment.

The profit before tax rose by RM4.1 million from RM1.5 million recorded in 30 June 2018 to RM5.6 million for financial quarter ended 30 June 2019. The operating result was mainly attributable to higher profit arising from the segments of kiln drying and sawmill.

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

Segmental Breakdown of Revenue & Profit/(Loss)

	Year to Date		Individual Quarter	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	67,220	57,785	18,838	15,726
Kiln Drying and Sawmill	146,558	93,536	49,422	24,243
Processing and Trading	23,345	21,674	4,281	8,524
Group	237,123	172,995	72,541	48,493
Profit/ (Loss) before tax				
Manufacturing	(1,460)	(1,722)	(1,078)	(2,321)
Kiln Drying and Sawmill	13,418	5,595	5,787	1,174
Processing and Trading	4,441	7,672	867	2,144
Others	65	279	13	466
Group	16,464	11,824	5,589	1,463

In the fourth quarter of the financial year ended 30 June 2019, the Group recorded revenue and profit before tax of RM73 million and RM5.6 million respectively compared to RM48 million and RM1.5 million recorded in the preceding corresponding quarter ended 30 June 2018.

The increase in profit before tax of RM4 million from the preceding corresponding period to RM5.6 million was mainly contributed by kiln drying and sawmill segment where the profit before tax for this segment alone has increased by RM4.6 million to RM5.8 million.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood recorded revenue of RM19 million for the quarter under review compared to RM16 million recorded in prior year corresponding quarter. The segment recorded loss before tax of RM1 million as compared to loss before tax of RM2.3 million for the quarter ended 30 June 2018. Lower loss was recorded for the current quarter as compared to the prior year corresponding quarter ended 30 June 2018 as the result from increased in revenue and improved in production efficiency.

Kiln Drying and Sawmill

For the quarter under review, the segment recorded revenue of RM49 million and profit before tax of RM5.8 million as compared to prior year corresponding quarter ended 30 June 2018 which recorded revenue of RM24 million and profit before tax of RM1.2 million. The increase of profit before tax was mainly due to increase in demand for tropical wood and improve in production efficiency.

Processing and Trading

The segment's revenue for the quarter has decreased from RM8.5 million to RM4 million as compared to prior year corresponding quarter ended 30 June 2018. The segment also recorded a lower profit before tax of RM867,000 compared to profit before tax of RM2 million in the prior year corresponding quarter. The operating result was mainly due to slow down in the wood extraction activities for the quarter.

B2. Financial review for current quarter compared with preceding quarter

	Current Quarter	Preceding Quarter	Change (Amount/%)
	30.6.2019 RM'000	31.3.2019 RM'000	RM'000/%
Revenue	72,541	56,818	15,723 28%
Operating profit	9,453	8,525	928 11%
Profit before interest and tax	6,623	5,490	1,133 21%
Profit before tax	5,589	4,474	1,115 25%
Profit after tax	2,303	3,479	(1,176) -34%
Profit attributable to Ordinary Equity Holders of the Company	2,181	3,399	(1,218) -36%

	Individual Quarter	
	30.6.2019 RM'000	31.3.2019 RM'000
Revenue		
Manufacturing	18,838	14,925
Kiln Drying and Sawmill	49,422	33,736
Processing and Trading	4,281	8,157
Group	72,541	56,818
Profit / (Loss) before tax		
Manufacturing	(1,078)	(629)
Kiln Drying and Sawmill	5,787	3,106
Processing and Trading	867	1,984
Others	13	13
Group	5,589	4,474

The Group recorded revenue and profit before tax of RM73 million and RM5.6 million for the financial quarter ended 30 June 2019, compared to revenue of RM57 million and profit before tax of RM4.5 million recorded in the preceding quarter ended 31 March 2019. The operating results was mainly attributable to increase in revenue and profit from Kiln Drying and Sawmill segment.

B3. Prospects

The kiln drying and sawmill segment recorded higher revenues and profit margin for the Group. This is mainly resulted from higher utilisation of the production capacity at the sawmill. The outlook for this segment continues to be positive.

The sales performance and profit margin for the manufacturing segment remains challenging. The Group is expecting an increase in orders from the US. The Group will also continue the efforts to strengthen the cost control and enhancing the operation strategy in order to achieve higher manufacturing efficiency.

The Group expects to achieve satisfactory performance and remain profitable for the financial year ending 30 June 2020.

B4. Profit Forecast

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

B5. Taxation

The tax charges comprise:-

	Current Quarter RM '000	Current Year to Date RM '000
Income tax	3,389	4,687
Deferred tax	(103)	(103)
Total	<u>3,286</u>	<u>4,584</u>

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 30 June 2019 are as follows:

As at 30.6.2019 RM'000	Long term RM denomination	Short term RM denomination	Total borrowing RM denomination
Secured			
Banker Acceptances	-	31,599	31,599
Bank Overdrafts	-	6,423	6,423
Hire Purchases	1,233	2,212	3,445
Term Loans	28,873	2,611	31,484
Total	30,106	42,845	72,951

As at 30.6.2018 RM'000	Long term RM denomination	Short term RM denomination	Total borrowing RM denomination
Secured			
Banker Acceptances	-	20,177	20,177
Bank Overdrafts	-	7,408	7,408
Hire Purchases	1,945	2,078	4,023
Term Loans	17,959	9,625	27,584
Total	19,904	39,288	59,192

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 30 June 2019 are as follows:-

	Current Quarter	Current Year To Date
(a) Basic		
Profit attributable to owners of the Company (RM '000)	2,181	11,561
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Basic Earnings per ordinary share (Sen)	0.91	4.82
(b) Diluted		
Profit attributable to owners of the Company (RM '000)	2,181	11,561
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Effect of conversion of warrants ('000)	24,573	33,201
Adjusted weighted average number of ordinary shares in issue ('000)	264,573	273,201
Diluted Earnings per ordinary share (Sen)	0.82	4.23

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 30.6.2019 RM'000	Year to date Ended 30.6.2019 RM'000
After Charging:-		
Interest expenses	1,034	4,160
Depreciation	857	3,375
Foreign exchange loss – Realised	-	259
Property, plant and equipment written off	108	108
After Crediting:-		
Interest income	-	4
Rental income	291	1,224
Other income	-	61
Foreign exchange gain – Realised	163	163
Gain on disposal of property, plant and equipment	101	101

B12. Significant Related Party Transactions

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