

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 2019. 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 2019.

A2. Accounting Policies

The accounting policies and presentation adopted for this interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2019 except for the adoption of the following MFRS :

MFRS 16 *Leases*

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items whereby a lessee may elect to recognise the lease payments as expense in the profit or loss on a straight-line basis over the lease term. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

(i) **Leases in which the Group is a lessee**

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group applies MFRS 16 initially on 1 July 2019, using modified retrospective approach.

The financial effects of the adoption of MFRS 16 are as below:

	Group 1.7.2019 RM’000
Consolidated statement of financial position	
Right of use assets	717
Lease liabilities	735
Adjustments to retained profits	<u>(18)</u>

(ii) **Leases in which the Group is a lessor**

No significant impact is expected for leases in which the Group is a lessor.

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 and 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, Lamination and Sawmill RM'000	Processing and Trading of Wood RM'000	Inter- Company Elimination RM'000	Total RM'000
<u>31.3.2020</u>						
Revenue						
External sales	-	76,576	121,224	24,467	-	222,267
Inter-segment sales	954	-	1,861	1,862	(4,677)	-
	954	76,576	123,085	26,329	(4,677)	222,267
Results						
Profit before taxation	89	1,130	12,827	4,028	-	18,074
Taxation	(41)	69	(1,852)	(776)	-	(2,600)
Profit after taxation	48	1,199	10,975	3,252	-	15,474

A10. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

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 2019, 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 31.3.2020	As at 31.3.2019
<u>Contingent Liabilities</u>	RM'000	RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>72,649</u>	<u>68,458</u>

	Group	
	As at 31.3.2020	As at 31.3.2019
	RM'000	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

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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 quarter		
	Current Year Quarter	Preceding Year Quarter	Changes (Amount/%)	Current Year-To-Date	Preceding Year-To-Date	Changes (Amount/%)
	31.3.2020 RM'000	31.3.2019 RM'000	RM'000/%	31.3.2020 RM'000	31.3.2019 RM'000	RM'000/%
Revenue	67,067	56,818	10,249 18%	222,267	164,582	57,685 35%
Operating Profit	8,156	8,525	(369) -4%	30,026	22,343	7,683 34%
Profit Before Interest and Taxation	5,290	5,490	(200) -4%	21,302	13,722	7,580 55%
Profit Before Taxation	4,278	4,474	(196) -4%	18,074	10,875	7,199 66%
Profit After Taxation	3,040	3,479	(439) -13%	15,474	9,577	5,897 62%
Profit attributable to Ordinary Equity Holders of the Company	3,035	3,399	(364) -11%	15,362	9,380	5,982 64%

Current Quarter

In the third quarter ended 31 March 2020, the Group recorded revenue of RM67 million compared to revenue of RM57 million recorded in the prior year corresponding quarter ended 31 March 2019. The revenue increased by 18% as the result of increased in demand for furniture in the manufacturing segment and increased in the wood extraction activities in the processing and trading of wood segment.

The profit before taxation decreased by RM200,000 from RM4.5 million recorded in 31 March 2019 to RM4.3 million for financial quarter ended 31 March 2020. The operating result was mainly attributable to lower margin recorded from the wood extraction activities in the processing and trading of wood segment.

Financial year-to-date

The Group recorded revenue of RM222 million for the current financial period ended 31 March 2020 compared to the revenue of RM165 million in the prior year corresponding financial period. The Group registered a profit before taxation of RM18 million as compared to profit before taxation of RM11 million in the prior year corresponding financial period. Higher profit before taxation was due to higher revenue.

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

Segmental Breakdown of Revenue and Profit or Loss

	Year-to-Date		Individual Quarter	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
Revenue				
Manufacturing	76,576	48,382	23,867	14,925
Kiln Drying, Lamination and Sawmill	121,224	97,135	33,505	33,736
Processing and Trading of Wood	24,467	19,065	9,695	8,157
Group	222,267	164,582	67,067	56,818
Profit/(Loss) before taxation				
Manufacturing	1,130	(384)	(410)	(629)
Kiln Drying, Lamination and Sawmill	12,827	7,631	3,790	3,106
Processing and Trading of Wood	4,028	3,574	859	1,984
Others	89	54	39	13
Group	18,074	10,875	4,278	4,474

In the third quarter ended 31 March 2020, the Group recorded revenue and profit before taxation of RM67 million and RM4.3 million respectively compared to RM57 million and RM4.5 million recorded in the prior year corresponding quarter.

The decrease in profit before taxation of RM200,000 from the prior year corresponding period of RM4.5 million to RM4.2 million was mainly due to lower margin recorded from the wood extraction activities in the processing and trading of wood segment.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood recorded revenue of RM24 million for the quarter under review compared to RM15 million recorded in prior year corresponding quarter. The segment recorded lower loss before taxation of RM410,000 as the result from higher revenue and improved in production efficiency in current quarter.

Kiln Drying, Lamination and Sawmill

For the quarter under review, the revenue is recorded the same at RM34 million as compared to revenue recorded in prior year corresponding quarter. The segment registered profit before taxation of RM3.8 million for the current quarter under review as compared to profit before taxation of RM3.1 million in the prior year quarter ended 31 March 2019. The increase of profit before taxation was mainly due to improve in production efficiency.

Processing and Trading of Wood

The segment's revenue for the quarter has increased by RM2 million from RM8 million to RM10 million as compared to prior year corresponding quarter ended 31 March 2019. Profit before taxation has decreased from RM2 million in prior year corresponding quarter to RM900,000 for the quarter under review. The operating result was mainly due to the lower margin from the wood extraction activities for the current quarter.

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

	Current Quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.3.2020 RM'000	31.12.2019 RM'000	RM'000/%
Revenue	67,067	76,296	(9,229) -12%
Operating profit	8,156	11,199	(3,043) -27%
Profit before interest and taxation	5,290	8,006	(2,716) -34%
Profit before taxation	4,278	6,877	(2,599) -38%
Profit after taxation	3,040	6,274	(3,234) -52%
Profit attributable to Ordinary Equity Holders of the Company	3,035	6,173	(3,138) -51%

	Individual Quarter	
	31.3.2020 RM'000	31.12.2019 RM'000
Revenue		
Manufacturing	23,867	28,738
Kiln Drying, Lamination and Sawmill	33,505	40,350
Processing and Trading of Wood	9,695	7,208
Group	67,067	76,296
Profit /(loss) before taxation		
Manufacturing	(410)	723
Kiln Drying, Lamination and Sawmill	3,790	4,460
Processing and Trading of Wood	859	1,718
Others	39	(24)
Group	4,278	6,877

The Group recorded revenue of RM67 million for the financial quarter ended 31 March 2020 compared to revenue of RM76 million recorded in the immediate preceding quarter ended 31 December 2019. The Group registered lower profit before taxation of RM4 million in the current financial quarter as compared to profit before taxation of RM7 registered in the immediate preceding quarter. Both the lower revenue and profit before taxation recorded in the current financial quarter are mainly due to the Covid-19 pandemic and the implementation of Movement Control Order (MCO) since 18 March 2020.

B3. Prospects

The Group will continue to be cautious on the challenges ahead. The management will continue its effort to improve its operating results 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	1,238	2,600

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 2020 are as follows:

As at 31.3.2020	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	35,142	35,142
Bank Overdrafts	-	13,970	13,970
Hire Purchases	1,565	1,672	3,237
Term Loans	14,932	8,605	23,537
Total	16,497	59,389	75,886

As at 31.3.2019	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
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
Total	18,240	54,308	72,548

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 2020 are as follows:-

	Current Quarter	Current Year To Date
(a) Basic		
Profit attributable to owners of the Company (RM'000)	3,035	15,362
Weighted average number of ordinary shares in issue ('000)	240,136	247,604
Basic Earnings per ordinary share (Sen)	1.26	6.20
(b) Diluted		
Profit attributable to owners of the Company (RM'000)	3,035	15,362
Weighted average number of ordinary shares in issue ('000)	240,136	247,604
Effect of conversion of warrants ('000)	48,548	52,620
Adjusted weighted average number of ordinary shares in issue ('000)	288,684	300,224
Diluted Earnings per ordinary share (Sen)	1.05	5.12

B11. Notes to the Comprehensive Income Statement

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

	Individual Quarter Ended 31.3.2020 RM'000	Year to date Ended 31.3.2020 RM'000
After Charging:-		
Interest expenses	1,012	3,228
Depreciation and amortisation	1,091	3,180
Realised loss on foreign exchange	-	328
After Crediting:-		
Interest income	3	11
Rental income	445	1,363
Gain on disposal of property, plant and equipment	60	292
Realised gain on foreign exchange	122	135

B12. Significant Related Party Transactions

There were no significant related party transactions during the financial quarter under review.