

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	1,157
Lease liabilities	1,187
Adjustments to retained profits	(30)

(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 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 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>30.6.2020</u>						
Revenue						
External sales	-	91,370	174,668	34,052	-	300,090
Inter-segment sales	1,272	26	2,742	1,862	(5,902)	-
	1,272	91,396	177,410	35,914	(5,902)	300,090
Results						
Profit/(Loss) before taxation	155	(1,189)	17,659	5,743	-	22,368
Taxation	(37)	53	(4,271)	(1,443)	-	(5,698)
Profit/(Loss) after taxation	118	(1,136)	13,388	4,300	-	16,670

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 30.6.2020	As at 30.6.2019
<u>Contingent Liabilities</u>	RM'000	RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>67,907</u>	<u>69,432</u>

There is no capital commitment 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			Cumulative quarter		
	Current Year Quarter	Preceding Year Quarter	Changes (Amount/ %)	Current Year-To-Date	Preceding Year-To-Date	Changes (Amount/ %)
	30.6.2020 RM'000	30.6.2019 RM'000	RM'000/%	30.6.2020 RM'000	30.6.2019 RM'000	RM'000/%
Revenue	77,823	72,541	5,282 7%	300,090	237,123	62,967 27%
Operating Profit	8,926	9,453	(527) -6%	38,952	31,796	7,156 23%
Profit Before Interest and Taxation	5,251	6,623	(1,372) -21%	26,553	20,624	5,929 29%
Profit Before Taxation	4,294	5,589	(1,295) -23%	22,368	16,464	5,904 36%
Profit After Taxation	1,196	2,303	(1,107) -48%	16,670	11,880	4,790 40%
Profit attributable to Ordinary Equity Holders of the Company	1,583	2,181	(598) -27%	16,945	11,561	5,384 47%

Current Quarter

In the fourth quarter ended 30 June 2020, the Group recorded revenue of RM78 million compared to revenue of RM73 million recorded in the prior year corresponding quarter ended 30 June 2019. The revenue increased by 7% as the result of increased in demand for tropical wood in the kiln drying, lamination and sawmill segment. The profit before taxation for the current quarter decreased by 23% compared with the prior year corresponding quarter ended 30 June 2019. The decrease was mainly due to temporarily business and operation interruption during the quarter pursuant to the COVID-19 pandemic.

Financial year-to-date

The Group recorded revenue of RM300 million for the current financial period ended 30 June 2020 compared to the revenue of RM237 million in the prior year corresponding financial period. The revenue increased by 27% as the result of increased in demand for both the furniture in the manufacturing segment and tropical wood in the kiln drying, lamination and sawmill segment. The Group registered a profit before taxation of RM22 million as compared to profit before taxation of RM16 million recorded 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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	91,370	67,220	14,793	18,838
Kiln Drying, Lamination and Sawmill	174,668	146,558	53,445	49,422
Processing and Trading of Wood	34,052	23,345	9,585	4,281
Group	300,090	237,123	77,823	72,541
Profit/(Loss) before taxation				
Manufacturing	(1,189)	(1,460)	(2,319)	(1,078)
Kiln Drying, Lamination and Sawmill	17,659	13,418	4,832	5,787
Processing and Trading of Wood	5,743	4,441	1,715	867
Others	155	65	66	13
Group	22,368	16,464	4,294	5,589

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood recorded revenue of RM15 million for the quarter under review compared to RM19 million recorded in prior year corresponding quarter. The segment recorded higher loss before taxation of RM2 million as compared to loss before taxation of RM1 million recorded in the prior year corresponding quarter. The decrease in revenue of 21% and higher loss before taxation of 115% respectively were mainly due to the COVID-19 pandemic and implementation of Movement Control Order (MCO) during the financial quarter under review. The disruptions have resulted in lower production working days and higher absorption of production overhead.

Kiln Drying, Lamination and Sawmill

For the quarter under review, the revenue is recorded at RM53 million as compared to revenue of RM50 million recorded in prior year corresponding quarter. The segment registered profit before taxation of RM5 million for the current quarter under review as compared to profit before taxation of RM6 million recorded in the prior year corresponding quarter ended 30 June 2019. Higher revenue recorded in the current quarter was mainly due to higher demand for tropical wood. The decrease in profit before taxation of 16% was mainly due to the temporarily interruption of operation following the COVID-19 pandemic and implementation of MCO during the quarter under review.

Processing and Trading of Wood

The segment's revenue for the quarter is recorded at RM10 million as compared to RM4 million recorded in the prior year corresponding quarter ended 30 June 2019. Profit before taxation has increased from RM900,000 in prior year corresponding quarter to RM2 million for the quarter under review. The operating results were mainly due to 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/%)
	30.6.2020 RM'000	31.3.2020 RM'000	RM'000/%
Revenue	77,823	67,067	10,756 16%
Operating profit	8,926	8,156	770 9%
Profit before interest and taxation	5,251	5,290	(39) -1%
Profit before taxation	4,294	4,278	16 0%
Profit after taxation	1,196	3,040	(1,844) -61%
Profit attributable to Ordinary Equity Holders of the Company	1,583	3,035	(1,452) -48%

	Individual Quarter	
	30.6.2020 RM'000	31.3.2020 RM'000
Revenue		
Manufacturing	14,793	23,867
Kiln Drying, Lamination and Sawmill	53,445	33,505
Processing and Trading of Wood	9,585	9,695
Group	77,823	67,067
Profit /(Loss) before taxation		
Manufacturing	(2,319)	(410)
Kiln Drying, Lamination and Sawmill	4,832	3,790
Processing and Trading of Wood	1,715	859
Others	66	39
Group	4,294	4,278

The Group recorded revenue of RM78 million for the financial quarter ended 30 June 2020 compared to revenue of RM67 million recorded in the immediate preceding quarter ended 31 March 2020. Higher revenue recorded in the current quarter under review was mainly due to increase in demand for tropical wood in the kiln drying, lamination and sawmill segment. The profit before taxation for the current quarter remains the same as compared to the immediate preceding quarter ended 31 March 2020 at RM4 million.

B3. Prospects

The Movement Control Order (MCO) implemented by the government has resulted in significant challenges and uncertainty to the global economy. The Group will continue with concerted efforts to develop new design, implement cost efficiencies and effective cost management across all segments. The Board believes that the Group's prospects for the coming financial year ending 30 June 2021 would be challenging but profitable.

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	3,098	5,698

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 2020 are as follows:

As at 30.6.2020	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	37,558	37,558
Bank Overdrafts	-	6,952	6,952
Hire Purchases *	-	-	-
Term Loans	14,800	8,597	23,397
Total	14,800	53,107	67,907

As at 30.6.2019	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	31,525	31,525
Bank Overdrafts	-	6,423	6,423
Hire Purchases	1,143	2,302	3,445
Term Loans	17,248	14,236	31,484
Total	18,391	54,486	72,877

*Reclassified as Lease Liabilities pursuant to the adoption of MFRS 16 *Leases*.

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 2020 are as follows:-

	Current Quarter	Current Year To Date
(a) Basic		
Profit attributable to owners of the Company (RM'000)	1,583	16,945
Weighted average number of ordinary shares in issue ('000)	254,907	249,430
Basic Earnings per ordinary share (Sen)	0.62	6.79
(b) Diluted		
Profit attributable to owners of the Company (RM'000)	1,583	16,945
Weighted average number of ordinary shares in issue ('000)	254,907	249,430
Effect of conversion of warrants ('000)	62,198	55,911
Adjusted weighted average number of ordinary shares in issue ('000)	317,105	305,341
Diluted Earnings per ordinary share (Sen)	0.50	5.55

B11. Notes to the Comprehensive Income Statement

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

	Individual Quarter Ended 30.6.2020 RM'000	Year to date Ended 30.6.2020 RM'000
After Charging:-		
Interest expenses	957	4,185
Depreciation and amortisation	1,069	4,249
Realised loss on foreign exchange	27	27
Impairment loss on receivables	1,507	1,507
After Crediting:-		
Interest income	-	11
Rental income	288	1,651
Gain on disposal of property, plant and equipment	31	323
Realised gain on foreign exchange	1	16

B12. Significant Related Party Transactions

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

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