

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 2020. 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 2020.

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 financial year ended 30 June 2020 except for the adoption of the following standards effective for the financial periods beginning on or after 1 January 2020:

<u>Title</u>	<u>Effective Date</u>
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16 <i>COVID-19 Related Rent Concessions</i>	1 June 2020

The adoption of the above standards does not have any material impact on the financial statements of the Group.

Changes in 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 financial year ended 30 June 2020 except as follows:

The Group re-assessed its accounting policy for property, plant and equipment (“PPE”), right-of-use asset (“ROU asset”) and investment property (“IP”) with respect to measurement of certain classes of PPE, ROU asset and IP after initial recognition. The Group has previously measured all the PPE, ROU asset and IP using the cost model whereby, after the initial recognition of the PPE, ROU asset and IP were carried at cost less accumulated depreciation and accumulated impairment losses.

During the financial period ended 30 September 2020, the Group elected to change the method of accounting for land and building classified under the PPE, ROU asset and IP, as the Group believes that the fair value model more effectively demonstrates the carrying value of the land and building. Therefore, the Group has appointed an independent professional valuer to value the land and building and arrive the fair valuation of the said land and buildings.

(a) Revaluation of land and building classified under PPE and ROU asset

The Group adopts the policy to revalue the land and building at least once in every 5 years or at such shorter period as may be considered to be appropriate based on the advice of external professional valuers and appraisers’ valuation.

A revaluation surplus is recognised in other comprehensive income and accumulated in equity under revaluation surplus, except to the extent it reverses a valuation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in statement of profit or loss.

A2. Accounting Policies (Continued)

A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation surplus. In which case the decrease is recognised in other comprehensive income and it reduces the amount accumulated in equity under revaluation surplus. On disposal of revalued asset, amount in revaluation surplus relating to that asset is transferred to retained profits.

The impacts due to recognition of land and building classified under PPE and ROU asset at fair value model is as detailed below:

Group of assets	Net book value as at 30.9.2020 (RM'000)	Open market value as at 30.9.2020 (RM'000)	Revaluation surplus as at 30.9.2020 (RM'000)
PPE	40,149	90,010	49,861
ROU asset	8,200	21,740	13,540
Total	48,349	111,750	63,401
Deferred Taxation			(13,700)
Revaluation surplus, net of deferred taxation			49,701

(b) Revaluation of land and building classified under investment property (“IP”)

IP is initially measured at cost, including related transaction costs. Subsequent to initial recognition, IP is stated at fair value, which reflect market conditions at the reporting date. Gain or losses arising from changes in fair values of IP are included in profit or loss in the period in which they arise, including corresponding tax effect. Fair values are determined based on an annual valuation performed by an external professional valuer.

The impacts due to recognition of land and building classified under IP at fair value model is as detailed below:

Group of assets	Net book value as at 30.9.2020 (RM'000)	Open market value as at 30.9.2020 (RM'000)	Revaluation surplus as at 30.9.2020 (RM'000)
IP	3,373	7,400	4,027
Deferred Taxation			(967)
Fair value gain on investment property, net of deferred taxation			3,060

The Group has applied the valuation model retrospectively and the financial impact of change in accounting policy in Condensed Consolidated Statement of Financial Position as at 1 July 2020 are as below:

Opening Balance as at 1.7.2020	As previously reported (RM'000)	MFRS 140 adjustment (RM'000)	Restated (RM'000)
Investment property	2,269	1,121	3,390
Deferred tax liabilities	1,120	269	1,389
Retained profits	44,114	852	44,966

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	Manufacturing and Trading of Furniture	Processing and Trading of Wood	Others	Inter-Company Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30.9.2020</u>					
Revenue					
External sales	25,368	55,299	-	-	80,667
Inter-segment sales	140	2,591	450	(3,181)	-
	25,508	57,890	450	(3,181)	80,667
Results					
Profit before taxation	661	7,550	53	-	8,264
Taxation	(24)	(1,007)	(14)	-	(1,045)
Profit after taxation	637	6,543	39	-	7,219

A10. Valuation of Property, Plant and Equipment, Right-of use Assets and Investment Property

The Group has carried out a valuation exercise on its land and building classified under Property, Plant and Equipment (“PPE”), Right-of-use (“ROU”) Assets and Investment Property (“IP”) respectively during the financial quarter ended 30 September 2020. The revaluation is performed by an independent professional valuer, Messrs HASB Consultants Sdn. Bhd., using the market value as the basis of valuation. In arriving at the market value, the main approach is Comparison Method (for land valuation) in addition with Cost Method (for building valuation). The revaluation was carried out to ascertain the current market value of the land and building classified under PPE, ROU assets and IP for accounting purposes.

The impact of the revaluation is disclosed in Note A2 of this financial statements.

A11. Material Subsequent Events

There were no material events subsequent to the end of the current financial period that have not been reflected in this interim financial statements, except for the following:

On 9 October 2020, Valued Products (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement (“SPA”) with a third party for the disposal of a piece of land together with buildings and some machineries located at Lot No. 9247, Mukim of Jorak, District of Muar, State of Johor Darul Takzim for a total consideration of RM7,500,000.

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 2020, 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>	Company	
	As at 30.9.2020 RM'000	As at 30.9.2019 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>63,153</u>	<u>68,294</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/%)
	30.9.2020 RM'000	30.9.2019 RM'000	RM'000/%	30.9.2020 RM'000	30.9.2019 RM'000	RM'000/%
Revenue	80,667	78,904	1,763 2%	80,667	78,904	1,763 2%
Operating Profit	9,862	10,671	(809) -8%	9,862	10,671	(809) -8%
Profit Before Interest and Taxation	9,188	8,006	1,182 15%	9,188	8,006	1,182 15%
Profit Before Taxation	8,264	6,919	1,345 19%	8,264	6,919	1,345 19%
Profit After Taxation	7,219	6,160	1,059 17%	7,219	6,160	1,059 17%
Profit attributable to Owners of the Company	7,149	6,154	995 16%	7,149	6,154	995 16%

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

In the first quarter ended 30 September 2020, the Group recorded revenue of RM81 million compared to revenue of RM79 million recorded in the prior year corresponding quarter ended 30 September 2019. The revenue increased by RM2 million as the result of increased in demand for furniture in the manufacturing and trading of furniture segment.

The profit before taxation increased by RM1 million from RM7 million recorded in 30 September 2019 to RM8 million for financial quarter ended 30 September 2020. The operating result were mainly due to net fair value gain on investment property of RM3 million and profit before taxation of RM5 million from core business activities recorded in the current quarter under review. Lower profit before taxation for the current quarter under review was mainly due to lower margin across all segments in the Group.

Segmental Breakdown of Revenue and Profit or Loss

	Year-to-Date		Individual Quarter	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM '000	RM '000	RM '000	RM '000
Revenue				
Manufacturing and Trading of Furniture	25,368	17,722	25,368	17,722
Processing and Trading of Wood	55,299	61,182	55,299	61,182
Group	80,667	78,904	80,667	78,904
Profit before taxation				
Manufacturing and Trading of Furniture	661	789	661	789
Processing and Trading of Wood	7,550	6,056	7,550	6,056
Others	53	74	53	74
Group	8,264	6,919	8,264	6,919

Manufacturing and Trading of Furniture

The segment recorded revenue of RM25 million for the quarter under review compared to RM18 million recorded in prior year corresponding quarter. Higher revenue recorded in the current quarter was mainly due to higher demand for furniture. The profit before taxation for the current quarter has decreased by 16% from RM800,000 recorded in the prior year corresponding quarter to RM700,000 in the quarter under review. The decrease was mainly due to lower margin from this segment.

Manufacturing and Trading of Wood

For the quarter under review, the revenue for the segment is recorded at RM55 million as compared to revenue of RM61 million recorded in the prior year corresponding quarter. Lower revenue recorded in the current quarter was mainly due to lower demand for tropical wood. The profit before taxation for the current quarter under review of RM8 million mainly consist of net fair value gain on investment property of RM3 million and profit from core business activities of RM5 million respectively. Lower profit from core business activities of RM5 million recorded in current quarter under review as compared to profit before taxation of RM6 million recorded in the prior year corresponding quarter was mainly due to lower revenue.

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

	Current Quarter	Immediate Preceding Quarter	Change (Amount/%)
	30.9.2020	30.6.2020 <i>Restated</i>	
	RM'000	RM'000	RM'000/%
Revenue	80,667	77,823	2,844 4%
Operating profit	9,862	8,926	936 10%
Profit before interest and taxation	9,188	6,103	3,085 51%
Profit before taxation	8,264	5,146	3,118 61%
Profit after taxation	7,219	2,048	5,171 252%
Profit attributable to owners of the Company	7,149	2,435	4,714 194%

	Individual Quarter	
	30.9.2020	30.6.2020 <i>Restated</i>
	RM'000	RM'000
Revenue		
Manufacturing and Trading of Furniture	25,368	14,793
Processing and Trading of Wood	55,299	63,030
Group	80,667	77,823
Profit/(Loss) before taxation		
Manufacturing and Trading of Furniture	661	(2,319)
Processing and Trading of Wood	7,550	7,399
Others	53	66
Group	8,264	5,146

The Group recorded revenue of RM81 million for the financial quarter ended 30 September 2020 compared to revenue of RM78 million recorded in the immediate preceding quarter ended 30 June 2020. Higher revenue recorded in the current quarter under review was mainly due to increase in demand for furniture in the manufacturing and trading of furniture segment.

The profit before taxation for the current quarter has increased by RM3 million from RM5 million recorded in the immediate preceding quarter ended 30 June 2020 to RM8 million in the current quarter under review. The operating result were mainly due to the turnaround from loss before taxation of RM2 million recorded in the immediate preceding quarter ended 30 June 2020 to profit before taxation of RM600,000 in the current quarter under review in the manufacturing and trading of furniture segment and net fair value gain on investment property amounting to RM3 million in the processing and trading of wood segment.

B3. Prospects

The business environment remains challenging due to the Movement Control Order ("MCO") implemented by the government. The Group will continue to be cautious on the challenges ahead and its effort in mitigating the impact on its operating results for the financial year ending 30 June 2021.

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	1,045	1,045

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 September 2020 are as follows:

As at 30.9.2020	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	39,913	39,913
Bank Overdrafts	-	-	-
Term Loans	14,430	8,810	23,240
Total	14,430	48,723	63,153
As at 30.9.2019			
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	32,222	32,222
Bank Overdrafts	-	5,302	5,302
Term Loans	16,034	14,736	30,770
Total	16,034	52,260	68,294

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 September 2020 are as follows:-

	Individual quarter		Cumulative quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year-To-Date	Preceding Year-To-Date
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit attributable to owners of the Company (RM'000)	7,149	6,154	7,149	6,154
Weighted average number of ordinary shares in issue ('000)	257,499	240,000	257,499	240,000
Effect of conversion of warrants ('000)	80,096	45,000	80,096	45,000
Adjusted weighted average number of ordinary share in issue ('000)	337,595	285,000	337,595	285,000
Basic earnings per ordinary share (Sen)	2.78	2.56	2.78	2.56
Diluted earnings per ordinary share (Sen)	2.12	2.16	2.12	2.16

B11. Notes to the Statement of Profit or Loss

The following items have been included in the Statement of Profit or Loss:-

	Individual Quarter Ended	Year to date Ended
	30.9.2020	30.9.2020
	RM'000	RM'000
After Charging:-		
Interest expenses	924	924
Depreciation	1,082	1,082
Realised loss on foreign exchange	495	495
Property, plant and equipment written off	266	266
After Crediting:-		
Rental income	421	421
Gain on disposal of property, plant and equipment	32	32
Net fair value gain on investment property	3,060	3,060

B12. Significant Related Party Transactions

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

(The rest of the page is intentionally left blank)