

**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 IP, 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)
IP	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>31.12.2020</u>					
<b>Revenue</b>					
External sales	45,705	119,839	-	-	165,544
Inter-segment sales	207	4,595	900	(5,702)	-
	45,912	124,434	900	(5,702)	165,544
<b>Results</b>					
Profit before taxation	1,304	13,936	148	-	15,388
Taxation	(43)	(2,013)	(28)	-	(2,084)
Profit after taxation	1,261	11,923	120	-	13,304

**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.

**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 31.12.2020 RM'000	As at 31.12.2019 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>61,746</u>	<u>67,675</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/ %)
	31.12.2020 RM'000	31.12.2019 RM'000	RM'000/%	31.12.2020 RM'000	31.12.2019 RM'000	RM'000/%
Revenue	84,877	76,296	8,581 11%	165,544	155,200	10,344 7%
Operating Profit	10,597	11,199	(602) -5%	20,459	21,870	(1,411) -6%
Profit Before Interest and Taxation	7,975	8,006	(31) 0%	17,163	16,012	1,151 7%
Profit Before Taxation	7,124	6,877	247 4%	15,388	13,796	1,592 12%
Profit After Taxation	6,085	6,274	(189) -3%	13,304	12,434	870 7%
Profit attributable to Owners of the Company	5,974	6,173	(199) -3%	13,123	12,327	796 6%

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

Current quarter

In the second quarter ended 31 December 2020, the Group recorded revenue of RM85 million compared to revenue of RM76 million recorded in the prior year corresponding quarter ended 31 December 2019. The revenue increased by RM9 million as the result of increased in demand for tropical wood in the processing and trading of wood segment.

Profit before taxation increased by 4% to RM7 million in the current quarter under review as compared to profit before taxation recorded in the prior year corresponding quarter ended 31 December 2019 due to higher revenue.

Financial year-to-date

The Group recorded revenue of RM166 million for the current financial period ended 31 December 2020 compared to the revenue of RM155 million in the prior year corresponding financial period. The revenue increased by 7% as the result of increased in demand for products across all segments.

The Group registered a profit before taxation of RM15 million as compared to profit before taxation of RM14 million recorded in the prior year corresponding financial period. The operating result for current financial period was mainly due to net fair value gain on investment property of RM3 million and profit from core business activities of RM12 million. The decrease of profit before taxation from core business activities of RM2 million for the current financial period under review as compared to prior year corresponding financial period was mainly due to lower margin.

Segmental Breakdown of Revenue and Profit or Loss

	Year-to-Date		Individual Quarter	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Manufacturing and Trading of Furniture	45,705	40,263	20,337	22,541
Processing and Trading of Wood	119,839	114,937	64,540	53,755
<b>Group</b>	<b>165,544</b>	<b>155,200</b>	<b>84,877</b>	<b>76,296</b>
<b>Profit/(Loss) before taxation</b>				
Manufacturing and Trading of Furniture	1,304	1,289	644	500
Processing and Trading of Wood	13,936	12,457	6,384	6,401
Others	148	50	96	(24)
<b>Group</b>	<b>15,388</b>	<b>13,796</b>	<b>7,124</b>	<b>6,877</b>

Manufacturing and Trading of Furniture

The segment recorded revenue of RM20 million for the quarter under review compared to RM23 million recorded in prior year corresponding quarter. Lower revenue recorded in the current quarter was mainly due to the critical shortage of containers for shipment of goods to customers. Low container availability has resulted delay on scheduled orders and therefore lower revenue. The profit before taxation for the current quarter has increased by 28% from RM500,000 recorded in the prior year corresponding quarter to RM644,000 in the current quarter under review. The increase was mainly due to higher products margin from this segment.

Processing and Trading of Wood

For the quarter under review, the revenue for the segment is recorded at RM65 million as compared to revenue of RM54 million recorded in the prior year corresponding quarter. Higher revenue recorded in the current quarter was mainly due to higher demand for tropical wood. The profit before taxation for the current quarter under review is recorded the same at RM6 million as compared to profit before taxation recorded in prior year corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter	Change (Amount/%)
	31.12.2020	30.9.2020	
	RM'000	RM'000	RM'000/%
Revenue	84,877	80,667	4,210 5%
Operating profit	10,597	9,862	735 7%
Profit before interest and taxation	7,975	9,188	(1,213) -13%
Profit before taxation	7,124	8,264	(1,140) -14%
Profit after taxation	6,085	7,219	(1,134) -16%
Profit attributable to owners of the Company	5,974	7,149	(1,175) -16%

	Individual Quarter	
	31.12.2020	30.9.2020
	RM'000	RM'000
<b>Revenue</b>		
Manufacturing and Trading of Furniture	20,337	25,368
Processing and Trading of Wood	64,540	55,299
<b>Group</b>	<b>84,877</b>	<b>80,667</b>
<b>Profit before taxation</b>		
Manufacturing and Trading of Furniture	644	661
Processing and Trading of Wood	6,384	7,550
Others	96	53
<b>Group</b>	<b>7,124</b>	<b>8,264</b>

The Group recorded revenue of RM85 million for the financial quarter ended 31 December 2020 compared to revenue of RM81 million recorded in the immediate preceding quarter ended 30 September 2020. Higher revenue recorded in the current quarter under review was mainly due to higher demand for tropical wood in the processing and trading of wood segment.

The profit before taxation from core business activities of RM7 million recorded in the current quarter was 40% higher than the profit before taxation of RM5 million recorded in the immediate preceding quarter ended 30 September 2020. The profit before taxation of RM8 million recorded for the financial period ended 30 September 2020 consisted of net fair value gain on investment property of RM3 million and profit from core business activities of RM5 million. Higher profit before taxation recorded in the current quarter under review was mainly due to higher margin.

**B3. Prospects**

Current economic situation continues to present challenging business conditions for the Group. Operational costs in terms of rising cost of wages, utilities, other operational expenses and also fluctuations in foreign currency exchange rates remain as main challenges for the Group.

The COVID-19 pandemic has resulted in significant levels of uncertainty across the Malaysian as well as the global economy. The Group will continue to monitor the development of COVID-19 pandemic and mitigate potential impact on the financial position and operating results of the Group. Efforts will continuously be made in improving the performance of the respective segments.

The Board believes that the performance of the Group for the financial year ending 30 June 2021 will remain positive.

**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	1,039	2,084

**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 December 2020 are as follows:

As at 31.12.2020	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Banker Acceptances	-	34,116	34,116
Bank Overdrafts	-	9,602	9,602
Term Loans	14,369	3,659	18,028
<b>Total</b>	<b>14,369</b>	<b>47,377</b>	<b>61,746</b>
<b>As at 31.12.2019</b>			
RM'000	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Banker Acceptances	-	30,623	30,623
Bank Overdrafts	-	8,773	8,773
Term Loans	15,519	12,760	28,279
<b>Total</b>	<b>15,519</b>	<b>52,156</b>	<b>67,675</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 December 2020 are as follows:-

	Individual quarter		Cumulative quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year-To-Date	Preceding Year-To-Date
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit attributable to owners of the Company (RM'000)	5,974	6,173	13,123	12,327
Weighted average number of ordinary shares in issue ('000)	259,606	248,228	258,557	244,092
Effect of conversion of warrants ('000)	78,996	60,676	79,549	54,662
Adjusted weighted average number of ordinary share in issue ('000)	338,602	308,904	338,106	298,754
Basic earnings per ordinary share (Sen)	2.30	2.49	5.08	5.05
Diluted earnings per ordinary share (Sen)	1.76	2.00	3.88	4.13

**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
	31.12.2020	31.12.2020
	RM'000	RM'000
<b>After Charging:-</b>		
Interest expenses	851	1,775
Depreciation	1,186	2,268
Realised loss on foreign exchange	211	706
Property, plant and equipment written off	-	266
<b>After Crediting:-</b>		
Interest income	1	1
Rental income	1,215	1,636
Gain on disposal of property, plant and equipment	15	47
Net fair value gain on investment property	-	3,060

**B12. Significant Related Party Transactions**

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

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