

POLY GLASS FIBRE (M) BHD (Company No. 42138-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2015

1. Basis of Preparation

The Group falls within the scope definition of Transitioning Entities. Transitioning Entities are allowed to defer the adoption of Malaysian Financial Reporting Standard (“MFRS”) Framework.

For the financial year ending 28 February 2016, the Group will continue to prepare its financial statements using Financial Reporting Standards (“FRS”).

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 28 February 2015. These explanatory notes 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 28 February 2015.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 28 February 2015 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

- Amendments to FRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operation Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits-Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

The initial application of the above standards, amendments or interpretations are not expected to have any material impact on this interim financial report of the Group.

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2. Audit Report For Preceding Financial Year

Not applicable. No qualification on the audit report of the preceding annual financial statements of Poly Glass Fibre (M) Bhd.

3. Seasonal or Cyclical Factors

The fibre glasswool insulation business normally expect a fall in revenue of about 30% during the festive holiday season.

4. Unusual Items

There were no unusual items for the current quarter and financial period to-date.

5. Exceptional Items

There were no exceptional items for the current quarter and financial period-to-date.

6. Changes in Estimates

There were no changes in estimates in the prior interim periods and the prior years that have a material effect in the current quarter and financial period to-date.

7. Equity Structure

There were no issuance and repayment of debt and equity shares, shares buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial period to-date.

8. Dividends Paid

There was no dividend paid for the current quarter and financial period to-date.

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9. Segmental Reporting

Financial data by business segment for the Group

	Current Year To-date 31 MAY 2015			
	Fibre glasswool and related products RM'000	Property development RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue from external customers	10,850	-	-	10,850
Segment results	1,903	(125)	83	1,861
Interest expense				(417)
Net profit before taxation				1,444
Taxation				(55)
Net profit after taxation				1,389

10. Valuation of Property, Plant and Equipment

Not applicable. No valuation policy was adopted for property, plant and equipment. The Group availed the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standard No 16 (Revised) to have the 1992 revalued assets of land and buildings continue to be stated at their existing carrying amounts less accumulated depreciation.

11. Material events subsequent to the end of the period reported on not reflected in the financial statements for the said period

There were no material events subsequent to the end of the period reported on which have not been reflected in the financial statements as at 22 June 2015.

12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date.

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13. Contingent Liabilities

There were no changes in the contingent liabilities (other than material litigations disclosed in Note 10 of the Additional Information Required by the Bursa Malaysia's Listing Requirements) since the last annual balance sheet date.

14. Related Party Transactions

Transactions with the substantial shareholder, Equaplus Sdn Bhd: -

	RM'000
Interest payable and paid	<u>239</u>

15. Capital Commitments

Contractual but not provided for in the financial statements.

	RM'000
Capital commitment	
- Plant & Equipment	
Contracted but not provided for	5,556
Approved but not contracted for	<u>7,380</u>

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16. Profit for the Period

This is arrived at after crediting / (charging):

	Current Year Quarter 31 May 2015 RM'000	Current Year To Date 31 May 2015 RM'000
Interest income	43	43
Interest expense	(417)	(417)
Depreciation and amortisation	(1,044)	(1,044)
Provision for and written off receivables	-	-
Provision for and written off inventories	-	-
Foreign exchange loss (realised and unrealised)	(15)	(15)

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**ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
BERHAD'S ("BURSA MALAYSIA") LISTING REQUIREMENTS FOR THE PERIOD
ENDED 31 MAY 2015**

1. Review of Performance of the Company and its Principal Subsidiaries for the current quarter and financial period to-date

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 May 15 RM'000	Preceding Year Quarter 31 May 14 RM'000	Current Year To Date 31 May 15 RM'000	Preceding Year To Date 31 May 14 RM'000
<u>Revenue</u>				
Fibre glasswool and related products	10,850	12,148	10,850	12,148
Property development	-	-	-	-
Investment Holding	-	-	-	-
	10,850	12,148	10,850	12,148
<u>Profit/(Loss) before tax</u>				
Fibre glasswool and related products	1,574	2,288	1,574	2,288
Property development	(125)	(123)	(125)	(123)
Investment Holding	(5)	(32)	(5)	(32)
	1,444	2,133	1,444	2,133

Group

The Group revenue for the current quarter decreased by 10.69% to RM10.85 million as compared to the preceding year quarter ended 31 May 2014. The current quarter registered profit before tax of RM1.44 million as compared to the preceding year quarter's profit before tax of RM2.13 million. This was mainly due to lower sales revenue and higher unit cost of production by its glasswool manufacturing division.

Fibre glasswool and related products segment

For the current financial year to-date 31 May 2015, the revenue achieved of RM10.85 million as compared to preceding year to-date of RM12.48 million. The profit before tax registered of RM1.57 million for the current financial year to-date as compared to the preceding year to-date's profit before tax of RM2.29 million. This was mainly due to lower sales revenue and higher unit cost of production.

Property development segment

The development has been suspended and delayed for a prolonged period of time. The loss before taxation was mainly due to legal fees and land & building contributions.

Investment holding segment

The loss before taxation is mainly the expenses to maintain the investment property.

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2. Material Change in the Profit Before Taxation ("PBT") for the quarter reported on as compared to the results of the immediate preceding quarter

The Group recorded a profit before tax of RM1.44 million for the current quarter ended 31 May 2015 as compared to the immediate preceding quarter profit before tax of RM1.73 million. This was mainly due to reversal of provision for liquidated damages by its property development in preceding quarter.

3. Prospects for the Current Financial Year

Fibre glasswool business is expected to be the major revenue contributor of the Group in the immediate and near future. PGF Insulation Sdn. Bhd. will celebrate its 30th Anniversary in fibre glasswool manufacturing in 2015. Sales and marketing activities are planned for domestic and international markets to promote the Ecowool brand. Plant upgrades and additional warehousing space are also in the pipeline in order to optimize manufacturing capacity and control cost.

The recent drop in Ringgit Malaysia eases the market competition in domestic and export markets. Current exchange rate and a consistent low diesel price also bodes well for the Company. The recent announcement by Gas Malaysia Bhd. to increase tariff of industrial use natural gas will have a negative impact to the Group's bottom line. The management will continuously monitor the efficiency rate of gas furnace in order to minimize cost of production.

4. Variance of Actual Profit from Forecast Profit/Profit Guarantee

Not Applicable.

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BERHAD'S ("BURSA MALAYSIA") LISTING REQUIREMENTS FOR THE PERIOD
ENDED 31 MAY 2015 (Cont'd)**

5. Income Tax

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 May 15 RM'000	Preceding Year Quarter 31 May 14 RM'000	Current Year To Date 31 May 15 RM'000	Preceding Year To Date 31 May 14 RM'000
Malaysian Taxation	# 55	# 7	# 55	# 7
Deferred Taxation	-	-	-	-
	<u>55</u>	<u>7</u>	<u>55</u>	<u>7</u>

The effective tax rate of the Group is lower than the statutory tax rate as the tax charge relates to tax on profits of certain subsidiaries is set-off against the unutilised capital and investment tax allowance.

6. Profits/(Losses) on sale of unquoted investments and/or properties

There were no profits/(losses) on sale of unquoted investments and/or properties for the current quarter and financial period to-date.

7. Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial period to-date.

8. Status of Corporate Proposals

Not Applicable

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9. Group Borrowings

	As at 31 May 2015 RM'000	As at 28 Feb 2015 RM'000
Long term borrowings, secured		
<i>Analysis of repayment</i>		
Between 1 – 2 years	2,474	2,333
Between 2 – 5 years	7,638	8,166
	10,112	10,499
Advance from a shareholder, unsecured	13,817	13,817
Short term borrowings		
<i>Secured</i>		
Bank overdraft	-	-
Other borrowings	2,316	2,226
	2,316	2,226
<i>Unsecured</i>		
Bank overdrafts	60	122
Other borrowings	853	1,752
	913	1,874
	3,229	4,100

10. Material Litigation

Golden Approach Sdn. Bhd. ("GASB")

On 20 July 2005, Golden Approach Sdn Bhd ("GASB"), a wholly owned subsidiary of the Company, has been served a Writ of Summons and a Statement of Claim issued from the Kuala Lumpur High Court ("KLHC") by a contractor of GASB for claims of RM3,212,688.78 (being outstanding sum on Interim Certificates issued by the Engineer and a further amount derived from the Plaintiff's final claim amounting to RM1,316,783.76 and RM1,895,905.02 respectively). GASB disputed the claims.

On the application of GASB the KLHC has struck out the claim by Tasja 2006 and the decision was affirmed by the Court of Appeal ("COA") on 13 August 2009. The Federal Court however has on the 22 November 2010 allowed the Plaintiff's appeal with costs and remitted the matter to the KLHC for full trial.

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BERHAD'S ("BURSA MALAYSIA") LISTING REQUIREMENTS FOR THE PERIOD
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10. Material Litigation (Cont'd)

Golden Approach Sdn. Bhd. ("GASB")

The KLHC has heard the evidence of both Plaintiff and Defendant and on 13 June 2012 the KLHC has allowed the Plaintiff's claim for the sum of RM3,212,688.78 with interest and cost of RM20,000.00 awarded to the Plaintiff. An appeal against the KLHC decision has been lodged with the Court of Appeal. On the hearing of the appeal on 22 May 2013 the COA has directed that the case be refixed for hearing before another panel of judges as a member of the COA has heard the appeal in the KLHC. When the matter came up for case management on 23 July 2013, the COA proceeded to fix the hearing of the appeal which is fixed for 17 October 2013.

On the 17 October 2013, the COA after hearing submissions from both counsels unanimously allowed GASB's appeal and set aside the KLHC's order given on 12 June 2012 with cost of RM10,000.00 awarded to GASB. The Court has also ordered the sum of RM6,309,564.76 paid into KLHC be released to GASB.

The Plaintiff has filed a Notice of Motion on 14 November 2013 for leave to appeal to the Federal Court. Hearing has been postponed several times. The Federal Court has requested for the ground of judgment from COA before fixing a hearing date of the Motion. On 29 June 2015, the Federal Court has fixed 8 September 2015 for a further case management pending release of the ground of judgement.

11. Dividend

The Board of Directors does not recommend any dividend for the period ended 31 May 2015.

12. Earnings Per Share

Basic Earnings Per Share - The basic earnings per ordinary share has been calculated by dividing the Group's net profit for the current year to date of RM1,388,626 (2014: net profit RM2,125,495) by the weighted average number of ordinary shares of the Company in issue during the current financial year to date of 159,974,948 shares (2013: 159,974,948).

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13. Disclosure of Realised And Unrealised Losses

	As at 31 May 2015 RM'000	As at 28 Feb 2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- realised	(138,645)	(139,986)
- unrealised	<u>(12,195)</u>	<u>(12,170)</u>
	(150,840)	(152,156)
Less: Consolidation adjustments	<u>69,231</u>	<u>69,158</u>
Total accumulated losses as per consolidated accounts	<u>(81,609)</u>	<u>(82,998)</u>

The determination of realised and unrealised losses is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

By Order of the Board

Ch'ng Lay Hoon
Company Secretary

Dated this 1st day of July 2015