

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and Chapter 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 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2009.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following:-

Effective for financial periods beginning on or after 1 July 2009:

FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010:

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosures

FRS 101 (Revised): Presentation of Financial Statements

FRS 123 (Revised): Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded

Amendments to FRSS 'Improvements to FRSS (2009)'

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above FRSSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

A4 Seasonal or cyclical factors

The principal business operations of the Group were not significantly affected by seasonal or cyclical factors.

A5 Items of unusual nature and amount

There were no items affecting the assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size or incidence.

A6 Changes in estimates of amounts reported in prior interim years of the current and prior financial years

There were no significant changes in estimates of amounts reported in prior interim periods of the current or previous financial years that have a material effect in the current interim period.

A7 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares as at the date of issue of the quarterly report.

A8 Dividends paid

There was no dividend paid during the current quarter ended 30 June 2010.

A9 Segment information

The Group's segmental report for the current and corresponding financial period is as follows:

SYARIKAT KAYU WANGI BERHAD (64915-T)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
2ND QUARTER ENDED 30 JUNE 2010

Year-To-Date Ended 30 June 2010	Property Development RM'000	Construction RM'000	Timber RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External Sales	2,328	3,946	9,091	-	15,365
Inter-segment sales	-	345	-	(345)	-
Total Revenue	<u>2,328</u>	<u>4,291</u>	<u>9,091</u>	<u>(345)</u>	<u>15,365</u>
Result					
Segment results	2,437	1,718	1,443	(1,538)	4,060
Finance costs	(929)	(369)	(261)	1,203	(356)
	<u>1,508</u>	<u>1,349</u>	<u>1,182</u>	<u>(335)</u>	<u>3,704</u>
Taxation					-
Loss after taxation					<u>3,704</u>
Minority interests					-
Net loss for the period					<u><u>3,704</u></u>
Assets					
Segment assets	45,486	48,479	67,645	(67,013)	94,597
Unallocated corporate assets					<u>40</u>
Consolidated total assets					<u><u>94,637</u></u>
Liabilities					
Segment liabilities	57,372	21,712	5,330	(59,359)	25,055
Unallocated corporate liabilities					<u>52,571</u>
Consolidated total liabilities					<u><u>77,626</u></u>
Other Information					
Capital expenditure	-	-	6	-	6
Depreciation	1	1	306	-	308

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UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
2ND QUARTER ENDED 30 JUNE 2010

Year-To-Date Ended 30 June 2009	Property Development RM'000	Construction RM'000	Timber RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External Sales	663	-	6,450	-	7,113
Inter-segment sales	-	479	33	(512)	-
Total Revenue	<u>663</u>	<u>479</u>	<u>6,483</u>	<u>(512)</u>	<u>7,113</u>
Result					
Segment results	(421)	1,071	228	(1,609)	(731)
Finance costs	(1,764)	(1,529)	(294)	1,405	(2,182)
	<u>(2,185)</u>	<u>(458)</u>	<u>(66)</u>	<u>(204)</u>	<u>(2,913)</u>
Taxation					-
Loss after taxation					(2,913)
Minority interests					-
Net loss for the period					<u>(2,913)</u>
Assets					
Segment assets	45,623	56,196	60,439	(75,230)	87,028
Unallocated corporate assets					40
Consolidated total assets					<u>87,068</u>
Liabilities					
Segment liabilities	6,740	18,931	2,786	(4,251)	24,206
Unallocated corporate liabilities					51,942
Consolidated total liabilities					<u>76,148</u>
Other Information					
Capital expenditure	-	-	7	-	7
Depreciation	-	1	334	-	335

A10 Valuation of property, plant and equipment

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements except for the assets of land and buildings in the timber division were revalued on 30 June 2010 by an independent professional valuer. The resultant revaluation surplus has been incorporated in the unaudited quarterly report for the period ended 30 June 2010.

A11 Subsequent events

There were no material events not reflected in the financial statements subsequent to the quarter ended 30 June 2010 up to 20 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

A12 The effect of changes in the composition of the Group during the interim year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

There were no changes in the composition of the Group during the current quarter and financial period.

A13 Contingent liabilities and contingent assets

As at the date of issue of this quarterly report, there were no contingent liabilities and contingent assets that had arisen since the last annual statement of financial position date other than Corporate Guarantee issued by the Company to financial institutions for credit facilities utilised by subsidiaries amounting to RM6.359 million as at 20 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

By an agreement with the minority shareholder of a subsidiary company, Wangi KMB Bhd, the Company has given a guarantee that arising from the development project undertaken by that subsidiary company, pre-tax profit accruing to the minority shareholder of at least RM10 million will be generated, of which none has crystallised as at 20 August 2010. An amount of RM1 million has been advanced as at statement of financial position date and included under Other Receivable in the Statement of financial position.

B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS (PART A OF APPENDIX 9B)

B1 Review of performance

For the current 2nd quarter ended 30 June 2010, the Group recorded a revenue of RM7.827 million as compared to last year same quarter of RM3.462 million. The current year-to-date revenue of RM15.365 million was achieved as compared to RM7.113 million for the corresponding period of last year. The increase in revenue was mainly due to increase in sawn timber sales and construction activities.

The Group's turnover was mainly generated from its timber division involved in timber saw milling, kiln drying and roof truss fabrication. The timber division contributed 59% of the total revenue whilst the construction division and property division contributed 26% and 15% respectively.

For the current 2nd quarter ended 30 June 2010, the Group recorded a profit before tax of RM3.256 million as compared to last year same quarter loss of RM1.137 million. The current year-to-date profit before tax of RM3.704 million was achieved as compared to a loss of RM2.913 million for the corresponding period of last year.

The increase in profit was mainly due to reversal of impairment loss in the property division, increase in revenue contributed by the timber division and the construction division, as well as reduction in finance costs as a result of moratorium on interest charges despite there is a foreseeable loss in the joint venture property development project in Melaka.

B2 Material change in profit before taxation for the current quarter compared to the immediate preceding quarter

The Group posted a profit before taxation of RM3.256 million for the current quarter under review as compared to a profit before taxation of RM0.448 million in the immediate preceding quarter. The increase in profit was mainly due to increase in revenue contributed by the timber division and the construction division, reduction in finance costs as a result of moratorium on interest charges as well as reversal of impairment loss despite there is a foreseeable loss in the joint venture property development project in Melaka.

B3 Prospects

The Group is in the midst of formulating a revised restructuring plan for submission to the relevant authorities for approval. The details of the revised restructuring plan will be announced in due course.

The Group expects a better year ahead since the general economic situation has been improving. In addition, the Group's revised corporate restructuring plan, upon submission and approval, is expected to be able to provide further improvement to the Group's performance.

B4 Variances from profit forecast and profit guarantee

Not applicable to the Group as no profit forecast or profit guarantee was published.

B5 Taxation

No provision for taxation is necessary as the Group and the Company has sufficient tax loss to offset the chargeable income.

B6 Profits/ (losses) on sale of unquoted investments and/or properties

There were no sales of unquoted investments and properties for the current quarter and financial period under review.

B7 Particulars of purchase or disposal of quoted securities

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

B8 Status of corporate proposals

The corporate proposal i.e. regularisation plan announced on 26 March 2007 was submitted to Securities Commission ("SC") on 29 March 2007. SC had rejected the Group's regularisation plan and its appeal on 9 August 2007 and 6 November 2007 respectively. Subsequently, the Company applied to the High Court in Shah Alam for a judicial review against the decision of Bursa Securities to de-list the securities of the Company. The application for judicial review was dismissed on 14 September 2009 by the High Court in Shah Alam. The Company had filed a notice of appeal at the Court of Appeal against the decision of High Court in Shah Alam that had dismissed the Company's application for judicial review.

As at 20 August 2010 (the latest practicable date which is not earlier than 7 days from the-date of issue of this quarterly report) the Company, pending the outcome of the appeal, is in the midst of formulating a revised proposal for submission to relevant authorities.

B9 Borrowings and debt securities

The Group's borrowings are as follows:-

	30/06/10	31/12/09
	RM'000	RM'000
<u>Short Term Borrowings</u>		
Secured:		
Term Loan	44,048	44,996
Bankers Acceptances and Bill Discounted	988	938
Bank Overdraft	1,351	1,543
Bank loan	192	-
	<u>46,579</u>	<u>47,477</u>
Unsecured:		
Bankers Acceptances and Bill Discounted	3,395	3,345
Bank Overdraft	1,236	1,600
	<u>4,631</u>	<u>4,945</u>
 Sub-total	 51,210	 52,422
 <u>Long Term Borrowings</u>		
Secured:		
Bank loan	614	-
 Total Borrowings	 51,824	 52,422

Included in the term loan is an amount of RM42.406 million attributable to the Construction Division of the Company. This term loan is repayable over 5 years with quarterly interest servicing commencing from year 1 and quarterly principal repayment commencing from year 3 after the implementation of the restructuring of the debts in 2005. The Company is currently negotiating with the financial institution on the repayment terms. In previous years, the Company applied to this financial institution concerned for partial waiver of the term loan.

In previous financial year, there was a difference of RM37.867 million between the amount of term loan recorded in the accounting records of RM42.518 million compared to the amount recorded by the financial institution concerned of RM4.651 million via its loan statement. The difference has not been recognised in the accounts since there is no written confirmation has been obtained from the financial institution of any waiver.

In the current quarter under review, there is a difference of RM37.755 million between the amount of term loan recorded in the accounting records of RM42.406 million compared to the amount as confirmed by the financial institution concerned of RM4.651 million via its latest loan statement. The difference has not been recognised in the current quarter since no written confirmation has been obtained from the financial institution of any waiver.

B10 Off statement of financial position financial instruments

There were no financial instruments with off statement of financial position risk as at 20 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11 Material litigation

There were no material litigations as at 20 August 2010 (the latest practicable date which is not earlier than 7 days from the-date of issue of this quarterly report).

B12 Dividends

The Board of Directors has not recommended any interim dividend for the period ended 30 June 2010.

B13 Earnings/ (Loss) per share

(i) Basic earnings/ (loss) per share

The calculation of basic earnings/ (loss) per share for the current quarter and financial period is based on the net loss attributable to ordinary shareholders and divided by the weighted average number of ordinary shares outstanding during the current quarter and financial period.

	Current Quarter Ended 30/06/10	Comparative Quarter Ended 30/06/09	6 Months Cumulative To Date 30/06/10	Comparative Cumulative To Date 30/06/09
Net profit/ (loss) for the period (RM '000)	3,256	(1,137)	3,704	(2,913)
Weighted average number of ordinary shares in issue ('000)	42,553	42,553	42,553	42,553
Basic earnings/ (loss) per share (sen)	7.65	(2.67)	8.70	(6.85)

(ii) Diluted profit / (loss) per share

The diluted earnings/ (loss) per share is not presented as the potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease earnings/ (loss) per share.

B14 Authorisation for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 26 August 2010.