

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 new or revised Financial Reporting Standards (“FRS”), where applicable to the Group, effective for the financial periods beginning on or after 1 January 2010:-

- 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
- FRS 1 First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 4 Insurance Contracts
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued [Improvements to FRSs (2009)]
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued
- FRS 7 Financial Instruments: Disclosures
- Amendments to FRS 7: Financial Instruments: Disclosures [Compilation]
- Amendment to FRS 8 Operating Segments [Improvements to FRSs (2009)]
- FRS 101 Presentation of Financial Statements
- Amendment to FRS 107 Statement of Cash to Flows [Improvements to FRSs (2009)]
- Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors [Improvements to FRSs (2009)]
- Amendment to FRS 110 Events After the Reporting Period [Improvements to FRSs (2009)]
- Amendment to FRS 116 Property, Plant and Equipment [Improvements to FRSs (2009)]
- Amendment to FRS 117 Leases [Improvements to FRSs (2009)]
- Amendment to FRS 118 Revenue [Improvements to FRSs (2009)]
- Amendment to FRS 119 Employee Benefits [Improvements to FRSs (2009)]
- Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance [Improvements to FRSs (2009)]
- FRS 123 Borrowing Costs
- Amendment to FRS 123 Borrowing Costs [Improvements to FRSs (2009)]
- Amendment to FRS 127 Consolidated and Separate Financial Statements [Improvements to FRSs (2009)]
- FRS 127 Consolidated and Separate Financial Statements

Amendment to FRS 128 Investments in Associates [Improvements to FRSs (2009)]
 Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies [Improvements to FRSs (2009)]
 Amendment to FRS 131 Interests in Joint Ventures [Improvements to FRSs (2009)]
 Amendment to FRS 132 Financial Instruments: Presentation
 Amendment to FRS 134 Interim Financial Reporting [Improvements to FRSs (2009)]
 Amendment to FRS 138 Intangible Assets [Improvements to FRSs (2009)]
 Amendments to FRS 138 Intangible Assets
 FRS 139 Financial Instruments: Recognition and Measurement
 Amendment to FRS 140 Investment Property [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 12 Service Concession Arrangements
 IC Interpretation 13 Customer Loyalty Programmes
 IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
 IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
 IC Interpretation 17 Distributions of Non-cash Assets to Owners
 Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
 Amendment IC Interpretation 15 Agreements for the Construction of Real Estate

The above FRSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application, other than as disclosed below:

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land as finance or operating lease and did not have material impact on the current year statement of comprehensive income.

The Group has reassessed and determined that all leasehold land are in substance finance lease and will be classified to property, plant and equipment. The change in accounting policy has been made retrospectively and the following comparative figures have been restated:

Group	As previously reported (RM'000)	Adoption of FRS 117 (RM'000)	As Restated (RM'000)
Property, plant and equipment	32,043	1,554	33,597
Prepaid land lease payment	1,554	(1,554)	-

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 31 December 2010.

A9 Segment information

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

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Year-To-Date Ended 31 December 2010	Property Development RM'000	Construction RM'000	Timber RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External Sales	5,527	6,462	17,897	-	29,886
Inter-segment sales	-	617	-	(617)	-
Total Revenue	<u>5,527</u>	<u>7,079</u>	<u>17,897</u>	<u>(617)</u>	<u>29,886</u>
Result					
Segment results	2,276	3,261	2,370	(2,984)	4,923
Finance costs	(1,956)	(752)	(560)	2,518	(750)
	<u>320</u>	<u>2,509</u>	<u>1,810</u>	<u>(466)</u>	<u>4,173</u>
Taxation					(27)
Loss after taxation					<u>4,146</u>
Minority interests					-
Net profit for the period					<u><u>4,146</u></u>
Assets					
Segment assets	47,787	66,409	67,719	(83,101)	98,814
Unallocated corporate assets					<u>2</u>
Consolidated total assets					<u><u>98,816</u></u>
Liabilities					
Segment liabilities	60,788	38,857	4,930	(75,316)	29,259
Unallocated corporate liabilities					<u>52,762</u>
Consolidated total liabilities					<u><u>82,021</u></u>
Other Information					
Capital expenditure	1	-	157	-	158
Depreciation	1	1	693	-	695

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Year-To-Date Ended 31 December 2009	Property Development RM'000	Construction RM'000	Timber RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External Sales	3,099	-	13,037	-	16,136
Inter-segment sales	-	792	50	(842)	-
Total Revenue	<u>3,099</u>	<u>792</u>	<u>13,087</u>	<u>(842)</u>	<u>16,136</u>
Result					
Segment results	(682)	1,755	801	(2,698)	(824)
Finance costs	(2,855)	(3,083)	(571)	2,486	(4,023)
	<u>(3,537)</u>	<u>(1,328)</u>	<u>230</u>	<u>(212)</u>	<u>(4,847)</u>
Taxation					50
Loss after taxation					(4,797)
Minority interests					-
Net profit for the period					<u>(4,797)</u>
Assets					
Segment assets	45,159	58,516	62,028	(79,204)	86,499
Unallocated corporate assets					40
Consolidated total assets					<u>86,539</u>
Liabilities					
Segment liabilities	58,618	32,985	5,141	(71,884)	24,860
Unallocated corporate liabilities					53,169
Consolidated total liabilities					<u>78,029</u>
Other Information					
Capital expenditure	-	-	13	-	13
Depreciation	2	1	664	-	667

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.

For the current quarter ended 31 December 2010, the values of property, plant and equipment have been brought forward without amendment from the previous quarter except for the net book values of the property and equipment where depreciation have been provided for in the current quarter and current financial year.

A11 Subsequent events

There were no material events not reflected in the financial statements subsequent to the quarter ended 31 December 2010 up to 23 February 2011 (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 year.

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 23 February 2011 (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 23 February 2011. An amount of RM1.0 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 4th quarter ended 31 December 2010, the Group recorded a revenue of RM6.858 million as compared to last year same quarter of RM4.619 million. The current year-to-date revenue of RM29.886 million was achieved as compared to RM16.136 million for the corresponding period of last year. The increase in revenue was mainly due to increase in sawn timber sales, construction activities and the property development 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 60% of the total revenue whilst the construction division and property division contributed 22% and 18% respectively.

For the current 4th quarter ended 31 December 2010, the Group recorded a loss before tax of RM0.079 million as compared to last year same quarter loss of RM0.65 million. The decrease in loss was mainly due to increase in timber sales and construction activities.

The current year-to-date profit before tax of RM4.173 million was achieved as compared to a loss of RM4.847 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 profit contributed by the timber division and the construction division, as well as reduction in finance costs as a result of lower finance costs.

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

The Group posted a loss before taxation of RM0.079 million for the current quarter under review as compared to a profit before taxation of RM0.548 million in the immediate preceding quarter. The decrease in profit was mainly due to the decrease in revenue and provision of deferred taxation.

B3 Prospects

The Group is hopeful for a better year ahead.

B4 Variances from profit forecast and profit guarantee

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

B5 Taxation

The taxation for the quarter and financial year-to-date are comprising of the following:-

	Current Quarter Ended 31/12/2010	12 Months Cumulative To Date 31/12/2010
	<u>RM `000</u>	<u>RM `000</u>
Current taxation	3	3
Deferred taxation	24	24
	<u>27</u>	<u>27</u>

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 year 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 year.

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. The hearing of the appeal, which was fixed for hearing on 17 February 2011, has been postponed to a date to be decided later.

On 19 January 2011, the Company had submitted the proposed regularisation plan to Bursa Malaysia Securities Berhad (“Bursa”). However, Bursa had vide its letter dated 27 January 2011 informed that they were unable to consider the regularisation plan pending the decision of the Court of Appeal on the injunction procured by certain shareholders of the Company at the High Court for the delisting of SKW from the Official List of Bursa. Under such circumstances, the Company is in the process of formulating the next course of action.

The proposed regularisation plan includes the following:-

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- (i) Proposed Settlement of Debt
Proposed settlement of debt owing to lenders by SKW Group of RM42,000,000 via a total cash consideration of RM4,000,000.
- (ii) Proposed Capital Reduction
Proposed Capital Reduction involving the cancellation of RM0.30 of the par value of the existing ordinary shares of RM1.00 each in SKW.
- (iii) Proposed Share Split
Proposed Share Split involving the subdivision of every one (1) existing ordinary share of RM0.70 each in SKW into seven (7) ordinary shares of RM0.10 each in SKW.
- (iv) Proposed Rights Issue
Proposed Rights Issue of up to 99,290,119 new ordinary shares of RM0.10 each in SKW on the basis of one (1) Rights Share for every three (3) existing SKW Shares at an issue price of RM0.10 per Rights Share together with up to 99,290,119 free detachable warrants on the basis of one (1) warrant for every one (1) Rights Issue subscribed.

As at 23 February 2011 (the latest practicable date which is not earlier than 7 days from the-date of issue of this quarterly report) the Company is in the process of formulating the next course of action.

B9 Borrowings and debt securities

The Group's borrowings are as follows:-

	31/12/10	31/12/09
	RM'000	RM'000
<u>Short Term Borrowings</u>		
Secured:		
Term Loan	43,744	44,996
Bankers Acceptances and Bill Discounted	938	938
Bank Overdraft	1,368	1,543
Bank loan	219	-
	<u>46,269</u>	<u>47,477</u>
Unsecured:		
Bankers Acceptances and Bill Discounted	3,345	3,345
Bank Overdraft	1,362	1,600
	<u>4,707</u>	<u>4,945</u>
Sub-total	50,976	52,422
<u>Long Term Borrowings</u>		
Secured:		
Bank loan	493	-
Total Borrowings	51,469	52,422

Included in the term loan is an amount of RM42.028 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 loan statement 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 RM37.633 million between the amount of term loan recorded in the accounting records of RM42.028 million compared to the amount as confirmed by the financial institution concerned of RM4.395 million via its latest loan statement as at 31 December 2010. 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 23 February 2011 (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 23 February 2011 (the latest practicable date which is not earlier than 7 days from the-date of issue of this quarterly report) except the following:

On 11 January 2011, the Company announced that the Company and its 70% owned subsidiary, Wangi KMB Bhd (“WKMB”) had been ordered by the High Court to pay a sum of approximately RM1.609 million with interest to CIMB Bank Berhad (“CIMB”) on 3 January 2011.

On 19 December 2008, CIMB issued a notice of demand to the Company and WKMB for the amount outstanding of approximately RM1.706 million which is secured by the development land in Malacca project. However, the Company and WKMB have been negotiating with CIMB for the best settlement scheme. Despite the negotiation has been on-going, a writ of summon was filed to Malacca High Court by CIMB on 28 April 2009 via its lawyer for the amount outstanding of approximately RM1.706 million with interest of 7.55% per annum. Subsequently, the Company and WKMB have also filed in affidavit for the suit.

On 3 January 2011, the lawyer representing SKW and WKMB had informed via its letter that Court had ordered the Company and WKMB to pay approximately RM1.609 million calculated as at 30 June 2010 together with interest and costs. However, Company and WKMB have yet to receive the written judgment on the Court decision.

B12 Dividends

The Board of Directors has not recommended any interim dividend for the year ended 31 December 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 year 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 year.

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	Current Quarter Ended 31/12/10	Comparative Quarter Ended 31/12/09	12 Months Cumulative To Date 31/12/10	Comparative Cumulative To Date 31/12/09
Net profit/ (loss) for the period (RM '000)	(106)	(650)	4,146	(4,797)
Weighted average number of ordinary shares in issue ('000)	42,553	42,553	42,553	42,553
Basic earnings/ (loss) per share (sen)	(0.25)	(1.53)	9.74	(11.27)

(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 Breakdown of realized and unrealized profits / (losses)

The breakdown of the Group's realized and unrealized accumulated losses are as follows:-

Total retained profits / (accumulated losses) of the Company and its subsidiaries	31/12/10 RM'000
- Realised	(51,892)
- Unrealised	(1,814)
Less: Consolidation adjustments	4,482
Total group retained profits / (accumulated losses) as per consolidated accounts	<u><u>(49,224)</u></u>

No comparative figures are required in the first year of applying the disclosure requirement.

B15 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 23 February 2011.