

PART A

EXPLANATORY NOTES PURSUANT TO MASB 26 FOR THE QUARTERLY RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2006

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the 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 year ended 30 June 2005. These 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 financial year ended 30 June 2005.

The same accounting policies and method of computation are followed in the interim financial statements as compared with the financial statements for the year ended 30 June 2005.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Auditors’ report on the financial statements for the year ended 30 June 2005 was qualified by the auditors as the Auditor’s Report on the financial statements of a subsidiary company, Syarikat Mustapha & Ngu Timber Sdn Bhd (“SMNT”) was qualified in respect of the landed properties of SMNT which were revalued to RM45,265,000 based upon independent valuation. However, in arriving at the valuation, it has been assumed that the land is categorized as industrial.

As at current balance sheet date, the land has yet to be converted from agricultural to industrial pending the payment of conversion premium. Notwithstanding the extension of time previously granted for the payment of the outstanding conversion premium, the subsidiary company has not paid the outstanding conversion premium as at the current year end and therefore, there has not been any changes in the status of the land title condition.

In our opinion, it is therefore inappropriate for the carrying value of the land to be stated at valuation amount based on it being categorized as industrial. Had the carrying amount been determined based on the assumption that the land is agricultural as stated in the independent valuer’s report, it would have been stated at RM6,305,000 and the Reserve of the Group would have been reduced by RM37,704,116 after related tax effects, and shareholders’ equity would be a deficit of RM61,799,358.

3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no exceptional item or extraordinary item for the current quarter and financial period-to-date.

4. CHANGES IN THE COMPOSITION OF THE GROUP

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

5. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment and investment properties have been brought forward without amendment from the financial statements for the year ended 30 June 2005.

During the financial year ended 30 June 2005, the land and building of a subsidiary company, SMNT were consistent as RM45,265,000 based upon independent valuation. However, in arriving at the valuation, it has been assumed that the land is categorised as industrial as at the date of this report. The land has yet to be converted from agricultural to industrial pending the payment of conversion premium. Had the carrying amount been determined based on the assumption that the land is agricultural as stated in the independent valuer's report, it would have been stated at RM6,305,000 as disclosed in Part A (2).

6. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 30 June 2005, except as disclosed in Part B (7).

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, re-purchases, resale and repayments of debts and equity securities for the current quarter and financial period-to-date.

8. SEGMENTAL REPORTING

The Group is principally involved in the manufacturing and trading of timber and timber products and thus does not have segmental analysis on its financial results.

9. SUBSEQUENT EVENTS

There were no material events subsequent to the end for the current quarter.

10. SEASONAL OR CYCLICAL FACTORS

The Group is of the opinion that the seasonal or cyclical factors will not have a material impact on its operation. However, being an export-based company, the Group would be susceptible to any adverse change in the world economic situations.

11. DIVIDEND

No dividend has been declared in respect of the financial period under review.

12. AUTHORISATION FOR ISSUE

The Board of Directors in accordance with a resolution of the directors authorized the issue of this quarterly report on 22 May 2006.

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 98 OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BHD

1. TAXATION

Taxation charged for the quarter and period-to-date comprise of: -
12 Months Ended
30 June 2005
RM'000

Current	
Deferred Tax	(21,869)
Under/(Over) provision in prior years	<u>23,469</u>
	<u>1,600</u>

2. SALE OF INVESTMENT AND / OR PROPERTIES

There was no sale of investments and properties for the current quarter and financial period-to-date.

3. MARKETABLE SECURITIES

There was no purchase or disposal of quoted securities for the current quarter and financial period-to-date.

4. STATUS OF CORPORATE PROPOSALS

(1) Proposed Restructuring Scheme

The Company announced on 9 February 2004 that it had entered into a conditional restructuring agreement (Restructuring Agreement) with Seo Aik Leong (SBG (Syarikat Bukit Granite) Controlling Shareholder) wherein the Company and SBG Controlling Shareholder have agreed to undertake a restructuring scheme with the intention of restoring the Group onto stronger financial footing via injection of new viable business.

The main features of the Proposed Restructuring Scheme (the Scheme) are summarized as follows:

- (a) Proposed arrangements with the existing shareholders of the Company:
- (i) Proposed reduction of the existing issued and paid-up capital of the Company of RM44,000,000 comprising 44,000,000 ordinary shares of RM1 each to RM8,800,000 comprising 44,000,000 ordinary shares of RM0.20 each;
 - (ii) Proposed consolidation of the 44,000,000 ordinary shares of RM0.20 each into 8,800,000 shares;
 - (iii) Proposed cancellation of the entire issued and paid-up capital of the Company of RM8,800,000 comprising 8,800,000 ordinary shares, resulting in a credit reserve of RM8,800,000 arising in the Company's accounts;

4. STATUS OF CORPORATE PROPOSALS (CONTD.)

- (iv) In consideration for the proposed cancellation, a new company (Newco) to be incorporated to serve as the holding company for the purpose of facilitating the implementation of the Scheme, shall allot and issue to the shareholders 8,800,000 ordinary shares of RM1 each in Newco at par (Newco Shares), credited as fully paid on the basis of one Newco Share for every one of the Company's share;
- (b) Proposed arrangements with the existing creditors:
 - (i) Proposed settlement of debts owing to certain creditors of the Company comprising inter-alia, all financial institutions and certain other creditors (Creditors) amounting to RM57 million based on the cut off date of 30 June 2002;
 - (ii) The waiver by the Creditors of all interest, penalties, costs, fees and other charges accrued after 30 June 2002;
 - (iii) The release of the contingent liability under the corporate guarantees and other security arrangement provided by the Group;
 - (iv) A further waiver by the unsecured/partially secured creditors at the rate of at least 50% for every RM1 of all the aggregate debts and liabilities after taking into account paragraph b(i) and b(ii) above;
 - (v) The repayment of debts owing to the secured creditors (after taking into account paragraph b(i) and b(ii) above) from the proceeds of the disposal of certain assets of the Group;
 - (vi) The issuance of Newco Shares of RM1 each in Newco to the unsecured/partially secured creditors or such persons as they may each nominate in the settlement of debts owing to them (after taking into account paragraph b(i), b(ii) and b(iv) above);
- (c) Proposed acquisition by Newco of the entire equity interest in two companies involved in producing marble for a purchase consideration of RM126,000,000 or such amount to be mutually agreed by the parties on a willing buyer-willing seller basis;
- (d) Proposed disposal of 100% equity interest in the Company by Newco (after the Proposed Scheme of Arrangement with the Company's shareholders) to purchaser(s) to be identified at a fair value to be determined as soon as it is practicable by an independent valuer and/or auditor;
- (e) Proposed transfer of the listing status of the Company on the Second Board of Bursa Malaysia Securities Berhad (Bursa Malaysia) to Newco.

On 23 March 2005, at the Court Convened Meetings of the Scheme Creditors for the Proposed Restructuring Scheme, the Company has obtained the approvals of their scheme creditors pursuant

to Section 176 of the Companies Act, 1965. On 28 April 2005, the Company obtained a court order to sanction the Proposed Scheme of Arrangement with creditors pursuant to Section 176(3) of the Companies Act, 1965.

4. STATUS OF CORPORATE PROPOSALS (CONTD.)

(2) Restraining Order

As part of the corporate exercise, the Group was granted a restraining and stay order (RO) for a period of 90 days effective from 3 March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965. On 14 June 2004, the Group was granted an extension of the RO for a further period of 180 days effective from 2 June 2004.

On 14 June 2004, Mulpha had filed an application in the Kuala Lumpur High Court to inter alia, intervene and set aside the RO and for the Scheme to be enlarged to include Mulpha. On 3 August 2004, Mulpha's application was heard and the Judge maintained the RO, did not order Mulpha to be included in the Scheme and granted leave for Mulpha to continue with its legal action in respect of a claim against JLT. On 4 August 2004, Mulpha filed an appeal against this decision, which was heard on 12 July 2005 by the Federal Court who dismissed the appeal with costs and upheld the decision of the Court of Appeal. On 2 August 2005, Mulpha has filed a Notice of Discontinuance of Appeal.

As at the balance sheet date and at the date of this report, an application to extend the RO made on 14 November 2005 was granted extension on 2 December 2005 for a further 120 days until 23 March 2006 and extended to 4 September 2006.

(3) Status

- (a) On 30 June 2004, the submission documents were submitted to the Securities Commission.
- (b) On 26 July 2004, the Ministry of International Trade and Industry (MITI), has replied via its letter with no objections to the Proposed Restructuring Scheme.
- (c) On 8 July 2005, the Securities Commission in relation to 2.93 of the Code on Take-Overs & Mergers 1998 inter-alia the proposed exemption to the "Concerned Parties" from the obligation to extend a mandatory offer for all remaining Gefung shares (as defined therein) not already held by the Concerned Parties upon completion of the Proposed Acquisitions (as defined therein) and upon conversion of the ICPS (as defined therein) stated that the Proposed Acquisition Exemption would only be considered under Practice Note 2.9.1 after satisfying the conditions of approval (as defined therein). The Securities Commission also stated that the Proposed ICPS Exemption will only be considered subject to the condition that the Concerned Parties convert their ICPS within twelve months from the date of approval for the Proposed ICPS Exemption (if so granted).

(Please refer to announcement dated: 13 July 2005)

- (d) Securities Commission (SC) had vide its letter dated 13 September 2005 approved the Proposed Restructuring Scheme of the Company, under Section 32 (5) of the Securities Commission Act 1993 and the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests as proposed subject to certain terms and conditions, the details of which was set out in the Company's announcement on 14 September 2005.

5. GROUP BORROWINGS

The Group's borrowings as at 31 March 2006 are as follows:-

	RM'000
Short Term, secured	82,290
Long Term, secured	-
	<hr/>
	82,290
	<hr/> <hr/>

6 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk during the current financial period ended 30 June 2005.

7. CHANGES IN MATERIAL LITIGATION

As disclosed during the previous quarter ended 30 June 2005, the progresses of the legal suits served on the Group are as follows:-

Part A

- (a) SMNT was served with the Writ of Summons dated 4 December 2001 in relation to a claim by MEC Consultants amounting to RM1,605,000. Judgment in default was obtained on 7 February 2002.
- (b) The Company and one of its subsidiary companies, Syarikat Mustapha and Ngu Timber Sdn. Bhd. (SMNT), were served with the Writ of Summons dated 17 June 2002 in relation to a claim by Bumiputra-Commerce Bank Berhad, a licensed bank, for outstanding amount of RM 23,755,749 plus interest and cost in respect of banking facilities owing by SMNT. On 1 August 2002, the Company and SMNT were served the Judgment in Default of appearance on 24 July 2002 ordering the Company and SMNT to pay the amount owing to Bumiputra-Commerce Bank Berhad. Judgment was obtained by the bank dated 24 July 2002 ordering the Company and SMNT to pay the claim.
- (c) On 29 June 2002, SMNT was served with the Writ of summons dated 10 May 2002 in relation to a claim by Arab-Malaysian Finance Berhad for outstanding banking facilities due from SMNT amounting to RM59,531 together with interest at the rate of 18.44% per annum from 5 April 2002 until full payment and cost. Judgment in default was obtained on 25 September 2002.

- (d) On 18 July 2002, the Company and SMNT, were served with the Writ of Summons dated 22 June 2002 in relation to a claim by Affin Bank Berhad for repayment of amounts outstanding in respect of banking facilities due from SMNT amounting RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment and costs.
- (e) On 18 July 2002, the subsidiary company, Akitiasa Sdn. Bhd. (ATSB) was served with the Originating Summons dated 3 July 2002 issued by the High Court of Sabah and Sarawak at Bintulu. In the originating summons, Affin Bank Berhad, a licensed bank, sought an Order under Section 148(2) (C) of the Land Code (Cap.81) of Sarawak to sell, by public tender, the land and building of ATSB, which are charged in favour of Affin Bank Berhad for banking facilities granted to a fellow subsidiary company, SMNT, to satisfy the outstanding due from SMNT in the sum of RM4,799,354 together with interest at the rate of 9.4% per annum from 7 June 2002 until full payment pursuant to the Writ of Summons served on SMNT dated 22 June 2002. The hearing for Order for Sale was fixed on 27 November 2002. An Order for Sale of land was obtained by Affin Bank Berhad on 12 March 2003.

7. CHANGES IN MATERIAL LITIGATION (CONTD.)

Part A (continued)

- (f) On 7 October 2002, the Inland Revenue Board (IRB) issued a notice of civil proceeding against JLT under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM 2,430,700 which have been provided as income tax payable in the financial statements. JLT was served on 6 October 2003 with the Writ of Summon dated 2 September 2004 in relation to a claim by Inland Revenue Board amounting to RM2,414,503. An appearance has been entered on 22 November 2003 and a defence submitted. Summons in Chambers was scheduled on 9 September 2004. Summary judgment was filed which was granted on 9 November 2004.
- (g) SMNT and certain directors of the Company were served with the Writ of Summons dated 14 November 2002 in relation to a claim by HSBC Bank Berhad (HSBC) on packing credit account of RM166,994 and bankers acceptance of RM1,007,230 at a rate of 7.9% and 8.9% respectively until full and final settlement. HSBC filed an application for summary judgment on 2 April 2003, which the court allowed on 18 June 2003.
- (h) SMNT was served with the Writ of Summons dated 12 February 2003 in relation to a claim by Mulpha amounting to RM817,443 at a rate of 8% per annum until full and final settlement.

The above cases are pending and that there is no further development as at the date of this report. Any further legal proceedings on all the above material litigations are only possible with leave of court.

Part B

- (a) On 27 August 2002, Standard Chartered Bank Malaysia Berhad (SCBMB) served a notice to the Company and one of its subsidiary companies, Jin Lin Trading Sdn. Bhd. (JLT) under Section 218 of Companies Act 1965 demanding the repayment of the judgment sum together with the interest accrued amounting RM 3,065,831. On 15 October 2002, SCBMB issued a notice pursuant to Section 218 of the Companies Act, 1965 on the Company and JLT demanding the judgment sum of RM 2,982,680.

SCBMB alleged that this is the sum due as at 15 October 2002. A petition to wind up based on this notice was filed on 20 February 2003 and served on the Company. The hearing of the petition to wind up JLT was fixed on 11 March 2005. The matter is now fixed for mention on 4 July 2006.

JLT and certain directors of the subsidiary companies were served with the Writ of Summons dated 27 August 2003 in relation to a claim by Mulpha International Berhad (Mulpha) amounting to RM7,235,233 at a rate of 8% per annum from the date of judgment until full and final payment. An appearance has been entered. On 7 November 2003, a defense was filed. The hearing for Summons in Chamber is fixed on 13 June 2005, which was postponed to 20 July 2005 where Mulpha applied to strike out the defense. Court ruling on the matter was held on 7 September 2005 where the Court dismissed Mulpha's Summons in Chambers with cost. An appeal was filed by the Plaintiff and the hearing is fixed on 15 September 2006.

- (b) On 4 February 2004, the IRB issued a notice of civil proceeding against ATSB under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM41,777. An appearance has been entered.

7. CHANGES IN MATERIAL LITIGATION (CONTD.)

Part B (contd.)

- (c) One of the subsidiary companies, Jin Lin Bio Coal Sdn. Bhd. (JLBC) and JLT were served with the Writ of Summons dated 5 February 2004 in relation to a claim by Orix Credit Malaysia Sdn. Bhd. for hire purchase facilities amounting to RM364,698 at a rate of 0.065% per day on the principal outstanding until full and final settlement. An appearance has been entered by JLBC. The matter was mentioned on 4 April 2006 but adjourned to 11 July 2006.
- (d) SMNT and certain directors of the Company were served with the Writ of Summons dated 21 February 2004 in relation to a claim by RHB Delta Finance Berhad for hire purchase facilities due from SMNT amounting to RM93,637 at a rate of 17.75% per annum until full and final settlement. Judgment in default was entered on 19 August 2004. The matter was mentioned on 27 April 2006 but adjourned to 27 July 2006.
- (e) On 21 February 2004, SMNT and certain directors of the Company was served with a Writ of Summons vide Summons No. 52-11-2004 by RHB Delta in respect of a default by SMNT in a hire purchase facility granted to SMNT. Judgment of default of defense was obtained on 19 August 2004 for the sum of RM58,179 however, there is no execution proceedings after the Restraining Order was served to the Plaintiff's counsel.
- (f) SMNT was served with the Writ of Summons (Suit No. 52-51-2004) dated 15 March 2004 in relation to a claim by Mayban Finance Berhad amounting to RM54,120. The matter was mentioned on 26 April 2006 but adjourned ton 29 November 2006.
- (g) On 2 December 2004, JLT was served with a notice pursuant to Section 218 of the Companies Act, 1965 by Alwayield Sdn Bhd claiming for the sum of RM2,013,485 being the outstanding amount owing to Alwayield as at 30 November 2004. Subsequently on 31 January 2005, JLT was served with a Petition for the windingup of JLT vide Sabah and

Sarawak High Court Petition No. 28-1-2005. The matter was mentioned on 29 March 2006 but adjourned to 4 July 2006.

- (h) On 25 February 2005, JLWIB was served with a Writ of Summons vide Summons No. 22-4-2005 whereby Yetchi Trading Sdn Bhd (“Yetchi”) is claiming for the sum of RM5,981,119 that on various occasions Yetchi has given advances and/or payment through its subsidiaries and/or its Directors which advances has been accepted and/or acknowledged by Yetchi. An appearance in defense has been entered on 10 March 2005. Pre-trial case management was mentioned on 3 April 2006 but adjourned to 4 July 2006.
- (i) On 14 June 2004, Mulpha had filed an application in the Kuala Lumpur High Court to inter alia, intervene and set aside the Restraining Order (RO) and for the Scheme to be enlarged to include Mulpha. On 3 August 2004, Mulpha’s application was heard and the Judge maintained the RO, did not order Mulpha to be included in the Scheme and granted leave for Mulpha to continue with its legal action in respect of a claim against the Company. On 4 August 2004, Mulpha filed an appeal against this decision. An appeal was filed on 26 January 2005 against the decision of the High Court Judge allowing the Company to continue its application for the RO. Mulpha has filed a Notice of Discontinuance of Appeal on 2 August 2005.

As at the date of this report, there are no further developments other than as disclosed above. Any further legal proceedings on all the above material litigations are only possible with leave of court.

8. PERFORMANCE REVIEW

For the 3rd quarter under review, the Group recorded a loss before taxation of RM 2,178 million compared to a loss before taxation of RM2,246 million in the year preceding corresponding quarter. The Group’s turnover increased by 0.07% to RM1,608 million from RM1,500 million recorded in the preceding year corresponding quarter.

During the financial year 30 June 2005, there was a further provision of doubtful debts’ amounting to RM0.047 million is made in accordance to (MASB 7) for the financial period. Part B (13).

9. COMMENTS ON MATERIAL CHANGE IN PROFIT BEFORE TAX

For the current quarter and financial period-to-date, the Group recorded a turnover of RM5,217 million. The low turnover resulted in a loss before taxation of RM 6,951 million for the financial period-to-date. The losses for the financial period-to-date incurred by the Group consist of depreciation and finance cost amounted to RM 5.709 million and RM1.395 million respectively.

10. PROSPECT FOR THE CURRENT FINANCIAL YEAR

The timber market in general has rebounded in terms of prices and the trend is expected to continue.

11. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable.

12. EARNINGS PER SHARE

- (a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	6 months ended
	<u>31.03.06</u>
Net loss for the period (RM'000)	(2,178)
Weighted average number of ordinary shares in issue ('000)	44,000
Basic earnings per share (sen)	<u>(4.95)</u>

(b) Diluted

Not applicable

13. TRADE RECEIVABLES

	Group	
	Mar 06	Jun 05
	<u>RM'000</u>	<u>RM'000</u>
Trade receivables	12,187	22,871
Less: Provision for doubtful debts (30 June 2003)	(8,566)	(19,590)
Less: Provision for doubtful debts (30 June 2004)	(483)	(621)
Less: Provision for doubtful debts (30 June 2005)	(47)	(47)
	<u>3,091</u>	<u>2,660</u>