

## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **A1 Basis of preparation**

The interim financial report has been prepared in accordance with MASB 26 Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. 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 for the year ended 31 December 2004.

### **A2 Audit report**

The audit report of the Company's preceding annual financial statements was not qualified.

### **A3 Seasonal or cyclical factors**

The Group's operations were not significantly affected by any seasonal or cyclical factors during the quarter under review.

### **A4 Unusual items**

There were no unusual items during this quarter affecting assets, liabilities, equity, net income or cash flow.

### **A5 Changes in estimates of amount reported previously with a material effect in current interim period**

There were no estimations of amount used in our previous reporting which have a material impact in the current reporting period.

### **A6 Debt and equity securities**

There were no issuance and repayment of debts and equity securities during the current quarter under review.

### **A7 Dividends**

No dividend was paid during the current quarter.

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**A8 Segmental information**

Business segments information for the quarter ended 31 March 2005:-

	<b>Building materials RM'000</b>	<b>Bedding products RM'000</b>	<b>Consumer Foods RM'000</b>	<b>Investments RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External revenue	6,707	12,058	21,814	908	(86)	41,401
<b>Result</b>						
Profit/(Loss) from Operation	1,069	1,621	2,819	406	-	5,915
Finance costs						(2,948)
Investing results						-
Profit before taxation						2,967
Taxation						(1,263)
Profit after taxation						1,704
Minority interest						(106)
Net profit for the period						<b>1,598</b>
<b>Other information</b>						
Segment assets	53,437	91,405	112,408	189,337	-	<b>446,587</b>
Segment liabilities	(20,358)	(24,716)	(24,578)	(147,647)	-	(217,299)
Tax payable	(521)	(19)	(730)	-	-	(1,270)
Deferred taxation	(170)	(4,196)	(2,427)	-	-	(6,793)
Total consolidated liabilities						<b>(225,362)</b>
Capital expenditure on property, plant and equipment	-	330	155	-	-	485
Depreciation	96	567	687	61	-	1,411
Property, plant and equipment written off	-	-	-	-	-	-

**A9 Revaluations**

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter.

**A10 Material events subsequent to the end of the reporting period**

There was no material events subsequent to the end of the quarter reported at the date of issuance of this report.

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**A11 Changes in composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review. (Please refer to Note **B8** (a) for the proposed acquisition of a subsidiary company. No consolidation of accounts is being prepared as the proposed acquisition is pending the Foreign Investment Committee's approval).

**A12 Contingent liabilities or assets**

There were no third party contingent liabilities entered into by the Company during the current quarter under review.

Under the terms of the Sale and Purchase Agreements with Ample Term Sdn Bhd ("ATSB") for the disposals of Rantai Pesona Sdn Bhd ("RPSB") and Linear Profile Sdn Bhd ("LPSB"), ATSB shall within twelve (12) months from the completion of the said Agreements cause the Company to be released and/or discharged as a guarantor for any debts of RPSB and LPSB owing to Bank Islam Malaysia Berhad under cash note facilities amounting to RM13,287,016.

**B1 Review of performance**

The Group recorded a decrease of 46% in revenue to RM41.4 million for the current quarter against RM77.5 million in the preceding corresponding quarter. This was primarily due to the disposal of Kumpulan O'Connor's (Malaysia) Sdn Bhd (KOM) which was completed at the end of November 2004.

The building materials division registered a decline of 16% in revenue to RM6.7 million against RM8.0 million in the corresponding quarter due to fewer completion of projects.

The bedding products division reported a decrease of 9% in revenue to RM12.0 million against RM13.2 million previously due to slower demand and intense competition in the lower range products; while the consumer foods division reported a marginal decrease of 3% in revenue to RM21.8 million against RM22.4 million previously.

Group profit before tax registered a decrease of 49% to RM2.9 million primarily due to the inclusion of RM4.0 million contributions from KOM in the previous corresponding quarter. The bedding products division reported an increase in profitability in the current quarter against the preceding corresponding quarter due to promotional campaign on higher range products.

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Both consumer foods and building materials divisions showed lower profits during the quarter against the preceding quarter.

In the opinion of the Board of Directors, the results of the current quarter ended 31 March 2005 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

**B2 Comparison of profit before tax for the current quarter with immediate preceding quarter**

	<b>Current quarter 31/03/05 RM'000</b>	<b>Immediate preceding Quarter 31/12/04 RM'000</b>
Revenue	41,401	44,845
Consolidated profit before taxation	<u>2,967</u>	<u>25,430</u>

The Company registered a lower pre-tax profit of RM2.9 million for the current quarter compared to RM25.4 million in the immediate preceding quarter. The previous increase is mainly due to the other operating gain from the disposal of KOM.

**B3 Current year prospects**

The Group remains optimistic on the outlook for the next financial year ending 31 December 2005. The Group is expected to perform satisfactorily in the next financial year.

**B4 Explanation on variances of actual results compared with forecasted and shortfall in profit guarantee.**

Not applicable

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**B5 Taxation**

	<b>Current quarter</b>	<b>Cumulative current</b>
	<b>31/03/05</b>	<b>year to date</b>
	<b>RM'000</b>	<b>31/03/05</b>
		<b>RM'000</b>
Current Taxation	1,263	1,263
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>1,263</u>	<u>1,263</u>

The effective tax rate on the Group's profit is higher than the statutory rate due to certain expenses disallowed by Inland Revenue Board and there is no Group relief on losses incurred by subsidiary companies.

**B6 Sales of unquoted investments and properties**

There were no sales of unquoted investments or properties transacted for the current quarter under review.

**B7 Purchases and sales of quoted securities**

Investments in quoted securities as at 31 March 2005 are as follows:

	<b>RM</b>
At cost	137,314
Less: Provision for diminution in value	<u>(17,978)</u>
At carrying value	<b>119,336</b>
At market value	<u>16,256</u>

There was no sale of quoted securities for the current quarter under review.

**B8 Status of corporate proposal**

- (a) On 22 March 2005, the Company entered into a conditional sales and purchase agreement with Chan Wai Tatt to acquire 51% of the issued and paid-up share

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capital of Enigma Sinar Sdn Bhd. (“ESSB”) at a purchase consideration of RM51 to be satisfied by way of cash and the assumption of 51% of the unaudited net current liabilities of ESSB as at 15 March 2005 which amounts to RM19.7 million;

On 31 March 2005, the Company entered into a conditional supplemental agreement with Chan Wai Tatt to acquire an additional 29% of the issued and paid-up share capital of ESSB at a purchase consideration of RM29 to be satisfied by way of cash and the assumption of an additional 29% of the unaudited net current liabilities of ESSB as at 23 March 2005 which amounts to RM12.2 million.

Both of the above proposed acquisitions are subject to the approval of the Foreign Investment Committee.

**(b) Status of the Utilisation of Proceeds**

The total gross proceeds of RM37,400,000 arising from the Rights Issue have been utilized in the following manner:-

	<b>Proposed Utilisation RM'000</b>	<b>Utilised as at 30.05.2005 RM'000</b>	<b>Balance Unutilised RM'000</b>
Defrayment of expenses incidental to the Rights Issue and Bonus Issue	2,000	2,000	-
Repayment of bank borrowings	18,625	9,322	9,303
Working capital	16,775	16,775	-
<b>Total</b>	<b>37,400</b>	<b>28,097</b>	<b>9,303</b>

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**B9 Group borrowings and debts securities**

Bank borrowings as at the end of this quarter:-

	<b>Secured RM'000</b>
<b>Short Term Borrowings</b>	
Hire Purchase Creditors	1,122
Bank Overdrafts	14,076
Banker Acceptances/Trust Receipts	21,261
Term Loans	1,345
	<u><b>37,804</b></u>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	1,666
Term Loans	46,689
Fixed Rate Serial Bond	105,000
	<u><b>153,355</b></u>

**B10 Off balance sheet financial instruments**

There were no financial instruments negotiated with off balance sheet risk at the date of issuance of this report.

**B11 Material litigation**

There was no material litigation for the current quarter under review.

**B12 Dividends**

On 28 April 2005, the Company had announced a proposed first and final gross dividend of 4.272% per share tax exempt for the financial year ended 31 December 2004. (2003: 4%).

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**B13 Earnings per share**

(I) Basic earnings per share

The basic earnings per share is calculated by dividing the Group's net profit for the current quarter by the weighted number of ordinary shares in issue during the said quarter.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current year to date</b>	<b>Preceding year Corresponding period</b>
	<b>31/03/05 RM'000</b>	<b>31/03/04 RM'000</b>	<b>31/03/05 RM'000</b>	<b>31/03/04 RM'000</b>
Net profit for the quarter	1,598	2,532	1,598	2,532
Number of shares in issue	102,850	46,750	102,850	46,750
Basic earnings per share (sen)	1.55	5.42	1.55	5.42

(II) Diluted earnings per share

Not applicable.

Dated: 30 May 2005  
 Petaling Jaya