

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report has been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting (formerly known as MASB 26) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Company in this Interim Financial Statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005, except for the adoption of the following new/revised FRS with effect from 1 January 2006, and the early adoption of three (3) other standards, namely FRS 117 – Leases, FRS 124 – Related Party Disclosures and FRS 139 – Financial Instruments: Recognition and Measurement which were issued by Malaysian Accounting Standard Board (MASB) for periods commencing on or after 1 October 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible assets

The adoption of all the above mentioned FRS does not have a significant impact on the Group.

The principal effects of the changes in accounting policies resulting from the adoption of applicable new/revised FRS are set out under Note (a), (b) and (c) below:-

(a) FRS 117 – Leases

With the adoption of FRS 117 with effect from 1 January 2006, the leasehold interest in land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued and such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

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Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively in accordance with FRS 117 by restating the Balance Sheet presentation as at 31 December 2005 as illustrated below:-

**Balance sheet as at 31
December 2005**

	Previously stated	Effects of changes in accounting policy	Restated
	RM'000	RM'000	RM'000
Non current assets			
Property, plant and equipment	76,643	(7,920)	68,723
Prepaid lease payments	-	7,560	7,560
Current assets			
Prepaid lease payments	-	196	196

(b) FRS 3 – Business Combinations

With effect from 1 January 2006, in accordance with FRS 3, amortization of positive goodwill is no longer allowed. Such goodwill is tested annually for impairment, including the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

In addition, FRS 3 requires that if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which has been known as negative goodwill under the previous accounting policy), the excess is recognized immediately in the Income Statement as it arises.

During the first quarter, negative goodwill amounting to RM1.1 million arising from consolidation of the accounts of Enigma Sinar Sdn Bhd (“Enigma Sinar”), an 80% owned subsidiary company, was recognized in the Income Statement.

(c) FRS 101 – Presentation of Financial statements and FRS 127 – Consolidated and separate Financial Statements

In previous years, minority interests at the Balance Sheet date were presented in the Consolidated Balance Sheet separately from liabilities and as deduction from net assets. Minority interest in the results of the Group for the year was also separately presented in the Income Statement as a deduction before arriving at the profit attributable to shareholders of the Company.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interest at the Balance Sheet date has been presented in the Consolidated Balance Sheet within the equity, separately from the equity attributable to the equity holders of the Company, and minority interest in the results of the Group for the period has been presented on the face of the Consolidated Income Statement as an allocation of the total profit or loss for the period between the minority interest and the equity holders of the Company.

The presentation of minority interest in the Consolidated Balance Sheet, Income Statement and Statement of Changes in Equity for the comparative period has been restated accordingly.

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.

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A6 Debt and equity securities

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

A7 Dividends

A first and final gross dividend of 2.5% per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2005 was paid on 28 July 2006.

A8 Segmental information

Business segments information for the year ended 31 December 2006:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	38,488	49,839	82,611	1,747	(171)	172,514
Result						
Profit/(Loss) from Operations	4,184	6,311	9,893	4,312	-	24,700
Finance costs						(10,209)
Investing results						-
Profit before taxation						14,491
Taxation						(5,351)
Net profit for the period						9,140
Other information						
Segment assets	61,530	95,045	145,201	127,123	-	428,899
Segment liabilities	(13,434)	(21,172)	(48,292)	(115,303)	-	(198,201)
Capital expenditure on property, plant and equipment	7,000	717	262	-	-	7,979
Depreciation	391	2,226	2,790	247	-	5,654

A9 Revaluations

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

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A10 Material events subsequent to the end of the reporting period

There were no materials events subsequent to the end of the quarter reported as at the date of issuance of this report.

A11 Changes in composition of the Group

On 22nd December 2006, Ibufood Corporation Sdn Bhd, a wholly-owned subsidiary of the Company, acquired 1,500,000 ordinary shares of RM1 each in Meetco (Malaysia) Sdn Bhd (“MMSB”) representing 75% equity interest in MMSB from Encik Sulaiman Bin Daud at a total cash consideration of RM4.5 million.

A12 Contingent liabilities or assets

There were no third party contingent liabilities entered into by the Company during the 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 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 RM13.04 million.

B1 Review of performance

The Group recorded a marginal decrease of 5% in revenue to RM42.2 million for the current quarter against RM44.4 million in the preceding year corresponding quarter. The decrease was mainly due to slower sales recorded by the consumer foods and bedding products divisions.

The building materials division witnessed an increase of 9% in revenue to RM9.8 million as against RM9.0 million in the preceding year corresponding quarter due to higher completions of projects.

However, the consumer foods division registered a marginal decrease of 6% in revenue to RM20.4 million as compared to RM21.6 million the preceding year corresponding quarter. Similarly, the bedding products divisions reported a decrease in revenue of 8% to RM11.9 million as compared to RM13.2 million.

Profit before tax of the Group decreased by 25% to RM2.1 million primarily due to the higher finance costs incurred during the current quarter under review.

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Both the consumer foods and building materials divisions reported higher profit before tax of 19% and 48% respectively in the current quarter as compared to the preceding year corresponding quarter, while the bedding products division reported a lower profit of 7% to RM1.3 million.

In the opinion of the Board of Directors, the results of the current quarter ended 31 December 2006 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

	Current quarter	Immediate preceding Quarter
	31/12/06	30/09/06
	RM'000	RM'000
Revenue	42,173	42,428
Consolidated profit before taxation	<u>2,114</u>	<u>3,386</u>

The Company registered a lower pre-tax profit of RM2.1 million for the current quarter compared to RM3.4 million in the immediate preceding quarter mainly due to higher finance costs incurred during the quarter under review.

B3 Current year prospects

The Group remains optimistic on the outlook for the next financial year ending 31 December 2007. 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

	Current quarter	Cumulative current
	31/12/06	year to date
	RM'000	31/12/06
		RM'000
Current Taxation	1,441	5,051
(Over)/under Taxation	-	-
Deferred Taxation – Current	300	300
Deferred Taxation – Prior	-	-
	<u>1,741</u>	<u>5,351</u>

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

B6 Sales of unquoted investments and properties

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

B7 Purchases and sales of quoted securities

Investments in quoted securities as at 31 December 2006 are as follows:

	RM'000
At cost	40,898
Less: Provision for diminution in value	<u>(18)</u>
At carrying value	40,880
At market value	<u><u>48,902</u></u>

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

B8 (a) Status of corporate proposal

There was no corporate proposal announced during the quarter under review.

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(b) Status of the Utilisation of Proceeds

The total gross proceeds of RM37.4 million arising from the Rights Issue (“Corporate Exercise”) has been utilized in the following manner:-

	Proposed utilisation RM’000	Utilised as at 28.02.2007 RM’000	Balance unutilised RM’000
Defrayment of expenses incidental to the Corporate Exercise	2,000	2,000	-
Repayment of bank borrowings	18,625	11,095	7,530
Working capital	16,775	16,775	-
Total	37,400	29,870	7,530

B9 Group borrowings and debts securities

Bank borrowings as at the end of this quarter:-

	Secured RM’000
Short Term Borrowings	
Hire purchase creditors	820
Bank overdrafts	1,968
Banker acceptances/trust receipts	22,012
Term loans	1,193
	25,993
Long Term Borrowings	
Hire purchase creditors	640
Term loans	76,657
Fixed rate serial bonds	37,812
	115,109

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

Save as disclosed below, as at 28 February 2007, OCB and /or its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

(i) Kuala Lumpur High Court Originating Summons No. D2-24-315-2005 brought by QSR Brands Berhad (“QSR”) (“Plaintiff”) against Enigma Sinar and 5 Others (“Defendants”)

On 30 August 2005, Enigma Sinar received an Originating Summons (Suit N0. D2-315-2005) filed by QSR seeking inter-alia declaratory orders that the Extraordinary General Meeting of QSR (“EGM”) called by Enigma Sinar and RHB Nominees (Tempatan) Sdn Bhd (as nominee for Eagle Option) on 15 September 2005 was invalid being in breach of the Articles of Association of QSR. The other defendants named in the Originating Summons are Kulim (Malaysia) Berhad (“Kulim”), Wisdom Innovative Technology Sdn Bhd, OSK Nominees (Tempatan) Sdn Bhd, AmSec Nominees (Tempatan) Sdn Bhd and RHB Nominees (Tempatan) Sdn Bhd (“RHB Nominees”).

QSR further filed an injunctive application on the same date seeking that Enigma Sinar and RHB Nominees, their directors, officers, servants, agents be restraints from holding or proceeding with the EGM called by Enigma Sinar and RHB Nominees or any adjournment thereof until Kulim sends an offer document in accordance with Section 13(7) of the Malaysian Code of Take-Overs and Mergers 1998 to the shareholders of QSR.

The High Court dismissed the injunctive application with costs on 15 September 2005.

QSR subsequently on 16 September 2005 lodged an appeal to the Court of Appeal against the High Court decision, which was registered as Civil Appeal No.W-02-1000-2005. The Court of Appeal has yet to fix a date of hearing for the appeal. No date has been fixed for hearing of the Originating Summons.

(ii) Kuala Lumpur High Court Originating Summons No. D2-24-321-2005 brought by Wisdom Innovative Technology Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd (“Plaintiffs”) against Enigma Sinar and 13 others (“Defendants”)

On 7 September 2005, Enigma Sinar received an Originating Summons (Suit No.D2-24-321-2005) filed by the Plaintiffs seeking in principal declaratory orders that the special notice issued by Enigma Sinar and the 2nd and 3rd Defendants on 18 August 2005 to convene an Extraordinary General Meeting (“EGM”) on 15 September 2005 is invalid. Consequentially, Enigma Sinar and all the other defendants, their servants, agents, nominees and/or shareholders acting in concert with them, be restrained from moving, or proposing the proposed resolutions contained in the special notice dated 18 August 2005 at the intended EGM scheduled to be held on 15 September 2005.

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The High Court dismissed the Originating Summons with costs on 13 September 2005.

The Plaintiffs subsequently on 14 September 2005 lodged to the Court of Appeal against the High Court decision, which was registered as Civil Appeal No. W-02-983-2005. The Court of Appeal has yet to fix a date of hearing for the appeal.

- (iii) **A) Suit No. MT3-22-1052-2006 brought by Bank Islam Malaysia Berhad against RPSB and OCB Berhad (“OCB”)**
B) Suit No. MT3-22-1053-2006 brought by Bank Islam Malaysia Berhad against LPSB and OCB Berhad

On 22 September 2006, OCB was served with two (2) writs of Summons pertaining to the above-captioned suits filed by Bank Islam Malaysia Berhad (“BIMB”).

BIMB’s claim in both actions are against the borrowers of the respective facilities granted by BIMB to the Borrowers in 2000, namely RPSB and LPSB, and against OCB as the Corporate Guarantor. The total claim by BIMB is in the region of RM13,040,000.

OCB had on 16 November 2006 filed a defence against the above-captioned suits and also submitted counter claims against various third parties including Bank Islam Malaysia Berhad and ATSB.

B12 Dividends

The Directors proposed a first and final gross dividend of 2.5% per share less Malaysian Income Tax of 27% for the financial year ended 31 December 2006 (2005 : 2.5%) subject to approval by shareholders of the Company.

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.

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/12/06	31/12/05	31/12/06	31/12/05
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the parent company	277	1,458	8,079	5,114
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.27	1.42	7.86	4.97

(II) Diluted earnings per share

Not applicable.

Dated: 28 February 2007
 Petaling Jaya