

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MBSB”) and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. The 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 31 December 2011.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements for the financial year ended 31 December 2011, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2012.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption the MFRS on the interim financial statements of the Group.

The Group has also adopted all the new and revised MFRS and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these standards, amendments and interpretations has not resulted in any material impact to these interim financial statements.

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.

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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 quarter under review.

A8 Segmental information

Business segments information for the nine-month period ended 30 September 2012:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	48,683	45,046	101,690	1,013	(1,057)	195,375
Result						
Profit/(Loss) from Operations	3,841	7,053	6,860	(100)	-	17,654
Finance costs						(2,940)
Investing results						-
Profit before taxation						14,714
Taxation						(2,246)
Net profit for the period						12,468
Other information						
Segment assets	63,544	87,070	123,101	60,949	-	334,664
Segment liabilities	(27,805)	(34,341)	(47,073)	(373)	-	(109,592)
Capital expenditure on property, plant and equipment	75	1,692	2,045	-	-	3,812
Depreciation	1,188	1,909	3,179	28	-	6,304

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 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 26 July 2012, Kaiserkorp Sdn Bhd, a wholly-owned subsidiary of the Company acquired one (1) ordinary share of SGD1.00 in First Knight (Singapore) Pte Ltd (“FKSPL”) representing 100% of the issued and paid-up share capital in FKSPL, at a cash consideration of SGD1.00 only.

A12 Contingent liabilities or assets

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

B1 Review of performance

For the current third quarter

The Group recorded revenue of RM63.9 million and pre-tax profit of RM0.6 million in the current quarter ended 30 September 2012 as compared to revenue of RM59.2 million and a pre-tax profit of RM0.6 million reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to higher revenue registered from the Consumer Foods division. Consumer Foods division reported increase sales of 14% due to higher sales recorded from trading products.

Bedding Products division reported flat revenue as compared to the previous corresponding quarter whereas, Building Materials reported lower revenue of 1%.

The pre-tax profit was flat mainly due to higher losses from the Consumer Foods division. However, both Building Materials and Bedding Products divisions reported higher pre-tax profit due to improved margin and lower operating expenses.

For the current financial year to date

The Group recorded revenue of RM195.4 million and pre-tax profit of RM14.7 million in the current financial year to date ended 30 September 2012 as compared to revenue of RM176.5 million and a pre-tax profit of RM6.8 million reported in the preceding year corresponding period.

The higher revenue recorded was mainly due to higher revenue registered from all the divisions. Consumer Foods and Bedding Products divisions reported an increase of 14% and 2% respectively due to higher sales volume whereas Building Materials division reported higher revenue of 7% mainly due to higher job recognition.

The increase in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million and improvement of margin contribution from Bedding Products and Building Materials divisions.

In the opinion of the Board of Directors, the results of the period ended 30 September 2012 have not been affected by any transaction or event of a material nature other than that mentioned above.

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B2 Material changes in the quarterly results compared to the results of the preceding quarter

The Group recorded revenue of RM63.9 million and pre-tax profit of RM0.6 million in the current quarter ended 30 September 2012 as compared to revenue of RM74.6 million and a pre-tax profit of RM12.8 million reported in the immediate preceding quarter

The lower revenue recorded was mainly due to lower revenue registered from all the three divisions.

The lower pre-tax profit was mainly due to higher losses from consumer foods division and lower profit from bedding products division. However, building materials division reported improved profit due to higher margin.

B3 Future prospects

The Board expects the performance of the Group for the current financial year ending 31 December 2012 to be challenging in view of the current global economic conditions. The performance of the Group will depend substantially on the market demand, fluctuation of raw materials prices, operating efficiencies and cost controls measures for its various divisions.

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

Not applicable.

B5 Taxation

	Current quarter	Cumulative current
	30/09/12	year to date
	RM'000	30/09/12
		RM'000
Current Taxation	415	2,246
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>415</u>	<u>2,246</u>

The effective tax rate on the Group's profit is lower than the statutory rate due to contribution from gain on disposal of fixed asset which is non-taxable.

B6 Status of corporate proposal

There was no corporate proposal announced which has not been completed as at 28 November 2012.

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B7 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	1,104
Bank overdrafts	10,837
Banker acceptances/trust receipts	26,602
Term loans	4,624
	<u>43,167</u>
Long Term Borrowings	
Hire purchase creditors	168
Term loans	19,113
	<u>19,281</u>

B8 Material litigation

There was no material litigation against the Group as at the date of this report.

B9 Dividends

No interim dividend has been declared for the current quarter.

B10 Earnings per share

(I) Basic earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/09/12 RM'000	30/09/11 RM'000	30/09/12 RM'000	30/09/11 RM'000
Net profit attributable to equity holders of the parent	172	134	12,468	4,782
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.17	0.13	12.12	4.65

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(II) Diluted earnings per share

Not applicable.

B11 Notes to the statement of comprehensive income

Profit/(Loss) of the period/year is arrived at after charging/(crediting):-

	Current year quarter 30/09/2012 RM'000	Current year To date 30/09/2012 RM'000
Interest income	-	42
Depreciation and amortisation	2,304	6,304
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted investment or properties	-	(8,145)
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items	-	-

B12 Retained earnings

The retained earnings as at reporting date may be analysed as follows:-

	Group 30/09/2012 RM'000	Group 30/09/2011 RM'000
Realised	124,805	112,246
Unrealised	(2,960)	(2,960)
Total	121,845	109,286

Dated: 28 November 2012
 Petaling Jaya