

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 (“MASB”) 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 2016. 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 2016.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2016, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2017.

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 2017. 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.

A5 Changes in estimates of amount reported previously with a material effect in current financial year

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

A6 Debt and equity securities

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

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A7 Dividends Paid

No dividend was paid during the quarter under review.

A8 Segmental information

Business segments information for the financial period ended 30 September 2017:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue/(Loss)	60,419	40,593	100,846	4,689	(4,733)	201,813
Result						
Profit/(Loss) from Operations	6,489	2,524	(4,130)	(113)	-	4,770
Finance costs						(2,061)
Investing results						-
Profit before taxation						2,709
Taxation						(2,373)
Net profit for the period						336
Other information						
Segment assets	61,308	103,596	96,310	64,931	-	326,145
Segment liabilities	(15,729)	(30,069)	(40,117)	(61)	-	(85,976)
Capital expenditure on property, plant and equipment	444	2,567	13,249	-	-	16,260
Depreciation	829	1,826	3,269	-	-	5,924

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Business segments information for the financial period ended 30 September 2016:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue/(Loss)	63,171	42,094	104,078	10,606	(10,651)	209,298
Result						
Profit/(Loss) from Operations	4,161	4,236	(704)	9,339	(9,622)	7,410
Finance costs						(2,568)
Investing results						-
Profit before taxation						4,842
Taxation						(1,922)
Net profit for the period						2,920
Other information						
Segment assets	71,596	98,096	114,169	61,470	-	345,331
Segment liabilities	(31,733)	(31,114)	(43,595)	(122)	-	(106,564)
Capital expenditure on property, plant and equipment	28	2,306	7,151	-	-	9,485
Depreciation	843	1,578	2,818	6	-	5,245

A9 Revaluations

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

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

There were no changes in the composition of the Group during the quarter under review.

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 ended 30 September 2017

The Group recorded revenue of RM59.2 million and pre-tax loss of RM1.1 million in the current quarter ended 30 September 2017 as compared to revenue of RM73.5 million and a pre-tax profit of RM1.5 million reported in the preceding year corresponding quarter.

The decrease in revenue was mainly due to lower sales contribution from the building materials, consumer foods and bedding products divisions, which reported a decrease in sales of 30%, 16% and 10% respectively. Building materials division has seen lower sales from both project and retail segments, whereas, both consumer foods and bedding products divisions experienced weaker demand during the quarter under review.

The pre-tax loss reported by the Group was mainly attributable to consumer foods division which reported a higher pre-tax loss of RM2.2 million as compared to pre-tax loss of RM0.3 million in the preceding year corresponding quarter as a result of lower revenue and margin.

Building materials division reported a lower pre-tax profit of RM0.3 million for the current quarter under review as compared to RM1.7 million achieved during the preceding year corresponding quarter due to lower revenue and margin.

However, bedding products division registered a higher pre-tax profit of RM0.8 million for the current quarter under review as opposed to a pre-tax profit of RM0.1 million in the preceding year corresponding quarter mainly due to better profit margin on certain products.

For the current financial year-to-date ended 30 September 2017

The Group recorded revenue of RM201.8 million and pre-tax profit of RM2.7 million in the current financial year-to-date ended 30 September 2017 as compared to revenue of RM209.3 million and pre-tax profit of RM4.8 million reported in the preceding year corresponding period.

All divisions reported lower sales for the year-to-date ended 30 September 2017. Building materials and bedding products divisions registered a decrease of 4% each while consumer foods division suffered a decrease in revenue of 3%.

Building materials division posted a stronger pre-tax profit of RM6.1 million compared to RM3.1 million in the preceding year corresponding period. This was mainly attributable to completion of certain high margin projects in the earlier quarters.

However, bedding products division reported a lower pre-tax profit of RM1.8 million as compared to pre-tax profit of RM3.3 million in the preceding year corresponding period as both project and retail faced increased competition from competitors.

Consumer foods products division posted a higher pre-tax loss of RM5.1 million for the current year-to-date as compared to RM1.3 million in the preceding year corresponding period due to lower margin and higher expenses arising from new capital expenditure incurred after the fire incident in 2016.

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In the opinion of the Board of Directors of the Company, the results of the financial year-to-date ended 30 September 2017 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

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

The Group reported a revenue of RM59.2 million and pre-tax loss of RM1.1 million in the current quarter ended 30 September 2017 as compared to revenue of RM72.0 million and a pre-tax profit of RM2.0 million reported in the immediate preceding quarter.

The lower revenue was attributable to the drop in sales of 35%, 13% and 4% registered by the consumer foods, building materials and bedding products divisions.

Both the building materials and bedding products divisions generated lower pre-tax profit during the quarter under review. Building materials division reported a lower pre-tax profit of RM0.3 million as compared to RM2.3 million in the immediate preceding quarter. Bedding products division also reported a lower pre-tax profit of RM0.8 million as compared to RM1.0 million in the immediate preceding quarter.

Meanwhile, consumer foods division registered a higher pre-tax loss of RM2.2 million as opposed to a pre-tax loss of RM1.4 million in the immediate preceding quarter.

B3 Future prospects

The Board of Directors of the Company expects the performance of the Group for the financial year ending 31 December 2017 to be challenging in view of the weak domestic outlook and foreign exchange rate fluctuations. The performance of the Group will depend substantially on the market demands, fluctuation of raw materials prices, operating efficiencies and cost control measures of the three (3) divisions.

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

No profit forecast or profit guarantee was issued by the Company.

B5 Taxation

	Current quarter ended 30/09/17 RM'000	Current year-to-date ended 30/09/17 RM'000
Current Taxation	543	2,331
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	42
Deferred Taxation – Prior	-	-
	543	2,373

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

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B6 Status of corporate proposal

There was no corporate proposal announced which has not been completed as at the date of this report.

B7 Group borrowings and debts securities

Bank borrowings as at the end of the quarter ended:-

	As at 30 September 2017					
	Short term		Long term		Total borrowings	
	Denominated in SGD'000	Denominated in RM'000	Denominated in SGD'000	Denominated in RM'000	Denominated in SGD'000	Denominated in RM'000
Secured						
Hire purchase creditors	-	537	-	387	-	924
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	8,365	-	-	-	8,365
Term loans	205	3,024	2,484	23,134	2,689	26,158
Total	205	11,926	2,484	23,521	2,689	35,447
Unsecured						
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	10,935	-	-	-	10,935
Total	-	10,935	-	-	-	10,935

	As at 30 September 2016					
	Short term		Long term		Total borrowings	
	Denominated in SGD'000	Denominated in RM'000	Denominated in SGD'000	Denominated in RM'000	Denominated in SGD'000	Denominated in RM'000
Secured						
Hire purchase creditors	-	954	-	747	-	1,701
Bank overdrafts	-	11,399	-	-	-	11,399
Banker acceptances/trust receipts	-	13,327	-	-	-	13,327
Term loans	130	3,046	2,690	10,935	2,820	13,981
Total	130	28,726	2,690	11,682	2,820	40,408
Unsecured						
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	7,375	-	-	-	7,375
Total	-	7,375	-	-	-	7,375

B8 Material litigation

There was no material litigation nor pending material litigation against the Group as at the date of this report.

B9 Dividend

No dividend has been declared for the current period under review.

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 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
	30/09/17 RM'000	30/09/16 RM'000	30/09/17 RM'000	30/09/16 RM'000
Net profit attributable to equity holders of the parent	(1,670)	1,105	336	2,920
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	(1.62)	1.07	0.33	2.84

(II) Diluted earnings per share

Not applicable.

B 11 Notes to the Statement of Comprehensive Income

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

	Current year quarter 30/09/2017 RM'000	Current year-to-date 30/09/2017 RM'000
Interest income	(23)	(63)
Depreciation and amortisation	2,173	5,924
Provision for and write-off of receivables	371	746
Provision for and write-off of inventories	1	99
(Gain)/Loss on disposal of quoted investment or properties	-	-
Property, plant & equipment written-off	-	-
Provision for fire insurance compensation	-	-
Foreign exchange (gain)/loss	-	-
(Gain)/Loss on derivatives	-	-
Exceptional items	-	-

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B12 Retained earnings

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

	Group 30/09/2017 RM'000	Group 30/09/2016 RM'000
Realised	138,785	136,865
Unrealised	(1,985)	(1,445)
Total	136,800	135,420

Date: 28 November 2017
Petaling Jaya
Selangor Darul Ehsan