

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 2018. 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 2018.

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 2018, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2019.

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 2019. The adoption of these standards, amendments and interpretations has not resulted in any material impact to this interim financial statements.

A2 Audit report

The audit report of the Company’s audited Financial Statements for the financial year ended 31 December 2018 was not qualified.

A3 Seasonal or cyclical factors

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

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A5 Investment in associate

	Current Year Quarter ended 30 September 2019 RM’000	Preceding Year Quarter ended 30 September 2018 RM’000
At cost	250	-

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A6 Changes in estimates

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

A7 Debt and equity securities

There were no issues, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter under review.

A8 Dividends Paid

No dividend was paid during the current quarter under review.

A9 Segmental information

Business segments information for the nine (9)-month period ended 30 September 2019 are as follows:

	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)	36,151	46,322	91,160	867	(912)	173,588
Results						
Profit/(Loss) from Operations	(651)	(111)	756	(423)	-	(429)
Finance costs	(302)	(562)	(850)	-	-	(1,714)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(953)	(673)	(94)	(423)		(2,143)
Taxation	(8)	(162)	(77)	(18)		(265)
Net Profit/(Loss) for the period	(961)	(835)	(171)	(441)		(2,408)
Other information						
Segment assets	48,172	102,912	92,195	41,192	-	284,471
Segment liabilities	(10,713)	(26,131)	(37,272)	(25)	-	(74,141)
Capital expenditure on property, plant and equipment	691	896	2,504	-	-	4,091
Depreciation	858	1,806	3,648	35	-	6,347

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Business segments information for the nine (9)-month period ended 30 September 2018 are as follows:

	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)	34,151	50,327	103,333	1,298	(1,343)	187,766
Results						
Profit/(Loss) from Operations	(2,611)	4,762	1,717	(533)	-	3,335
Finance costs	(226)	(639)	(958)	-		(1,823)
Investing results	-	-	-	-		-
Profit/(Loss) before taxation	(2,837)	4,122	759	(532)		1,512
Taxation	190	(1,435)	(52)	(28)		(1,325)
Net Profit/(Loss) for the period	(2,647)	2,687	707	(560)		187
Other information						
Segment assets	50,271	108,794	99,231	39,184	-	297,480
Segment liabilities	(7,798)	(28,894)	(41,908)	(431)	-	(79,031)
Capital expenditure on property, plant and equipment	207	634	1,795	-	-	2,636
Depreciation	814	1,659	3,921	18	-	6,412

A10 Revaluations

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

A11 Material events subsequent to the end of the interim period

There were no materials events subsequent to the end of the financial period under review up to the date of issuance of this report.

A12 Changes in composition of the Group

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

A13 Contingent liabilities or assets

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

B1 Review of Group performance

Third Quarter ended 30 September 2019 (“Q3, 2019”) versus Third Quarter ended 30 September 2018 (“Q3, 2018”)

The Group recorded a revenue of RM61.1 million and a loss before taxation of RM0.1 million in Q3, 2019 as compared to a revenue of RM66.5 million and a profit before taxation of RM1.7 million in Q3, 2018.

The decrease in revenue was mainly due to lower sales contribution from the bedding products and consumer foods divisions which reported a decrease in sales of 20% and 19% respectively. However, building materials division reported an increase of 48% due to higher project and retail sales.

The loss before taxation reported by the Group for Q3, 2019 was mainly attributable to the loss before taxation of RM0.3 million registered by the consumer foods as compared to a profit before taxation of RM0.6 million achieved in Q3, 2018 mainly due to higher operating expenses. Similarly, bedding products division reported a lower profit before taxation of RM48,000 in Q3, 2019 as compared to profit before taxation of RM2.7 million in Q3, 2018.

However, building materials division recorded a profit before taxation of RM0.2 million in Q3, 2019 as against a loss before taxation of RM1.5 million in Q3, 2018 as a result of higher profit margin.

In the opinion of the Board of Directors of the Company, the results of Q3, 2019 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

Current Year-To-Date Ended 30 September 2019 (“YTD Q3, 2019”) versus Preceding Year-To-Date Ended 30 September 2018 (“YTD Q3, 2018”)

The Group recorded revenue of RM173.6 million and a loss before taxation of RM2.1 million in YTD Q3, 2019 as compared to revenue of RM187.8 million and a profit before taxation of RM1.5 million reported in YTD Q3, 2019.

Consumer foods and bedding products divisions registered a drop in revenue of 12% and 8% respectively, while building materials division reported an increase in revenue of 6% at RM36.2 million.

Bedding products division reported a loss before taxation of RM0.7 million in YTD Q3, 2019 as compared to profit before taxation of RM4.1 million in YTD Q3, 2018 due to lower margin and higher operating expenses.

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Similarly, consumer foods division registered a loss before taxation of RM94,000 in YTD Q3, 2019 compared to profit before taxation of RM0.8 million in YTD Q3, 2018.

Building materials division posted a lower loss before taxation of RM1.0 million YTD Q3, 2019 compared to loss before taxation of RM2.8 million in YTD Q3, 2018.

B2 Q3, 2019 versus Second Quarter ended 30 June 2019 (“Q2, 2019”)

The Group reported a revenue of RM61.1 million and a loss before taxation of RM0.1 million for the Q3, 2019 compared to revenue of RM53.9 million and a loss before taxation of RM2.1 million in Q2, 2019.

The higher revenue was attributable to the increase in sales reported by all divisions. Building materials, bedding products and consumer foods divisions registered increase in revenue of 44%, 9% and 3% respectively.

For the current quarter under review, the building materials division reported a profit before taxation of RM0.2 million as compared to a loss before taxation of RM0.6 million in Q2, 2019. Similarly, bedding products division posted a profit before taxation of RM48,000 in Q3, 2019 as compared to loss before taxation of RM1.0 million in Q2, 2019.

Consumer foods division, on the other hand, posted a slightly lower loss before taxation of RM0.3 million for the quarter under review as compared to loss before taxation of RM0.4 million in Q2, 2019.

B3 Future prospects

The Board of Directors of the Company expects the performance of the Group for the final quarter of 2019 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 September 2019 RM'000	Current Year-To-Date ended 30 September 2019 RM'000
Current Taxation	(89)	265
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<u>(89)</u>	<u>265</u>

The effective taxation 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.

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

Total Group borrowings are as follows:

	As at 30 September 2019		
	Short term	Long term	Total borrowings
	Denominated in RM ('000)	Denominated in RM ('000)	Denominated in RM ('000)
Secured			
Hire purchase creditors	156	408	564
Banker acceptances/trust receipts	10,458	-	10,458
Term loans	3,857	15,144	19,001
Total	14,471	15,552	30,023
Unsecured			
Bank overdrafts	536	-	536
Banker acceptances/trust receipts	6,687	-	6,687
Total	7,223	-	7,223

	As at 30 September 2018		
	Short term	Long term	Total borrowings
	Denominated in RM ('000)	Denominated in RM ('000)	Denominated in RM ('000)
Secured			
Hire purchase creditors	335	189	524
Banker acceptances/trust receipts	11,790	-	11,790
Term loans	3,222	20,367	23,589
Total	15,347	20,556	35,903
Unsecured			
Bank overdrafts	849	-	849
Banker acceptances/trust receipts	4,610	-	4,610
Total	5,459	-	5,459

B8 Derivative financial instruments

There were no outstanding derivatives as at 30 September 2019.

B9 Material litigation

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

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B10 Dividend

No dividend has been declared for the financial period ended 30 September 2019.

B11 (Loss)/Earnings per share

(I) Basic (loss)/earnings per share

The basic (loss)/earnings per share was calculated by dividing the Group's net (loss)/earnings for YTD Q3, 2019 by the weighted number of ordinary shares in issue during the said period.

	Current Year-To-Date ended 30 September 2019 RM'000	Preceding Year-To-Date ended 30 September 2018 RM'000
Net (loss)/profit attributable to equity holders of the parent	(2,408)	187
Number of shares in issue	103,105	103,105
Basic (loss)/earnings per share (Sen)	(2.34)	0.18

(II) Diluted (loss)/earnings per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

Profit/(loss) of the current quarter year-to-date is arrived at after charging/(crediting):

	Current Quarter ended 30 September 2019 RM'000	Current Year-To-Date ended 30 September 2019 RM'000
Interest income	(222)	(618)
Depreciation and amortisation	2,134	6,347
Provision for and write-off of receivables	658	807
Provision for and write-off of inventories	(261)	41
(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	-	-
Impairment loss on goodwill	-	-

Date: 26 November 2019
 Petaling Jaya
 Selangor Darul Ehsan