

**NOTES TO THE INTERIM FINANCIAL REPORT****1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with MASB 26: Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 January 2004. These 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 January 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 January 2004 except for the adoption of MASB 32, Property Development Activities. The adoption of MASB 32 have not given rise to any adjustments to the opening balances of revenue reserves of the prior and current year or to changes in comparatives.

2. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2004 were reported on by its external auditors, Ernst & Young without any qualifications.

3. Seasonal or cyclical factors

The performance of the Group was not affected by any significant seasonal or cyclical factors during the period under review.

4. Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual due to their nature, size and incidence.

5. Changes in estimates

There were no changes in the estimates of amounts reported in prior quarters which have a material impact on the interim financial statements.

6. Debt and equity securities

During the quarter under review, the Company issued 94,000 new ordinary shares of RM1.00 each (“Share”) pursuant to the Company’s Employees’ Share Option Scheme at an option price of RM1.38 per share.

For the current financial period-to-date, a total of 385,000 Shares were issued under the said scheme of which 291,000 Shares were issued in the previous quarter.

Apart from the above, there were no other issuances and repayments of debt and equity securities for the current quarter and financial year-to-date.

7. Dividends paid

During the financial year-to-date, the Company did not pay any dividend.

8. Segmental reporting

| | Manufacturing | Trading | Property development | Quarry operation | Investment & mgt services | Eliminations /Adjustment | Total |
|---|---------------|---------|----------------------|------------------|---------------------------|--------------------------|---------|
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| REVENUE | | | | | | | |
| External sales | 74,489 | 1,307 | 2,577 | 1,020 | 87 | - | 79,480 |
| Inter-segment sales | 39 | - | - | 865 | - | (904) | - |
| Total revenue | 74,528 | 1,307 | 2,577 | 1,885 | 87 | (904) | 79,480 |
| RESULTS | | | | | | | |
| Segment result | 4,903 | 685 | 526 | 190 | (770) | (62) | 5,472 |
| Investing results | - | - | - | - | (1,083) | - | (1,083) |
| Interest expense | (688) | (140) | (205) | - | (262) | 1 | (1,294) |
| Interest income | 94 | - | - | - | - | - | 94 |
| Income taxes | (1,937) | - | (92) | (50) | - | - | (2,079) |
| Net profit/(loss) | 2,372 | 545 | 229 | 140 | (2,115) | (61) | 1,110 |
| OTHER INFORMATION | | | | | | | |
| Segment assets | 157,322 | 2,451 | 18,964 | 1,873 | 19,025 | 1,085 | 200,720 |
| Segment liabilities | 43,680 | 6,498 | 7,950 | 520 | 5,934 | - | 64,582 |
| Depreciation | 2,157 | 22 | - | 125 | 145 | - | 2,449 |
| Non-cash expenses other than depreciation | - | - | - | - | - | - | - |

No geographical analysis has been prepared as the Group’s business operations are predominantly located in Malaysia.

9. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the financial statements for the year financial ended 31 January 2004.


10. Subsequent events

No material events have arisen during the interval between the end of the current quarter and the date of this announcement which have not been reflected in the current quarterly report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date including business combination, acquisition or disposal of subsidiaries, restructuring and discontinuing operations.

12. Contingent liabilities and assets

There were no changes in contingent liabilities or assets since the last annual balance sheet as at 31 January 2004, except for additional corporate guarantee amounting to RM11.2 million given by the Company to bankers for credit facilities granted to subsidiaries during the financial period ended 31 July 2004.

| | RM '000 |
|--------------------------------|----------------|
| As at 1 February 2004 | 70,400 |
| Additional corporate guarantee | 11,200 |
| As at 31 July 2004 | <u>81,600</u> |

13. Capital commitments

There were no material capital commitments for the current quarter under review.

14. Review of performance of the Group

The Group achieved a revenue of RM41.7 million for the quarter under review compared to RM37.7 million in the preceding quarter. This represents an increase of RM4 million (10.6%) contributed mainly from revenue generated from the timber and property divisions.

The Group's revenue is lower by RM2.7 million compared to the corresponding period in the previous financial year, resulting in a drop of 6.0% which was mainly caused by the slow down in the ready-mixed concrete division as most projects on hand are near completion stage and supply to most of new projects secured have not commenced.

For the quarter ended 31 July 2004, the Group recorded a profit before tax ("PBT") of RM2.6 million as compared to RM0.6 million and RM7.3 million in the preceding quarter and in the corresponding period respectively in the previous financial year.

15. Comment on material change in profit before taxation

For the current quarter under review, the Group's PBT was RM2.6 million, an increase of RM2.0 million (333.3%) compared to RM0.6 million in the preceding quarter. This is mainly due to the gain on disposal of a parcel of land (please refer to paragraph 19 below) and improved sales from the timber division during the quarter.

Compared to the Group's PBT in the corresponding period in the previous financial year of RM7.3 million, the Group recorded a drop of PBT of RM4.7 million (64%) in the quarter under review. This is mainly due to decrease in sales from concrete division and increase in operating costs in timber division. In addition, the escalating price of raw materials for the manufacturing division, especially plastic resins, and together with higher operating expenses in all divisions had reduced the profit margin significantly.

16. Current year prospects

With the prevailing economic conditions the Directors are optimistic that, barring unforeseen circumstances, the Group's performance will continue to be favourable for the remaining quarters of the financial year ending 31 January 2005.

17. (a) Variance of actual profit from forecast profit

Not applicable as no profit forecast was published.

(b) Shortfall in the profit guarantee

There was no profit guarantee for the current year under review.

18. Taxation

| | 3 months ended 31/07/2004 RM'000 | Cumulative year-to-date 31/07/2004 RM'000 |
|---------------------------|---|--|
| - Current period taxation | (203) | (1,899) |
| - Underprovision of tax | - | (230) |
| - Deferred taxation | (270) | 50 |
| | <u>(473)</u> | <u>(2,079)</u> |

The Group's effective tax rate for the current quarter ended 31 July 2004 is lower than the statutory tax rate of 28% due to exemption of tax for the gain on disposal of land as per Real Property Gain Tax (Exemption) (No. 2) Order 2003.

The Group's effective tax rate for the current financial year-to-date is disproportionate to the results due to interim losses suffered by two companies within the Group.


19. Sales of unquoted investments and/or properties

Save for the disposal of a parcel of land by Quality Concrete Sdn. Bhd., a wholly-owned subsidiary of the Group, there were no other material sale of unquoted investments or properties for the quarter under review. The disposal at a consideration of RM2 million was announced to the Bursa Malaysia on 27th May 2004 and gave rise to a resultant unaudited profit of approximately RM1.5 million.

20. Quoted securities

- (a) Purchases and disposals of quoted securities during the current quarter and financial year-to-date were as follows:

| | Current quarter RM'000 | Current year-to-date RM'000 |
|----------------------------|---------------------------------------|--|
| Total purchases | 3,367 | 10,237 |
| Total disposals | 3,301 | 7,851 |
| Total net loss on disposal | 79 | 1,083 |

- (b) Total investments in quoted securities as at 31 July 2004 were as follows:

| | RM'000 |
|-------------------------------|---------------|
| At cost | 10,791 |
| At carrying value/ book value | 10,655 |
| At market value | 8,772 |

There was no provision for unrealised losses as the fluctuations in market value of the quoted securities are considered to be temporary.

21. Status of corporate proposals announced but not completed

There were no corporate proposals which have been announced but not yet been completed as at the date of this announcement.

22. Group borrowings and debt securities

| | As at 31/07/2004 Total RM'000 |
|--------------------------------|--|
| Unsecured: | |
| Bank overdrafts | 3,855 |
| Revolving credit | 3,000 |
| Bankers' acceptance | 25,100 |
| | <u>31,955</u> |
| Secured: | |
| Term loans | 3,197 |
| Bank overdrafts | 5,110 |
| | <u>8,307</u> |
| | <u>40,262</u> |
| Repayable within twelve months | 38,264 |
| Repayable after twelve months | 1,998 |
| | <u>40,262</u> |

The above borrowings are denominated in Ringgit Malaysia.

23. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

24. Changes in material litigation

As at the date of this announcement, there were no changes in all the existing material litigations of the Group which were disclosed in the Company's circular to shareholders dated 8 June 2004.


25. Earnings per share

| | Individual quarter ended | |
|--|---------------------------------|-------------------|
| | 31/07/2004 | 31/07/2003 |
| | '000 | '000 |
| Net profit for the period (RM) | <u>2,138</u> | <u>4,618</u> |
| Weighted average number of ordinary shares | | |
| Issued and fully paid share capital at beginning of the financial period | 57,413 | 57,179 |
| Effect of shares issued during the 3 months period ended 31 July 2004 | <u>53</u> | <u>-</u> |
| Weighted average number of ordinary shares | 57,466 | 57,179 |
| Effect of ESOS share options | <u>1,336</u> | <u>1,619</u> |
| Weighted average number of ordinary shares (diluted) | <u>58,802</u> | <u>58,798</u> |
| Basic (sen) | 3.72 | 8.08 |
| Fully diluted (sen) | 3.64 | 7.85 |
| Cumulative year to date | | |
| | 31/07/2004 | 31/07/2003 |
| | '000 | '000 |
| Net profit for the period (RM) | <u>1,112</u> | <u>5,778</u> |
| Weighted average number of ordinary shares | | |
| Issued and fully paid share capital at beginning of the financial period | 57,413 | 57,179 |
| Effect of shares issued during the 6 months period ended 31 July 2004 | <u>265</u> | <u>-</u> |
| Weighted average number of ordinary shares | 57,678 | 57,179 |
| Effect of ESOS share options | <u>1,297</u> | <u>1,717</u> |
| Weighted average number of ordinary shares (diluted) | <u>58,975</u> | <u>58,896</u> |
| Basic (sen) | 1.93 | 10.11 |
| Fully diluted (sen) | 1.89 | 9.81 |

26. Dividend payable

No dividends have been declared for the financial year-to-date.

27. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27th September 2004.