



## NOTES TO THE INTERIM FINANCIAL REPORT

### 1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134<sub>2004</sub>, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 January 2007. 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 2007.

### 2. **Changes in Accounting Policies**

The significant accounting policies adopted in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 January 2007 except for the adoption of revised FRS 117 Leases and FRS 124 Related Party Disclosures issued by MASB that are effective for the Group’s financial period commencing 1 February 2007. The principal effects of the change in accounting policy resulting from the adoption of the revised FRS 117 and FRS 124 are discussed below:

#### **(a) FRS 117: Leases**

Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership and as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortized over the remaining lease term.

Prior to 1 January 2007, leasehold land for own use was classified as property, plant and equipment and was stated at revalued amount, being the fair value at the date of revaluation less accumulated depreciation and any impairment losses.



## 2. Changes in Accounting Policies (contd.)

### (a) FRS 117: Leases (contd.)

With the adoption of FRS 117 effective 1 January 2007 and in accordance to its transitional provision, leasehold land for own use is now classified as operating lease. The unamortized carrying amount of leasehold interests in the land element is retained as the surrogate carrying amount and reclassified as prepaid land lease payments in the balance sheet. Accordingly, comparative figures for the financial year ended 31 January 2007 have been restated to reflect this application as disclosed in Note 3. The adoption however has no effects on the income statement of the Group for the current quarter under review.

### (b) FRS 124: Related Party Disclosures

The adoption of FRS 124 does not result in significant changes in accounting policies of the Group.

The Group has not taken the option for early adoption of the Deferred FRS 139 – Financial Instruments: Recognition and Measurement.

## 3. Comparatives

The following comparatives figures have been restated due to the adoption of the revised FRS stated under note 2:

As at 31 January 2007	Previously stated RM'000	Restated RM'000
Property, Plant and Equipment	40,807	436
Prepaid land lease payments	-	40,371

## 4. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2007 were reported on by its external auditors, Ernst & Young without any qualifications.

## 5. Seasonal or cyclical factors

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

**6. 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.

**7. 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.

**8. Debt and equity securities**

During the quarter under review and current financial year-to-date, there were no issuances and repayment of debt and equity securities.

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.

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**10. Dividends paid**

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


**11. 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
<b>REVENUE</b>							
External sales	75,151	5,312	820	484	100	-	81,867
Inter-segment sales	106	-	-	965	-	(1,071)	-
Total revenue	75,257	5,312	820	1,449	100	(1,071)	81,867
<b>RESULTS</b>							
Segment result	(3,723)	384	(504)	134	(1,006)	-	(4,715)
Investing results	-	-	-	-	7,371	-	7,371
Interest expense	(1,068)	(30)	(114)	-	(96)	-	(1,308)
Interest income	230	-	-	-	-	-	230
Income taxes	(158)	-	-	(26)	-	-	(184)
Share of associate results	-	-	-	-	-	(15)	(15)
Net profit/(loss)	(4,719)	354	(618)	108	6,269	(15)	1,379
<b>OTHER INFORMATION</b>							
Segment assets	149,287	666	25,678	1,090	25,429	1,485	203,635
Segment liabilities	46,416	4	8,006	406	1,035	(1)	55,866
Depreciation	2,674	-	7	124	162	-	2,967
Non-cash expenses other than depreciation	3	-	-	-	50	-	53

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

**12. 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 financial year ended 31 January 2007.

**13. 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.

**14. Changes in the composition of the Group**

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

### 15. Contingent liabilities and assets

There were no changes in contingent liabilities or assets since the last audited annual balance sheet as at 31 January 2006, except for the quarter under review and the current financial year-to-date where an additional corporate guarantee amounting to RM0.18 million was given by the Company to bankers for credit facilities granted to a subsidiary.

	<b>RM'000</b>
As at 31 July 2007	92,414
Additional corporate guarantee	-
As at 31 October 2007	<u>92,414</u>

### 16. Capital commitments

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

### 17. Review of performance of the Group

The Group's revenue in the current quarter was slightly lower at RM26 million compared to last quarter. While revenue from other division have shown some improvement, revenue from timber products division continue to shrink due to lower demand from overseas.

The Group's revenue for the current cumulative quarter was significantly lower at RM81.9 million compared to the corresponding period of last financial year due to lower revenue generated from timber products division and property development division.

### 18. Comment on material change in profit before taxation ("PBT")

Despite unfavourable market condition, the Group managed to register higher PBT in the current quarter at RM2.2 million, an improvement of RM2.7 million compared to the preceding quarter which is mainly due to lower operating cost resulting from cost cutting measures and also gain from disposal of quoted shares investments.

The PBT for the Group in the 9 months cumulative period has not varied significantly when compared to the same period last year despite significant drop in revenue as the loss from operation was partially off set by the gain from disposal of quoted shares investments of RM7.4 million.


**19. Current year prospects**

Barring unforeseen circumstances, the management expects the Group to be able to achieve a favourable financial result in the coming financial year.

**20. (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.

**21. Taxation**

	<b>3 months ended 31/10/2007 RM'000</b>	<b>Cumulative year-to-date 31/10/2007 RM'000</b>
- Current period taxation	(251)	(298)
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>(251)</u>	<u>(298)</u>

The Group's effective tax rate for the current quarter ended 31 October 2007 is lower than the statutory tax rate of 26% due to adjustment of over provision in the previous quarter.

The Group's effective tax rate for the current financial year-to-date is lower than the statutory tax rate of 26% due to losses from certain subsidiaries which cannot be set off against taxable profits from other subsidiaries, and certain expenses which are not deductible for tax purpose.

**22. Sales of unquoted investments and/or properties**

There were no sales of unquoted investments and properties for the quarter under review.


**23. Quoted securities**

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

	<b>Current quarter RM'000</b>	<b>Current year-to-date RM'000</b>
Total purchases	4,933	17,893
Total disposals	6,151	15,841
Total net gain on disposal	4,326	7,371

- (b) Total investments in quoted securities as at 31 October 2007 were as follows:

	<b>RM'000</b>
At cost	9,589
At carrying value/book value	9,589
At market value	9,639

There was no provision for the diminution in the value of quoted share investment for the quarter under review.

**24. 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.


**25. Group borrowings and debt securities**

	As at 31/10/2007 Total RM'000
<b>Unsecured:</b>	
Bank overdrafts	3,671
Revolving credit	1,700
Bankers' acceptance	16,202
	<u>21,573</u>
<b>Secured:</b>	
Term loans	1,707
Bank overdrafts	4,355
	<u>6,062</u>
	<u>27,635</u>
Repayable within twelve months	26,008
Repayable after twelve months	1,627
	<u>27,635</u>

The above borrowings are denominated in Ringgit Malaysia.

**26. 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.

**27. 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 30 May 2006 and as previously announced in the quarterly report dated 29 March 2006, 28 June 2006 and 28 September 2006 except for the date of the court hearing for Quality Concrete Holdings Berhad's Ex-Parte Summons In Chambers for the order to examine an Officer of Classic Ceiling Manufacturer (M) Sdn. Bhd. (Civil suit no. 22-96-99-III (II)) which has been further adjourned from 16 January 2007 to a date which has not been confirmed yet.



**28. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/10/2007</b>	<b>31/10/2006</b>
	<b>'000</b>	<b>'000</b>
Net loss for the period (RM)	<u>1,904</u>	<u>1,508</u>
<b>Weighted average number of ordinary shares</b>		
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 3 months period ended 31 July 2007 / 2006	-	-
Weighted average number of ordinary shares	<u>57,962</u>	<u>57,962</u>
Effect of ESOS share options	-	-
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	3.28	2.60
Fully diluted (sen)	3.28	2.60
<b>Cumulative year to date</b>		
	<b>31/10/2007</b>	<b>31/10/2006</b>
	<b>'000</b>	<b>'000</b>
Net loss for the period (RM)	<u>1,304</u>	<u>530</u>
<b>Weighted average number of ordinary shares</b>		
Issued and fully paid share capital at beginning of the financial year	57,962	57,962
Effect of shares issued during the 3 months period ended 31 July 2007 / 2006	-	-
Weighted average number of ordinary shares	<u>57,962</u>	<u>57,962</u>
Effect of ESOS share options	-	-
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	2.25	0.91
Fully diluted (sen)	2.25	0.91



**29. Dividend payable**

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

**30. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors 27 December 2007.