

Notes to Quarterly Report**1. Basis of Accounting and Accounting Policies.**

These condensed consolidated interim financial statements for the period ended 30 Jun 2017, have been prepared in accordance with MRFS 134, Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements. For the periods up to and including the year ended 31 Dec 2016, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards ("FRS")

2. Audit Report on Financial Statements.

The financial statements of the Group for the financial year ended 31 December 2016 have been reported without any audit qualification.

3. Seasonal or Cyclical Factors

The business activities of the Group tend to have higher sales near the year end festive season but are not significantly affected by any cyclical factors.

4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There is no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

5. Material changes in estimates

There is no material change in estimates for the period under review.

6. Issuance and Repayment of Debt and Equity Securities

There is no issuance or repayment of any debt and equity securities during the period under review.

7. Segmental Information for the Current Financial Period

No segmental information is presented, as the Group is principally involved in latex bedding business with operations in Malaysia and no overseas plant or office.

8. Valuation of Property, Plant & Equipment

All assets under the Group have not been revalued and are carried at historical cost.

9. Effect of Changes in the Composition of the Group

There is no change in the composition of the Group during the period under review.

10. Status of the Corporate Proposals

There is no corporate proposal being undertaken by the Group as at the reporting date.

11. Profit Forecast / Guarantee

Not applicable.

Notes to Quarterly Reports (cont'd)

12. Discussion and Analysis on Group's Financial Performance

a) Financial review for current quarter and financial year to date

The revenue of the Group for the current quarter increased slightly by 0.7% to RM17.60 million against RM17.47 million in the previous year corresponding quarter. The YTD revenue decreased by 3.3% from RM33.21 million to RM32.11 million mainly due to the drop in revenue in Q1, caused by lower export sales.

The profit before tax for the current quarter decreased by 6.8% to RM1.01 million from RM1.08 million in the previous year corresponding quarter. The YTD profit before tax decreased by 28.1% from RM2.06 million to RM1.48 million, due to the reasons below

- i) The market condition – Export demand for latex bedding has shown some recovery from Q1 which was depressed mainly due to poor export sales.
- ii) Level of operating activities – There is no significant changes to the level of operating activities.
- iii) Key factors affecting revenue, costs and profit margin
 - a. Although the average centrifuged latex price has peaked in quarter 1 and soften in quarter 2, it was still about 70% higher compared to previous year corresponding period. This has resulted in lower profit before tax for the current quarter.
 - b. Volume of latex in production dropped 12% to 900 tons from 1,020 tons in previous year corresponding quarter, partly due to shortage of labour. Despite that, we were able to achieve better product and customer mix with higher selling price to register a 0.7% growth in revenue over the corresponding period.
 - c. Labour shortage issue has affected our operational efficiency to optimize our production capacity. The Group has applied for 50 additional foreign workers but only obtained approval for 14. The Group is actively participating in the re-hiring scheme to attract more workers.
 - d. During the period under review, the Group's operation is not affected by any natural disasters or unusual disruptions, save for the labour issue.
 - e. There is no significant changes in staff costs for the period under review
 - f. The finance cost has reduced by 33% for the period under review compared to previous year corresponding period, due to healthy cashflows and prudent financial management.
- iv) Unusual or one-off issue – There is no significant unusual or one-off issue during the period under review.
- v) Diversification or penetration into new market – The Group has penetrated into in-bound tourist market with our latex bedding products. The results are encouraging and we foresee healthy growth in the coming months.
- vi) Merger and acquisition exercises – There is no merger and acquisition exercise for the period under review.
- vii) New contracts / termination of existing contract – there is no significant new contract or termination of existing contract for the period under review.
- viii) Impairment of Assets or receivables – there is no significant impairment of assets or receivables for the period under review.
- ix) Fair value gain / loss on investment – there is no fair value gain or loss on investment for the period under review
- x) Foreign labour issues – the Group is facing labour shortage as discussed above. The Group is actively taking steps to alleviate the issues and is expected to minimize the shortage this year.

Notes to Quarterly Reports (cont'd)
13. Financial Review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes %
	30/06/2017	31/03/2017	
	RM' 000	RM' 000	
Revenue	17,604	14,506	21.4%
Operating Profit	1,038	485	114.1%
Other Income	50	65	-22.5%
Finance cost	(78)	(80)	-2.5%
Profit Before Tax	1,010	470	115.2%
Profit After Tax	920	445	107.0%
Profit Attributable to Ordinary Equity Holders of the Parent	920	445	107.0%

The revenue for current quarter increased by 21.4% to RM17.60 from RM14.51 million in the preceding quarter, mainly due to increased in order from oversea as well as from new local customers. Profit before tax increased by 106.7% from RM0.47 mil to RM1.01 million against preceding quarter mainly due to higher sales recorded in the current quarter, as well as traditionally higher operating overheads in Q1 including insurance premiums

14. Other Income / Expenses

	Current Quarter	Preceding year Corresponding quarter
	RM' 000	RM' 000
Interest income	17.2	10.5
Other income	32.8	53.9
Changes in (Provision for)/recovery of doubtful debt	(41.5)	49.3
Gain/ (loss) on disposal of Fixed assets	-	-
Changes in (Provision for)/recovery of Stocks	-	-

15. Deferred Taxation

The deferred tax liabilities on deductible temporary differences recognised in the financial statements as required under the MFRS 112 were as follows: -

	YTD ended 30 Jun 2017
Tax effect of	RM' 000
Excess of capital allowance over accumulated depreciation on property, plant & equipments	(1,326)
Recognition of deferred tax assets on adjusted business loss and net balancing charge	293
	(1,033)

16. Group Borrowings

a) The Group borrowings as at the end of the reporting quarter are as follows:

	As at 2 nd Quarter ended 2017					
	Long Term		Short Term		Total Borrowings	
	Foreign deno'n RM' 000	RM deno'n RM' 000	Foreign deno'n RM' 000	RM deno'n RM' 000	Foreign deno'n RM' 000	RM deno'n RM' 000
Secured	-	7,456	1,564	2,024	1,564	9,480
Unsecured	-	-	-	-	-	-

Notes to Quarterly Reports (cont'd)

	As at 2 nd Quarter ended 2016					
	Long Term		Short Term		Total Borrowings	
	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000
Secured	-	8,963	-	1,952	-	10,915
Unsecured	-	-	-	-	-	-

b) Group net gearing or net cash position

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Total borrowings	11,044	10,915
Cash	(10,921)	(10,062)
Net Borrowings / (net cash)	123	853
Net Assets	43,597	38,906
Net Gearing Ratio	0.3%	2.2%

Commentaries on Group Borrowings and Debt Securities

- i) Total borrowings remain fairly same level at around RM11 million.
- ii) The net gearing ratio had improved from 2.2% to 0.3%
- iii) The Group has embarked on an expansion project with an approved budget of RM8million. The total term loan approved for this project is RM6.2 million. As at the reporting date, the capital-work-in-progress totaling RM5.58 million was paid in cash, as the Group has yet to drawdown on the term loan.
- iv) The interest rates ranges from 2.5% to 7% for the period under review. Some of the term loan interest is calculated after netting off the cash balance in specific bank accounts, thus resulting in savings in overall interest costs.
- v) The Group financed certain import purchase denominated in USD using Foreign Currency Trade Loan (FCTL). The Group is having more USD proceeds from export than USD imports thus is practicing natural hedging for USD imports as well as settlement of FCTL.

17. Contingent Liabilities

Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries

RM' 000
9,910

18. Financial Instruments under MFRS 139

As at 30 Jun 2017, the unrealized gains or loss for the Group is as follows

	Derivatives / year end balances	Contract value (RM' 000)	Balance Shee value (RM' 000)	Fair Value (RM' 000)	Unrealised Gain (loss) (RM' 000)
1	Foreign Exchange Contracts				
	- Less than 1 year	5,380	-	5,368	12
	- 1 year to 3 years	-	-	-	-
	- More than 3 years	-	-	-	-
2	Trade related balances	-	(2,555)	(2,795)	(240)
	Total				(228)

19. Foreign Exchange Exposure / Hedging Policy

Exports constituted approximately 60% of the Group's total revenue. The main export currency is USD.

Notes to Quarterly Reports (cont'd)

The Group has imports in USD for certain of its raw materials and trading goods. The Group practices natural hedging for export proceeds with import payments. Approximately 50% of the estimated excess of export proceeds over import payments were hedged by forward currency contract.

20. Trade Receivables

The Group practices prudent credit control with average debtor days of within 1-2 months. During the period under review, there is no material provision and write-off of trade receivables.

There is no significant related parties transactions during the period under review, save for some tenancy agreement and advertisement brokerage. Both the tenancy agreements and advertisement brokerage arrangement are approved Recurrent Related Parties Transactions ("RRPT") duly approved by shareholders during the last AGM.

21. Material Impairment of Assets

There is no material impairment of Assets during the period under review.

22. Prospects for the Current Financial Year

In view of the current uncertainties in the world economy and poor consumer sentiment, the Board expects challenging times ahead in the coming months. The changes in any of the following factors may have a direct impact on the performance of the Group in 2017 :

- i) The expansion and modernization project for our latex division is near completion. The new line would potentially increase our capacity by 30% and increase the varieties of latex pillows in productions.
- ii) Key Raw Material - Centrifuged latex price which had risen by more than 80% in Quarter 1 for the current financial year, has softened recently. The lower latex price would be beneficial to the Group's margin in the coming months.
- iii) Foreign Exchange - The changes in exchange rate especially the US Dollar which remains the main foreign currency for our export business, would have significant impact on the Group's operations and margins.
- iv) Consumer sentiment and confidence level in spending – Domestic retail spending on consumer durables remain fairly subdued since the implementation of Goods and Services Tax ("GST"). The Group is actively participating in more consumer fairs to reach out to the consumers to mitigate the slow retail sentiment.
- v) Property sector - The health of the property sector will have direct impact on furnishing requirements. With tough environment facing the property sector at the time being, the demand for new bedding for furnishing new houses would be subdued.
- vi) Foreign workers - The availability of foreign workers to run the production is imperative for the Group as a manufacturer. The Group has tried all means to mitigate the impact by actively participating in the Re-hiring program
- vii) Others – The Group is negotiating to acquire the plant & machineries of a small bedding company. The Group would also absorb the key managers as well as a group of skilled production workers from that company. It could help alleviate our labour shortage issue but is not expected to have any significant impact for the period under review.

23. Breakdown of Realised and Unrealised profit or loss

The breakdown of the retained earnings / (accumulated loss) of the Group as at 30 Jun 2017 into realized and unrealized profit / (loss) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 Mar 2010 and prepared in accordance with Guidance of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Notes to Quarterly Reports (cont'd)

	YTD ended 30 Jun 2017
Total Retained Profits of the Group	RM' 000
Realised	57,421
Unrealised	(228)
	57,193
Less Consolidated Adjustments	(35,787)
Retained Earnings	21,406

24. Material Litigation

The Group does not have any material litigation as at 24 Aug 2017.

25. Dividend

The Board does not recommend any dividend for the period under review.

The proposed First and Final, tax exempt dividend of 10% or 1 sen per ordinary share totaling RM1,678,157, for the financial year ended 31 Dec 2016 had been approved by shareholders at the Annual General Meeting held on 23 May 2017. The dividend was paid on 15 Jun 2017.

26. Significant Subsequent Events

There are no material events subsequent to the end of the period under review which have not been reflected in this interim financial report.

27. Net Earnings Per Ordinary Share

The earnings per ordinary share is calculated based on the Group's profit after taxation on the number of ordinary shares of RM0.10 each of 167,815,704 in issue.

	YTD ended 30 Jun 2017
	RM' 000
Profit after Taxation	1,365
No of Ordinary shares of RM0.10 each	167,816
Net EPS - Basic (sen)	0.81
Net EPS – Diluted (sen)	0.81

By Order of the Board

Dato' Eric Lee Kong Sim
Managing Director

24 Aug 2017