

NOTES TO THE INTERIM FINANCIAL REPORT

1. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

This condensed consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting, and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed report also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board. For the periods up to and including the year ended 31 January 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed report are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 January 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The date of transition to the MFRS framework is 1 February 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2 below.

These explanatory notes attached to the condensed report provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2012.

2. Significant Accounting Policies

Application of MFRS 1

The audited financial statements of the Group for the year ended 31 January 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 January 2012, except as discussed below:

a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognized under FRS is not adjusted.

b) Property, plant and equipment

The Group has previously adopted the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment, and all items of property, plant and equipment were initially recognized at cost less accumulated depreciation and accumulated impairment losses. Freehold land, leasehold land and buildings were measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and buildings as at 31 January 2011 as deemed cost at the date of transition, as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM4,603,180 (31 July 2011: RM4,603,180; 31 January 2012: RM4,603,180) was transferred to retained earnings on date of transition to MFRS.

c) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. This treatment of translation differences under FRS is consistent with the requirement of MFRS.

d) Estimates

The estimates at 1 February 2011 and at 31 January 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 February 2011, the date of transition to MFRS as of 31 January 2012.

The reconciliations of equity comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 February 2011:

	FRS as at 01.02.2011 RM'000	Reclassification RM'000	MFRS as at 01.02.2011 RM'000
Equity			
Revaluation reserves	4,603	(4,603)	-
Retained Earnings	64,023	4,603	68,626

Reconciliation of equity as at 31 October 2011:

	FRS as at 31.10.2011 RM'000	Reclassification RM'000	MFRS as at 31.10.2011 RM'000
Equity			
Revaluation reserves	4,603	(4,603)	-
Retained Earnings	67,902	4,603	72,505


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Reconciliation of equity as at 31 January 2012:

	FRS as at 31.01.2012 RM'000	Reclassification RM'000	MFRS as at 31.01.2012 RM'000
Equity			
Revaluation reserves	4,603	(4,603)	-
Retained Earnings	61,331	4,603	65,934

3. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2012 were reported on by its external auditors, Ernst & Young without any qualifications.

4. Seasonal or cyclical factors

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

5. 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.

6. 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.

7. 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.

8. Dividends paid

No dividend was paid in the current quarter and financial year to date.

9. Segmental reporting

The segment information for business segments predominantly conducted in Malaysia for the current financial year to date were as follows:

9 months ended 31 October 2012	Manufacturing RM '000	Trading RM '000	Property development RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
REVENUE							
External sales	97,055	616	114,085	807	-	-	212,563
Inter-segment sales	399	23,204	-	1,072	5,000	(29,675)	-
Total revenue	97,454	23,820	114,085	1,879	5,000	(29,675)	212,563
RESULTS							
Operating profit	2,252	215	6,600	276	4,534	(5,000)	8,877
Financing cost	(1,652)	-	(1,300)	(5)	(103)	-	(3,060)
Income taxes	(70)	-	(1,490)	(65)	-	-	(1,625)
Net profit/(loss)	530	215	3,810	206	4,431	(5,000)	4,192

9 months ended 31 October 2011	Manufacturing RM '000	Trading RM '000	Property development RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
REVENUE							
External sales	97,306	467	50,681	1,066	15	-	149,535
Inter-segment sales	77	20,055	-	1,431	-	(21,563)	-
Total revenue	97,383	20,522	50,681	2,497	15	(21,563)	149,535
RESULTS							
Operating profit	3,924	87	5,149	443	(1,649)	-	7,954
Financing cost	(1,460)	-	(817)	-	(147)	-	(2,424)
Income taxes	(278)	-	(1,084)	(112)	-	-	(1,474)
Net profit/(loss)	2,186	87	3,248	331	(1,796)	-	4,056

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 composition of the Group for the current quarter and financial year to date.

12. Contingent liabilities and assets

	As At 31 October 2012 RM'000	As At 31 January 2012 RM'000
Corporate Guarantee	<u>71,716</u>	<u>90,326</u>

13. Capital commitments

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

14. Related Party Transactions

	3 months ended		9 months ended	
	31.10.12 RM'000	31.10.11 RM'000	31.10.12 RM'000	31.10.11 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	26	44	466	240
-Limba Jaya Timber Sdn. Bhd.	63	32	126	48
-Pahaytc Sdn. Bhd.	1	12	30	123
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	3,269	-	8,875	1,644
Rental of office				
-BMK Development Sdn. Bhd.	36	27	97	77

**15. Review of performance of the Group**

In the current quarter, the Group has generated revenue of RM55.9 million which is 30% or RM24.0 million less than that generated in the preceding quarter. Revenue from the construction and development division has decreased by RM28.1 million in the quarter under review due to completion of some of the projects in hand and also slower progress in work done due to poor weather. However, revenue from the manufacturing division has shown an increase of RM4.1 million with ready-mixed division and HDPE pipes division contributed RM2.1 million and RM1.9 million respectively.

The year-to-date revenue for Group stood at RM212.6 million compared to RM149.5 million for the same period of last financial year. The significant increase is mainly from the revenue generated from the construction and property division.

16. Comment on material change in profit before taxation (“PBT”)/Loss before taxation (“LBT”)

The Group has recorded LBT of RM1.4 million in the current quarter due to stock written off amounting to RM1.7 million from the timber products division while PBT from the construction and property division also down by RM1.7 million compared to the last quarter due to lower revenue.

For the first nine months, the Group’s PBT of RM5.8 million is slightly higher than the RM5.5 million recorded in the corresponding period of last financial year.

17. Current year prospects

The Group shall continue to work towards enhancing the Group performance and financial position in the remaining quarters of the year barring any unforeseen circumstances, the management is confident that the Group will be able to achieve it.

18. (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.

19. Taxation

	9 months ended 31/10/2012 RM'000	9 months ended 31/10/2011 RM'000
- Current period taxation	1,625	1,474
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>1,625</u>	<u>1,474</u>

20. 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.

21. Group borrowings and debt securities

	As At 31/10/12 Total RM'000
Unsecured:	
Share margin facility	1,167
Bankers' acceptance	75
	<u>1,242</u>
Secured:	
Term loans	15,665
Bank overdrafts	6,113
Revolving credits	10,000
Bankers' acceptance	32,482
Hire purchase	6,214
	<u>70,474</u>
	<u>71,716</u>
Repayable within twelve months	53,870
Repayable after twelve months	17,846
	<u>71,716</u>

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/10/2012	31/10/2011
	RM'000	RM'000
Net profit/(loss) for the period	<u>(1,256)</u>	<u>1,792</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2012	31/10/2011
	'000	'000
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 October 2012 / 2011	-	-
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)	(2.17)	3.09
Fully diluted (sen)	(2.17)	3.09
	Cumulative year to date	
	31/10/2012	31/10/2011
	RM'000	RM'000
Net profit for the period	<u>4,037</u>	<u>3,879</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2012	31/10/2011
	'000	'000
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 October 2012 / 2011	-	-
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)	6.96	6.69
Fully diluted (sen)	6.96	6.69

23. 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 both in the Company's Circular to Shareholders dated 14 June 2012 and previously announced quarterly reports.

24. Comprehensive Income Disclosures

Profit for the year is arrived at after charging/(crediting) the following:

	Individual Quarter		Cumulative Quarter	
	31/10/2012	31/10/2011	31/10/2012	31/10/2011
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	97	87	293	130
Bad debts written back	-	(50)	(4)	(50)
Depreciation of property, plant & equipment	983	1,095	3,070	3,282
(Gain)/Loss on disposal of other investment	-	-	(300)	-
Interest expenses	970	804	3060	2,424
Interest income	(15)	(86)	(55)	(93)
Impairment loss on receivables	367	752	1,078	752
Inventory written off	1,671	-	1,671	-
Net fair value changes in investment securities	(135)	528	849	758
Property, plant & equipment written off	97	6	107	6


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25. Realised and unrealised profits/losses

	As at 31/10/2012 RM'000	(Restated) As at 31/01/2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	68,792	63,349
-Unrealised	3,965	3,965
	<u>72,757</u>	<u>67,314</u>
Less: Consolidation adjustment	<u>(2,785)</u>	<u>(1,380)</u>
Retained earnings as per consolidated accounts	<u>69,972</u>	<u>65,934</u>

26. 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 28 December 2012.