

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The condensed consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 January 2014. The explanatory notes attached to the condensed consolidated 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 year ended 31 January 2014.

2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 January 2014 except for the adoption of the following with effect from 1 February 2014:

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 127, Separate Financial Statements
- MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

The initial application of the above is not expected to have any material financial impact on the Group’s results.



3. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2014 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.

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 2014	Manufacturing RM '000	Trading RM '000	Property development & Construction RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
REVENUE							
External sales	86,074	709	35,092	1,202	10	-	123,087
Inter-segment sales	4,529	21,617	-	1,592	-	(27,738)	-
Total revenue	90,603	22,326	35,092	2,794	10	(27,738)	123,087
RESULTS							
Operating profit	2,959	319	123	496	(1,809)	-	2,088
Financing cost	(1,493)	-	(1,702)	(2)	(183)	-	(3,380)
Income taxes	(571)	(2)	(309)	(121)	-	800	(203)
Net profit/(loss)	894	317	(1,888)	373	(1,992)	800	(1,496)

9 months ended 31 October 2013	Manufacturing RM '000	Trading RM '000	Property development & construction RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
REVENUE							
External sales	88,187	297	23,388	1,126	-	-	112,998
Inter-segment sales	48	21,976	-	1,541	1,650	(25,215)	-
Total revenue	88,235	22,273	23,388	2,667	-	(25,215)	112,998
RESULTS							
Operating profit	2,273	39	(4,424)	454	1,491	(1,650)	(1,817)
Financing cost	(1,418)	-	(991)	(3)	(51)	-	(2,463)
Income taxes	(457)	-	-	(120)	(355)	813	(119)
Net profit/(loss)	398	39	(5,415)	331	1,085	(837)	(4,399)

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. Capital commitments

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

14. Related Party Transactions

	3 months ended		9 months ended	
	31.10.14	31.10.13	31.10.14	31.10.13
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	23.2	115	54.2	127
-Limba Jaya Timber Sdn. Bhd.	56	51	111	121
-Pahaytc Sdn. Bhd.	-	8	-	25
-Lee Ling Timber Sdn. Bhd.	71	2	72	9
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	3,297	481	9,912	12,521
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	4,496	-	7,191	-
Rental of office				
-BMK Development Sdn. Bhd.	27	27	81	81

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

For the 9 months ended 31 October 2014, the Group has recorded revenue of RM123 million, a RM10 million increase or 8.9% compared to the RM113 million revenue recorded in the corresponding period of last year. During the period under review, the Construction & development division has seen its revenue up by RM11.7 million from RM23.4 million recorded in the same period last year due to increase in construction activities. The rest of the division has seen their revenue remains consistent with the revenue recorded in the same period of last year.

Revenue recorded in the current quarter is at RM41.8 million which represents a slight drop of RM0.9 million as compared to RM42.7 million recorded in the previous quarter.

16. Comment on material change in loss before taxation (“LBT”)

LBT recorded for the 9 months ended 31 October 2014 is at RM1.3 million which is RM3 million lower than LBT of RM4.3 million recorded in the same quarter last year. The lower LBT recorded was due to the waiver of late completion penalties on some of the existing projects and reversal of LAD recognized in the previous quarter.

The Group recorded a PBT of RM2.3 million in the current quarter compared to LBT of RM0.5 million recorded in the last quarter. Improvements are mainly due to penalties waived on late completion of projects.

17. Current year prospects

In view of the challenging market condition, the management will continue to explore ways to expand its revenue source while at the same time be more prudent in costs control to ensure the financial stability of the Group is not compromised.

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

	ended 31/10/2014 RM'000	ended 31/10/2013 RM'000
- Current period taxation	203	119
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>203</u>	<u>119</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 31/10/14 Total RM'000
Secured:	
Term loans	12,487
Bank overdrafts	19,264
Revolving credits	18,000
Bankers' acceptance	24,827
Hire purchase	2,822
	77,400
Repayable within twelve months	63,619
Repayable after twelve months	13,781
	77,400

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/10/2014	31/10/2013
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>2,135</u>	<u>(1,043)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2014	31/10/2013
	'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 30 April 2014 / 2013	-	-
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)	3.68	(1.80)
Fully diluted (sen)	3.68	(1.80)
	Cumulative year to date	
	31/10/2014	31/10/2013
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>1,402</u>	<u>(4,486)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2014	31/10/2013
	'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 30 April 2014 / 2013	-	-
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)	2.42	(7.74)
Fully diluted (sen)	2.42	(7.74)

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 9 June 2014 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	
	31/10/2014	31/10/2013	31/10/2014	31/10/2013
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	79	239	275
Bad debts written back	(5)	-	(26)	(142)
Depreciation of property, plant & equipment	1,230	1,163	3,510	2,320
(Gain)/Loss on disposal of other investment	-	(1,182)	-	(1,182)
Interest expenses	1,779	985	3,381	1,951
Interest income	(8)	(3)	(30)	(5)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	120	344	(57)	(38)
Property, plant & equipment written off	1,056	89	1,413	97


25. Realised and unrealised profits/losses

	As at 31/10/2014 RM'000	(Restated) As at 31/01/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	68,710	110,193
-Unrealised	3,188	3,066
	<u>71,898</u>	<u>113,259</u>
Less: Consolidation adjustment	(16,455)	(56,416)
Retained earnings as per consolidated accounts	<u>55,443</u>	<u>56,843</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 29 December 2014.