

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:

12 months ended 31 January 2015	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	114,751	914	56,931	1,583	10	-	174,189
Inter-segment sales	4,529	29,269	-	2,258	-	(36,056)	-
Total revenue	119,280	30,183	56,931	3,841	10	(36,056)	174,189
RESULTS							
Operating profit	(6,007)	98	2,771	286	(2,919)	-	(5,771)
Financing cost	(1,799)	-	(2,078)	(2)	(294)	-	(4,173)
Income taxes	1,380	(95)	(536)	(177)	234	800	1,606
Net profit/(loss)	(6,426)	3	157	107	(2,979)	800	(8,338)

12 months ended 31 January 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	115,886	446	34,023	1,596	19	-	151,970
Inter-segment sales	1	30,062	-	2,011	1,650	(33,724)	-
Total revenue	115,887	30,508	34,023	3,607	-	(33,724)	151,970
RESULTS							
Operating profit	283	145	(5,778)	585	8,829	(10,068)	(6,004)
Financing cost	(1,708)	-	(2,044)	(4)	(69)	-	(3,825)
Income taxes	(63)	(51)	3	(158)	(184)	413	(40)
Net profit/(loss)	(1,488)	94	(7,819)	423	8,576	(9,655)	(9,869)

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		12 months ended	
	31.01.15 RM'000	31.01.14 RM'000	31.01.15 RM'000	31.01.14 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	-	490	54.2	915.1
-Limba Jaya Timber Sdn. Bhd.	-	78	111	190.9
-Pahaytc Sdn. Bhd.	-	37	0.2	96.3
-Lee Ling Timber Sdn. Bhd.	1,211	-	1,283	6.3
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,065	2,777	11,977	11,622
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	12,293	3,173	19,484	3,173
Rental of office				
-BMK Development Sdn. Bhd.	27	27	108	108

15. Review of performance of the Group

For the financial year ended 31 January 2015, the Group has recorded revenue of RM174 million, a RM22 million increase or 14.6% compared to the RM152 million revenue recorded in the last financial year. During the period under review, the Construction & development division has seen its revenue up by RM23 million from RM34.0 million recorded in the last financial year due to increase in construction activities. The rest of the division has seen their revenue consistent with the revenue recorded in the last financial year.

Revenue recorded in the current quarter is at RM51.1 million which represents a 22.3% or RM9.3 million as compared to RM41.8 million recorded in the previous quarter. The increase is contributed by the Construction & Development division which has seen its revenue up by RM11.3 million as the construction progress picked up.

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

LBT recorded for the financial year ended 31 January 2015 is at RM9.9 million which is RM0.1 million higher than LBT of RM9.8 million recorded in the last financial year. The higher LBT recorded despite increase in revenue was due to the higher impairment of receivables & inventories of RM6.6 million and RM2.4 million respectively as compared to RM1.4m in the last financial year.

The Group recorded a LBT of RM8.6 million in the current quarter compared to PBT of RM2.3 million recorded in the last quarter. The huge losses incurred in the current quarter is due to the impairment of receivables and inventories as stated above.

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

	12 months ended 31/1/2015 RM'000	12 months ended 31/1/2014 RM'000
- Current period taxation	837	1,320
-(Over)/Under provision of taxation	(1,137)	(375)
- Deferred taxation	(1,306)	(905)
	<u>(1,606)</u>	<u>40</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 31/01/15 Total RM'000
Secured:	
Term loans	11,951
Bank overdrafts	6,843
Revolving credits	19,000
Bankers' acceptance	32,570
Hire purchase	2,305
	72,669
Repayable within twelve months	61,668
Repayable after twelve months	11,001
	72,669

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/01/2015	31/01/2014
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(6,806)</u>	<u>(5,362)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/01/2015	31/01/2014
	'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 January 2015 / 2014	-	-
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)	(11.74)	(9.25)
Fully diluted (sen)	(11.74)	(9.25)
	Cumulative year to date	
	31/01/2015	31/01/2014
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(8,208)</u>	<u>(9,884)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/01/2015	31/01/2014
	'000	'000
Issued and fully paid share capital at beginning of the financial year	57,962	57,962
Effect of shares issued during the 12 months period ended 31 January 2015 / 2014	-	-
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)	(14.16)	(17.05)
Fully diluted (sen)	(14.16)	(17.05)

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	
	31/01/2015	31/01/2014	31/01/2015	31/01/2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	44	319	319
Bad debts written back	(28)	-	(54)	-
Depreciation of property, plant & equipment	1,375	1,013	4,885	4,704
(Gain)/Loss on disposal of other investment	-	(1,182)	-	(1,182)
Interest expenses	792	1,475	4,173	3,726
Interest income	(30)	(18)	(154)	(72)
Impairment loss on receivables	6,637	1,406	6,637	1,406
Inventory written off	2,433	-	2,433	-
Net fair value changes in investment securities	464	(175)	407	(182)
Property, plant & equipment written off	(715)	10	698	178


25. Realised and unrealised profits/losses

	As at 31/01/2015 RM'000	As at 31/01/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	101,954	110,193
-Unrealised	2,341	3,066
	<u>104,295</u>	<u>113,259</u>
Less: Consolidation adjustment	(55,660)	(56,416)
Retained earnings as per consolidated accounts	<u>48,635</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 31 March 2015.