

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 2015. 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 2015.

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 2015 except for the adoption of the following with effect from 1 February 2015:

- 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 2015 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 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	91,198	(66)	20,748	1,103	25	-	113,007
Inter-segment sales	320	23,334	-	1,834	-	(25,488)	-
Total revenue	91,518	23,268	20,748	2,937	25	(25,488)	113,007
RESULTS							
Operating profit	1,804	352	(5,608)	442	(2,423)	-	(5,433)
Financing cost	(1,571)	-	(1,725)	(3)	(180)	-	(3,479)
Income taxes	(170)	-	(624)	(144)	-	-	(937)
Net profit/(loss)	64	352	(7,957)	295	(2,603)	-	(9,849)

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	-	(27,738)	123,087
RESULTS							
Operating profit	2,959	319	123	496	(1,809)	-	2,089
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)

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	
	31.10.15 RM'000	31.10.14 RM'000	31.10.15 RM'000	31.10.14 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	16	23.2	22	54.2
-Limba Jaya Timber Sdn. Bhd.	-	56	382	111
-Pahaytc Sdn. Bhd.	-	-	5	-
-Lee Ling Timber Sdn. Bhd.	-	71	328	72
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,396	3,297	9,942	9,912
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	9,050	4,496	19,874	7,191
Rental of office				
-BMK Development Sdn. Bhd.	27	27	81	81



15. Review of performance of the Group

The Group's current revenue to date of RM113 million represents a RM10.1 million decrease compared to the same period of last year. The decrease was mainly due to revenue generated from the construction & development division dipped by 40.9% or RM14.4 million in tandem with the completion of project in hand during the period under review. The revenue for the rest of the divisions are consistent with those registered in the same period of last financial year.

Revenue recorded in the current quarter is at RM38.6 million which is RM5.6 million higher than the last quarter. The higher revenue is due to the increase in revenue for pipes division which seen its revenue increase by RM3.2 million as more water and electricity infrastructure works has been rolled out in the current quarter. The ready mixed division also registered a higher revenue increased by RM3.8 million during the quarter under review. However, the construction and development division's revenue was down by RM1.1 million in the same period.

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

LBT incurred by the Group for the first 9 months ended 31 October 2015 is at RM8.9 million which is RM7.6 million higher than the LBT recorded in the same period last year. The increase was mainly due to the increase of RM1.2 million loss from the manufacturing division as the operating cost increased partly due to the unfavourable foreign currency exchange rate. The construction & development division has also seen its loss widened to RM5.8 million from RM4.1 million recorded in the previous year mainly due to the reversal of profit recognized in the last financial year to reflect the adjustment on the final contract sum of the completed project.

The Group recorded lower LBT of RM1.3 million compared to LBT of RM6.3 million recorded in the previous quarter. The construction & development division recorded lower LBT RM1.8 million compared to RM5.6 million recorded in the preceeding quarter due to the adjustment on the final contract sum for the project completed in the last quarter. The manufacturing division has recorded a PBT of RM0.5 million compared to LBT of RM0.2 million in the last quarter as the revenue has improved in the current quarter.

17. Current year prospects

The management is mindful of the challenges ahead and is taking measures to improve the performance of the Group and ensure better efficiency. Barring any unforeseen circumstances, the Group is optimistic that the performance in the coming quarters that the performance in the coming quarters will be better than last year.

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 31/10/2015 RM'000	9 months ended 31/10/2014 RM'000
- Current period taxation	937	203
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>937</u>	<u>203</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 31/10/15 Total RM'000
Secured:	
Term loans	10,685
Bank overdrafts	11,451
Revolving credits	32,000
Bankers' acceptance	26,350
Hire purchase	3,464
	83,950
Repayable within twelve months	72,745
Repayable after twelve months	11,205
	83,950

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/10/2015	31/10/2014
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(2,052)</u>	<u>2,135</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2015	31/10/2014
	'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	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares	57,962	57,962
Effect of ESOS share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	(3.54)	3.68
Fully diluted (sen)	(3.54)	3.68
	Cumulative year to date	
	31/10/2015	31/10/2014
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(9,858)</u>	<u>1,402</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2015	31/10/2014
	'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	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares	57,962	57,962
Effect of ESOS share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	(17.01)	2.42
Fully diluted (sen)	(17.01)	2.42

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 8 June 2015 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	
	31/10/2015	31/10/2014	31/10/2015	31/10/2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	113	80	273	239
Bad debts written back	-	(5)	(126)	(26)
Depreciation of property, plant & equipment	1,213	1,230	3,621	3,510
(Gain)/Loss on disposal of other investment	-	-	-	-
Interest expenses	1,923	1,779	3,479	3,381
Interest income	(15)	(8)	(63)	(30)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	(255)	120	38	(57)
Property, plant & equipment written off	3	1,056	3	1,413


25. Realised and unrealised profits/losses

	As at 31/10/2015 RM'000	As at 31/01/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	93,952	102,656
-Unrealised	(141)	1,317
	<u>93,811</u>	<u>103,973</u>
Less: Consolidation adjustment	(55,492)	(55,486)
Retained earnings as per consolidated accounts	<u>38,319</u>	<u>48,487</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 30 December 2015.