

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 2016. 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 2016.

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 2016 except for the adoption of the following with effect from 1 February 2016:

- Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127, Equity Method in Separate Financials Statements
- Amendments to MFRS 101, Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- MFRS 14, Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2018:

- MFRS 9, Financial Instruments (IFRS as issued by IASB in July 2014)
- MFRS 15, Revenue from Contracts with Customers

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 2016 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:

3 months ended 30 April 2016	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	25,150	93	752	68	-	-	26,064
Inter-segment sales	15	7,344	-	383	-	(7,742)	-
Total revenue	25,165	7,437	752	451	-	(7,742)	26,064
RESULTS							
Operating profit	100	94	(188)	-	(378)	-	(372)
Financing cost	(669)	-	(477)	-	(34)	-	(1,181)
Income taxes	-	-	-	-	-	-	-
Net profit/(loss)	(569)	94	(665)	-	(412)	-	(1,553)

3 months ended 30 April 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	29,684	238	10,913	469	-	-	41,304
Inter-segment sales	25	6,996	-	480	-	(7,501)	-
Total revenue	29,709	7,234	10,913	949	-	(7,501)	41,304
RESULTS							
Operating profit	684	107	(74)	121	(913)	-	(75)
Financing cost	(599)	-	(594)	(1)	(67)	-	(1,261)
Income taxes	-	-	-	(74)	-	-	(74)
Net profit/(loss)	85	107	(668)	46	(979)	-	(1,409)

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		3 months ended	
	30.04.16	30.04.15	30.04.16	30.04.15
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	1,453	5	1,453	5
-Limba Jaya Timber Sdn. Bhd.	-	59	-	59
-Pahaytc Sdn. Bhd.	5	5	5	5
-Lee Ling Timber Sdn. Bhd.	-	137	-	137
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,813	2,876	2,813	2,876
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	737	7,746	737	7,746
Rental of office				
-BMK Development Sdn. Bhd.	27	27	27	27

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

The Group has registered revenue of RM29.0 million in the current quarter as compared to RM41.3 in the same quarter of last quarter financial year. The drop is attributed to lower revenue registered from the Construction & Property Development Division due to the completion of project on hand and absence of new project secured.

The Manufacturing Division also seen its revenue lower at RM18.5 million as compared to RM19.7 million recorded last year due to lower demand for RMC as construction activities are slower in the current quarter coupled with delay in role out of major infrastructure projects in the state.

The revenue recorded in the current quarter are also significantly lower as compared to RM72.6 million recorded in the preceding quarter as there was a revenue of RM35 million recognised from the sale of completed development project in the preceding quarter.

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

The Group has registered slightly higher LBT of RM1.6 million as compared to RM1.3 million in the same quarter of last year in line with lower revenue registered in the period under review. The Group registered LBT of RM1.6 million in the current quarter due to sluggish market condition. Due to the sluggish market condition, the Group’s LBT also compared unfavorably against the PBT of RM15.9 million in the immediate preceding quarter due to the profit recorded from the sale of completed commercial properties.

17. Current year prospects

We will continue our efforts to ensure that the Group is in better financial position to withstand the challenges ahead as the market continues to be volatile. At the same time the Group is hopeful that with the launching of new government initiative, the Group will be able to benefit through our wide networks.

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

	3 months ended 30/04/2016 RM'000	3 months ended 30/04/2015 RM'000
- Current period taxation	-	74
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>-</u>	<u>74</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 30/04/16 Total RM'000
Secured:	
Term loans	9,834
Bank overdrafts	8,726
Revolving credits	29,000
Bankers' acceptance	23,944
Hire purchase	3,511
	75,015
Repayable within twelve months	64,563
Repayable after twelve months	10,452
	75,015

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	30/04/2016	30/04/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(1,513)</u>	<u>(1,392)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	30/04/2016	30/04/2015
	'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)	(2.61)	(2.40)
Fully diluted (sen)	(2.61)	(2.40)
	Cumulative year to date	
	30/04/2016	30/04/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(1,513)</u>	<u>(1,392)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	30/04/2016	30/04/2015
	'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)	(2.61)	(2.40)
Fully diluted (sen)	(2.61)	(2.40)

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	
	30/04/2016	30/04/2015	30/04/2016	30/04/2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	105	80	105
Bad debts written back	(3)	(1)	(3)	(1)
Depreciation of property, plant & equipment	1,231	1,168	1,231	1,168
(Gain)/Loss on disposal of other investment	(275)	-	(275)	-
Interest expenses	1,181	753	1,181	753
Interest income	(11)	(37)	(11)	(37)
Impairment loss on receivables	(3)	-	(3)	-
Inventory written off	196	-	196	-
Net fair value changes in investment securities	23	38	23	38
Property, plant & equipment written off	-	-	-	-


25. Realised and unrealised profits/losses

	As at 30/04/2016 RM'000	As at 31/01/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	98,548	100,102
-Unrealised	1,174	1,174
	<u>99,722</u>	<u>101,277</u>
Less: Consolidation adjustment	(47,473)	(47,515)
Retained earnings as per consolidated accounts	<u>52,249</u>	<u>53,761</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 July 2016.