

## 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:

6 months ended 31 July 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
<b>REVENUE</b>							
External sales	53,302	(19)	1,515	314	-	-	55,112
Inter-segment sales	189	13,849	-	769	-	(14,807)	-
Total revenue	53,491	13,830	1,515	1,083	-	(14,807)	55,112
<b>RESULTS</b>							
Operating profit	304	162	(58)	48	(854)	-	(398)
Financing cost	(1,140)	-	(1,316)	(2)	(115)	-	(2,574)
Income taxes	-	-	-	(12)	-	-	(12)
Net profit/(loss)	(837)	162	(1,374)	34	(969)	-	(2,984)

6 months ended 31 July 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
<b>REVENUE</b>							
External sales	57,109	163	16,386	712	-	-	74,370
Inter-segment sales	292	14,206	-	1,150	-	(15,648)	-
Total revenue	57,401	14,369	16,386	1,862	-	(15,648)	74,370
<b>RESULTS</b>							
Operating profit	963	209	(4,614)	228	(2,010)	-	(5,223)
Financing cost	(1,066)	-	(1,198)	(2)	(134)	-	(2,400)
Income taxes	(15)	-	-	(101)	-	-	(116)
Net profit/(loss)	(118)	209	(5,812)	125	(2,142)	-	(7,739)

## 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		6 months ended	
	31.07.16	31.07.15	31.07.16	31.07.15
	RM'000	RM'000	RM'000	RM'000
<b>Income</b>				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	1,815	-	3,268	5
-Limba Jaya Timber Sdn. Bhd.	65	323	65	382
-Pahaytc Sdn. Bhd.	-	-	-	5
-Lee Ling Timber Sdn. Bhd.	1	191	1	328
-Yong Teck Construction	47	-	47	-
<b>Expenditure</b>				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	1,299	4,670	4,112	7,546
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	-	3,078	737	10,824
Rental of office				
-BMK Development Sdn. Bhd.	27	27	54	54



## 15. Review of performance of the Group

The Group's current revenue to date of RM55.1 million represents a RM19.3 million decrease as compared to the same period of last year. The decrease was mainly due to revenue generated from the construction & development division dipped by 41.8% or RM14.9 million in tandem with the completion of project in hand and no new project secured during the period. The Manufacturing division also seen its revenue decreased by RM3.9 million or 3.4% as compared to the same period of the last year due to slower demand for building products in the state as major projects such as Pan Borneo Highway and PR1MA housing are at their early stage. The demand for timber products from overseas market continue to lag in the current period. 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 RM26.0 million which is RM3.0 million lower than last quarter. The manufacturing division saw its revenue dropped by RM2.8 million or 10.1% as compared to the last quarter due to the slower demand for building products during the quarter under review and also slower demand for timber products from the overseas market.

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

LBT registered by the Group for the first 6 months ended 31 July 2016 is at RM3.0 million which is RM4.7 million lower than the LBT recorded in the same period last year mainly due to lower LBT registered from property & construction division. The property & development division has registered LBT of RM1.4 million in the current year to date compared favourably to the LBT of RM5.8 million registered in the corresponding period of last year as the result in the corresponding period was negatively impacted by the Liquidated Ascertained Damage (LAD) imposed by clients for the late delivery of project and the negative contract sum adjustment from finalisation of contract sum for completed projects.

The Group's also recorded LBT of RM1.4 million in the current quarter is slightly lower than LBT of RM1.6 million recorded in the previous quarter. The slightly lower LBT recorded in the current quarter is mainly due to the better performance from the timber division.

## 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. We are cautiously optimistic that with the launching of the PR1MA Housing projects and Pan Borneo Highway Project in Sarawak, the Group would be able to achieve a better result in the coming quarters.

**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**

	<b>6 months ended 31/07/2016 RM'000</b>	<b>6 months ended 31/07/2015 RM'000</b>
- Current period taxation	12	116
-( Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>12</u>	<u>116</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**

	<b>As At 31/07/16 Total RM'000</b>
<b>Secured:</b>	
Term loans	9,382
Bank overdrafts	10,126
Revolving credits	31,500
Bankers' acceptance	19,365
Hire purchase	3,878
	74,251
Repayable within twelve months	63,890
Repayable after twelve months	10,361
	74,251

The above borrowings are denominated in Ringgit Malaysia

**22. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Net loss attributable to owners of the parent	<u>(1,350)</u>	<u>(6,414)</u>
<b>Weighted average number of ordinary shares</b>	<b>Individual quarter ended</b>	
	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>'000</b>	<b>'000</b>
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)	(2.33)	(11.07)
Fully diluted (sen)	(2.33)	(11.07)
	<b>Cumulative year to date</b>	
	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Net loss attributable to owners of the parent	<u>(2,943)</u>	<u>(7,806)</u>
<b>Weighted average number of ordinary shares</b>	<b>Cumulative year to date</b>	
	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>'000</b>	<b>'000</b>
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)	(5.08)	(13.47)
Fully diluted (sen)	(5.08)	(13.47)




**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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31/07/2016</b>	<b>31/07/2015</b>	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of prepaid land lease	80	55	160	160
Bad debts written back	-	(125)	(3)	(126)
Depreciation of property, plant & equipment	1,271	1,240	2,502	2,408
(Gain)/Loss on disposal of other investment	-	-	(275)	-
Interest expenses	1,392	803	2,573	1,556
Interest income	(23)	(11)	(37)	(48)
Impairment loss on receivables	-	-	(3)	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	-	255	23	293
Property, plant & equipment written off	98	-	98	-


**25. Realised and unrealised profits/losses**

	<b>As at 31/07/2016 RM'000</b>	<b>As at 31/01/2016 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
-Realised	97,118	100,102
-Unrealised	1,174	1,174
	<u>98,292</u>	<u>101,277</u>
Less: Consolidation adjustment	(47,473)	(47,515)
Retained earnings as per consolidated accounts	<u>50,819</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 30 September 2016.