

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:

9 months ended 31 October 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	79,964	64	18,260	582	-	-	98,870
Inter-segment sales	524	21,800	-	1,298	-	(23,622)	-
Total revenue	80,488	21,864	18,260	1,880	-	(23,622)	98,870
RESULTS							
Operating profit	883	269	(3,177)	165	(1,378)	-	(3,238)
Financing cost	(1,630)	-	(1,802)	(2)	(172)	-	(3,606)
Income taxes	(8)	(3)	-	(54)	-	-	(65)
Net profit/(loss)	(755)	266	(4,979)	109	(1,550)	-	(6,909)

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	-	(25,488)	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)

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	
	31.10.16	31.10.15	31.10.16	31.10.15
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	1,306	16	4,574	22
-Limba Jaya Timber Sdn. Bhd.	100	-	35	382
-Pahaytc Sdn. Bhd.	-	-	-	5
-Lee Ling Timber Sdn. Bhd.	-	-	1	328
-Yong Teck Construction	-	-	47	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,787	2,396	6,899	9,942
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	1,617	9,050	2,354	19,874
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 RM98.9 million represents a RM14.1 million decrease as compared to the same period of last year. The decrease was mainly due to lower revenue generated by the Manufacturing division which recorded RM80.5 million as compared to RM91.5 million recorded in the corresponding period. The drop is largely due to demands for building products are slow as market is currently experiencing a slowdown. The demand for timber products from overseas market continue to lag in the current period. The construction & development division has also seen its revenue dipped by 12.0% or RM2.5 million in tandem with the completion of project in hand and no new project secured during the period.

Group Revenue recorded in the current quarter is at RM43.8 million which is RM17.7 million higher than the last quarter. The construction & development division has recorded an increase of RM16.0 million due to revenue recognition from a development project during the quarter. The manufacturing division saw its revenue increased by RM1.7 million or 6.6% as compared to the last quarter partly contributed by the supply of ready mixed concrete to PR1MA project.

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

LBT registered by the Group for the first 9 months ended 31 October 2016 is at RM6.9 million which is RM2.1 million lower than the LBT recorded in the same period last year mainly due to improved performance from property & construction division. The property & development division has managed to reduce its LBT by RM5.0 million in the current year to date compared to last year where the losses incurred from the construction activities are partly offset by the profit from completed development project being recognised in the current period.

The Group's current quarter LBT of RM3.9 million is RM2.5 million higher than in the previous quarter is mainly due to the contract sum deduction being recognised for the completed water infrastructure project.

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 commencing 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

	9 months ended 31/10/2016 RM'000	9 months ended 31/10/2015 RM'000
- Current period taxation	65	937
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>65</u>	<u>937</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 31/10/16 Total RM'000
Secured:	
Term loans	8,955
Bank overdrafts	12,728
Revolving credits	26,500
Bankers' acceptance	27,439
Hire purchase	3,573
	79,195
Repayable within twelve months	69,488
Repayable after twelve months	9,707
	79,195

The above borrowings are denominated in Ringgit Malaysia


22. Earnings per share

	Individual quarter ended	
	31/10/2016	31/10/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(3,858)</u>	<u>(2,052)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2016	31/10/2015
	'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	<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)	(6.66)	(3.54)
Fully diluted (sen)	(6.66)	(3.54)
	Cumulative year to date	
	31/10/2016	31/10/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(6,801)</u>	<u>(9,858)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2016	31/10/2015
	'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	<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)	(11.73)	(17.01)
Fully diluted (sen)	(11.73)	(17.01)


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	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	113	240	273
Bad debts written back	(4)	-	(12)	(126)
Depreciation of property, plant & equipment	1,204	1,213	3,706	3,621
(Gain)/Loss on disposal of other investment	-	-	(275)	-
Interest expenses	1,033	1,923	3,606	3,479
Interest income	(39)	(15)	(76)	(63)
Impairment loss on receivables	(2)	-	(3)	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	42	(255)	65	38
Property, plant & equipment written off	(19)	-	79	3


25. Realised and unrealised profits/losses

	As at 31/10/2016 RM'000	As at 31/01/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	93,193	100,102
-Unrealised	1,174	1,174
	<u>94,367</u>	<u>101,277</u>
Less: Consolidation adjustment	(47,406)	(47,515)
Retained earnings as per consolidated accounts	<u>46,961</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 December 2016.