

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:

12 months ended 31 January 2017	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	111,099	863	19,900	745	-	-	132,608
Inter-segment sales	548	28,743	-	1,662	-	(30,953)	-
Total revenue	111,647	29,606	19,900	2,407	-	(30,953)	132,608
RESULTS							
Operating profit	386	311	(2,512)	132	(1,954)	(171)	(3,808)
Financing cost	(1,800)	-	(2,531)	(3)	(274)	-	(4,608)
Income taxes	(527)	(81)	(246)	(68)	-	653	(268)
Net profit/(loss)	(1,940)	230	(5,288)	61	(2,228)	482	(8,683)

12 months ended 31 January 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	121,556	1,291	62,790	1,579	25	-	187,241
Inter-segment sales	257	30,979	-	2,400	-	(33,636)	-
Total revenue	121,813	32,270	62,790	3,979	-	(33,636)	187,241
RESULTS							
Operating profit	(965)	460	7,126	560	(3,338)	7,852	11,695
Financing cost	(1,911)	-	(2,431)	(5)	(270)	-	(4,617)
Income taxes	97	(107)	(1,381)	(225)	4	-	(1,612)
Net profit/(loss)	(2,778)	353	3,314	330	(3,604)	7,852	5,466

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	
	31.01.17	31.01.16	31.01.17	31.01.16
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	787	113	5,361	135
-Limba Jaya Timber Sdn. Bhd.	68	-	103	161
-Pahaytc Sdn. Bhd.	-	-	-	5
-Lee Ling Timber Sdn. Bhd.	-	-	1	7
-Yong Teck Construction	-	-	47	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,342	2,995	9,241	12,937
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	2,815	804	5,169	20,678
Rental of office				
-BMK Development Sdn. Bhd.	27	27	108	108


15. Review of performance of the Group

The Group's current revenue to date of RM132.6 million represents a RM53.0 million decrease as compared to the same period of last year. The decrease was mainly due to lower revenue generated by the the construction & development division which recorded RM19.9 million as compared to RM62.8 million recorded as at last financial year as there are lower revenue recognised from development projects coupled with completion of construction project in hand and no new project secured during the period. The Manufacturing division also recorded lower revenue of RM111.6 million as compared to RM121.9 million recorded in the corresponding period. The drop is largely due to lower demand for ready mixed concrete and timber products.

Group Revenue recorded in the current quarter is at RM43.8 million which is RM10 million lower than the last quarter. The construction & development division has recorded a decrease of RM15.1 million as there is no revenue from development project being recognised in the current quarter as compared to the preceeding quarter. The manufacturing division saw its revenue increased by RM4.2 million buoyed by increased in demand for HDPE products in the quarter.

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

The Group has recorded LBT of RM8.4 million for the year ended 31 January 2017 as compared to PBT of RM7 million recorded in the last financial year mainly due to the drop in revenue from the construction & property development division. The property & development division has recorded LBT of RM 5.0 million as compared to PBT of RM4.7 million in the last financial year.

The Group's current quarter LBT of RM1.2 million is RM2.7 million lower than in the previous quarter mainly due to an adjustment on the contract sum deduction effected in the last quarter 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. Externally we will continue to seek new opportunities to secure more revenue, while internally cost cutting and streamlining the operation to achieve better outputs and efficiency. The market will continue to pose a big challenge to the construction industry, however with the launching of government infrastructure projects in the State will help the Group to better it's financial performance in the coming financial 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

	12 months ended 31/01/2017 RM'000	12 months ended 31/01/2016 RM'000
- Current period taxation	590	1,612
-(Over)/Under provision of taxation	(696)	(89)
- Deferred taxation	374	45
	<u>268</u>	<u>1,568</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 31/01/17 Total RM'000
Secured:	
Term loans	8,448
Bank overdrafts	14,618
Revolving credits	33,700
Bankers' acceptance	25,189
Hire purchase	3,538
	85,493
Repayable within twelve months	76,528
Repayable after twelve months	8,965
	85,493

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/01/2017	31/01/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(1,724)</u>	<u>15,440</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/01/2017	31/01/2016
	'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 2017 / 2016	-	-
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)	(2.97)	26.64
Fully diluted (sen)	(2.97)	26.64
	Cumulative year to date	
	31/01/2017	31/01/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(8,525)</u>	<u>5,584</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/01/2017	31/01/2016
	'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 2017 / 2016	-	-
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)	(14.71)	9.63
Fully diluted (sen)	(14.71)	9.63

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 31 May 2016 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	
	31/01/2017	31/01/2016	31/01/2017	31/01/2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	46	320	319
Bad debts written back	(8)	11	(20)	(115)
Depreciation of property, plant & equipment	1,243	1,340	4,949	4,961
(Gain)/Loss on disposal of other investment	-	306	(275)	306
Interest expenses	1,002	1,138	4,608	4,617
Interest income	(326)	(1,281)	(402)	(1,344)
Impairment loss on receivables	1,063	421	1,058	421
Inventory written off	43	196	43	196
Net fair value changes in investment securities	(185)	(215)	(250)	(177)
Property, plant & equipment written off	3	-	82	3


25. Realised and unrealised profits/losses

	As at 31/01/2017 RM'000	As at 31/01/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	91,590	100,102
-Unrealised	1,174	1,174
	<u>92,764</u>	<u>101,277</u>
Less: Consolidation adjustment	(47,527)	(47,515)
Retained earnings as per consolidated accounts	<u>45,237</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 March 2017.