

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 2017. 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 2017.

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 2017 except for the adoption of the following with effect from 1 February 2017:

- 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

Effective for financial periods beginning on or after 1 January 2019:

- MFRS 16, Leases

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 2017 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 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	28,591	723	83	165	-	-	29,563
Inter-segment sales	9	6,377	-	582	-	(6,968)	-
Total revenue	28,600	7,100	83	747	-	(6,968)	29,563
RESULTS							
Operating profit	(630)	2	(311)	106	(332)	-	(1,165)
Financing cost	(572)	(73)	(430)	-	(94)	-	(1,168)
Income taxes	-	-	-	(26)	-	-	(26)
Net profit/(loss)	(1,202)	(71)	(741)	80	(426)	-	(2,361)

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	28,150	93	752	68	-	-	29,064
Inter-segment sales	15	7,344	-	383	-	(7,742)	-
Total revenue	28,165	7,437	752	451	-	(7,742)	29,064
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)

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	
	30.04.17	30.04.16	30.04.17	30.04.16
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	2,109	1,453	2,109	1,453
-Limba Jaya Timber Sdn. Bhd.	2	-	2	-
-Pahaytc Sdn. Bhd.	-	5	-	5
-Lee Ling Timber Sdn. Bhd.	9	-	9	-
-Metro 360 Hotel Sdn. Bhd.	3	-	3	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	4,020	2,813	4,020	2,813
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	1,853	737	1,853	737
Rental of office				
-BMK Development Sdn. Bhd.	27	27	27	27

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

The Group's current revenue to date of RM29.6 million represents a slight RM0.5 million increase as compared to the same period of last year. The manufacturing division has seen its current period revenue increased by 0.4 million driven by the increase in demand for HDPE products while off-set by the decrease in demand for ready mix concrete products.

Group Revenue recorded in the current quarter is at RM29.6 million which is RM4.2 million lower than the last quarter. The manufacturing division saw its revenue decreased by RM2.6 million as the demand for HDPE and ready mixed concrete products has slowed down in the quarter. The construction & development division has recorded a decrease of RM1.6 million as there is no revenue from construction project being recognised in the current as there are no new projects secured in the current quarter after the completion of the projects in hand.

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

The Group has recorded LBT of RM2.3 million for the period ended 30 April 2017 as compared to LBT of RM1.6 million recorded in the corresponding period of the last financial year. The manufacturing division has recorded an increase of RM0.6 million in LBT despite revenue remained stagnant as the revenue recorded in the current period comprises of higher proportion of lower margin HDPE products as compared to the corresponding quarter in the previous financial year. The manufacturing division also continues to incur expenditure on the setting up of new product line which has yet to commence production in the current quarter.

The Group's current quarter LBT of RM2.3 million is RM0.8 million lower than in the previous quarter mainly due to the drop in revenue in the manufacturing and also property development and construction 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. 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 its 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

	3 months ended 30/04/2017 RM'000	3 months ended 30/04/2016 RM'000
- Current period taxation	26	-
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>26</u>	<u>-</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 30/04/17 Total RM'000
Secured:	
Term loans	7,945
Bank overdrafts	16,761
Revolving credits	29,400
Bankers' acceptance	22,740
Hire purchase	3,544
	80,390
Repayable within twelve months	72,133
Repayable after twelve months	8,257
	80,390

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended 30/04/2017	30/04/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(2,191)</u>	<u>(1,513)</u>
Weighted average number of ordinary shares		
	Individual quarter ended 30/04/2017	30/04/2016
	'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 30 April 2017 / 2016	<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)	(3.78)	(2.61)
Fully diluted (sen)	(3.78)	(2.61)
	Cumulative year to date 30/04/2017	30/04/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(2,191)</u>	<u>(1,513)</u>
Weighted average number of ordinary shares		
	Cumulative year to date 30/04/2017	30/04/2016
	'000	'000
Issued and fully paid share capital at beginning of the financial year	57,962	57,962
Effect of shares issued during the 3 months period ended 30 April 2017 / 2016	<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)	(3.78)	(2.61)
Fully diluted (sen)	(3.78)	(2.61)

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 2017 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	
	30/04/2017	30/04/2016	30/04/2017	30/04/2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	80	80	80
Bad debts written back	314	(3)	314	(3)
Depreciation of property, plant & equipment	1,449	1,231	1,449	1,231
(Gain)/Loss on disposal of other investment	-	(275)	-	(275)
Interest expenses	1,170	1,181	1,170	1,181
Interest income	(105)	(11)	(105)	(11)
Impairment loss on receivables	-	(3)	-	(3)
Inventory written off	-	196	-	196
Net fair value changes in investment securities	(211)	23	(211)	23
Property, plant & equipment written off	180	-	180	-


25. Realised and unrealised profits/losses

	As at 30/04/2017 RM'000	As at 31/01/2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	88,758	90,589
-Unrealised	1,548	1,548
	<u>90,306</u>	<u>92,137</u>
Less: Consolidation adjustment	(47,002)	(47,643)
Retained earnings as per consolidated accounts	<u>43,304</u>	<u>45,494</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 June 2017.