

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 audited financial statements of the Group for the year ended 31 January 2017 were prepared in accordance with Malaysian Financial Reporting Standards (MFRS). The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 January 2017.

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:

6 months ended 31 July 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	51,487	1,759	169	339	-	-	53,754
Inter-segment sales	37	11,749	-	1,052	-	(12,838)	-
Total revenue	51,524	13,508	169	1,391	-	(12,838)	53,754
RESULTS							
Operating profit	(2,530)	192	(331)	162	(647)	-	(3,154)
Financing cost	(1,032)	(136)	(1,244)	(1)	(216)	-	(2,629)
Income taxes	-	-	-	(39)	-	-	(39)
Net profit/(loss)	(3,562)	56	(1,575)	122	(863)	-	(5,822)

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
REVENUE							
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
RESULTS							
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)

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.

13. Related Party Transactions

	3 months ended		6 months ended	
	31.07.17 RM'000	31.07.16 RM'000	31.07.17 RM'000	31.07.16 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	1,922	1,815	4,031	3,268
-Limba Jaya Timber Sdn. Bhd.	31	65	33	65
-Lee Ling Timber Sdn. Bhd.	-	1	9	1
-Metro 360 Hotel Sdn. Bhd.	-	6	3	6
-Yong Teck Construction	-	47	-	47
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	4,675	1,299	8,995	4,112
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	1,840	-	3,693	737
Rental of office				
-BMK Development Sdn. Bhd.	27	27	54	54



14. Review of performance of the Group

The Group's revenue recorded for the 6 month to date is at RM53.8 million represents a RM1.4 million decrease as compared to the same period of last year. The manufacturing segment has seen its current period revenue decrease by RM2.0 million as revenue from the ready mixed division has dropped by RM7.6 million as compared to the corresponding period last year. On the other hand the drop was mitigated by revenue increase from the pipes division and timber division of RM4.2 million and RM1.7 million respectively. The Construction & Property development division also seen its revenue dropped by RM1.3 million in absent of new project secured. Meanwhile the building products trading arm has seen its revenue increased by RM1.8 million.

Group Revenue recorded in the current quarter is at RM24.2 million which is RM1.9 million lower than the corresponding quarter of last year. The manufacturing division saw its revenue decreased by RM2.4 million as the demand for ready mixed concrete products had dropped by RM4.4 million while pipes and timber division recorded increase of RM1.0 million and RM1.1 million respectively.

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

The Group has recorded LBT of RM5.8 million for the period ended 31 July 2017 as compared to LBT of RM3.0 million recorded in the corresponding period of the last financial year. The manufacturing division has recorded a decrease of RM2.7 million in LBT despite revenue only dropped about RM1.7 million due to lower profit margins.

The Group's current quarter LBT of RM3.5 million is RM2.0 million higher than in the corresponding quarter of last financial year mainly due to the drop in revenue in the manufacturing segment.

16. 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, the Group is making efforts to supply to these projects by working closely with the contractors.

17. (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.

18. Taxation

	6 months ended 31/7/2017 RM'000	6 months ended 31/7/2016 RM'000
- Current period taxation	39	12
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>39</u>	<u>12</u>

19. 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.

20. Group borrowings and debt securities

	As At 31/07/17 Total RM'000
Secured:	
Term loans	7,494
Bank overdrafts	17,000
Revolving credits	29,480
Bankers' acceptance	22,330
Hire purchase	3,272
	79,576
Repayable within twelve months	72,011
Repayable after twelve months	7,565
	79,576

The above borrowings are denominated in Ringgit Malaysia

21. Earnings per share

	Individual quarter ended	
	31/07/2017	31/07/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(3,334)</u>	<u>(1,350)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/07/2017	31/07/2016
	'000	'000
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 6 months period ended 31 July 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)	(5.75)	(2.33)
Fully diluted (sen)	(5.75)	(2.33)
	Cumulative year to date	
	31/07/2017	31/07/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(5,525)</u>	<u>(2,943)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/07/2017	31/07/2016
	'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 31 July 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)	(9.53)	(5.08)
Fully diluted (sen)	(9.53)	(5.08)

22. 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.

23. Comprehensive Income Disclosures

Profit for the year is arrived at after charging/(crediting) the following:

	Individual Quarter		Cumulative Quarter	
	31/07/2017	31/07/2016	31/07/2017	31/07/2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	80	160	160
Bad debts written back	219	-	533	(3)
Depreciation of property, plant & equipment	1,439	1,271	2,888	2,502
(Gain)/Loss on disposal of other investment	163	-	163	(275)
Interest expenses	1,198	1,392	2,368	2,573
Interest income	(96)	(23)	(201)	(37)
Impairment loss on receivables	-	-	-	(3)
Inventory written off	-	-	-	-
Net fair value changes in investment securities	97	-	(114)	23
Property, plant & equipment written off	-	98	180	98


24. Realised and unrealised profits/losses

	As at 31/07/2017 RM'000	As at 31/01/2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	85,297	90,589
-Unrealised	1,548	1,548
	<u>86,845</u>	<u>92,137</u>
Less: Consolidation adjustment	(46,875)	(47,643)
Retained earnings as per consolidated accounts	<u>39,970</u>	<u>45,494</u>

25. 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 26 September 2017.