

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:

12 months ended 31 January 2018	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	98,825	4,527	284	1,326	-	-	104,963
Inter-segment sales	129	21,966	-	2,218	-	(24,313)	-
Total revenue	98,954	26,493	284	3,544	-	(24,313)	104,963
RESULTS							
Operating profit	(7,121)	440	(1,019)	324	(1,975)	(863)	(10,216)
Financing cost	(1,864)	(270)	(2,450)	(1)	(441)	-	(5,025)
Income taxes	(217)	(66)	236	(35)	-	-	(83)
Net profit/(loss)	(9,201)	104	(3,233)	288	(2,416)	(863)	(15,324)

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	111,100	863	28,332	745	-	-	141,040
Inter-segment sales	468	28,743	-	1,662	-	(30,873)	-
Total revenue	111,568	29,606	28,332	2,407	-	(30,873)	141,040
RESULTS							
Operating profit	389	311	(2,513)	132	(1,953)	(171)	(3,805)
Financing cost	(1,897)	-	(2,532)	(3)	(274)	-	(4,706)
Income taxes	(8)	(3)	-	(54)	-	-	(65)
Net profit/(loss)	(1,516)	308	(5,045)	75	(2,227)	(171)	(8,576)

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		12 months ended	
	31.01.18	31.01.17	31.01.18	31.01.17
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	1,887	787	6,883	5,361
-Limba Jaya Timber Sdn. Bhd.	-	68	4	103
-Lee Ling Timber Sdn. Bhd.	-	-	61	1
-Metro 360 Hotel Sdn. Bhd.	19	-	21	-
-Yong Teck Construction	-	-	-	47
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	758	2,342	11,497	9,241
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	1,230	2,815	5,288	5,169
Rental of office				
-BMK Development Sdn. Bhd.	27	27	108	108



14. Review of performance of the Group

The Group's revenue recorded for the year to date is at RM105.0 million, a RM36.1 million decreased compared to the last financial year. The manufacturing segment has seen its current year revenue decrease by RM12.7 million as revenue from the ready mixed division has dropped by RM16.3 million as compared to the last year. The drop in revenue was largely due to slow down in the property development sector as a whole while supplies to government projects is less than expected due to delays and slow progress from contractors. On the other hand revenue from the pipes division and timber division has increased by RM1.7 million and RM1.5 million respectively. The Construction & Property development segment also seen its revenue dropped by RM28.0 million in absent of new project secured and without new development project completed in the current year.

Group Revenue recorded in the current quarter is at RM27.1 million which is RM15.1 million lower than the corresponding quarter of last year. The manufacturing division saw its revenue decreased by RM6.1 million as the demand for ready mixed concrete products had dropped by RM4.3 million. The Construction & Property development division has not recorded any revenue for the current quarter as compared to RM10.1 million recorded in the same quarter of last financial year due as there are no ongoing projects for construction and there are no development project being completed in the current quarter.

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

The Group has recorded LBT of RM15.2 million for the year ended 31 January 2018 as compared to LBT of RM8.4 million recorded in the last financial year in line with the drop in revenue. The manufacturing segment has recorded a higher LBT of RM9.0 million as compare to LBT of RM1.0 million recorded in the last financial year mainly due to the widening loss from the Ready Mixed Concrete Division as a result of weaker demands and competitive environment. The Group has also impaired goodwill amounting to RM0.8 million in the current year.

The Group's current quarter LBT of RM5.6 million is RM4.4 million higher than in the corresponding quarter of last financial year. The increase in loses in the Manufacturing segment of RM2.6 million primary due to the lower demand of ready mixed concrete products and higher operating costs. Meanwhile Construction & Property Development segment recorded a decrease in LBT of RM1.6 million due to the financing cost incurred coupled with the absence of development project revenue recorded in the current quarter.

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, and management will continue to be prudent in our approach to ensure the Group is in a strong footing to meet this challenges.

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

	12 months ended 31/01/2018 RM'000	12 months ended 31/01/2017 RM'000
- Current period taxation	(63)	590
-(Over)/Under provision of taxation	180	(696)
- Deferred taxation	(200)	374
	<u>(83)</u>	<u>268</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 31/01/18 Total RM'000
Secured:	
Term loans	9,205
Bank overdrafts	13,434
Revolving credits	27,000
Bankers' acceptance	25,935
Hire purchase	4,111
	79,685
Repayable within twelve months	72,144
Repayable after twelve months	7,541
	79,685

The above borrowings are denominated in Ringgit Malaysia

21. Earnings per share

	Individual quarter ended	
	31/01/2018	31/01/2017
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(5,477)</u>	<u>(1,724)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/01/2018	31/01/2017
	'000	'000
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 9 months period ended 31 October 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)	(9.45)	(2.97)
Fully diluted (sen)	(9.45)	(2.97)
	Cumulative year to date	
	31/01/2018	31/01/2017
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(14,721)</u>	<u>(8,267)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/01/2018	31/01/2017
	'000	'000
Issued and fully paid share capital at beginning of the financial year	57,962	57,962
Effect of shares issued during the 9 months period ended 31 October 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)	(25.40)	(14.26)
Fully diluted (sen)	(25.40)	(14.26)

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	
	31/01/2018	31/01/2017	31/01/2018	31/01/2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	80	320	320
Bad debts written back	(21)	(8)	(962)	(20)
Depreciation of property, plant & equipment	2,150	1,243	6,487	4,949
(Gain)/Loss on disposal of other investment	(285)	-	(285)	(275)
Interest expenses	846	1,002	4,510	4,608
Interest income	(243)	(326)	(613)	(402)
Impairment loss on receivables	415	1,063	415	1,058
Inventory written off	-	43	-	43
Net fair value changes in investment securities	315	(185)	273	(250)
Property, plant & equipment written off	20	3	65	82


24. Realised and unrealised profits/losses

	As at 31/01/2018 RM'000	As at 31/01/2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	76,158	90,589
-Unrealised	1,730	1,548
	<u>77,888</u>	<u>92,137</u>
Less: Consolidation adjustment	(47,113)	(47,643)
Retained earnings as per consolidated accounts	<u>30,775</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 28 March 2018.