

## 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 2018. 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 2018.

### 2. Changes in significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Annual Improvements to MFRS Standards 2014 - 2016 Cycle:
  - (i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
  - (ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140: Transfers of Investment Property
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

#### (a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group’s and the Company’s financial statements.



## 2. Changes in significant Accounting Policies (contd.)

### (a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle (contd.)

#### **Amendments to MFRS 128: Investments in Associates and Joint Ventures**

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

- (i) the investment entity associate or joint venture is initially recognised;
- (ii) the associate or joint venture becomes an investment entity; and
- (iii) the investment entity associate or joint venture first becomes a parent.

### (b) Amendments to MFRS 140: Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. Since the Group's current practice is in line with the clarifications issued, there is no effect on its consolidated financial statements.

### (c) MFRS 9: Financial Instruments

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. During the current financial quarter ended, there is no requirement for any reclassification for loans and receivables nor any significant impact on the statement of financial position on fair value measurement on the financial assets and quoted equity shares held as available-for-sale (AFS) and there is no expectation of any impairment on trade receivables.



## 2. Changes in significant Accounting Policies (contd.)

### (d) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group’s performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group except for the following areas:

#### (i) Property development

The Group is in the business developing residential and commercial properties. The Group used to recognise revenue from the sale of development properties under construction using the completion method. Under MFRS 15, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue used to recognise using the completed contract method is adjusted upon adoption of MFRS 15 to recognised the revenue over time.

#### (ii) Costs incurred in obtaining a contract

Prior to adoption of MFRS 15, sales commissions incurred were taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

#### (iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

## 2. Changes in significant Accounting Policies (contd.)

### (d) MFRS 15: Revenue from Contracts with Customers (contd.)

In summary, the impact of MFRS 15 adoption is as follows:

#### (i) Reconciliation of equity as at 1 February 2017

	As at 1/2/2017 RM'000	Impact of MFRS 15 RM'000	As at 1/2/2017 (Restated) RM'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Deferred Tax Assets	128	(128)	-
Others	111,384		111,384
	<u>111,512</u>		<u>111,384</u>
<b>Current Assets</b>			
<i>Property Development cost</i>	21,743	(2,392)	19,351
<i>Others</i>	112,658		112,658
	<u>134,401</u>		<u>132,009</u>
<b>Total assets</b>	<u>245,913</u>		<u>243,393</u>
<b>Equity and liabilities</b>			
Share capital	82,956		82,956
<i>Capital &amp; Foreign exchange reserves</i>	385		385
<i>Retained earnings</i>	45,495	815	46,310
	<u>128,836</u>		<u>129,651</u>
<b>Non Controlling interest</b>	96		96
	<u>128,932</u>		<u>129,747</u>
<b>Non-current liabilities</b>			
Deferred taxation	1,676		1,676
Others	9,009		9,009
	<u>10,685</u>		<u>10,685</u>
<b>Current Liabilities</b>			
<i>Trade &amp; other payables</i>	29,551	(3,335)	26,216
<i>Others</i>	76,745		76,745
	<u>106,296</u>		<u>102,961</u>
<b>Total liabilities</b>	<u>116,981</u>		<u>113,646</u>
<b>Total equity and liabilities</b>	<u>245,913</u>		<u>243,393</u>

**2. Changes in significant Accounting Policies (contd.)**
**(d) MFRS 15: Revenue from Contracts with Customers (contd.)**

## (ii) Reconciliation of equity as at 31 July 2017

	As at 31/7/2017	Impact of	As at 31/7/2017
	RM'000	MFRS 15	(Restated)
		RM'000	RM'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Deferred Tax Assets	128	(128)	-
Others	111,560		111,560
	<u>111,688</u>		<u>111,560</u>
<b>Current Assets</b>			
Property Development cost	23,655	(6,890)	16,765
Others	113,033		113,033
	<u>136,688</u>		<u>129,798</u>
<b>Total assets</b>	<u>248,376</u>		<u>241,358</u>
<b>Equity and liabilities</b>			
Share capital	82,956		82,956
Capital & Foreign exchange reserves	447		447
Retained earnings	43,305	2,405	45,710
	<u>126,708</u>		<u>129,113</u>
<b>Non Controlling interest</b>	1,425		1,425
	<u>128,133</u>		<u>130,538</u>
<b>Non-current liabilities</b>			
Deferred taxation	1,676		1,676
Others	8,257		8,257
	<u>9,933</u>		<u>9,933</u>
<b>Current Liabilities</b>			
Trade & other payables	37,834	(9,423)	28,411
Others	72,476		72,476
	<u>110,310</u>		<u>100,887</u>
<b>Total liabilities</b>	<u>120,243</u>		<u>110,820</u>
<b>Total equity and liabilities</b>	<u>248,376</u>		<u>241,358</u>

**2. Changes in significant Accounting Policies (contd.)**
**(d) MFRS 15: Revenue from Contracts with Customers (contd.)**

(iii) Reconciliation of equity as at 31 January 2018

	As at 31/1/2018	Impact of	As at 31/1/2018
	RM'000	MFRS 15	(Restated)
		RM'000	RM'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Deferred Tax Assets	712	(712)	-
Others	108,031		108,031
	<u>108,743</u>		<u>108,031</u>
<b>Current Assets</b>			
<i>Property Development cost</i>	22,547	(8,873)	13,673
<i>Others</i>	103,372		103,372
	<u>125,919</u>		<u>117,045</u>
<b>Total assets</b>	<u>234,662</u>		<u>225,076</u>
<b>Equity and liabilities</b>			
Share capital	82,956		82,956
<i>Capital &amp; Foreign exchange reserves</i>	363		363
<i>Retained earnings</i>	31,721	2,522	34,243
	<u>115,040</u>		<u>117,562</u>
<b>Non Controlling interest</b>	991		991
	<u>116,031</u>		<u>118,553</u>
<b>Non-current liabilities</b>			
Deferred taxation	2,017		2,017
Others	8,974		8,974
	<u>10,991</u>		<u>10,991</u>
<b>Current Liabilities</b>			
<i>Progress Billings for Property Development</i>	36,685	(12,108)	24,577
<i>Others</i>	70,955		70,955
	<u>107,640</u>		<u>95,532</u>
<b>Total liabilities</b>	<u>118,631</u>		<u>106,523</u>
<b>Total equity and liabilities</b>	<u>234,662</u>		<u>225,076</u>

**2. Changes in significant Accounting Policies (contd.)**
**(d) MFRS 15: Revenue from Contracts with Customers (contd.)**

(iv) Reconciliation of total comprehensive income for the period ended 31 July 2017

	As at 31/07/2017 RM'000	Impact of MFRS 15 RM'000	As at 31/07/2017 (Restated) RM'000
Revenue	53,754	6,088	59,842
Cost of Sales	(47,923)	(4,499)	(52,422)
Gross Profit	5,831	1,589	7,420
Other income	1,527		1,527
Other operating expenses	(10,512)		(10,512)
Loss from operations	(3,154)	1,589	(1,565)
Finance costs	(2,629)		(2,629)
Share of loss of associates	-		-
Loss before taxation	(5,783)	1,589	(4,194)
Taxation	(39)		(39)
Loss for the period	(5,822)	1,589	(4,233)
Other comprehensive income, net of tax	55		55
Total Comprehensive income for the period	(5,767)	1,589	(4,178)
Loss for the period attributable to:			
Owners of the parent	(5,525)	1,589	(3,936)
Non controlling interest	(297)		(297)
	(5,822)	1,589	(4,233)
Total Comprehensive income attributable to:			
Owners of the parent	(5,470)	1,589	(3,881)
Non controlling interest	(297)		(297)
Total Comprehensive income for the period	(5,767)	1,589	(4,178)
EPS (sen) - Basic	(9.53)		(6.79)
- Diluted	(9.53)		(6.79)

**3. Auditors' report on preceding annual financial statements**

The Group's audited financial statements for the financial year ended 31 January 2018 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 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
<b>REVENUE</b>							
External sales	49,580	2,205	13,717	1,762	-	-	67,264
Inter-segment sales	123	8,727	-	914	-	(9,764)	-
Total revenue	49,703	10,932	13,717	2,676	-	(9,764)	67,264
<b>RESULTS</b>							
Operating profit	(1,046)	264	1,799	548	(1,004)	-	562
Financing cost	(1,167)	(171)	(991)	-	(248)	-	(2,576)
Income taxes	-	-	-	-	-	-	-
Net profit/(loss)	(2,213)	93	808	548	(1,252)	-	(2,014)

6 months ended 31 July 2017 (Restated)	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
<b>REVENUE</b>							
External sales	51,485	1,759	6,257	339	-	-	59,840
Inter-segment sales	37	11,749	-	1,052	-	(12,838)	-
Total revenue	51,522	13,508	6,257	1,391	-	(12,838)	59,840
<b>RESULTS</b>							
Operating profit	(2,530)	192	1,258	162	(647)	-	(1,565)
Financing cost	(1,030)	(136)	(1,244)	(1)	(216)	-	(2,627)
Income taxes	-	-	-	(39)	-	-	(39)
Net profit/(loss)	(3,560)	56	14	122	(863)	-	(4,233)

## 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	
	31.07.18 RM'000	31.07.17 RM'000	31.07.18 RM'000	31.07.17 RM'000
<b>Income</b>				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	2,126	1,922	2,964	4,031
-Limba Jaya Timber Sdn. Bhd.	-	31	-	33
-Lee Ling Timber Sdn. Bhd.	-	-	-	9
-Metro 360 Hotel Sdn. Bhd.	-	-	-	3
-Yong Teck Construction	-	-	-	-
<b>Expenditure</b>				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd	4,995	4,675	6,020	8,995
Sea freight charges				
-Lee Ling Timber Sdn. Bhd.	72	-	132	-
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	890	1,840	1,428	3,693
Rental of office				
-BMK Development Sdn. Bhd.	39	39	78	78



#### **14. Review of performance of the Group**

The Group's revenue for the 6 month ended 31 July 2018 is at RM67.3 million representing 12.4% or RM7.4 million increase as compared to the correspondence period of last financial year. The increase was mainly driven by the improved contribution from the Construction & Property Development Segment which recorded RM7.5 million increase in revenue. The property development division registered better sale of property for the current period while construction division also seen its construction project progressing well. Meanwhile, the Manufacturing segment has seen its revenue lower at RM49.7 million which is RM1.8 million lower than the corresponding period of last financial year as the ready mixed division has seen its revenue dropped by RM5.1 million. However, the decrease in revenue in the ready mixed division has been partly mitigated by improved revenue from the pipes manufacturing division which seen its revenue increase by RM3.1 million in line with the Sarawak government's effort to improve water supply to rural areas.

As for the current quarter under review, the Group's revenue stands at RM40.9 million which is an increase of RM14.5 million as compared to the corresponding quarter of last financial year. The Construction & Property Development segment has recorded a higher revenue of RM10.2 million as compared to RM3.3 million revenue recorded in the corresponding quarter as the road construction project has started to contributed positively to the Group. The Manufacturing segment also seen its revenue increased by RM7.3 million, which is buoyed by the improved sales of pipes & timber products.

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

The Group has recorded LBT of RM2.0 million for the 6 month ended 31 July 2018 as compared to LBT of RM4.2 million recorded in the same period last year. The manufacturing segment has recorded a lower LBT of RM2.2 million as compared to LBT of RM3.6 million recorded in the last financial year mainly due to higher revenue generated. The construction and property development division has registered a PBT of RM0.8 million on the back of higher revenue registered during the period under review.

For the current quarter under review, the Group has managed to record a PBT of RM0.1 million as compared to LBT of RM2.6 million in the corresponding quarter of last year mainly due to the improvement in the Manufacturing segment and the Construction & Property Development segment which recorded an improvement of RM2.0 million and RM0.6 million respectively. Compared to last quarter, the Group managed to turnaround LBT of RM2.1 million and registered a small margin of RM0.1 million in the quarter under reviewed.

#### **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**

	<b>6 months ended 31/7/2018 RM'000</b>	<b>6 months ended 31/7/2017 RM'000</b>
- Current period taxation	-	39
-( Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>-</u>	<u>39</u>
	<u>-</u>	<u>39</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**

	<b>As At 31/07/18 Total RM'000</b>
<b>Secured:</b>	
Term loans	7,698
Bank overdrafts	14,272
Revolving credits	17,615
Bankers' acceptance	29,431
Hire purchase	3,913
	72,929
Repayable within twelve months	66,699
Repayable after twelve months	6,230
	72,929

The above borrowings are denominated in Ringgit Malaysia

**21. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/07/2018</b>	<b>31/07/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
Net loss attributable to owners of the parent	<u>333</u>	<u>(2,480)</u>
<b>Weighted average number of ordinary shares</b>	<b>Individual quarter ended</b>	
	<b>31/07/2018</b>	<b>31/07/2017</b>
	<b>'000</b>	<b>'000</b>
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	<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)	0.57	(4.28)
Fully diluted (sen)	0.57	(4.28)
	<b>Cumulative year to date</b>	
	<b>31/07/2018</b>	<b>31/07/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
Net loss attributable to owners of the parent	<u>(1,671)</u>	<u>(3,936)</u>
<b>Weighted average number of ordinary shares</b>	<b>Cumulative year to date</b>	
	<b>31/07/2018</b>	<b>31/07/2017</b>
	<b>'000</b>	<b>'000</b>
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	<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)	(2.88)	(6.79)
Fully diluted (sen)	(2.88)	(6.79)

## 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 2018 and previously announced quarterly reports.

## 23. Comprehensive Income Disclosures

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31/07/2018</b>	<b>31/07/2017</b>	<b>31/07/2018</b>	<b>31/07/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of prepaid land lease	80	80	160	160
Bad debts written back	(40)	219	(175)	533
Depreciation of property, plant & equipment	1,113	1,439	2,256	2,888
(Gain)/Loss on disposal of other investment	-	163	-	163
Interest expenses	1,438	1,198	2,576	2,368
Interest income	(73)	(96)	(195)	(201)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	-	97	-	(114)
Property, plant & equipment written off	25	-	89	180



**24. 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 27 September 2018.