

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting issued by Malaysian Accounting Standard Board. They do not include all the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 January 2020.

2. Changes in significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the year ended 31 January 2020 financial statements except for the adoption of the amendments to MFRSs that are applicable to the Group for the financial period beginning 1 February 2020. The adoption of these amendments to MFRSs does not have any material impact on the financial statements of the Group.

3. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2020 were reported on by its external auditors, Ernst & Young without any qualifications.

4. Seasonal or cyclical factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors except that the level of construction activities in the first quarter of the year and during rainy season is generally lower. However, the Group's business activities are affected by the Covid-19 pandemic and the Movement Control Order which took effect from 18 March 2020.

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. 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.

7. Dividends paid

No dividend was paid in the current quarter and financial year to date.

8. 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 2020 | 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 | 10,194 | 1,031 | 8,071 | 319 | - | - | 19,615 |
| Inter-segment sales | 15 | 1,113 | 4,842 | 380 | - | (6,350) | - |
| Total revenue | 10,209 | 2,144 | 12,913 | 699 | - | (6,350) | 19,615 |
| RESULTS | | | | | | | |
| Operating profit | (2,416) | 28 | 1,530 | 228 | (421) | - | (1,050) |
| Share of associate results | | | | | | (46) | (46) |
| Financing cost | (389) | (16) | (315) | (7) | (82) | - | (811) |
| Income taxes | - | - | - | (53) | - | - | (53) |
| Net profit/(loss) | (2,805) | 12 | 1,215 | 221 | (503) | (46) | (1,907) |

| 3 months ended 30 April 2019 | 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 | 21,769 | 340 | 8,064 | 275 | - | - | 30,449 |
| Inter-segment sales | 177 | 4,975 | - | 366 | - | (5,517) | - |
| Total revenue | 21,946 | 5,315 | 8,064 | 641 | - | (5,517) | 30,449 |
| RESULTS | | | | | | | |
| Operating profit | (890) | 117 | 672 | 127 | (425) | - | (398) |
| Share of associate results | | | | | | 20 | 20 |
| Financing cost | (703) | (75) | (335) | - | (190) | - | (1,304) |
| Income taxes | - | - | - | (32) | - | - | (32) |
| Net profit/(loss) | (1,592) | 42 | 337 | 95 | (615) | 20 | (1,714) |

9. 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.

10. 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.

11. Capital commitments

There were no material capital commitments for the current quarter under review.

12. Related Party Transactions

| | 3 months ended | | 3 months ended | |
|--|----------------|----------|----------------|----------|
| | 30.04.20 | 30.04.19 | 30.04.20 | 30.04.19 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income | | | | |
| Sale of construction materials to: | | | | |
| -Lee Ling Construction & Development Sdn. Bhd. | 7 | 4 | 7 | 4 |
| -Limba Jaya Timber Sdn. Bhd. | - | - | - | - |
| -Lee Ling Timber Sdn. Bhd. | 9 | - | 9 | - |
| -Metro 360 Hotel Sdn. Bhd. | - | - | - | - |
| -Yong Teck Construction | - | - | - | - |
| Expenditure | | | | |
| Purchase of sawn timber | | | | |
| -Lee Ling Timber Sdn. Bhd | 2,139 | 932 | 2,139 | 932 |
| Sea freight charges | | | | |
| -Lee Ling Timber Sdn. Bhd. | 60 | - | 60 | - |
| Construction works | | | | |
| -Lee Ling Construction & Development Sdn. Bhd. | - | - | - | 538 |
| Rental of office | | | | |
| -BMK Development Sdn. Bhd. | 39 | 39 | 117 | 39 |

**13. Review of performance of the Group**

The Group's revenue for the 3 months ended 30 April 2020 stood at RM21.3 million representing 30.1% or RM9.2 million lower as compared to the corresponding period of last financial year. The manufacturing segment which is the largest segment has recorded revenue of RM10.2 million in the current financial quarter which is RM11.7 million lower than RM21.9 million recorded in the corresponding period of last financial year. The drop in revenue was mainly due to the Movement Control Order (MCO) imposed by the government starting from 18 March 2020. During the MCO, our Group was not allowed to operate hence impacted the revenue of the Manufacturing Segment which mainly involves in manufacturing of building products. The Property Development & Construction Segment recorded a revenue of RM8.1 million for the current financial quarter and the corresponding quarter of last financial year. Although project progress was impacted by the MCO, the Construction Division managed to mitigate the impact with new stream of income from the Road Maintenance Concession starting from January 2020.

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

The Group has recorded a loss before tax of RM1.9m for the 3 months ended 30 April 2020 as compared to LBT of RM1.7 million recorded in the corresponding period of last financial year. The manufacturing segment has recorded LBT of RM2.8 million as compared to LBT of RM1.6 million recorded in the corresponding period of last financial in tandem with the drop in sales of the Ready Mixed Concrete and Pipes Division. Meanwhile, the Construction and Property Development Segment recorded a PBT of RM1.2 million as compared to PBT of RM0.3 million recorded in the corresponding period of last financial year as the project margins are higher as compared to the same period of last year.

15. Prospect for the year ending 31 January 2021

At the time of this report was prepared, the country was implementing Movement Control Order "MCO" in effort to curb the spread of COVID 19 pandemic which affected many countries around the world. This has put a halt to most business activities except for essential businesses. Our Group which is not in the essential businesses are forced to halt our operations during the MCO. This will impact our profit and liquidity in the financial year ending 31 January 2021. However, at this moment we are unable to determine the quantum of the impact yet.

Group management is mindful of the challenges ahead and is taking measures to mitigate the negative impact. Externally we will continue to seek for 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 challenge.


16. (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.

17. Taxation

| | 3 months ended 30/4/2020 RM'000 | 3 months ended 30/4/2019 RM'000 |
|--------------------------------------|--|--|
| - Current period taxation | 53 | 32 |
| -(Over)/Under provision of taxation | - | - |
| - Deferred taxation | - | - |
| | <u>53</u> | <u>32</u> |

18. 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.

19. Group borrowings and debt securities

| | As At 30/04/20 Total RM'000 |
|--------------------------------|--|
| Secured: | |
| Term loans | 4,185 |
| Bank overdrafts | 14,724 |
| Revolving credits | 15,000 |
| Bankers' acceptance | 35,553 |
| Hire purchase | 3,357 |
| Lease liabilities | 714 |
| | 76,533 |
| | |
| Repayable within twelve months | 65,763 |
| Repayable after twelve months | 10,770 |
| | 76,533 |

The above borrowings are denominated in Ringgit Malaysia

20. Earnings per share

| | Individual quarter ended | |
|--|---------------------------------|-------------------|
| | 30/4/2020 | 30/04/2019 |
| | RM'000 | RM'000 |
| Net profit/(loss) attributable to owners of the parent | <u>(2,427)</u> | <u>(1,458)</u> |
| Weighted average number of ordinary shares | Individual quarter ended | |
| | 30/4/2020 | 30/04/2019 |
| | '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 2020 / 2019 | <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) | (4.19) | (2.52) |
| Fully diluted (sen) | (4.19) | (2.52) |
| | Cumulative year to date | |
| | 30/4/2020 | 30/04/2019 |
| | RM'000 | RM'000 |
| Net profit/(loss) attributable to owners of the parent | <u>(2,427)</u> | <u>(1,458)</u> |
| Weighted average number of ordinary shares | Cumulative year to date | |
| | 30/4/2020 | 30/04/2019 |
| | '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 2020 / 2019 | <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) | (4.19) | (2.52) |
| Fully diluted (sen) | (4.19) | (2.52) |

21. Material litigation

There were no pending material litigations for the current financial quarter under review.

22. Comprehensive Income Disclosures

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

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|------------|--------------------|------------|
| | 30/04/2020 | 30/04/2019 | 30/04/2020 | 30/04/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of prepaid land lease | 80 | 80 | 80 | 80 |
| Bad debts written back | (17) | (14) | (17) | (14) |
| Depreciation of property, plant & equipment | 1,324 | 1,294 | 1,324 | 1,294 |
| (Gain)/Loss on disposal of other investment | - | - | - | - |
| Interest expenses | 811 | 1,595 | 811 | 1,595 |
| Interest income | (101) | (180) | (101) | (180) |
| Impairment loss on receivables | - | - | - | - |
| Inventory written off | - | - | - | - |
| Net fair value changes in investment securities | - | - | - | - |
| Property, plant & equipment written off | 4 | 961 | 4 | 961 |

23. 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 2020.