

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:

6 months ended 31 July 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	22,641	186	22,228	319	-	-	45,374
Inter-segment sales	195	4,529	17,180	380	-	(22,284)	-
Total revenue	22,836	4,715	39,408	699	-	(22,284)	45,374
RESULTS							
Operating profit	(2,999)	103	6,460	204	(823)	(150)	2,795
Share of associate results						40	40
Financing cost	(734)	(62)	(704)	(7)	(168)	-	(1,675)
Income taxes	-	-	(1,641)	(53)	-	-	(1,694)
Net profit/(loss)	(3,733)	41	4,115	144	(991)	(110)	(534)

6 months ended 31 July 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	47,792	380	14,984	421	-	-	63,578
Inter-segment sales	353	10,178	-	808	-	(11,339)	-
Total revenue	48,145	10,558	14,984	1,229	-	(11,339)	63,578
RESULTS							
Operating profit	91	239	1,121	205	(819)	-	837
Share of associate results						246	246
Financing cost	(1,177)	(150)	(929)	-	(297)	-	(2,552)
Income taxes	-	-	(252)	(51)	-	-	(303)
Net profit/(loss)	(1,086)	89	(60)	154	(1,116)	246	(1,773)

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		6 months ended	
	31.07.20 RM'000	31.07.19 RM'000	31.07.20 RM'000	31.07.19 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	7	23	7	27
-Limba Jaya Timber Sdn. Bhd.	-	-	-	-
-Lee Ling Timber Sdn. Bhd.	3	39	12	142
-Metro 360 Hotel Sdn. Bhd.	-	-	-	-
-Yong Teck Construction	-	-	-	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	3,231	2,868	5,370	3,800
Sea freight charges				
-Lee Ling Timber Sdn. Bhd.	60	-	120	-
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	-	-	-	538
Rental of office				
-BMK Development Sdn. Bhd.	39	39	78	78



13. Review of performance of the Group

The The Group's revenue for the 6 months ended 31 July 2020 stood at RM45.4 million representing 28.6% or RM18.2 million lower as compared to the corresponding period of last financial year. The manufacturing segment which is the largest segment has recorded revenue of RM22.8 million in the current financial quarter which is RM25.3 million lower than RM48.1 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 until mid of May 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 RM24.9 million for the current financial period against RM15.0 million recorded in the corresponding period of last financial year. Although project progress was impacted by the MCO, the Construction Division managed to record a higher revenue with new stream of income from the Road Maintenance Concession starting from January 2020.

Revenue recorded in the current quarter is at RM24.1 million, which is RM9 million lower than RM33.1 million recorded in the corresponding quarter of last financial year. The manufacturing segment has recorded RM12.6 million revenue in the current quarter as compared to RM26.2 million in the corresponding period of last financial year as business activities remained slow although the operations has been fully resumed during the Recovery Movement Control Order ("RMCO") which started in mid of May 2020. The Construction & Property Development Segment has managed to record a revenue of RM16.8 million as compared to RM6.9 million in the corresponding quarter of last year as the progress of the projects on hand begins to pick up when the construction activities resumed in the current quarter coupled with stable income from the road maintenance concession.

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

The Group has recorded a PBT of RM1.2 million for the 6 months ended 31 July 2020 as compared to LBT of RM1.5 million recorded in the corresponding period of last financial year. The manufacturing segment has recorded LBT of RM3.8 million as compared to LBT of RM1.1 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 RM5.8 million as compared to PBT of RM0.2 million recorded in the corresponding period of last financial year as with better progress of project on hand and higher margins achieved as compared to the same period of last year.

The Group has recorded PBT of RM3.1 million for the quarter ended 31 July 2020 as compared to RM0.2 million in the corresponding quarter of last financial year. PBT recorded in the current quarter was mainly contributed by the Construction & Property Development Segment which recorded RM4.5 million as compared to LBT of RM 0.1 million recorded in the corresponding quarter of last year


15. Prospect for the year ending 31 January 2021

The country was implementing Movement Control Order “MCO” since 18 March 2020 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. At the time of this report, the country has entered Recovery Movement Control (“RMCO”) phase which allows businesses to resume with conditions that the Standard Operation procedure (‘SOP’) designed by the government for each sector are adopted. During this RMCO period, all our businesses has resumed operations albeit business activities are rather slow in some segments especially the Manufacturing Segment.

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

	6 months ended 31/07/2020 RM'000	6 months ended 31/07/2019 RM'000
- Current period taxation	1,694	303
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>1,694</u>	<u>303</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 31/07/20 Total RM'000
Secured:	
Term loans	3,698
Bank overdrafts	12,780
Revolving credits	9,000
Bankers' acceptance	38,193
Hire purchase	3,045
Lease liabilities	7,080
	73,796
Repayable within twelve months	62,298
Repayable after twelve months	11,498
	73,796

The above borrowings are denominated in Ringgit Malaysia

20. Earnings per share

	Individual quarter ended	
	31/07/2020	31/07/2019
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>718</u>	<u>(340)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/07/2020	31/07/2019
	'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)	1.24	(0.59)
Fully diluted (sen)	1.24	(0.59)
	Cumulative year to date	
	31/07/2020	31/07/2019
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(1,709)</u>	<u>(1,799)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/07/2020	31/07/2019
	'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)	(2.95)	(3.10)
Fully diluted (sen)	(2.95)	(3.10)

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	
	31/07/2020	31/07/2019	31/07/2020	31/07/2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	161	80	81	160
Bad debts written back	(12)	(19)	(29)	(33)
Depreciation of property, plant & equipment	1,535	1,313	2,859	2,607
(Gain)/Loss on disposal of other investment	-	-	-	-
Interest expenses	883	1,555	1,694	3,150
Interest income	(176)	(94)	(277)	(274)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	-	-	-	-
Property, plant & equipment written off	-	1	4	2

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 28 September 2020.