

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:

9 months ended 31 October 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	43,199	234	49,808	319	-	-	93,560
Inter-segment sales	669	7,972	14,240	380	-	(23,261)	-
Total revenue	43,868	8,206	64,048	699	-	(23,261)	93,560
RESULTS							
Operating profit	(2,915)	178	10,578	133	(960)	(150)	6,865
Share of associate results						(79)	(79)
Financing cost	(1,111)	(121)	(1,191)	(7)	(296)	-	(2,727)
Income taxes	-	-	(2,577)	(53)	-	-	(2,630)
Net profit/(loss)	(4,025)	57	6,810	73	(1,256)	(229)	1,428

9 months ended 31 October 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	79,247	442	20,619	568	-	-	100,875
Inter-segment sales	221	16,143	-	1,268	-	(17,633)	-
Total revenue	79,468	16,585	20,619	1,836	-	(17,633)	100,875
RESULTS							
Operating profit	2,573	389	1,609	243	(1,377)	-	3,436
Share of associate results						283	283
Financing cost	(1,617)	(214)	(1,445)	-	(456)	-	(3,731)
Income taxes	(628)	(43)	(252)	(66)	-	-	(988)
Net profit/(loss)	329	132	(88)	177	(1,833)	283	(1,001)

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		9 months ended	
	31.10.20 RM'000	31.10.19 RM'000	31.10.20 RM'000	31.10.19 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	5	6	12	33
-Limba Jaya Timber Sdn. Bhd.	-	-	-	-
-Lee Ling Timber Sdn. Bhd.	28	-	40	146
-Metro 360 Hotel Sdn. Bhd.	-	-	-	-
-Yong Teck Construction	-	-	-	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	1,339	1,063	6,709	4,863
Sea freight charges				
-Lee Ling Timber Sdn. Bhd.	60	-	180	-
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	-	-	-	-
Rental of office				
-BMK Development Sdn. Bhd.	39	39	117	117



13. Review of performance of the Group

The Group's revenue for the 9 months ended 31 October 2020 stood at RM93.6 million representing 7.3% or RM7.3 million lower as compared to the corresponding period of last financial year. The manufacturing segment has recorded revenue of RM43.9 million in the current financial quarter which is RM35.6 million lower than RM79.5 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, all non essential business activities were not allowed to operate hence that has impacted the revenue of the Manufacturing Segment which mainly involves in manufacturing of building products. The Property Development & Construction Segment recorded a revenue of RM64.0 million for the current financial period against RM20.6 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 RM48.2 million, which is RM10.1 million higher than RM37.3 million recorded in the corresponding quarter of last financial year. The manufacturing segment has recorded RM21.0 million revenue in the current quarter as compared to RM31.3 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 RM24.6 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 since last 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 RM4.1 million for the 9 months ended 31 October 2020 as compared to LBT of RM0.1 million recorded in the corresponding period of last financial year. The manufacturing segment has recorded LBT of RM4.0 million as compared to PBT of RM1.0 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 RM9.4 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 RM2.9 million for the current quarter ended 31 October 2020 as compared to PBT of RM1.5 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 RM3.6 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

At the time of this report, most Europe countries and United States of America are experiencing a second wave of COVID-19 spread and that has affected the supply of raw material and price. In Malaysia, we too are seeing a spike increase in COVID-19 patients, fortunately in Sarawak, the state government has managed to keep things under control and businesses have not been severely affected.

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

	9 months ended 31/10/2020 RM'000	9 months ended 31/10/2019 RM'000
- Current period taxation	2,630	988
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>2,630</u>	<u>988</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 31/10/20 Total RM'000
Secured:	
Term loans	3,578
Bank overdrafts	14,899
Revolving credits	12,000
Bankers' acceptance	26,410
Hire purchase	3,152
Lease liabilities	7,189
	67,228
Repayable within twelve months	55,167
Repayable after twelve months	12,061
	67,228

The above borrowings are denominated in Ringgit Malaysia

20. Earnings per share

	Individual quarter ended	
	31/10/2020	31/10/2019
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>1,156</u>	<u>868</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2020	31/10/2019
	'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)	1.99	1.50
Fully diluted (sen)	1.99	1.50
	Cumulative year to date	
	31/10/2020	31/10/2019
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(553)</u>	<u>(931)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2020	31/10/2019
	'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)	(0.95)	(1.61)
Fully diluted (sen)	(0.95)	(1.61)

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	
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	241	80	80	240
Bad debts written back	(25)	(19)	(54)	(52)
Depreciation of property, plant & equipment	1,795	1,276	4,654	3,883
(Gain)/Loss on disposal of other investment	-	-	-	-
Interest expenses	1,052	890	2,727	4,040
Interest income	(307)	(81)	(584)	(355)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	-	-	-	-
Property, plant & equipment written off	14	6	18	8

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 23 December 2020.