

**Kimlun Corporation Berhad**  
**(Company No: 867077-X)**  
**Unaudited Condensed Consolidated Statement of Comprehensive Income**  
**For the 1st Quarter Ended 31 March 2020**

	<b>Individual Quarter</b>		<b>Cumulative Period</b>	
	<b>Current Year Quarter 31/03/2020 RM'000</b>	<b>Preceding Year Quarter 31/03/2019 RM'000</b>	<b>Current Year To Date 31/03/2020 RM'000</b>	<b>Preceding Year To Date 31/03/2019 RM'000</b>
<b>Revenue</b>	245,334	318,557	245,334	318,557
Cost of sales	(221,962)	(283,975)	(221,962)	(283,975)
<b>Gross profit</b>	23,372	34,582	23,372	34,582
Other income	1,758	1,749	1,758	1,749
Selling and administrative expenses	(10,936)	(10,472)	(10,936)	(10,472)
Finance costs	(4,793)	(4,466)	(4,793)	(4,466)
Share of profit of joint ventures	9	276	9	276
<b>Profit before tax</b>	9,410	21,669	9,410	21,669
Income tax expense	(2,825)	(5,763)	(2,825)	(5,763)
<b>Profit net of tax</b>	6,585	15,906	6,585	15,906
<b>Other comprehensive income</b>	-	(1)	-	(1)
<b>Total comprehensive income for the period</b>	6,585	15,905	6,585	15,905
<b>Profit attributable to :</b>				
Owners of the Company	6,595	15,931	6,595	15,931
Non-controlling interests	(10)	(25)	(10)	(25)
	6,585	15,906	6,585	15,906
<b>Earnings Per Share (Sen)</b>				
- Basic (2)	1.94	4.80	1.94	4.80
- Diluted (2)	1.94	4.80	1.94	4.80
<b>Total comprehensive income attributable to :</b>				
Owners of the Company	6,595	15,930	6,595	15,930
Non-controlling interests	(10)	(25)	(10)	(25)
	6,585	15,905	6,585	15,905

**Notes:**

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to the interim financial statements.

(2) Please refer to Note B11 for details.

Kimlun Corporation Berhad  
(Company No: 867077-X)  
Unaudited Condensed Consolidated Statements of Financial Position  
As at 31 March 2020

	Unaudited As at 31/03/2020 RM'000	Audited As at 31/12/2019 RM'000
<b>Assets</b>		
<b>Non- current assets</b>		
Property, plant and equipment	197,653	203,005
Right-of-use asset	5,574	6,093
Land held for property development	174,650	158,820
Investment properties	3,327	3,348
Other investments	75	75
Investment in joint ventures	18,249	18,240
Deferred tax assets	170	-
	<u>399,698</u>	<u>389,581</u>
<b>Current assets</b>		
Properties held for sale	389	389
Property Development costs	133,693	131,606
Inventories	62,766	79,998
Trade and other receivables	531,890	486,272
Prepayment	6,160	6,827
Contract assets	355,777	386,552
Cash and bank balances	52,320	64,940
	<u>1,142,995</u>	<u>1,156,584</u>
<b>TOTAL ASSETS</b>	<u>1,542,693</u>	<u>1,546,165</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Income tax payable	10,058	10,959
Loans and borrowings	295,940	252,385
Lease liability	3,409	3,335
Trade and other payables	304,016	334,102
Contract liabilities	26,692	49,490
Provisions	17,648	17,170
	<u>657,763</u>	<u>667,441</u>
<b>Net current assets</b>	<u>485,232</u>	<u>489,143</u>
<b>Non-current liabilities</b>		
Loans and borrowings	155,409	154,224
Lease liabilities	2,407	3,009
Deferred tax liabilities	-	962
	<u>157,816</u>	<u>158,195</u>
<b>TOTAL LIABILITIES</b>	<u>815,579</u>	<u>825,636</u>
<b>Net assets</b>	<u>727,114</u>	<u>720,529</u>
<b>Equity</b>		
Share capital	247,279	247,279
Treasury shares	(24)	(24)
Other reserves	34,123	34,123
Retained earnings	445,690	439,095
<b>Equity attributable to owners of the Company</b>	<u>727,068</u>	<u>720,473</u>
Non-controlling interests	46	56
<b>Total equity</b>	<u>727,114</u>	<u>720,529</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,542,693</u>	<u>1,546,165</u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.14	2.12

**Notes:**

- (1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to the interim financial statements.

**Kimlun Corporation Berhad**  
**(Company No: 867077-X)**  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Period Ended 31 March 2020**

	<b>Current Year To Date 31/03/2020 RM'000</b>	<b>Preceding Year To Date 31/03/2019 RM'000</b>
<b>Operating activities</b>		
Profit before tax	9,410	21,669
Adjustment for :		
Reversal of allowance for impairment on trade receivables	(36)	-
Unrealised foreign exchange loss	2,977	2,413
Depreciation	9,882	13,801
Depreciation of right-of-use assets	893	-
Impairment loss on investment properties	21	43
Provision for defect liabilities costs	478	-
Loss on disposal of investment properties	-	3
Gain on disposal of property, plant and equipment	(37)	(1)
Fixed asset written off	-	3
Interest expenses	4,793	4,421
Interest income	(933)	(321)
Share of profit of joint ventures	(9)	(276)
Operating cash flows before changes in working capital	27,439	41,755
<b>Changes in working capital</b>		
Development property	(1,338)	(2,223)
Inventories	17,232	4,462
Receivables	(40,907)	21,995
Other current assets	28,910	(14,696)
Payables	(37,169)	7,501
Other current liabilities	(20,846)	13,390
Cash flows (used in)/generated from operations	(26,679)	72,184
Interest paid	(5,746)	(4,156)
Tax paid	(4,856)	(3,070)
Interest received	281	321
Net cash flows (used in)/generated from operating activities	(37,000)	65,279
<b>Investing activities</b>		
Purchase of land held for property development and expenditure on land held for property development	(14,991)	(85,725)
Purchase of property, plant and equipment	(2,733)	(4,000)
Proceeds from disposal of property, plant & equipment	947	1
Proceeds from disposal of investment properties	-	735
Incidental expenses on disposal of investment properties	-	(18)
Net cash flows used in investing activities	(16,777)	(89,007)
<b>Financing activities</b>		
Net proceeds from loans and borrowings	42,513	72,883
Advance from joint venture	3,345	4,570
Repayment to hire purchase creditors	(7,260)	(6,503)
Repayment of lease liabilities	(941)	(984)
Uplift/(Pledge) of fixed deposit with licensed bank	113	(174)
Net cash flows generated from financing activities	37,770	69,792
<b>Net (decrease)/increase in cash and cash equivalents</b>	(16,007)	46,064
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(985)	476
<b>Cash and cash equivalents at beginning of financial period</b>	18,735	(4,859)
<b>Cash and cash equivalents at end of financial period</b>	1,743	41,681
<b>Cash and cash equivalents at end of the financial period comprise the following:</b>		
Cash and bank balances	52,320	74,147
Less: Pledge of fixed deposit with licensed banks	(22,014)	(22,350)
Bank overdrafts (included within short term borrowings)	(28,563)	(10,116)
	1,743	41,681

**Notes:**

- (1) The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to the interim financial statements

Kimlun Corporation Berhad  
(Company No: 867077-X)  
Unaudited Condensed Consolidated Statement of Changes in Equity  
As at 31 March 2020

	Attributable to owners of the Company					Sub-Total	Non-controlling interest	Total Equity
	<----- Non-distributable ----->			Foreign currency translation reserve	Distributable			
	Share capital	Treasury shares	Warrants reserve		Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>YTD ended 31 March 2020</b>								
Balance At 1/1/2020	247,279	(24)	34,194	(71)	439,095	720,473	56	720,529
Total comprehensive income for the period	-	-	-	-	6,595	6,595	(10)	6,585
<b>At 31/03/2020</b>	<b>247,279</b>	<b>(24)</b>	<b>34,194</b>	<b>(71)</b>	<b>445,690</b>	<b>727,068</b>	<b>46</b>	<b>727,114</b>
<b>YTD ended 31 March 2019</b>								
Balance At 1/1/2019	237,452	(24)	34,193	(71)	393,167	664,717	79	664,796
Effect of initial adoption of MFRS 16: leases	-	-	-	-	(165)	(165)	-	(165)
Total comprehensive income for the period	-	-	-	(1)	15,931	15,930	(25)	15,905
<b>At 31/03/2019</b>	<b>237,452</b>	<b>(24)</b>	<b>34,193</b>	<b>(72)</b>	<b>408,933</b>	<b>680,482</b>	<b>54</b>	<b>680,536</b>

(1) The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to the interim financial statements

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

**NOTES TO THE REPORT**

**PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). It contains condensed combined financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. The interim combined financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2019 (“FY2019 AFS”).

**A2. Changes in accounting policies**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following new MFRs, amendments to MFRSs and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2020:

Amendments to references to the Conceptual Framework in MFRS Standards  
Amendments to MFRS 3 Business Combinations - Definition of a Business  
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material  
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform  
MFRS 17 Insurance Contracts  
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current  
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors are of the opinion that the Standards and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

**A3. Auditor’s report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2019.

**KIMLUN CORPORATION BERHAD (867077-X)**  
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**A4. Seasonal or Cyclical Factors**

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

**A5. Items of Unusual Nature**

The Group's short term growth, financial results, cash flow and financial condition are expected to be significantly impacted by the recent outbreak of the Coronavirus ("COVID-19") which has adversely affected economies worldwide.

For the Group, the impact on business operations has not been a direct consequence of the COVID-19 pandemic, but a result of the measures taken by the Malaysia Government and Singapore Government to contain it. The Malaysia Government implemented the Movement Control Order ("MCO") effective from 18 March 2020, and the Singapore Government implemented the Circuit Breaker Order effective from 7 April 2020, to contain the COVID-19 pandemic.

At this juncture, it is not possible to estimate the full impact of the pandemic's short-term and longer-term effects or the Malaysia and Singapore Governments' varying efforts to combat the pandemic and stimulus to support businesses.

Further details on the impact of the COVID-19, the MCO and the Circuit Breaker Order on the Group's operations are detailed in Note A12, Note B1 and Note B3.

**A6. Material Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the financial year-to-date.

**A7. Changes in Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

**A8. Dividend Paid**

There was no payment of dividend during the financial year-to-date.

**A9. Valuation of property, plant and equipment**

There was no valuation of property, plant and equipment in the current financial quarter.

**A10. Capital commitments**

Capital commitment for property, plant and equipment not provided for as at 31 March 2020 are as follows:

	RM'000
Approved and contracted for	<u>25,556</u>

The capital commitment is mainly for the purchase of the KA Land (as defined in Note B7(a)).

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

**A11. Property, Plant and Equipment**

The Group acquired property, plant and equipment amounting to RM5.44 million during the financial period-to-date, mainly incurred for the purchase of a unit of premix plant.

**A12. Material events subsequent to the end of period reported**

Subsequent to the end of the current financial quarter up to 19 June 2020, being the latest practicable date ("LPD") which is not earlier than 7 days from the date of issuance of this quarterly report;

- (i) the MCO which began from 18 March 2020 was further extended to 31 August 2020 with a gradual relaxation of restrictions on business sectors and activities during the Conditional MCO period (from 4 May 2020 to 9 June 2020) and Recovery MCO period (from 10 June 2020 to 31 August 2020);
- (ii) the Group's business operations resumed progressively since 4 May 2020. However, the operations have yet to reach the pre-MCO level due to the compliance to various guidelines from health authorities and government bodies; and
- (iii) the export of our precast concrete products to Singapore was affected by the Circuit Breaker Order which began on 7 April 2020 and ended on 1 June 2020. From 2 June 2020, Singapore has gradually re-opened economic activities that do not pose high risks of transmission.

**A13. Changes in composition of the group**

There were no changes in the composition of the Group during the current financial year up to the LPD.

**A14. Contingent liabilities or contingent assets**

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

**A15. Significant Related Party Transactions**

There was no significant related party transaction during the current quarter under review.

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

**A16. Segmental Information**

The Group is organized into the following operating segments:-

- a) Construction;
- b) Manufacturing and trading of building materials;
- c) Property development; and
- c) investment

The segment revenue and results for the financial period ended 31 Mar 2020:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>						
External sales	188,293	55,301	1,737	3	0	245,334
Inter-segment sales	1,231	22,829	0	6,037	(30,097)	0
Total revenue	189,524	78,130	1,737	6,040	(30,097)	245,334
<b>RESULTS</b>						
Profit from operations	14,326	8,615	344	6,040	(5,953)	23,372
Other operating income						1,758
Selling and administrative expenses						(10,936)
Finance costs						(4,793)
Share of profit of a joint venture						9
Profit before tax						9,410
Income tax expense						(2,825)
<b>Profit net of tax</b>						6,585
<b>Segment Assets</b>	972,033	296,589	335,175	300,174	(361,278)	1,542,693
<b>Segment Liabilities</b>	577,230	131,190	195,370	474	(88,685)	815,579



**KIMLUN CORPORATION BERHAD (867077-X)**  
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The segment revenue and results for the financial period ended 31 March 2019:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>						
External sales	241,201	76,507	843	6	0	318,557
Inter-segment sales	138	21,606	0	333	(22,077)	0
Total revenue	241,339	98,113	843	339	(22,077)	318,557
<b>RESULTS</b>						
Profit from operations	20,137	14,281	142	339	(317)	34,582
Other operating income						1,749
Selling and administrative expenses						(10,472)
Finance costs						(4,466)
Share of profit of a joint venture						276
Profit before tax						21,669
Income tax expense						(5,763)
<b>Profit net of tax</b>						15,906
<b>Segment Assets</b>	878,930	368,144	269,872	272,799	(276,911)	1,512,834
<b>Segment Liabilities</b>	492,703	217,367	165,218	420	(43,410)	832,298

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

**PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

	Individual Quarter (1st Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/12/2019 RM'000	current quarter compared to preceding quarter	
	Current Year Quarter 31/3/2020 RM'000	Preceding Year Quarter 31/3/2019 RM'000	Amount RM'000	%	Current Year To Date 31/3/2020 RM'000	Preceding Year To Date 31/3/2019 RM'000	Amount RM'000	%		Amount RM'000	%
<b>Revenue</b>											
Construction	189,524	241,339	(51,815)	-21.5%	189,524	241,339	(51,815)	-21.5%	259,566	(70,042)	-27.0%
Manufacturing & Trading	78,130	98,113	(19,983)	-20.4%	78,130	98,113	(19,983)	-20.4%	98,714	(20,584)	-20.9%
Property Development	1,737	843	894	106.0%	1,737	843	894	106.0%	4,717	(2,980)	-63.2%
Investment	6,040	339	5,701	1682%	6,040	339	5,701	1682%	12,418	(6,378)	-51.4%
Elimination	(30,097)	(22,077)	(8,020)	36.3%	(30,097)	(22,077)	(8,020)	36.3%	(52,443)	22,346	-42.6%
Consolidated revenue	245,334	318,557	(73,223)	-23.0%	245,334	318,557	(73,223)	-23.0%	322,972	(77,638)	-24.0%
<b>Gross profit ("GP")</b>											
Construction	14,326	20,137	(5,811)	-28.9%	14,326	20,137	(5,811)	-28.9%	24,540	(10,214)	-41.6%
Manufacturing & Trading	8,615	14,281	(5,666)	-39.7%	8,615	14,281	(5,666)	-39.7%	13,280	(4,665)	-35.1%
Property Development	344	142	202	142.3%	344	142	202	142.3%	904	(560)	-61.9%
Investment	6,040	339	5,701	1682%	6,040	339	5,701	1682%	12,418	(6,378)	-51.4%
Elimination	(5,953)	(317)	(5,636)	1778%	(5,953)	(317)	(5,636)	1778%	(12,252)	6,299	-51.4%

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

	Individual Quarter (1st Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/12/2019 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 31/3/2020 RM'000	Preceding Year Quarter 31/3/2019 RM'000	Amount RM'000	%	Current Year To Date 31/3/2020 RM'000	Preceding Year To Date 31/3/2019 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	23,372	34,582	(11,210)	-32.4%	23,372	34,582	(11,210)	-32.4%	38,890	(15,518)	-39.9%
<b>GP margin</b>											
Construction	7.6%	8.3%			7.6%	8.3%			9.5%		
Manufacturing & Trading	11.0%	14.6%			11.0%	14.6%			13.5%		
Property Development	19.8%	16.8%			19.8%	16.8%			19.2%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	9.5%	10.9%			9.5%	10.9%			12.0%		
Other income	1,758	1,749	9	0.5%	1,758	1,749	9	0.5%	2,030	(272)	-13.4%
Selling & administrative expenses	(10,936)	(10,472)	(464)	4.4%	(10,936)	(10,472)	(464)	4.4%	(12,205)	1,269	-10.4%
Finance costs	(4,793)	(4,466)	(327)	7.3%	(4,793)	(4,466)	(327)	7.3%	(4,222)	(571)	13.5%
Share of profit of joint ventures	9	276	(267)	-96.7%	9	276	(267)	-96.7%	(968)	977	-101%
<b>Profit before tax</b>	9,410	21,669	(12,259)	-56.6%	9,410	21,669	(12,259)	-56.6%	23,525	(14,115)	-60.0%
<b>Profit net of tax</b>	6,585	15,906	(9,321)	-58.6%	6,585	15,906	(9,321)	-58.6%	16,686	(10,101)	-60.5%

**KIMLUN CORPORATION BERHAD (867077-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020**

**NOTES TO REPORT**

**PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

**B1. Operating Segments Review**

(a) Quarter 1 Financial Year Ending 31 December (“FY”) 2020 vs Quarter 1 FY2019

Revenue of the Group of RM245.33 million for the current quarter is RM73.22 million or 23.0% lower as compared to RM318.56 million registered in Quarter 1 FY2019.

Gross profit (“GP”) of the Group of RM23.37 million for the current quarter is RM11.21 million or 32.4% lower as compared to RM34.58 million achieved in Quarter 1 FY2019.

Profit after tax of the Group of RM6.59 million for the current quarter is RM9.32 million or 58.6% lower than the RM15.91 million achieved in Quarter 1 FY2019.

(b) Performance review

A lower revenue was recorded in the current quarter due to the decline in construction and manufacturing and trading (“M&T”) revenue by RM51.82 million or 21.5% and RM19.98 million or 20.4% respectively. Lower revenue was recorded by the construction and M&T divisions as all the Group’s operations have been shut down during the MCO period which began from 18 March 2020, except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works.

The property development division recorded a higher revenue in the period under review as more houses were sold during the period.

During the period under review, revenue of the investment division was derived from dividend income and interest income received from other divisions, and interest income generated from deposits placed with financial institutions.

The Group’s GP margin of 9.5% achieved in the current quarter was lower compared to 10.9% of Quarter 1 FY2019, as the Group’s revenue streams had been severely reduced due to the shutting down of the Group’s operations whilst the Group continued to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll and rental expenses.

In line with the lower revenue and gross profit margin achieved, gross profit recorded in the current quarter was RM23.37 million, which is RM11.21 million or 32.4% lower compared to Quarter 1 FY2019.

Other income in the current quarter approximate the level recorded in Quarter 1 FY2019.

Selling and administrative (“S&A”) expenses were higher in the current quarter mainly due to processing fee of RM0.48 million paid to the relevant authority to convert our inventory of Bumiputra property lots to international status.

Finance costs were higher in current quarter mainly due to higher utilization of banking facilities to finance the Group’s operations.

**KIMLUN CORPORATION BERHAD (867077-X)**  
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Share of profit of joint ventures decreased by RM0.27 million.

Due to the variances in gross profit, other income and expenses as stated above, the profit before tax and profit after tax recorded in the current quarter declined by RM12.26 million (56.6%) to RM9.41 million and by RM9.32 million (58.6%) to RM6.59 million respectively compared to Quarter 1 FY2019.

**(c) Group Cash Flow Review**

For the current period, the Group registered net cash used in operating activities of RM37.00 million mainly due to lower profit before tax achieved and lower collection during the MCO period. Net cash used in investing activities of RM16.78 million was mainly due to the completion of the purchase of the KV Land (as defined in Note B7 (b)), which is held for development. Net cash generated from financing activities of RM37.77 million was mainly from bank loans and borrowings.

**B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter**

Revenue and gross profit recorded in the current quarter was lower compared to the preceding quarter as all the Group's operations have been shut down during the MCO period which began from 18 March 2020, except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works.

S&A expenses were lower in the current quarter mainly due to lower impairment loss on investment properties and fixed assets written off during the current quarter.

Profit before and after tax was lower by 60.0% and 60.5% respectively compared to preceding quarter, due to lower GP achieved in the current period.

**B3. Prospects For 2020**

Though the Group is supported by an estimated construction and manufacturing balance order book of approximately RM1.4 billion and RM0.28 billion respectively as at 31 March 2020, the Board takes cognizance that the Group's short term growth and financial results are expected to be impacted negatively by the recent outbreak of the Coronavirus ("COVID-19") which has adversely affected economies worldwide.

Based on Bank Negara Malaysia's estimates, Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic.

For the Group, the impact on business operations has not been a direct consequence of the COVID-19 pandemic, but a result of the measures taken by the Malaysia Government and Singapore Government to contain it. These are unprecedented and challenging times for the Group. As the pandemic continues to evolve, it is challenging to predict the full extent and duration of its impact on our business and the economy.

Following the implementation of the MCO on 18 March 2020, all the Group's operations have been shut down during the MCO period except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works. Consequentially, the Group's revenue, earnings, cash flow and financial condition are affected negatively by the MCO. The Group's revenue streams have been severely reduced during the MCO period due to the shutting down of the Group's operations whilst the Group continues to incur substantially the same amount

of fixed and recurring expenses such as depreciation, payroll expenses, rental and interest expenses.

Though the Malaysia Government has allowed most business sectors to resume operations under the Conditional MCO period beginning 4 May 2020, there are significant uncertainties in assessing how long the pandemic would last and the severity of its impact on the economy.

The Group's business operations resumed progressively since 4 May 2020. However, the operations have yet to reach the pre-MCO level due to the compliance to various guidelines from health authorities and government bodies.

In addition, the export of our precast concrete products to Singapore was affected by the Circuit Breaker Order which began on 7 April 2020 and ended on 1 June 2020. From 2 June 2020, Singapore gradually re-opened economic activities that do not pose high risks of transmission.

Notwithstanding the foregoing, the Board believes that the balance order in hand of RM1.68 billion from a diversified clientele, of which about one third are related to public sector projects, and the remaining are mostly from reputable property developers; banking facilities from various bankers; a wide base of suppliers and sub-contractors; and the Group's track record in the industries that it operates in, and extensive experience in our business, are good supporting factors for the Group to weather through this challenging times.

The Group will continue to monitor the development of these events and have implemented the following measures to mitigate the impact of the COVID-19 pandemic to the Group's business:

- (i) take the necessary precautionary and safety measures at our business premises and work sites in accordance with guidelines from health authorities and government bodies;
- (ii) frequent senior management operational meetings to strategize, identify and solve operational issues;
- (iii) communicate with suppliers on their stocks readiness and look for alternative supplies to improve supply chain lead times where necessary;
- (iv) explore cost cutting measures to preserve cash to support working capital requirements until the COVID-19 situation improves, such as suspending all non-essential operating and capital expenditure; and
- (v) explore additional working capital credit facilities for contingency needs.

Our on-going projects and sales orders comprises contracts secured from, amongst other, Lebuhraya Borneo Utara Sdn Bhd, MMC Gamuda KVMRT (UGW) Joint Venture, UEM Sunrise Bhd Group, Sunway Iskandar Sdn Bhd, Hillcrest Gardens Sdn Bhd and China Railway First Group Co. Ltd. Our on-going projects and sales orders include the following:

- (a) The supply contracts in relation to the supply of segmental box girders, tunnel lining segments ("TLS") and other precast concrete products to KVMRT Line 2, with aggregate contract value of approximately RM330 million. The supplies of products under these contracts are expected to be completed in 2020;
- (b) PBH - Zecon Kimlun Consortium Sdn Bhd, the Company's 30% owned joint venture company was awarded with a work package under the PBH for a contract sum of RM1.46 billion. The estimated completion period of the project is year 2021;

- (c) Main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulau, Daerah Johor Bahru, Johor at a contract sum of RM165.82 million. The estimated completion period of the project is year 2021;
- (d) Main building works for 2 blocks of apartments in Selangor ("the Project") for a contract sum of RM204.40 million. The estimated completion period of the project is year 2022; and
- (e) The supply of pre-cast concrete pipes to Singapore Deep Tunnel Sewerage Phase 2 projects for Singapore Dollar 15.39 million. The estimated completion period of the project is year 2022.

The Group will continue to bid for new construction projects in Malaysia, in particular those in relation to affordable housing development which receive strong demand from the low and middle income group.

### ***Singapore Construction Sector***

The total construction demand in 2020 is projected to range between S\$28 billion to S\$33 billion, with sustained public sector construction demand.

Public construction demand is expected to reach between S\$17.5 billion and S\$20.5 billion in 2020, spurred by major infrastructure projects such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

The private sector's construction demand is projected to be between S\$10.5 billion and S\$12.5 billion in 2020, supported by projects such as the redevelopment of en-bloc sales sites, recreation development at Mandai Park, Changi Airport new taxiway and berth facilities at Jurong Port and Tanjong Pagar Terminal.

The construction demand is expected to hold steady over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2021 and 2022 and between S\$28 billion and S\$35 billion per year for 2023 and 2024.

The public sector is expected to contribute S\$16 billion to S\$20 billion per year from 2021 to 2024 with building projects and civil engineering works each taking up about half of the demand. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by various mega infrastructure projects.

*(Source: Media release of Building and Construction Authority of Singapore on 8 January 2020)*

The Ministry of Trade and Industry of Singapore has downgraded the Singapore GDP growth forecast for 2020 to "-7.0 to -4.0 per cent" to account for heightened uncertainties in the global economy, given the unprecedented nature of the COVID-19 outbreak.

*(Source: Media release of The Ministry of Trade and Industry of Singapore on 26 May 2020)*

SPC supplies TLS to Singapore MRT projects since 2006. It secured approximately 40% of the total TLS orders of the Downtown Line 2, Downtown Line 3 and Thomson Line.

Further, SPC has been a frequent supplier of jacking pipes and IBS components to various projects in Singapore.

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With its strong track record in Singapore, SPC is well positioned to compete for further potential sales orders from future MRT and sewerage projects.

***Property Development Division***

There is no on-going development carried out by the Group on its existing land bank totalling 214 acres. The Group plan to launch the newly refurbished bungalows in Seksyen U10, Shah Alam in year 2020.

**B4. Profit Forecast And Profit Estimate**

The Group did not issue any profit forecast or profit estimate previously in any public document.

**B5. Profit Before Tax**

The following items have been included in arriving at profit before tax:

	<b>Current Quarter 3 months ended 31.3.2020 RM'000</b>	<b>Cumulative Quarter 3 months ended 31.3.2020 RM'000</b>
(a) interest income	281	281
(b) other income including investment Income	1,441	1,441
(c) interest expense	5,746	5,746
(d) depreciation and amortization	10,775	10,775
(e) provision for and write off of receivables	0	0
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	37	37
(h) impairment of assets	21	21
(i) foreign exchange (gain) or loss	420	420
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0



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**B6. Taxation**

	<b>Current Quarter 3 months ended 31.3.2020 RM'000</b>	<b>Cumulative Quarter 3 months ended 31.3.2020 RM'000</b>
In respect of the current period		
- Income tax	3,956	3,956
- Deferred tax	(1,131)	(1,131)
	2,825	2,825
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-
	2,825	2,825

The effective tax rate for the period under review was higher than the statutory rate applicable to the Group as certain expenses were disallowed for tax deduction under tax regulations, and potential deferred tax benefits in relation to interest expenses were not recognized on prudent basis.

**B7. Status of Corporate Proposals**

- (a) On 28 December 2017, the Company's wholly-owned subsidiary, Kii Ashbury Sdn Bhd entered into a sale and purchase agreement with Meridin East Sdn Bhd to purchase 17.90 acres of land forming part of the freehold agriculture land held under HSD 566044 PTD 224535, in the Mukim of Plentong, Daerah Johor Bahru, Johor ("KA Land") for a total cash consideration of RM21,829,301.

The acquisition has yet to be completed.

- (b) On 28 December 2017, the Company's wholly-owned subsidiary, Kiiville Sdn Bhd entered into a sale and purchase agreement with Mah Sing Properties Sdn Bhd to purchase all that piece of freehold commercial land held under HS(D) 508921 PTD 185266, Mukim Pulau, Daerah Johor Bahru, Negeri Johor with land area of approximately 20,836.30 square meters ("KV Land") for a total cash consideration of RM14,245,867.

The acquisition was completed on 16 January 2020.

- (c) The Board had proposed a final single tier dividend of RM0.033 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2019 ("FYE 2019 Final Dividend"). The Board has determined that the Dividend Reinvestment Plan ("DRP") will apply to the final dividend and shareholders of the Company ("Shareholders") be given an option to reinvest the entire final dividend in new ordinary share(s) in the Company ("Reinvestment Option") ("New Shares"), subject to approvals being obtained from the following:

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- (i) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;
- (ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and
- (iii) Approval from other relevant authorities and/ or parties, if required.

**B8. Group Borrowings and Debts Securities**

The Group's borrowings and debts securities as at 31 March 2020 are as follows:

	Interest rate per annum YTD 2020	As at 31.3.2020 RM'000	As at 31.3.2019 RM'000
<b>Long term borrowings</b>			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 4.06%	37,980	48,803
Term loans	5.29% to 6.20%	117,429	97,526
		<u>155,409</u>	<u>146,329</u>
<b>Short term borrowings</b>			
<u>Secured:</u>			
Bank overdraft	5.20% to 7.70%	28,563	10,116
Hire purchase creditors	1.68% to 4.06%	23,634	27,399
Bankers' acceptance	3.50% to 4.85%	56,783	57,241
Invoice financing	3.58% to 6.42%	156,680	87,529
Term loans and revolving credits	4.28% to 6.20%	30,280	6,607
		<u>295,940</u>	<u>188,892</u>

All the borrowings are denominated in RM. All borrowings, other than hire purchase financing which is based on fixed interest rate, are based on floating interest rate.

**B9. Material Litigation**

There was no material litigation as at the LPD.

**B10. Dividends**

The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 31 March 2020. However, the Board of Directors recommended the payment of FYE 2019 Final Dividend which is subject to the approval of the shareholders at the 11<sup>th</sup> AGM. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits for the financial year ending 31 December 2020.

No dividend was declared in the previous year's corresponding quarter.

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**B11. Earnings Per Share (“EPS”)**

	<b>Current Quarter Ended</b>		<b>Year to-Date Ended</b>	
	<b>31.3.2020</b>	<b>31.3.2019</b>	<b>31.3.2020</b>	<b>31.3.2019</b>
Profit attributable to owners of the Company (RM'000)	6,595	15,931	6,595	15,931
Weighted average number of ordinary shares in issue ('000)	339,801	331,871	339,801	331,871
Assumed shares issued from the exercise of warrants ('000)	0	0	0	0
Adjusted weighted average number of ordinary shares in issue ('000)	339,801	331,871	339,801	331,871
Basic earnings per share (Sen)	1.94	4.80	1.94	4.80
Diluted earnings per share (Sen)	1.94	4.80	1.94	4.80

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

Diluted EPS is calculated by dividing the profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue.