Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 2nd Quarter Ended 30 June 2020

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2020 RM'000	Preceding Year Quarter 30/06/2019 RM'000	Current Year To Date 30/06/2020 RM'000	Preceding Year To Date 30/06/2019 RM'000
Revenue	94,002	325,166	339,336	643,723
Cost of sales	(93,917)	(293,063)	(315,879)	(577,038)
Gross profit	85	32,103	23,457	66,685
Other income	2,383	1,989	4,141	3,738
Selling and administrative expenses	(9,104)	(11,346)	(20,040)	(21,818)
Finance costs	(4,767)	(4,150)	(9,560)	(8,616)
Share of (loss)/profit of joint ventures	(299)	181	(290)	457
(Loss)/Profit before tax	(11,702)	18,777	(2,292)	40,446
Income tax expense	1,948	(5,345)	(877)	(11,108)
(Loss)/Profit net of tax	(9,754)	13,432	(3,169)	29,338
Other comprehensive income	2	2	1	1
Total comprehensive (loss)/income for the period	(9,752)	13,434	(3,168)	29,339
(Loss)/Profit attributable to :				
Owners of the Company	(9,739)	13,449	(3,144)	29,380
Non-controlling interests	(15)	(17)	(25)	(42)
	(9,754)	13,432	(3,169)	29,338
(Loss)/Earnings Per Share (Sen)				
- Basic (2)	(2.87)	4.05	(0.93)	8.85
- Diluted (2)	(2.87)	4.05	(0.93)	8.85
Total comprehensive (loss)/income attributable to :				
Owners of the Company	(9,737)	13,451	(3,143)	29,381
Non-controlling interests	(15)	(17)	(25)	(42)
	(9,752)	13,434	(3,168)	29,339

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
[Registration No.: 200901023978 (867077-X)]

Unaudited Condensed Consolidated Statements of Financial Position
As at 30 June 2020

	Unaudited As at 30/06/2020 RM'000	Audited As at 31/12/2019 RM'000
Assets		
Non- current assets		
Property, plant and equipment	188,654	203,005
Right-of-use asset	4,644	6,093
Land held for property development	174,636	158,820
Investment properties	2,094	3,348
Other investments	75	75
Investment in joint ventures	17,950	18,240
	388,053	389,581
Current assets		
Properties held for sale	389	389
Property Development costs	134,835	131,606
Inventories	63,454	79,998
Trade and other receivables	468,436	486,272
Prepayment	6,340	6,827
Contract assets	308,554	386,552
Cash and bank balances	41,827	64,940
	1,023,835	1,156,584
TOTAL ASSETS	1,411,888	1,546,165
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	7,330	10,959
Loans and borrowings	228,230	252,385
Lease liability	3,270	3,335
Trade and other payables	238,599	334,102
Contract liabilities	39,018	49,490
Provisions	17,158	17,170
	533,605	667,441
Net current assets	490,230	489,143
Non-current liabilities		
Loans and borrowings	159,065	154,224
Lease liabilities	1,586	3,009
Deferred tax liabilities	271	962
	160,922	158,195
TOTAL LIABILITIES	694,527	825,636
Net assets	717,361	720,529
Equity		
Share capital	247,279	247,279
Treasury shares	(24)	(24)
Other reserves	34,124	34,123
Retained earnings	435,951	439,095
Equity attributable to owners of the Company	717,330	720,473
Non-controlling interests	31	56
Total equity	717,361	720,529
TOTAL EQUITY AND LIABILITIES	1,411,888	1,546,165
Net Assets Per Share Attributable to owners of the Company (RM)	2.11	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
[Registration No.: 200901023978 (867077-X)

Unaudited Condensed Consolidated Statement of Cash Flow
For The Period Ended 30 June 2020

	Current Year To Date 30/06/2020 RM'000	Preceding Year To Date 30/06/2019 RM'000
Operating activities		
(Loss)/Profit before tax	(2,292)	40,446
Adjustment for :		
Allowance for impairment on trade receivables	679	822
Reversal of allowance for impairment on trade receivables	(459)	-
Bad Debts written off	3	-
Unrealised foreign exchange loss	2,899	3,696
Depreciation	19,744	27,882
Depreciation of right-of-use assets	1,768	
Impairment loss on investment properties	37	76
Reversal of provision for obselete inventories	(3)	-
Reversal of defect liabilities costs	(12)	-
(Gain)/Loss on disposal of investment properties	(58)	16
Gain on disposal of property, plant and equipment	(48)	(224)
Fixed asset written off	1	3
Interest expenses	9,560	8,549
Interest income	(1,856)	(760)
Share of loss/(profit) of joint ventures	290	(457)
Operating cash flows before changes in working capital	30,253	80,049
Changes in working capital		
Development property	(1,824)	(16,193)
Inventories	16,546	13,458
Receivables	17,415	36,679
Other current assets	76,233	(43,734)
Payables	(98,687)	11,552
Other current liabilities	(8,645)	(34,115)
Cash flows generated from operations	31,291	47,696
Interest paid	(10,554)	(9,747)
Tax paid	(5,196)	(4,665)
Interest received	579	760
Net cash flows generated from operating activities	16,120	34,044
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(14,978)	(85,840)
Purchase of property, plant and equipment	(4,131)	(4,611)
Proceeds from disposal of property, plant & equipment	1,791	735
Proceeds from disposal of investment properties	1,275	1,521
Incidental expenses on investment properties	-	(7)
Incidental expenses on disposal of investment properties	-	(31)
Net cash flows used in investing activities	(16,043)	(88,233)
Financing activities		
Share issuance expenses	-	-44
(Repayment)/Drawdown of loans and borrowings	(25,811)	95,005
Advance from joint venture	4,271	4,701
Repayment to hire purchase creditors	(13,469)	(14,094)
Repayment of lease liabilities	(1,802)	(1,889)
Uplift/(Pledge) of fixed deposit with licensed bank	32	(481)
Net cash flows (used in)/generated from financing activities	(36,779)	83,198
Net (decrease)/increase in cash and cash equivalents	(36,702)	29,009
Effects of exchange rate changes on cash and cash equivalents	(1,045)	194
Cash and cash equivalents at beginning of financial period	18,734	(4,859)
Cash and cash equivalents at end of financial period	(19,013)	24,344
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	41,827	56,803
Less: Pledge of fixed deposit with licensed banks	(22,095)	(22,657)
Bank overdrafts (included within short term borrowings)	(38,745)	(9,802)
	(19,013)	24,344

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
[Registration No.: 200901023978 (867077-X)
Unaudited Condensed Consolidated Statement of Changes in Equity
As at 30 June 2020

	Attributable to owners of the Company							
	<--------------- Non-distributable			----------------->	Distributable			
	Share capital	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings	Sub-Total	Non-controlling interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>**YTD ended 30 June 2020**</u>								
Balance At 1/1/2020	247,279	(24)	34,194	(71)	439,095	720,473	56	720,529
Total comprehensive (loss)/income for the period	-	-	-	1	(3,144)	(3,143)	(25)	(3,168)
At 30/06/2020	**247,279**	**(24)**	**34,194**	**(70)**	**435,951**	**717,330**	**31**	**717,361**
<u>**YTD ended 30 June 2019**</u>								
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	-	-	-	-	(191)	(191)	-	(191)
Total comprehensive income for the period	-	-	-	1	29,380	29,381	(42)	29,339
<u>Transaction with owner</u>								
Dividend payment (as detailed in Note B10)	-	-	-	-	(12,279)	(12,279)	-	(12,279)
Share issue expenses	(44)	-	-	-	-	(44)	-	(44)
At 30/06/2019	**237,408**	**(24)**	**34,193**	**(70)**	**410,077**	**681,584**	**37**	**681,621**

(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

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 MFRSs, 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

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.

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 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. The Malaysia Government gradually relaxing restrictions on business sectors and activities during the Conditional MCO period (from 4 May 2020 to 9 June 2020) ("CMCO") and Recovery MCO period (from 10 June 2020 to 31 August 2020).

The Singapore Government implemented the Circuit Breaker Order effective from 7 April 2020 to 1 June 2020. From 2 June 2020, Singapore has gradually re-opened economic activities that do not pose high risks of transmission.

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 results and operations are detailed in 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 during 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 30 June 2020 are as follows:

	RM'000
Approved and contracted for	25,589

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

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM7.14 million during the financial period-to-date, mainly incurred for the purchase of a unit of premix plant, formworks and moulds.

A12. Material events subsequent to the end of period reported

The Company's wholly owned subsidiary, Kii Amber Sdn Bhd ("KIASB"), had on 10 August 2020, entered into a conditional shares subscription agreement ("SSA") to subscribe for 9,800,000 new ordinary shares in Bayu Damai Sdn Bhd ("BDSB") ("Subscription") for RM40,000,000. Upon the completion of the Subscription, BDSB will becomes 49% owned by KIASB. The Subscription has not been completed as at the LPD.

A13. Changes in composition of the group

Save for the incorporation of KIASB on 5 August 2020, there were no changes in the composition of the Group during the current financial year up to the LPD.

The paid up capital of KIASB is RM1 divided into 1 ordinary share.

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

The Group had the following significant transaction during the financial year-to-date with related party in which certain directors of the Company have substantial financial interest:-

Nature of Transactions	Transaction Value Based on Billings (RM'000)	Balance outstanding as at 30 Jun 2020 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	2,296	2,296

The credit terms granted to related parties are within the credit terms generally granted to non-related parties.

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
d) Investment

The segment revenue and results for the financial period ended 30 June 2020:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	253,825	83,769	1,737	4	0	339,336
Inter-segment sales	1,418	31,907	0	6,221	(39,546)	0
Total revenue	255,243	115,676	1,737	6,226	(39,546)	339,336
RESULTS						
Profit from operations	12,384	10,660	344	6,226	(6,157)	23,457
Other operating income						4,141
Selling and administrative expenses						(20,040)
Finance costs						(9,560)
Share of profit of a joint venture						(290)
Profit before tax						(2,292)
Income tax expense						(877)
Profit net of tax						(3,169)
Segment Assets	849,550	279,256	342,957	300,186	(360,061)	1,411,888
Segment Liabilities	460,967	114,969	205,467	512	(87,388)	694,527

The segment revenue and results for the financial period ended 30 June 2019:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	496,757	146,187	762	17	0	643,723
Inter-segment sales	281	41,092	0	12,432	(53,805)	0
Total revenue	497,038	187,279	762	12,449	(53,805)	643,723
RESULTS						
Profit from operations	40,870	25,721	142	12,449	(12,497)	66,685
Other operating income						3,738
Selling and administrative expenses						(21,818)
Finance costs						(8,616)
Share of profit of a joint venture						457
Profit before tax						40,446
Income tax expense						(11,108)
Profit net of tax						29,338
Segment Assets	885,453	352,638	314,721	284,528	(322,523)	1,514,817
Segment Liabilities	501,933	196,195	210,791	12,753	(88,476)	833,196

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

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes			current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Quarter 30/6/2019 RM'000	Amount RM'000	%	Current Year To Date 30/6/2020 RM'000	Preceding Year To Date 30/6/2019 RM'000	Amount RM'000	%	Preceding Quarter 31/3/2020 RM'000	Amount RM'000	%
Revenue											
Construction	65,719	255,699	(189,980)	-74.3%	255,243	497,038	(241,795)	-48.6%	189,524	(123,805)	-65.3%
Manufacturing & Trading	37,546	89,166	(51,620)	-57.9%	115,676	187,279	(71,603)	-38.2%	78,130	(40,584)	-51.9%
Property Development	-	(81)	81	-100.0%	1,737	762	975	128.0%	1,737	(1,737)	-100.0%
Investment	186	12,110	(11,924)	-98.5%	6,226	12,449	(6,223)	-50.0%	6,040	(5,854)	-96.9%
Elimination	(9,449)	(31,728)	22,279	-70.2%	(39,546)	(53,805)	14,259	-26.5%	(30,097)	20,648	-68.6%
Consolidated revenue	94,002	325,166	(231,164)	-71.1%	339,336	643,723	(304,387)	-47.3%	245,334	(151,332)	-61.7%
Gross profit ("GP")											
Construction	(1,942)	20,733	(22,675)	-109.4%	12,384	40,870	(28,486)	-69.7%	14,326	(16,268)	-113.6%
Manufacturing & Trading	2,045	11,440	(9,395)	-82.1%	10,660	25,721	(15,061)	-58.6%	8,615	(6,570)	-76.3%
Property Development	-	-	-	-	344	142	202	142.3%	344	(344)	-100.0%
Investment	186	12,110	(11,924)	-98.5%	6,226	12,449	(6,223)	-50.0%	6,040	(5,854)	-96.9%
Elimination	(204)	(12,180)	11,976	-98.3%	(6,157)	(12,497)	6,340	-50.7%	(5,953)	5,749	-96.6%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2020

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes			Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Quarter 30/6/2019 RM'000	Amount RM'000	%	Current Year To Date 30/6/2020 RM'000	Preceding Year To Date 30/6/2019 RM'000	Amount RM'000	%	Preceding Quarter 31/3/2020 RM'000	Amount RM'000	%
Consolidated GP	85	32,103	(32,018)	-99.7%	23,457	66,685	(43,228)	-64.8%	23,372	(23,287)	-99.6%
GP margin											
Construction	-3.0%	8.1%			4.9%	8.2%			7.6%		
Manufacturing & Trading	5.4%	12.8%			9.2%	13.7%			11.0%		
Property Development	-	0.0%			19.8%	18.6%			19.8%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	0.1%	9.9%			6.9%	10.4%			9.5%		
Other income	2,383	1,989	394	19.8%	4,141	3,738	403	10.8%	1,758	625	35.6%
Selling & administrative expenses	(9,104)	(11,346)	2,242	-19.8%	(20,040)	(21,818)	1,778	-8.1%	(10,936)	1,832	-16.8%
Finance costs	(4,767)	(4,150)	(617)	14.9%	(9,560)	(8,616)	(944)	11.0%	(4,793)	26	-0.5%
Share of profit of joint ventures	(299)	181	(480)	-265.2%	(290)	457	(747)	163.5%	9	(308)	-3422.2%
Profit before tax	(11,702)	18,777	(30,479)	-162.3%	(2,292)	40,446	(42,738)	-105.7%	9,410	(21,112)	-224.4%
Profit net of tax	(9,754)	13,432	(23,186)	-172.6%	(3,169)	29,338	(32,507)	-110.8%	6,585	(16,339)	-248.1%

B1. Operating Segments Review

(a) 2nd Quarter ("Q2") financial year ending/ended 31 December ("FY") 2020 compared to Q2 FY2019, year to date FY2019 ("YTD 2020") compared to year to date FY2018 ("YTD 2019")

The Group recorded revenue of RM94.00 million and gross profit of RM0.08 million during Q2 FY 2020, which was RM231.16 million or 71.1%, and RM32.02 million or 99.8% lower compared to Q2 FY2019 respectively.

The Group recorded revenue of RM339.34 million and gross profit of RM23.46 million during YTD 2020, which was RM304.39 million or 47.3%, and RM43.23 million or 64.8% lower compared to YTD 2019 respectively.

The decline in revenue in Q2 2020 and YTD 2020 was attributable to lower revenue achieved by the construction and manufacturing and trading ("M&T") divisions.

Construction revenue decreased by RM189.98 million or 74.3%, and RM241.79 million or 48.6% in Q2 FY2020 and YTD 2020 respectively, while M&T revenue decreased by RM51.62 million or 57.9%, and RM71.60 million or 38.2% in Q2 FY2020 and YTD 2020 respectively due to the following:

(a) All the Group's operations were shut down during the MCO period (18 March 2020 to 3 May 2020), except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works.

(b) Though the Malaysia construction industry was allowed to resume operations during the CMCO period which began on 4 May 2020, there were not much of construction activities carried out by the Group during the first month of the CMCO period i.e. May 2020 as it was compulsory to have all our foreign workers deployed or to be deployed to our construction sites tested and confirmed negative for COVID-19 before resumption of construction activities. Test labs approved by the Malaysia Government were unable to cope with the influx of demand for COVID-19 testing during this period, which then caused delays in resumption of business operations.

    All of our construction sites have resumed works in June 2020, however at a lower momentum compared to pre-MCO period due to the compliance of the applicable SOPs imposed by the Malaysia Government.

(c) Though the Singapore construction industry is allowed to resume operations effective from 2 June 2020, the resumption of construction activities of our M&T's clients were slow due to the requirement to have all their respective foreign workers tested and confirmed negative for COVID-19 before resumption of construction activities, and the challenges in meeting the safe management measures required at workplaces for a safe restart.

(d) Our M&T activities are correlated with construction industry in Malaysia and Singapore. The slow down in the construction activities have resulted in low delivery of our products during the period under review.

The property development division recorded a higher revenue during YTD 2020 as more houses were sold during the period.

Revenue of the investment division during YTD 2020 was derived from dividend income and interest income received from other divisions, and interest income generated from deposits placed with financial institutions.

The Group recorded lower gross profit margin ("GP Margin") of 0.09% and 6.91% during Q2 FY 2020 and YTD 2020 respectively, compared to 9.9% and 10.4% recorded in Q2 FY2019 and YTD 2019 respectively. This is mainly due to the Group's revenue streams had been severely reduced during the period under review 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 GP margin achieved, gross profit of RM0.08 million recorded in Q2 FY2020 and RM23.46 million recorded in YTD 2020 were RM32.02 million or 99.8% and RM43.23 million or 64.8% lower compared to last year's corresponding period respectively.

Other income increased by approximately RM0.4 million in Q2 FY2020 and YTD 2020 compared to last year's corresponding period. The increase was mainly due to recovery of doubtful debts of RM0.46 million in Q2 FY2020.

The Group recorded selling and administrative expenses ("S&M") of RM9.10 million in Q2 FY2020 and RM20.04 million in YTD 2020, declined by RM2.24 million and RM1.78 million respectively compared to last year's corresponding period, attributable to cost cutting measures implemented and lower business activities during the period under review.

Finance costs were higher during the period under review mainly due to interest expense incurred on additional term loans utilized to finance the acquisition of land bank.

There was a slight decrease in share of profit of joint ventures in the period under review.

Consequently, the Group recorded loss after tax of RM9.75 million and RM3.17 million in Q2 FY2020 and YTD 2020 respectively, compared to profit after tax of RM13.43 million in Q2 FY2019 and RM29.34 million in YTD 2019.

(b) Group Cash Flow Review

For YTD 2020, the Group registered net cash generated from operating activities of RM16.12 million. Net cash used in investing activities of RM16.04 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 used in financing activities of RM36.78 million was mainly due to repayment of hire purchase instalments and lower utilization of bankers acceptance and invoice financing facility in line with lower operation during the period under review.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2020)

Revenue recorded in Q2 FY2020 of RM94.00 million was RM151.33 million or 61.7% lower compared to Q1 FY2020. The decline was mainly due to low business activities in Q2 FY2020. While the Group's revenue streams had been severely reduced during Q2 FY2020, the Group continued to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll and rental expenses, resulted in the decline in GP from RM23.37 million in Q1 FY2020 to RM0.08 million in Q2 FY2020.

S&M expenses decreased by RM1.83 million in Q2 FY2020, attributable to cost cutting measures implemented and in line with lower business activities during Q2 FY2020.

Finance costs in Q2 FY2020 approximate the level recorded in Q1 FY2020.

Consequently, the Group recorded loss after tax of RM9.75 million in Q2 FY2020, compared to profit after tax of RM6.59 million in Q1 FY2020.

B3. Prospects For 2020

Though the Group is supported by an estimated construction and manufacturing balance order book of approximately RM1.4 billion and RM0.37 billion respectively as at 30 June 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 COVID-19 which has adversely affected economies worldwide.

Malaysia's gross domestic product ("GDP") contracted by 17.1% in the second quarter of 2020 (1Q 2020:0.7%) mainly due to the MCO enforced during the quarter to stem the spread of COVID-19. All sectors recorded negative growth during the quarter, except for the agriculture sector. The construction sector recorded the biggest decline at 44.5%.

Bank Negara Malaysia ("BNM") lowered its official GDP growth forecast for 2020 to between -3.5% and -5.5%, mainly due to changes in world growth forecasts and the unprecedented length of the MCO. BNM forecasted gradual economy recovery in the second half of 2020 and GDP to rebound further in 2021 with forecast growth range of between 5.5% and 8% in 2021.

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, the Group's operations were substantially halted until late May 2020. All of our business operations have resumed works in June 2020, however at a lower momentum compared to pre-MCO period due to the compliance of the applicable SOPs imposed by the Malaysia Government.

Consequentially, the Group's revenue, earnings, cash flow and financial condition are affected negatively by the MCO. While the Group's revenue streams have been severely reduced during the MCO period, 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 export of our precast concrete products to Singapore was severely reduced during the Circuit Breaker Order period which began on 7 April 2020 and ended on 1 June 2020, and post Circuit Breaker Order period. Though the Singapore construction industry is allowed to resume operations effective from 2 June 2020, the resumption of construction activities of our M&T's clients were slow as it was compulsory to have all their respective foreign workers tested and confirmed negative for COVID-19 before resumption of construction activities, and the challenges in meeting the safe management measures required at workplaces for a safe restart.

Notwithstanding the foregoing, the Board believes that the combined balance order in hand of RM1.77 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 time.

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 Pulai, 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 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 Singapore economy contracted by 13.2 per cent on a year-on-year basis in the second quarter, worsening from the 0.3 per cent contraction in the previous quarter. The fall in GDP was due to the Circuit Breaker ("CB") measures implemented from 7 April to 1 June 2020 to slow the spread of COVID-19 in Singapore, as well as weak external demand amidst a global economic downturn caused by the COVID-19 pandemic. The construction sector contracted by 59.3 per cent year-on-year, deteriorating from the 1.2 per cent contraction in the previous quarter. This was because almost all construction activities stopped during the CB period. Construction firms were also affected by manpower disruptions arising from additional measures to curb the spread of the virus, including movement restrictions at foreign worker dormitories.

Taking into account the global and domestic economic environment, as well as the performance of the Singapore economy in the first half of the year, the GDP growth forecast for Singapore for 2020 is narrowed to "-7.0 to -5.0 per cent", from "-7.0 to -4.0 per cent". Notwithstanding the narrowing of the forecast range, there continues to be significant uncertainty over how the COVID-19 situation will evolve in the coming quarters, and correspondingly, the trajectory of the economic recovery in both the global and domestic economies.

(Source: Media release of The Ministry of Trade and Industry of Singapore on 11 August 2020)

As for our M&T division, our subsidiary SPC has supplied 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.

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 soft launched 29 units of newly refurbished bungalows in Seksyen U10, Shah Alam in June 2020 at selling price of RM2.15 million and above.

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:

	Current Quarter 3 months ended 30.6.2020 RM'000	**Cumulative Quarter 6 months ended 30.6.2020 RM'000**
(a) interest income	298	579
(b) other income including investment Income	2,015	3,456
(c) interest expense	4,148	8,307
(d) depreciation and amortization	10,737	21,512
(e) provision for and write off of receivables	719	719
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(70)	(107)
(h) impairment of assets	16	37
(i) foreign exchange (gain) or loss	(220)	200
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 30.6.2020 RM'000	Cumulative Quarter 6 months ended 30.6.2020 RM'000
In respect of the current period		
- Income tax	(2,388)	1,568
- Deferred tax	440	(691)
	(1,948)	877
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-
	(1,948)	877

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 Pulai, 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:

(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.

(d) The proposed Subscription as detailed in Note A12. The condition precedent ("CP") of the Subscription is pending fulfilment. The CP is KIASB is satisfied with the outcome of the due diligence on the land which BDSB has contracted to purchase and a legal and financial due diligence on BDSB within 2 months from the date of the SSA.

B8. Group Borrowing and Debts Securities

The Group's borrowing and debts securities are as follows:

	Interest rate per annum YTD 2020	As at 30.6.2020 RM'000	As at 30.6.2019 RM'000
Long term borrowings			
Secured:			
Hire purchase creditors	1.68% to 4.06%	33,206	44,429
Term loans	4.55% to 7.06%	125,859	130,150
		159,065	174,579
Short term borrowings			
Secured:			
Bank overdraft	3.89% to 7.62%	38,745	9,802
Hire purchase creditors	1.68% to 4.06%	22,498	26,219
Bankers' acceptance	2.82% to 4.85%	47,022	49,632
Invoices financing	3.37% to 6.42%	90,644	86,231
Term loans and revolving credits	3.68% to 7.06%	29,321	5,012
		228,230	176,896

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

(a) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 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 11th 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.

(b) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 3.7 sen per share in respect of the financial year ended 31 December 2018.

B11. Earnings/(Loss) Per Share ("ELPS")

	Current Quarter Ended		Year to-Date Ended	
	30.6.2020	**30.6.2019**	**30.6.2020**	**30.6.2019**
Profit/(loss) attributable to owners of the Company (RM'000)	(9,739)	13,449	(3,144)	28,380
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/(loss) per share (Sen)	(2.87)	4.05	(0.93)	8.85
Diluted earnings/(loss) per share (Sen)	(2.87)	4.05	(0.93)	8.85

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

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