

Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)]
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 3rd Quarter Ended 30 September 2020

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/09/2020 RM'000	Preceding Year Quarter 30/09/2019 RM'000	Current Year To Date 30/09/2020 RM'000	Preceding Year To Date 30/09/2019 RM'000
Revenue	211,808	336,124	551,144	979,847
Cost of sales	(189,952)	(307,582)	(505,831)	(884,620)
Gross profit	21,856	28,542	45,313	95,227
Other income	1,412	1,994	5,553	5,732
Selling and administrative expenses	(10,199)	(11,065)	(30,239)	(32,883)
Finance costs	(4,096)	(3,893)	(13,656)	(12,509)
Share of (loss)/profit of joint ventures	(116)	138	(406)	595
Profit before tax	8,857	15,716	6,565	56,162
Income tax expense	(2,514)	(3,371)	(3,391)	(14,479)
Profit net of tax	6,343	12,345	3,174	41,683
Other comprehensive income	(1)	(1)	-	-
Total comprehensive income for the period	6,342	12,344	3,174	41,683
Profit attributable to :				
Owners of the Company	6,350	12,306	3,206	41,686
Non-controlling interests	(7)	39	(32)	(3)
	6,343	12,345	3,174	41,683
Earnings Per Share (Sen)				
- Basic (2)	1.87	3.65	0.94	12.49
- Diluted (2)	1.87	3.65	0.94	12.49
Total comprehensive income attributable to :				
Owners of the Company	6,349	12,305	3,206	41,686
Non-controlling interests	(7)	39	(32)	(3)
	6,342	12,344	3,174	41,683

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 September 2020

	Unaudited As at 30/09/2020 RM'000	Audited As at 31/12/2019 RM'000
Assets		
Non-current assets		
Property, plant and equipment	181,863	203,005
Right-of-use asset	4,978	6,093
Land held for property development	174,645	158,820
Investment properties	2,080	3,348
Other investments	75	75
Investment in joint ventures	17,834	18,240
	<u>381,475</u>	<u>389,581</u>
Current assets		
Properties held for sale	-	389
Property Development costs	136,338	131,606
Inventories	74,628	79,998
Trade and other receivables	440,955	486,272
Prepayment	6,012	6,827
Contract assets	372,078	386,552
Cash and bank balances	55,661	64,940
	<u>1,085,672</u>	<u>1,156,584</u>
TOTAL ASSETS	<u>1,467,147</u>	<u>1,546,165</u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	9,734	10,959
Loans and borrowings	241,837	252,385
Lease liability	2,930	3,335
Trade and other payables	287,664	334,102
Contract liabilities	41,776	49,490
Provisions	17,638	17,170
	<u>601,579</u>	<u>667,441</u>
Net current assets	<u>484,093</u>	<u>489,143</u>
Non-current liabilities		
Loans and borrowings	150,775	154,224
Lease liabilities	2,261	3,009
Deferred tax liabilities	42	962
	<u>153,078</u>	<u>158,195</u>
TOTAL LIABILITIES	<u>754,657</u>	<u>825,636</u>
Net assets	<u>712,490</u>	<u>720,529</u>
Equity		
Share capital	247,279	247,279
Treasury shares	(24)	(24)
Other reserves	34,123	34,123
Retained earnings	431,088	439,095
Equity attributable to owners of the Company	<u>712,466</u>	<u>720,473</u>
Non-controlling interests	24	56
Total equity	<u>712,490</u>	<u>720,529</u>
TOTAL EQUITY AND LIABILITIES	<u>1,467,147</u>	<u>1,546,165</u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.10	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 September 2020

	Current Year To Date 30/09/2020 RM'000	Preceding Year To Date 30/09/2019 RM'000
Operating activities		
Profit before tax	6,565	56,162
Adjustment for :		
Allowance for impairment on trade receivables	942	759
Reversal of allowance for impairment on trade receivables	(493)	-
Bad Debts written off	868	-
Unrealised foreign exchange loss	2,744	4,620
Depreciation	29,519	42,715
Depreciation of right-of-use assets	2,627	-
Impairment loss on investment properties	52	109
Reversal of provision for obsolete inventories	(3)	-
Provision for defect liabilities costs	468	-
(Gain)/Loss on disposal of investment properties	(49)	16
Loss on disposal of properties held for sale	59	-
Gain on disposal of property, plant and equipment	(1,323)	(254)
Fixed asset written off	7	8
Interest expenses	13,656	12,509
Interest income	(2,613)	(1,146)
Share of loss/(profit) of joint ventures	406	(595)
Operating cash flows before changes in working capital	<u>53,432</u>	<u>114,903</u>
Changes in working capital		
Development property	(2,101)	(19,682)
Inventories	5,373	24,027
Receivables	44,994	42,436
Other current assets	13,315	(71,611)
Payables	(54,052)	49,280
Other current liabilities	(6,701)	(46,465)
Cash flows generated from operations	<u>54,260</u>	<u>92,888</u>
Interest paid	(15,299)	(14,762)
Tax paid	(5,536)	(12,741)
Interest received	765	1,146
Net cash flows generated from operating activities	<u>34,190</u>	<u>66,531</u>
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(14,986)	(85,883)
Purchase of property, plant and equipment	(5,452)	(10,660)
Proceeds from disposal of property, plant & equipment	3,641	1,554
Proceeds from disposal of investment properties	1,275	735
Proceeds from disposal of properties held for sale	330	-
Incidental expenses on investment properties	(10)	(7)
Incidental expenses on disposal of investment properties	-	(31)
Net cash flows used in investing activities	<u>(15,202)</u>	<u>(94,292)</u>
Financing activities		
Proceeds from issuance of shares		9,912
Share issuance expenses	-	(85)
Dividend paid	-	(12,279)
Drawdown of loans and borrowings	21,080	88,222
(Repayment to)/Advance from joint venture	(3,094)	2,024
Repayment to hire purchase creditors	(19,730)	(19,900)
Repayment of lease liabilities	(2,664)	(2,893)
Pledge of fixed deposit with licensed bank	(175)	(800)
Net cash flows (used in)/generated from financing activities	<u>(4,583)</u>	<u>64,201</u>
Net increase in cash and cash equivalents	14,405	36,440
Effects of exchange rate changes on cash and cash equivalents	(967)	600
Cash and cash equivalents at beginning of financial period	18,734	(4,859)
Cash and cash equivalents at end of financial period	<u>32,172</u>	<u>32,181</u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	55,661	64,864
Less: Pledge of fixed deposit with licensed banks	(22,302)	(22,977)
Bank overdrafts (included within short term borrowings)	<u>(1,187)</u>	<u>(9,706)</u>
	<u>32,172</u>	<u>32,181</u>

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 September 2020

	Attributable to owners of the Company							Total Equity RM'000
	Non-distributable				Distributable	Sub-Total RM'000	Non-controlling interest RM'000	
Share capital	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
YTD ended 30 September 2020								
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	-	-	-	-	3,206	3,206	(32)	3,174
<u>Transaction with owner</u>								
Dividend (as detailed in Note B10)	-	-	-	-	(11,213)	(11,213)		(11,213)
Issuance of ordinary shares pursuant to : Dividend reinvestment plan		-	-	-	-	-	-	-
Share issue expenses		-	-	-	-	-	-	-
At 30/09/2020	247,279	(24)	34,194	(71)	431,088	712,466	24	712,490
YTD ended 30 September 2019					-			
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	-	-	-	-	41,686	41,686	(3)	41,683
<u>Transaction with owner</u>								
Dividend (as detailed in Note B10)	-	-	-	-	(12,279)	(12,279)	-	(12,279)
Issuance of ordinary shares pursuant to : Dividend reinvestment plan	9,912	-	-	-	-	9,912	-	9,912
Share issue expenses	(85)	-	-	-	-	(85)	-	(85)
At 30/09/2019	247,279	(24)	34,193	(71)	422,383	703,760	76	703,836

(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 30 SEPTEMBER 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 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.

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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 December 2020). Due to the third wave of the COVID-19 pandemic, certain states in Malaysia are put under CMCO commencing October 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 September 2020 are as follows:

	RM'000
Approved and contracted for	<u>23,767</u>

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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 RM10.70 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 become 49% owned by KIASB. The Subscription was completed on 28 October 2020.

A13. Changes in composition of the group

There were no changes in the composition of the Group during the current financial year up to 20 November 2020, being the latest practicable date ("LPD") which is not earlier than 7 days from the date of issuance of this quarterly report, save for the following:

- (i) The incorporation of KIASB on 5 August 2020;
- (ii) The incorporation of Kii Melodia Sdn Bhd ("KIMSB") by KIASB on 11 November 2020. KIASB's equity interest in KIMSB is 69.5%; and
- (iii) BDSB became a subsidiary of KIASB after the Subscription

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 September 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	Nil

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

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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
- d) Investment

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

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
External sales	435,784	113,617	1,737	6	0	551,144
Inter-segment sales	1,586	54,487	0	6,381	(62,454)	0
Total revenue	<u>437,370</u>	<u>168,104</u>	<u>1,737</u>	<u>6,387</u>	<u>(62,454)</u>	<u>551,144</u>
RESULTS						
Profit from operations	27,889	16,947	344	6,387	(6,254)	45,313
Other operating income						5,553
Selling and administrative expenses						(30,239)
Finance costs						(13,656)
Share of profit of a joint venture						(406)
Profit before tax						<u>6,565</u>
Income tax expense						<u>(3,391)</u>
Profit net of tax						<u>3,174</u>
Segment Assets	871,622	315,773	341,509	300,087	(361,844)	1,467,147
Segment Liabilities	476,416	149,534	205,952	11,702	(88,947)	754,657

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

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

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
External sales	770,896	205,120	3,806	25	0	979,847
Inter-segment sales	644	69,206	0	12,737	(82,587)	0
Total revenue	771,540	274,326	3,806	12,762	(82,587)	979,847
RESULTS						
Profit from operations	56,380	38,019	797	12,762	(12,731)	95,227
Other operating income						5,732
Selling and administrative expenses						(32,883)
Finance costs						(12,509)
Share of profit of a joint venture						595
Profit before tax						56,162
Income tax expense						(14,479)
Profit net of tax						41,683
Segment Assets	910,375	342,851	318,581	282,183	(330,528)	1,523,462
Segment Liabilities	520,410	180,193	195,590	461	(76,983)	819,626

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

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

	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 30/6/2020 RM'000	current quarter compared to preceding quarter	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Quarter 30/9/2019 RM'000	Amount RM'000	%	Current Year To Date 30/9/2020 RM'000	Preceding Year To Date 30/9/2019 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	182,137	274,502	(92,375)	-33.7%	437,370	771,540	(334,170)	-43.3%	65,719	116,408	177.1%
Manufacturing & Trading	52,428	87,047	(34,619)	-39.8%	168,104	274,326	(106,222)	-38.7%	37,546	14,882	39.6%
Property Development	-	3,044	(3,044)	-100.0%	1,737	3,806	(2,069)	-54.4%	-	-	#DIV/0!
Investment	161	313	(152)	-48.6%	6,387	12,762	(6,375)	-50.0%	186	(25)	-13.4%
Elimination	(22,908)	(28,782)	5,874	-20.4%	(62,454)	(82,587)	20,133	-24.4%	(9,449)	(13,459)	142.4%
Consolidated revenue	211,808	336,124	(124,316)	-37.0%	551,144	979,847	(428,703)	-43.8%	94,002	117,806	125.3%
Gross profit ("GP")											
Construction	15,505	15,510	(5)	0.0%	27,889	56,380	(28,491)	-50.5%	(1,942)	17,447	-998.4%
Manufacturing & Trading	6,287	12,298	(6,011)	-48.9%	16,947	38,019	(21,072)	-55.4%	2,045	4,242	207.4%
Property Development	-	655	(655)	-100.0%	344	797	(453)	-56.8%	-	-	#DIV/0!
Investment	161	313	(152)	-48.6%	6,387	12,762	(6,375)	-50.0%	186	(25)	-13.4%
Elimination	(97)	(234)	137	-58.5%	(6,254)	(12,731)	6,477	-50.9%	(204)	107	-52.5%

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

	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 30/6/2020 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Quarter 30/9/2019 RM'000	Amount RM'000	%	Current Year To Date 30/9/2020 RM'000	Preceding Year To Date 30/9/2019 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	21,856	28,542	(6,686)	-23.4%	45,313	95,227	(49,914)	-52.4%	85	21,771	25613%
GP margin											
Construction	8.5%	5.7%			6.4%	7.3%			-3.0%		
Manufacturing & Trading	12.0%	14.1%			10.1%	13.9%			5.4%		
Property Development	N/A	21.5%			19.8%	20.9%			N/A		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	10.3%	8.5%			8.2%	9.7%			0.1%		
Other income	1,412	1,994	(582)	-29.2%	5,553	5,732	(179)	-3.1%	2,383	(971)	-40.7%
Selling & administrative expenses	(10,199)	(11,065)	866	-7.8%	(30,239)	(32,883)	2,644	-8.0%	(9,104)	(1,095)	12.0%
Finance costs	(4,096)	(3,893)	(203)	5.2%	(13,656)	(12,509)	(1,147)	9.2%	(4,767)	671	-14.1%
Share of profit of joint ventures	(116)	138	(254)	-184.1%	(406)	595	(1,001)	168.2%	(299)	183	-61.2%
Profit before tax	8,857	15,716	(6,859)	-43.6%	6,565	56,162	(49,597)	-88.3%	(11,702)	20,559	-175.7%
Profit net of tax	6,343	12,345	(6,002)	-48.6%	3,174	41,683	(38,509)	-92.4%	(9,754)	16,097	-165.0%

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

B1. Operating Segments Review

- (a) 3rd Quarter (“Q3”) financial year ending/ended 31 December (“FY”) 2020 compared to Q3 FY2019, year to date FY2020 (“YTD 2020”) compared to year to date FY2019 (“YTD 2019”)**

The Group recorded revenue of RM211.81 million and gross profit of RM21.86 million during Q3 FY 2020, which was RM124.32 million or 37.0%, and RM6.69 million or 23.4% lower compared to Q3 FY2019 respectively.

The Group recorded revenue of RM551.14 million and gross profit of RM45.31 million during YTD 2020, which was RM428.70 million or 43.8%, and RM49.91 million or 52.4% lower compared to YTD 2019 respectively.

The decline in revenue in Q3 FY2020 and YTD 2020 was attributable to lower revenue achieved by all the business divisions.

Construction revenue decreased by RM92.38 million or 33.7%, and RM334.17 million or 43.3% in Q3 FY2020 and YTD 2020 respectively, while manufacturing and trading (“M&T”) revenue decreased by RM34.62 million or 39.8%, and RM106.22 million or 38.7% in Q3 FY2020 and YTD 2020 respectively due to the following:

- (a) Lower productivity of our construction division compared to pre-MCO period due to the compliance of the applicable SOPs imposed by the Malaysia Government, and shortage of foreign workers consequential upon the freeze on recruitment of new foreign workers in Malaysia since June 2020.
- (b) 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 are at tail end.
- (c) Our M&T activities are correlated with construction industry in Malaysia and Singapore. The slow down in the construction activities in these countries have resulted in low delivery of our products during the period under review.

The property development division recorded a lower revenue during Q3 FY2020 and YTD 2020 due to absence of sales during Q3 FY2020 amidst soft market sentiment.

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 a higher gross profit margin (“GP Margin”) of 10.3% compared to 8.5% in Q3 FY2019 as our construction division achieved better GP Margin. The improvement in construction division’s GP margin was mainly attributable to higher revenue contribution by better margin projects.

Conversely, the Group recorded a lower gross profit margin of 8.2% during YTD 2020, compared to 9.7% recorded in YTD 2019. This is mainly due to the Group’s revenue streams had been severely reduced during the MCO and CMCO period 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 achieved, gross profit of RM21.86 million recorded in Q3 FY2020 and RM45.31 million recorded in YTD 2020 were RM6.69 million or 23.4% and RM49.91 million or 52.4% lower compared to last year’s corresponding period respectively.

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The Group recorded other income of RM1.41 million and RM5.55 million during Q3 FY2020 and YTD 2020 respectively, lower than the amount recorded in the corresponding period of FY 2019, due to lower unwinding of discount on receivables and lower interest income earned in current period under review attributable to lower interest rate.

The Group recorded selling and administrative expenses (“S&M”) of RM10.20 million in Q2 FY2020 and RM30.24 million in YTD 2020, declined by RM0.87 million and RM2.64 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 due to the Group ceased to capitalise certain loan interest during the period under review as development activities on certain of the Group’s land bank are expected to delay in view of soft property market sentiment.

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

Consequently, the Group recorded profit after tax of RM6.34 million and RM3.17 million in Q3 FY2020 and YTD 2020 respectively, compared to profit after tax of RM12.35 million in Q3 FY2019 and RM41.68 million in YTD 2019.

(b) Group Cash Flow Review

For YTD 2020, the Group registered net cash generated from operating activities of RM34.19 million. Net cash used in investing activities of RM15.20 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 RM4.58 million was mainly due to the repayment of advances due to joint venture companies, and hire purchase and lease liabilities instalments, partly offset by the net cash flow from loans and borrowing.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q2 FY2020)

Revenue recorded in Q3 FY2020 of RM211.81 million was RM117.81 million or 125.3% higher compared to Q2 FY2020. Lower revenue was recorded in Q2 FY2020 as business activities were substantially halted during April 2020 and most part of May 2020 consequential upon MCO and CMCO imposed during the period.

Gross profit of RM21.86 million recorded in Q3 2FY2020 was 21.77 million higher compared to RM0.09 million recorded 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 low gross profit achieved in Q2 FY2020.

S&M expenses increased by RM1.10 million in Q3 FY2020, attributable to the increase in provision for doubtful debts and foreign exchange loss by RM0.41 million and RM0.58 million respectively.

Finance costs in Q3 FY2020 was lower compared to Q2 FY2020 mainly due to lower interest rates applicable to the Group’s borrowings during Q3 FY2020.

Consequently, the Group recorded profit after tax of RM6.34 million in Q3 FY2020, compared to loss after tax of RM9.75 million in Q2 FY2020.

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B3. Prospects For 2020

Though the Group is supported by an estimated construction and manufacturing balance order book of approximately RM1.2 billion and RM0.34 billion respectively as at 30 September 2020, the Board takes cognizance that the Group's short term growth and financial results are expected to be impacted negatively by the outbreak of the COVID-19 which has adversely affected economies worldwide.

The Malaysian economy contracted by 8.3% in the first half of 2020, with a decline of 17.1% in the second quarter of 2020, mainly attributed to the imposition of MCO during the period to contain the outbreak 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%.

The Malaysia economy is expected to contract at a slower pace in the second half of the year, aided by the speedy implementation of various stimulus packages to revitalise the economy. In 2020, the economy is expected to contract by 4.5%. The impact of the packages is anticipated to have spill-over effects and provide an additional boost to the economy in 2021. With the anticipated improvement in global growth and international trade, the Malaysian economy is projected to rebound between 6.5% and 7.5% in 2021. However, the favourable outlook hinges on two major factors – the successful containment of the pandemic and sustained recovery in external demand.

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. Overall, for 2020, the sector is projected to contract by 18.7%. The construction sector is expected to rebound by 13.9% in 2021 on account of acceleration and revival of major infrastructure projects, coupled

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, and shortage of foreign workers consequential upon the freeze on recruitment of new foreign workers in Malaysia since June 2020.

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

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COVID-19 before resumption of construction activities. , and the challenges in meeting the safe management measures required at workplaces.

Notwithstanding the foregoing, the Board believes that the combined balance order in hand of RM1.54 billion from a diversified clientele, of which about 20 per cent 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, WCT Construction Sdn Bhd 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 LRT 3, with aggregate contract value of approximately RM49 million. The supplies of products under these contracts are expected to be completed in 2021;
- (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.

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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 Building and Construction Authority of Singapore (“BCA”) has revised its projected construction demand for 2020 from the earlier forecast of \$28 billion - \$33 billion released in January 2020 to \$18 billion - \$23 billion. This comes after BCA’s mid-year review of construction contracts awarded in 1H2020, and upcoming public and private sector projects expected for the rest of the year.

The downward revision is due to a drop in private sector construction demand, and postponements in the award of some public sector projects from 2020 to 2021, as contractors and suppliers have asked for more time to assess the impact of COVID19 on resource management and project implementation timelines.

Construction demand is expected to recover to some extent from 2021. This will be supported by public residential developments and upgrading works, developments at the Jurong Lake District, construction of new healthcare facilities and various infrastructure projects such as the construction of the Cross Island MRT Line.

(Source: Media release of Building and Construction Authority of Singapore on 17 September 2020)

Based on advance estimates for the third quarter of 2020, the Singapore economy contracted by 7.0 per cent on a year-on-year basis in the third quarter, an improvement from the 13.3 per cent contraction in the second quarter. Worsening from the 0.3 per cent contraction in the previous quarter. The improved performance of the Singapore economy in the third quarter came on the back of the phased re-opening of the economy following the Circuit Breaker that was implemented between 7 April and 1 June 2020. The construction sector shrank by 44.7 per cent on a year-on-year basis in the third quarter, extending the 59.9 per cent decline in the previous quarter. Construction output in the third quarter remained weak on account of the slow resumption of construction activities due to the need for construction firms to implement safe management measures for a safe restart. On a quarter-on-quarter seasonally-adjusted basis, the construction sector grew by 38.7 per cent, a rebound from the sharp contraction of 59.4 per cent recorded in the second quarter when most construction activities had to come to a stop due to the Circuit Breaker and movement restrictions in the foreign worker dormitories.

(Source: Media release of The Ministry of Trade and Industry of Singapore on 14 October 2020)

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.

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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 Bukit Bayu, Seksyen U10, Shah Alam, Selangor, in June 2020 at selling price of RM2.15 million and above. The take up rate of the project was approximately 41% as at the LPD, however the completion of the sales and purchase agreements is subject to the approval from the state authority on the transfer of the properties to the buyers.

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 30.9.2020 RM'000	Cumulative Quarter 9 months ended 30.9.2020 RM'000
(a) interest income	186	765
(b) other income including investment Income	1,174	4,630
(c) interest expense	3,523	11,830
(d) depreciation and amortization	10,634	32,146
(e) provision for and write off of receivables	1,091	1,810
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(1,206)	(1,313)
(h) impairment of assets	15	52
(i) foreign exchange (gain) or loss	364	564
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

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B6. Taxation

	Current Quarter 3 months ended 30.9.2020 RM'000	Cumulative Quarter 9 months ended 30.9.2020 RM'000
In respect of the current period		
- Income tax	2,781	4,349
- Deferred tax	<u>(229)</u>	<u>(920)</u>
	2,552	3,429
In respect of prior year		
- Income tax	(38)	(38)
- Deferred tax	<u>-</u>	<u>-</u>
	<u>2,514</u>	<u>3,391</u>

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) Application of dividend reinvestment plan that provides the shareholders of the Company ("Shareholders") with an option to elect to reinvest their cash dividend in new ordinary shares in Kimlun ("DRP")

At the Annual General Meeting held on 15 September 2020 ("11th AGM"), the Shareholders approved the declaration of 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"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

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Bursa Malaysia Securities Berhad (“Bursa Securities”) had, vide its letter dated 29 September 2020, approved the listing and quotation of up to 20,000,000 new Kimlun Shares to be issued pursuant to the DRP on the Main Market of Bursa Securities, subject to the following conditions:-

- Kimlun and its adviser to the DRP, RHB Investment Bank Bhd (“RHBIB”) must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the DRP;
- Kimlun and RHBIB to inform Bursa Securities upon the completion of the DRP; and
- Kimlun to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the DRP is completed.

The issue price of the new Kimlun Shares to be issued pursuant to the DRP has been fixed at RM0.645 per new Kimlun Share, and the book closure date for the FYE 2019 Final Dividend was 10 November 2020.

The election period for the DRP will close on 26 November 2020.

Barring any unforeseen circumstances, the new Kimlun Shares arising from the DRP will be allotted on 4 December 2020 and listed on the Main Market of Bursa Securities on 7 December 2020. The electable portion of the FYE 2019 Final Dividend which is not reinvested in New Shares will be paid on 4 December 2020.

- (d) The proposed Subscription as detailed in Note A12. The Subscription was completed on 28 October 2020.

B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2020	As at 30.9.2020 RM'000	As at 30.9.2019 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 4.06%	28,863	41,765
Term loans	4.30% to 5.90%	121,912	128,123
		<u>150,775</u>	<u>169,888</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	3.89% to 7.62%	1,187	9,706
Hire purchase creditors	1.68% to 4.06%	22,824	25,319
Bankers' acceptance	2.55% to 4.85%	45,380	42,779
Invoices financing	2.52% to 6.42%	139,182	72,858
Term loans and revolving credits	3.34% to 5.90%	33,264	20,483
		<u>241,837</u>	<u>171,145</u>

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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 FYE 2019 Final Dividend was approved by the Shareholders at the 11th AGM, as detailed in Note B7(d).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 September 2020.
- (c) 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit/(loss) attributable to owners of the Company (RM'000)	6,350	12,306	3,206	41,686
Weighted average number of ordinary shares in issue ('000)	339,801	337,215	339,801	333,672
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	337,215	339,801	333,672
Basic earnings/(loss) per share (Sen)	1.87	3.65	0.94	12.49
Diluted earnings/(loss) per share (Sen)	1.87	3.65	0.94	12.49

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.