

Kimlun Corporation Berhad

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

**Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 2nd Quarter Ended 30 June 2021**

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2021 RM'000	Preceding Year Quarter 30/06/2020 RM'000	Current Year To Date 30/06/2021 RM'000	Preceding Year To Date 30/06/2020 RM'000
Revenue	214,331	94,002	424,606	339,336
Cost of sales	(195,752)	(93,917)	(383,554)	(315,879)
Gross profit	18,579	85	41,052	23,457
Other income	1,693	2,383	4,347	4,141
Selling and administrative expenses	(13,155)	(9,104)	(22,128)	(20,040)
Finance costs	(3,745)	(4,767)	(7,388)	(9,560)
Share of loss of joint ventures	(128)	(299)	(253)	(290)
Profit/(loss) before tax	3,244	(11,702)	15,630	(2,292)
Income tax expense	(901)	1,948	(4,199)	(877)
Profit/(loss) net of tax	2,343	(9,754)	11,431	(3,169)
Other comprehensive income	-	2	1	1
Total comprehensive income/(loss) for the period	2,343	(9,752)	11,432	(3,168)
Profit/(loss) attributable to :				
Owners of the Company	2,375	(9,739)	11,497	(3,144)
Non-controlling interests	(32)	(15)	(66)	(25)
	2,343	(9,754)	11,431	(3,169)
Earnings/(Loss) Per Share (Sen)				
- Basic (2)	0.67	(2.87)	3.25	(0.93)
- Diluted (2)	0.67	(2.87)	3.25	(0.93)
Total comprehensive income/(loss) attributable to :				
Owners of the Company	2,375	(9,737)	11,498	(3,143)
Non-controlling interests	(32)	(15)	(66)	(25)
	2,343	(9,752)	11,432	(3,168)

Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)]
Unaudited Condensed Consolidated Statements of Financial Position
As at 30 June 2021

	Unaudited As at 30/06/2021 RM'000	Audited As at 31/12/2020 RM'000
Assets		
Non- current assets		
Property, plant and equipment	154,791	172,919
Right-of-use asset	4,287	5,868
Land held for property development	171,662	171,581
Investment properties	149	153
Other investments	75	75
Investment in joint ventures	17,361	17,613
Deferred tax assets	2,113	653
	<u>350,438</u>	<u>368,862</u>
Current assets		
Property Development costs	82,391	78,914
Inventories	69,827	129,379
Trade and other receivables	517,001	460,879
Prepayment	5,520	6,750
Contract assets	354,316	374,719
Cash and bank balances	58,325	57,475
	<u>1,087,380</u>	<u>1,108,116</u>
TOTAL ASSETS	<u><u>1,437,818</u></u>	<u><u>1,476,978</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	7,556	4,139
Loans and borrowings	276,292	274,922
Lease liability	2,580	2,964
Trade and other payables	261,102	270,870
Contract liabilities	24,072	36,315
Provisions	19,217	18,201
	<u>590,819</u>	<u>607,411</u>
Net current assets	<u>496,561</u>	<u>500,705</u>
Non-current liabilities		
Loans and borrowings	102,926	132,186
Lease liabilities	1,881	3,087
	<u>104,807</u>	<u>135,273</u>
TOTAL LIABILITIES	<u>695,626</u>	<u>742,684</u>
Net assets	<u>742,192</u>	<u>734,294</u>
Equity		
Share capital	255,944	255,944
Treasury shares	(24)	(24)
Other reserves	34,124	34,123
Retained earnings	443,830	435,867
Equity attributable to owners of the Company	<u>733,874</u>	<u>725,910</u>
Non-controlling interests	8,318	8,384
Total equity	<u>742,192</u>	<u>734,294</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,437,818</u></u>	<u><u>1,476,978</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.08	2.05

Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)]
Unaudited Condensed Consolidated Statement of Changes in Equity
As at 30 June 2021

	Attributable to owners of the Company								
	<----- Non-distributable ----->					Distributable		Non-controlling interest	Total Equity
	Share capital	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	Sub-Total	RM'000	RM'000	RM'000
<u>YTD ended 30 June 2021</u>									
Balance At 1/1/2021	255,944	(24)	34,194	(71)	435,867	725,910		8,384	734,294
Total comprehensive income for the period	-	-	-	1	11,497	11,498		(66)	11,432
<u>Transaction with owner</u>									
Dividend (as detailed in Note B10)	-	-	-	-	(3,534)	(3,534)		-	(3,534)
At 30/06/2021	255,944	(24)	34,194	(70)	443,830	733,874		8,318	742,192
<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 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

(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 2020 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 2021

	Current Year To Date 30/06/2021	Preceding Year To Date 30/06/2020
Operating activities		
Profit/(loss) before tax	15,630	(2,292)
Adjustment for :		
Allowance for impairment on trade receivables	222	679
Reversal of allowance for impairment on trade receivables	-	(459)
Bad Debts written off	6	3
Bad Debts recovered	(833)	-
Unrealised foreign exchange (gain)/loss	(1,749)	2,899
Depreciation	20,760	19,744
Depreciation of right-of-use assets	1,663	1,768
Depreciation of investment properties	3	-
Impairment loss on investment properties	-	37
Reversal of provision for obsolete inventories	(76)	(3)
Provision/(reversal of provision) for defect liabilities costs	1,016	(12)
Gain on disposal of investment properties	-	(58)
Gain on disposal of property, plant and equipment	(1,397)	(48)
Gain on derecognition of right-of-use assets	(5)	-
Fixed asset written off	189	1
Interest expenses	7,388	9,560
Interest income	(390)	(1,856)
Share of loss of joint ventures	253	290
Operating cash flows before changes in working capital	42,680	30,253
Changes in working capital		
Development property	(2,928)	(1,824)
Inventories	59,628	16,546
Receivables	(49,812)	17,415
Other current assets	21,274	76,233
Payables	(13,028)	(98,687)
Other current liabilities	(12,057)	(8,645)
Cash flows generated from operations	45,757	31,291
Interest paid	(7,794)	(10,554)
Tax paid	(2,242)	(5,196)
Interest received	390	579
Net cash flows generated from operating activities	36,111	16,120
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(10)	(14,978)
Purchase of property, plant and equipment	(3,614)	(4,131)
Proceeds from disposal of property, plant & equipment	2,274	1,791
Proceeds from disposal of investment properties	-	1,275
Net cash flows used in investing activities	(1,350)	(16,043)
Financing activities		
Repayment of loans and borrowings	(19,116)	(25,811)
(Repayment to)/advance from joint ventures	(5,454)	4,271
Repayment to hire purchase creditors	(12,028)	(13,469)
Repayment of lease liabilities	(1,668)	(1,802)
(Pledge)/uplift of fixed deposit with licensed bank	(780)	32
Net cash flows used in financing activities	(39,046)	(36,779)
Net decrease in cash and cash equivalents	(4,285)	(36,702)
Effects of exchange rate changes on cash and cash equivalents	1,354	(1,045)
Cash and cash equivalents at beginning of financial period	33,044	18,734
Cash and cash equivalents at end of financial period	30,113	(19,013)
Cash and bank balances	58,325	41,827
Less: Pledge of fixed deposit with licensed banks	(22,531)	(22,095)
Bank overdrafts (included within short term borrowings)	(5,681)	(38,745)
	30,113	(19,013)

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 2020 (“FY2020 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 FY2020 AFS except for the adoption of the following new MFRS, amendments to MFRS and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

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 2020.

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

There were no material unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial year-to-date except for:

- (i) the effects of the multiple stages of Movement Control Order (“MCO”) and the various standard operating procedures thereunder imposed by the Malaysia Government (“SOPs”).

During the nationwide Full MCO 3.0. (“FMCO”) (also known as First Phase of National Recovery Plan (“NRP”), a four-phase exit strategy from the Covid-19 crisis announced by the Malaysia Government) which commenced from 1 June 2021, almost all of our construction work sites were shut down as only critical projects were allowed to operate subject to MITI’s

approval. For the remaining period of the financial year-to-date, our compliance with the SOPs has resulted in lower productivity of our business operations due to safety measures required according to the guidelines set by the relevant ministry, and the prescribed caps on work force capacity allowed to attend to work at the Group's premises, including construction sites and factories; and

- (ii) the effect of the Singapore Government's tightening of its COVID-19 measures as it seeks to control the increase in untraceable COVID-19 infections in the country.

Singapore bars all long-term pass holders and short-term visitors with recent travel history to India, Bangladesh, Nepal, Pakistan and Sri Lanka from entering Singapore effective from 24 April 2021 and 2 May 2021 respectively.

The entry ban has impacted labour supply in Singapore's construction sector which employs many Indian and Bangladeshi workers, which resulted in slower execution of our customers' projects in Singapore and thus deferments in their taking delivery of our goods.

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, and land for development not provided for as at 30 June 2021 are as follows:

	RM'000
Approved and contracted for	<u>144,683</u>

The capital commitment is mainly for the purchase of land as detailed in Note B7(a) to Note B7(c).

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM3.70 million during the financial year-to-date, mainly incurred for the purchase of formwork.

A12. Material events subsequent to the end of period reported

The FMCO continued to be enforced after 30 June 2021. Johor, the home base of the Group continues to be under the strict Phase 1 of the NRP, while other states in which we have active business operations gradually transit to subsequent phases of the NRP, which allow more businesses to operate and some relaxation of SOPs, in August 2021 and September 2021 respectively.

Our business operations remain low due to:

- (i) only essential construction and projects that provide accommodation of workers on construction sites or Centralised Labour Quarters (CLQ) are allowed to operate;
- (ii) compliance to the caps on work force capacity allowed to attend to work at the Group's business premises in accordance to the guidelines set by the relevant ministry; and
- (iii) disruption in building materials supply chain.

A13. Changes in composition of the group

There were no changes in the composition of the Group during the current financial year up to 13 September 2021, being the latest practicable date ("LPD"), which is not earlier than 7 days from the date of issuance of this quarterly report.

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 30 JUNE 2021

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 2021:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
External sales	285,578	90,182	48,844	2	0	424,606
Inter-segment sales	2,510	49,303	0	197	(52,010)	0
Total revenue	288,088	139,485	48,844	199	(52,010)	424,606
RESULTS						
Profit from operations	16,099	18,779	5,601	199	374	41,052
Other operating income						4,347
Selling and administrative expenses						(22,128)
Finance costs						(7,388)
Share of profit of a joint venture						(253)
Profit before tax						15,630
Income tax expense						(4,199)
Profit net of tax						11,431
Segment Assets	866,326	316,684	321,555	313,785	(380,532)	1,437,818
Segment Liabilities	467,084	137,406	168,509	9,182	(86,555)	695,626

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2021

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

KIMLUN CORPORATION BERHAD (867077-X)
 UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2021

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		Preceding Quarter 31/3/2021 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Amount RM'000	%	Current Year To Date 30/6/2021 RM'000	Preceding Year To Date 30/6/2020 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	134,174	65,719	68,455	104.2%	288,088	255,243	32,845	12.9%	153,914	(19,740)	-12.8%
Manufacturing & Trading	62,760	37,546	25,214	67.2%	139,485	115,676	23,809	20.6%	76,725	(13,965)	-18.2%
Property Development	43,798	-	43,798	#DIV/0!	48,844	1,737	47,107	2712%	5,046	38,752	768.0%
Investment	105	186	(81)	-43.5%	199	6,226	(6,027)	-96.8%	94	11	11.7%
Elimination	(26,506)	(9,449)	(17,057)	180.5%	(52,010)	(39,546)	(12,464)	31.5%	(25,504)	(1,002)	3.9%
Consolidated revenue	214,331	94,002	120,329	128.0%	424,606	339,336	85,270	25.1%	210,275	4,056	1.9%
Gross profit ("GP")											
Construction	7,604	(1,942)	9,546	491.6%	16,099	12,384	3,715	30.0%	8,495	(891)	-10.5%
Manufacturing & Trading	5,880	2,045	3,835	187.5%	18,779	10,660	8,119	76.2%	12,899	(7,019)	-54.4%
Property Development	4,730	-	4,730	#DIV/0!	5,601	344	5,257	1528%	871	3,859	443.1%
Investment	105	186	(81)	-43.5%	199	6,226	(6,027)	-96.8%	94	11	11.7%
Elimination	260	(204)	464	227.5%	374	(6,157)	6,531	106.1%	114	146	128.1%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2021

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/3/2021 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Amount RM'000	%	Current Year To Date 30/6/2021 RM'000	Preceding Year To Date 30/6/2020 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	18,579	85	18,494	21758%	41,052	23,457	17,595	75.0%	22,473	(3,894)	-17.3%
GP margin											
Construction	5.7%	-3.0%			5.6%	4.9%			5.5%		
Manufacturing & Trading	9.4%	5.4%			13.5%	9.2%			16.8%		
Property Development	10.8%	-			11.5%	19.8%			17.3%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	8.7%	0.1%			9.7%	6.9%			10.7%		
Other income	1,693	2,383	(690)	-29.0%	4,347	4,141	206	5.0%	2,654	(961)	-36.2%
Selling & administrative expenses	(13,155)	(9,104)	(4,051)	44.5%	(22,128)	(20,040)	(2,088)	10.4%	(8,973)	(4,182)	46.6%
Finance costs	(3,745)	(4,767)	1,022	-21.4%	(7,388)	(9,560)	2,172	-22.7%	(3,643)	(102)	2.8%
Share of profit of joint ventures	(128)	(299)	171	-57.2%	(253)	(290)	37	12.8%	(125)	(3)	2.4%
Profit before tax	3,244	(11,702)	14,946	127.7%	15,630	(2,292)	17,922	781.9%	12,386	(9,142)	-73.8%
Profit net of tax	2,343	(9,754)	12,097	124.0%	11,431	(3,169)	14,600	460.7%	9,088	(6,745)	-74.2%

B1. Operating Segments Review

(a) 2nd Quarter ("Q2") financial year ending/ended 31 December ("FY") 2021 compared to Q2 FY2020, year to date FY2021 ("YTD 2021") compared to year to date FY2020 ("YTD 2020")

The Group recorded revenue of RM214.33 million and gross profit of RM18.58 million during Q2 FY2021, which were RM120.33 million and RM18.49 million higher compared to Q2 FY2020 respectively.

The Group recorded revenue of RM424.61 million and gross profit of RM41.05 million during YTD 2021, which were RM85.27 million or 25.1%, and RM17.60 million or 75.0% higher compared to YTD 2020 respectively.

The increase in revenue in Q2 FY2021 and YTD 2021 was attributable to higher revenue achieved by all the major business divisions.

The construction division recorded revenue of RM134.17 million and RM288.09 million in Q2 FY2021 and YTD 2021 respectively, which were RM68.46 million and RM32.85 million higher compared to last year's corresponding period.

The manufacturing and trading ("M&T") division recorded revenue of RM62.76 million and RM139.49 million in Q2 FY2021 and YTD 2021 respectively, which were RM25.21 million and RM23.81 million higher compared to last year's corresponding period.

Construction and M&T divisions achieved a higher revenue in the period under review as the Group was able to operate for a longer period during the current quarter and period. The total lock down under the FMCO resulted in near total shut down of the construction operation and substantially reduced M&T operation for 1 month during the period under review vis-à-vis 2 months of near total shut down of all business operations in YTD 2020 under MCO 1.0.

Conversely, property development division achieved a higher revenue of RM43.80 million in Q2 FY2021 and RM48.84 million in YTD 2021, attributable to sales achieved from the Bukit Bayu, Seksyen U10, Shah Alam project ("Bukit Bayu Project").

The Group recorded higher gross profit in the period under review, attributable to higher revenue achieved and better gross profit margin ("GP margin") of 8.7% in Q2 2021 and 9.7% in YTD 2021 compared to last year's corresponding period.

The construction and M&T divisions achieved higher GP margins compared to last years' corresponding period as the Group operated at a higher level of operations during the current period. Due to the longer lock down period in YTD 2020, the Group's revenue streams were severely reduced whilst the Group continued to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll and rental expenses, which resulted in reduced GP margins.

Conversely, the property development division recorded a lower GP margin in the period under review as lower margin products were sold.

The Group recorded other income of RM1.69 million in Q2 FY2021, which was RM0.69 million lower compared to Q2 FY2020, mainly due to the absence of unwinding of discount on receivable in Q2 FY2021. Other income of RM4.35 million in YTD 2021 was slightly higher compared to YTD 2020.

The Group recorded selling and administrative expenses ("S&M") of RM13.16 million in Q2 FY2021 and RM22.13 million in YTD 2021, increased by RM4.05 million and RM2.09 million respectively compared to last year's corresponding period. The increase was mainly due to sales commission, legal fees and other incidental expenses in relation to the sale of bungalows in Bukit Bayu Project.

Finance costs of RM3.75 million in Q2 FY2021 and RM7.39 million in YTD 2021 were lower compared to last year's corresponding period due to lower interest rate and lower utilization of banking facilities.

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

Due to the variances in gross profit, other income and expenses as stated above, profit before tax and profit after tax recorded in Q2 FY2021 increased by RM14.95 million to RM3.24 million and increased by RM12.10 million to RM2.34 million respectively compared to Q2 FY2020. Likewise, profit before tax and profit after tax recorded in YTD 2021 increased by RM17.92 million to RM15.63 million and increased by RM14.60 million to RM11.43 million respectively compared to YTD 2020.

(b) Group Cash Flow Review

For YTD 2020, the Group registered net cash generated from operating activities of RM36.11 million. Net cash used in investing activities of RM1.35 million was mainly due to the purchase of property, plant and equipment. Net cash used in financing activities of RM39.05 million was mainly due to repayment of loans and borrowings, hire purchase facilities and advance from joint ventures.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2021)

Revenue recorded in Q2 FY2021 was marginally higher compared to Q1 FY2021 despite of the FMCO. This was due to the increase in sales from the Bukit Bayu Project which covered the decline in revenue of other major business divisions.

Gross profit was lower in Q2 FY2021 compared to Q1 FY2021 as the gross profit generated from the Bukit Bayu Project was insufficient to offset the decline in gross profit of other major business division.

The decline in revenue and gross profit of other major business divisions was mainly due to the near total shut down of the construction operation and substantial reduced M&T operation in June 2021.

S&M expenses increased by RM4.18 million in Q2 FY2021, mainly attributable to sales commission, legal fees and other incidental expenses in relation to the sale of bungalows in Bukit Bayu Project.

Finance costs and share of loss of joint ventures in Q2 FY2021 approximate the level recorded in Q1 FY2021.

Consequently, the Group recorded a decline in profit after tax from RM9.09 million in Q1 FY2021 to RM2.34 million in Q2 FY2021.

B3. Prospects For 2021

The Malaysian economy grew by 16.1% in the second quarter (1Q 2021: -0.5%). Economic performance was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected the low base from the significant decline in

activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter, but slowed down thereafter, following the re-imposition of stricter containment measures nationwide under Phase 1 of the Full Movement Control Order (FMCO).

The Malaysian economy remains on a recovery path in 2021. While the resurgence of COVID-19 cases and the re-imposition of nationwide containment measures are expected to weigh on growth, the impact will be cushioned by several factors. These include continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will be further supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the growth trajectory will depend on the ability to contain the epidemic and materialisation of health outcomes from the nationwide vaccination programme. This will allow economic sectors to gradually reopen and provide some lift to household and business sentiments.

Thus, in projecting the revised growth range for the year, the Bank took into account the latest global economic developments, the implementation of the first phase of the National Recovery Plan (NRP), and assumptions on the gradual transitions to the second, third and fourth phases for each state based on the pace of vaccination rollouts, and healthcare system capacities. Against this backdrop, the Malaysian economy is projected to expand between 3.0% and 4.0% in 2021.

(Source: Media release of the Bank Negara Malaysia on 13 August 2021)

Singapore's GDP growth forecast for 2021 is 6.0 to 7.0 per cent. Domestically, the performance of the Singapore economy in the first half of 2021 was stronger than expected. The COVID-19 situation has also stabilised, with vaccination programme continuing to make good progress. Barring a major setback in the global economy, the Singapore economy is expected to continue to see a gradual recovery in the second half of the year, supported in large part by outward oriented sectors. The progressive easing of domestic and border restrictions as Singapore's vaccination rates continue to rise will also help to support the recovery of Singapore's consumer-facing sectors and alleviate labour shortages in sectors that are reliant on migrant workers.

The recovery of the various sectors of the economy over the course of the year is expected to remain uneven. The construction and marine & offshore engineering sectors are projected to see some recovery from the low base last year. However, labour shortages arising from prevailing border restrictions on the entry of migrant workers, especially from South Asia, are likely to continue to weigh on the recovery of activities at worksites and shipyards. While border restrictions may be eased towards the later part of the year, thus alleviating labour shortages, the output of these sectors is expected to remain substantially below pre-COVID levels even at the end of the year.

(Source: Media release of The Ministry of Trade and Industry of Singapore on 11 August 2021)

Order book replenishment opportunities in year 2020 and YTD 2021 were substantially reduced due to the postponements in the award of some Singapore public sector projects, and developers delayed or cancelled their planned roll out of new projects amidst a weak market sentiment. This is expected to result in the temporary downward trend of the Group's revenue.

The Malaysia Government imposed multiple stages of MCO, resulted in our business operations operated at substantially lower capacity, as detailed in Note A5 and Note A12.

As the COVID-19 pandemic continues to evolve with new variants being discovered, it is challenging to predict when the pandemic will come to an end and the full extent of its impact on the economy in general, and to the operations and business of the Group. The Group will continue to monitor the

development of the COVID-19 pandemic in Malaysia and Singapore and will continue to take necessary measures including strict compliance with the guidelines from the health authorities, active monitoring of the cash flow requirements of the Group and timely procurement of additional banking facilities, where necessary, to mitigate the impact of COVID-19 pandemic to the Group's business and financial condition.

As at 30 June 2021, the estimated construction and manufacturing balance order book of approximately RM0.80 billion and RM0.30 billion respectively, from a diversified clientele, will contribute to the Group's revenue for about 2 years.

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) Pan Borneo Highway ("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 2022;
- (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 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 S\$15.39 million. The estimated completion period of the project is year 2022.

The Group will continue to bid actively for projects and sales orders in order to replenish the Group's order book and contribute positively to the Group's result in 2021 and beyond. The Group's track record in the industries that it operates in, and extensive experience in our business, coupled with the support from bankers, are good supporting factors for the Group to bid for and execute future projects. In addition, the Group has obtained additional certification from CIDB in late 2020 on its qualification to construct hospitals which will expand the range of construction projects which the Group can bid for.

The Group expects some tender opportunities from the following public sector projects in 2021:

- (i) Phase 2 of Pan Borneo Highway Sarawak;
- (ii) Autonomous Rapid Transit (ART) Sarawak;
- (iii) Johor-Singapore Rapid Transit System;
- (iv) Iskandar Malaysia Bus Rapid Transit;
- (v) Central Spine Road;

- (vi) Some hospitals projects; and
- (vii) Affordable housing projects

Further, the Group's construction arm will undertake construction works for in-house property developments projects as detailed in the ensuing section of this report. Meanwhile, the Group will be selective and remain cautious in the bidding of other private sector projects, to mitigate credit risks.

Singapore Construction Sector

The Building and Construction Authority of Singapore ("BCA") projects the total construction demand in 2021 (i.e. the value of construction contracts to be awarded) to range between S\$23 billion and S\$28 billion. This is an improvement from the S\$21.3 billion (preliminary estimate) in 2020 during the ongoing COVID-19 pandemic.

The public sector is expected to drive the construction demand in 2021, to between S\$15 billion and S\$18 billion with an anticipated stronger demand for public housing and infrastructure projects. Some of the upcoming major public sector projects scheduled to be awarded this year include various contracts under the Jurong Region MRT Line, the Cross Island MRT Line Phase 1 and the Deep Tunnel Sewerage System Phase 2.

Private sector construction demand is projected to be between S\$8 billion and S\$10 billion in 2021. BCA projects the bulk of private sector construction demand in 2021 to comprise development of the remaining en-bloc residential sites, major retrofitting of commercial developments as well as construction of high-specification industrial buildings to meet business needs.

BCA expects a steady improvement in construction demand over the medium term. It is projected to reach between S\$25 billion and S\$32 billion per year from 2022 to 2025.

Our subsidiary SPC Industries Sdn Bhd ("SPC") has very strong track record in the supply of precast components including TLS, concrete rail sleepers and jacking pipes to large public sector infrastructure projects in Singapore including Singapore MRT projects, Deep Tunnel Sewerage System Phase 2 and Singapore Power's underground cable tunnel.

Further, SPC has been a frequent supplier of 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 MRT and sewerage projects.

Property Development Division

The Group plans to launch the following 2 property development projects in the second half of 2021:

- (i) 16 units of bungalows under phase 2 of the Bukit Bayu Project, with estimated gross development value ("GDV") of approximately RM37 million; and
- (ii) 60 units of semi-detached houses in Bandar Seri Alam, Johor, with estimated GDV of approximately RM61 million.

The Group will continue to follow up closely on the conclusion of the sale of its remaining completed bungalows under phase 1 of the Bukit Bayu Project.

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 30.6.2021 RM'000	Cumulative Quarter 6 months ended 30.6.2021 RM'000
(a) interest income	206	390
(b) other income including investment Income	752	2,561
(c) interest expense	3,745	7,244
(d) depreciation and amortization	11,228	22,427
(e) provision for and write off of receivables	228	228
(f) provision for and write off of inventories	76	76
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(735)	(1,397)
(h) impairment of assets	0	0
(i) foreign exchange (gain) or loss	(23)	(765)
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 30.6.2021 RM'000	Cumulative Quarter 6 months ended 30.6.2021 RM'000
In respect of the current period		
- Income tax	1,860	5,659
- Deferred tax	(959)	(1,460)
	<u>901</u>	<u>4,199</u>
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-
	<u>901</u>	<u>4,199</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 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 for a total cash consideration of RM21,829,301.

The acquisition has yet to be completed.

- (b) On 10 October 2017, the Company's subsidiary, Bayu Damai Sdn Bhd entered into a sale and purchase agreement with Amanahraya Development Sdn Bhd to purchase 9 pieces of freehold agriculture lands all in the Mukim of Petaling, District of Kuala Lumpur, State of Federal Territory of Kuala Lumpur, with a total land areas of 43.46 acres for a total cash consideration of RM95,000,000.

The acquisition has yet to be completed.

- (c) On 4 January 2021, the Company's subsidiary, Kii Melodia Sdn Bhd entered into a sale and purchase agreement with Seri Alam Properties Sdn Bhd to purchase two plots of freehold commercial land in the Mukim of Plentong, District of Johor Bahru, Johor, for a total cash consideration of RM40,500,000.

The acquisition was completed on 10 August 2021.

- (d) At the Annual General Meeting held on 18 June 2021 ("12th AGM"), the shareholders approved the declaration of a final single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2020 ("FYE 2020 Final Dividend"). The FYE 2020 Final Dividend was paid on 6 August 2021.

B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2020	As at 30.6.2021 RM'000	As at 30.6.2020 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 4.06%	14,431	33,206
Term loans	4.30% to 5.45%	88,495	125,859
		<u>102,926</u>	<u>159,065</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	3.89% to 7.51%	5,681	38,745
Hire purchase creditors	1.68% to 4.06%	20,553	22,498
Bankers' acceptance	2.52% to 3.69%	51,853	47,022
Invoices financing	1.67% to 4.93%	167,885	90,644
Term loans and revolving credits	3.29% to 5.45%	30,320	29,321
		<u>276,292</u>	<u>228,230</u>

The borrowings are denominated in the following currencies

	As at 30.6.2021 RM'000	As at 30.6.2020 RM'000
Long term borrowings		
Ringgit Malaysia	<u>102,926</u>	<u>159,065</u>
Short term borrowings		
Ringgit Malaysia	274,201	228,230
Singapore Dollar	2,091	-
	<u>276,292</u>	<u>228,230</u>

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 2020 Final Dividend was approved by the Shareholders at the 12th 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 June 2021.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 3.3 sen per share in respect of the financial year ended 31 December 2019.

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

	Current Quarter Ended		Year to-Date Ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit/(loss) attributable to owners of the Company (RM'000)	2,375	(9,739)	11,497	(3,144)
Weighted average number of ordinary shares in issue ('000)	353,358	339,801	353,358	339,801
Assumed shares issued from the exercise of warrants ('000)	0	0	0	0
Adjusted weighted average number of ordinary shares in issue ('000)	353,358	339,801	353,358	339,801
Basic earnings/(loss) per share (Sen)	0.67	(2.87)	3.25	(0.93)
Diluted earnings/(loss) per share (Sen)	0.67	(2.87)	3.25	(0.93)

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.